

TAKARA STANDARD CO., LTD.

Six Months Ended September 30, 2022

Financial Results

November 1, 2022

Stock Code
7981



TAKARA STANDARD CO., LTD.
celebrated the 110th anniversary
on May 30, 2022

1. Overview of Financial Result
for the Six Months Ended September 30, 2022

PP. 1 - 11

2. Topics

PP. 12 - 22

Net sales reached a record high, both new construction and remodeling sales were strong
Both net sales and profits exceeded earnings forecasts

【Net Sales】 ¥110.0 billion Up 8.4% YoY +5.2% from forecast

Net sales reached a record high as those for both new construction and remodeling were strong, thanks in part to the effect of strengthened sales forces, especially in major metropolitan areas.

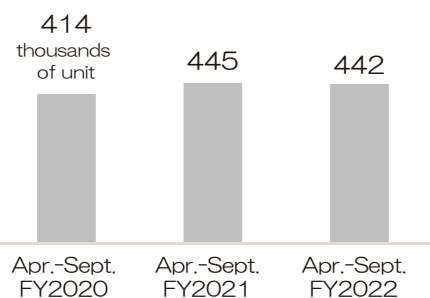
【Operating profit】 ¥6.0 billion Down 21.1% YoY +6.8% from forecast

【Profit attributable to owners of parent】 ¥4.1 billion Down 23.5% YoY +9.2% from forecast

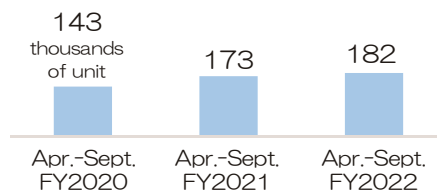
Although profits decreased due to soaring material prices and energy prices, they surpassed the forecasts due to growth of the remodeling business, which has a relatively high profit margin, and the effect of cost-control measures.

Industry Trends

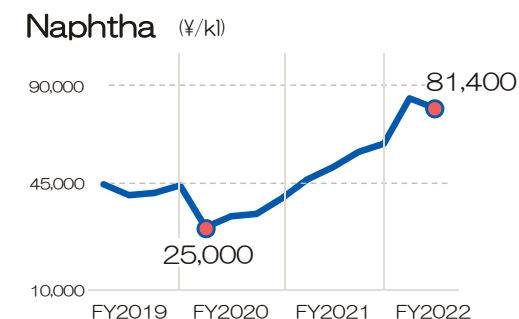
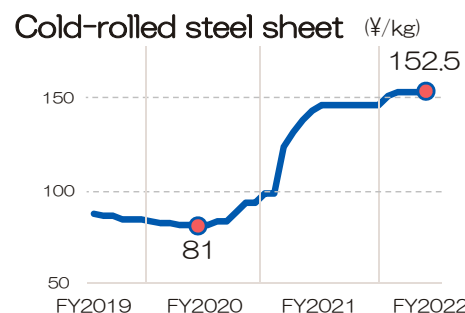
New Housing Starts (MLIT)



Kitchen shipments in the remodeling market (JAPAN ASSOCIATION OF KITCHEN & BATH)



Market conditions of main materials



Operating Results

Takara standard

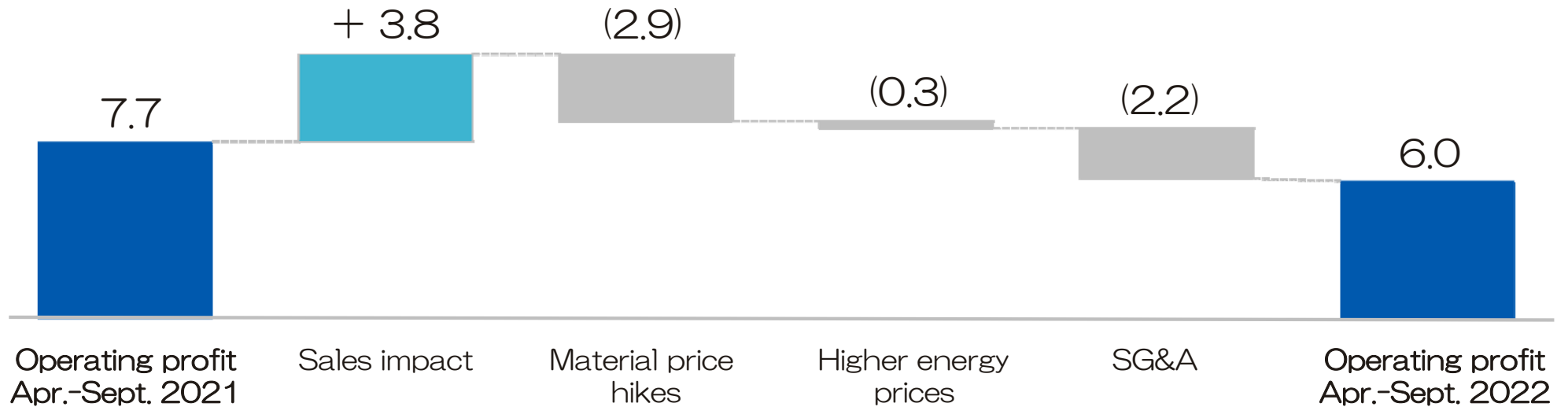
(Unit : ¥ billion)

	Apr.-Sept. 2021		Apr.-Sept. 2022				Forecasts for Apr.-Sept. 2022	
	Amount	% of sales	Amount	% of sales	Change	% change	Amount	Change from forecast
Net sales	101.6	100.0%	110.0	100.0%	+8.4	+8.4%	104.7	+5.2%
Gross profit	37.1	36.6%	37.7	34.3%	+0.5	+1.5%	-	-
SG&A	29.4	29.0%	31.6	28.8%	+2.2	+7.5%	-	-
Operating profit	7.7	7.6%	6.0	5.5%	(1.6)	(21.1)%	5.7	+6.8%
Ordinary profit	7.9	7.9%	6.3	5.8%	(1.5)	(19.9)%	5.9	+8.3%
Profit attributable to owners of parent	5.4	5.3%	4.1	3.8%	(1.2)	(23.5)%	3.8	+9.2%

Analysis of Change in Operating Profit

Takara standard

(Unit : ¥ billion)

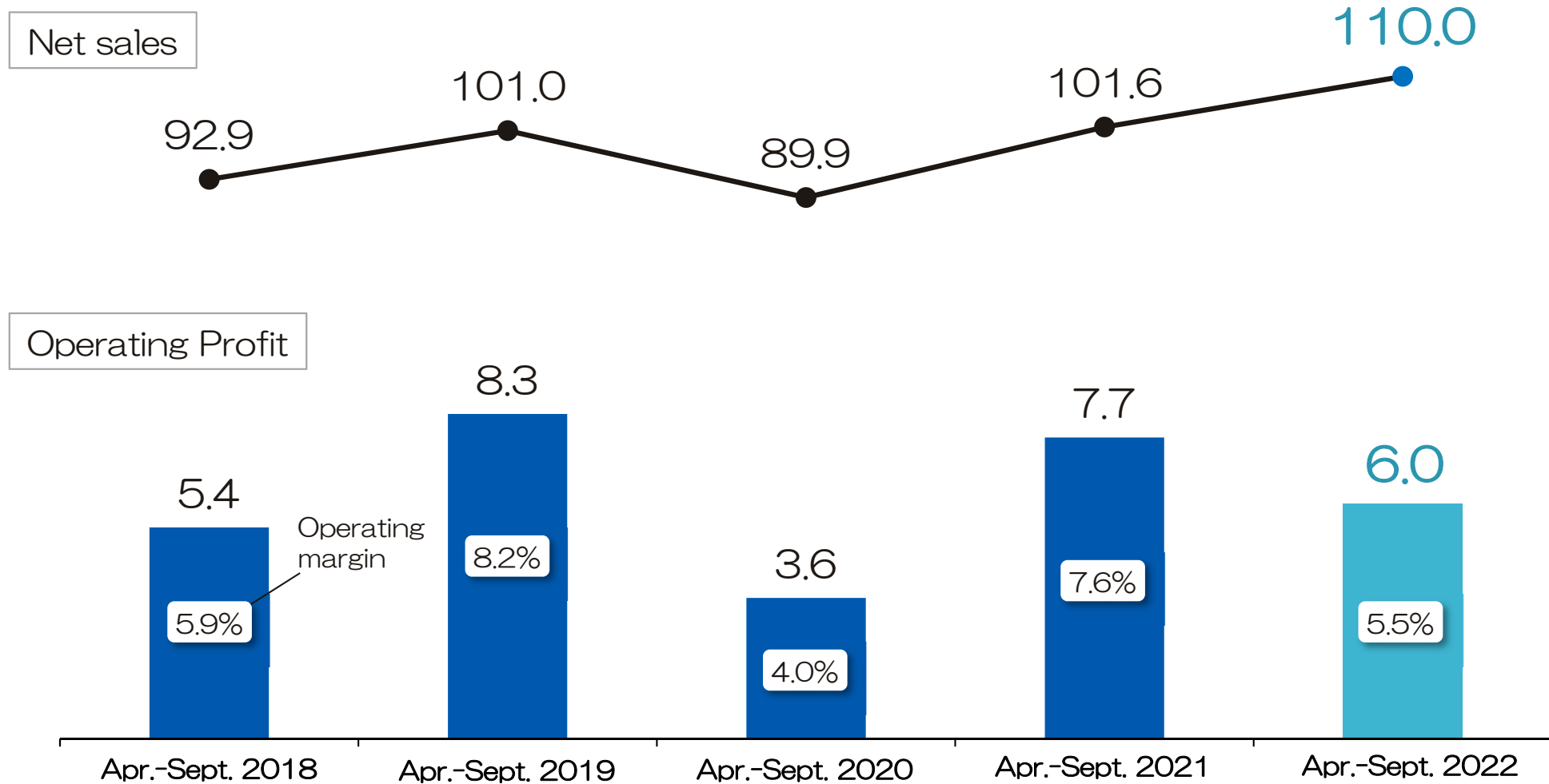


Sales impact	Sales for remodeling, which has a relatively high profit margin, were strong, and sales of the mid-to high-end series products particularly expanded. Sales for newly built houses were also strong.
Material price hikes	Market prices of major materials, such as steel sheets, stainless steel, and resin materials, continued to soar, boosting costs significantly.
Higher energy prices	Costs increased due to higher prices for gas and electricity used in the manufacturing process and at the business sites.
SG&A	Although distribution and other costs increased in line with sales growth, cost-control efforts led to a decline in the SG&A-to-sales ratio (prior year 29.0% → current year 28.8%).

Net Sales and Operating Profit Trends

Takara standard

(Unit : ¥ billion)



* The Company has applied the “Accounting Standard for Revenue Recognition” and related standards from FY2021, and the figures for Apr.-Sept. 2020 were retroactively restated, but the figures for Apr.-Sept. 2019 and earlier were not retroactively restated.

Net Sales by Product Category

Takara standard

The main three segments kept performing well. Sales in the Kitchen and Washstand segments increased YoY, centering on mid- to high-end series products. In the Bathroom segment, in addition to sales expansion of the mid-range series, shipments of system baths for newly built condominiums also increased.

(Unit : ¥ billion)

	Apr.-Sept. 2021		Apr.-Sept. 2022				% change in number of units	
	Amount	% of total	Amount	% of total	Change	% change	TAKARA STANDARD	JAPAN ASSOCIATION OF KITCHEN & BATH (*)
Kitchen	61.0	60.1%	65.8	59.8%	+4.7	+7.8%	+5.4%	+3.5%
Bathroom	23.7	23.4%	26.2	23.8%	+2.4	+10.3%	+10.0%	+1.9%
Washstand	11.1	11.0%	12.3	11.2%	+1.2	+10.9%	+5.1%	(1.0)%
Total incl. others	101.6	100.0%	110.0	100.0%	+8.4	+8.4%		

*Figures for the JAPAN ASSOCIATION OF KITCHEN & BATH are YoY percentage changes in the total numbers of system kitchens, system baths, and washstands.

[Sales within total]

Panel-related sales	2.8	2.8%	3.1	2.9%	+0.3	+10.6%
Overseas business sales	0.5	0.5%	0.6	0.6%	+0.1	+26.4%

Net Sales by Market

Takara standard

Both sales for newly built houses and remodeling were strong, with those for newly built houses up 9.1% YoY due to sales expansion for detached houses, and remodeling sales up 7.4% YoY due to sales growth mainly in urban areas.

(Unit : ¥ billion)

	Apr.-Sept. 2021		Apr.-Sept. 2022			
	Amount	% of total	Amount	% of total	Change	% change
Newly built houses	61.1	60.2%	66.7	60.6%	+5.5	+9.1%
Remodeling	35.4	34.9%	38.1	34.6%	+2.6	+7.4%
Total incl. others	101.6	100.0%	110.0	100.0%	+8.4	+8.4%

Consolidated Balance Sheet

Takara standard

Total assets at the end of September 2022 were ¥278.1 billion, an increase of ¥1.3 billion from the end of the previous fiscal year.

(Unit : ¥ billion)

		End-Mar. 2022	End-Sept. 2022	Change	Main Factors
Assets	Current assets	170.4	171.6	+1.1	Cash and deposits (9.5) Trade receivables +5.8 Inventories +3.7
	Noncurrent assets	106.3	106.5	+0.1	
Total assets		276.8	278.1	+1.3	
Liabilities	Current liabilities	73.5	75.7	+2.1	Trade payables +5.0 Short-term borrowings (1.6)
	Noncurrent liabilities	21.8	21.6	(0.1)	
Total liabilities		95.4	97.4	+1.9	
Total net assets		181.4	180.7	(0.6)	Retained earnings +1.7 Treasury shares (2.8)
Total liabilities and net assets		276.8	278.1	+1.3	

Consolidated Cash Flows

Takara standard

Cash and cash equivalents decreased ¥9.5 billion from the beginning of the period to ¥79.0 billion due to the purchase of property, plant and equipment, purchase of treasury shares, and dividends paid.

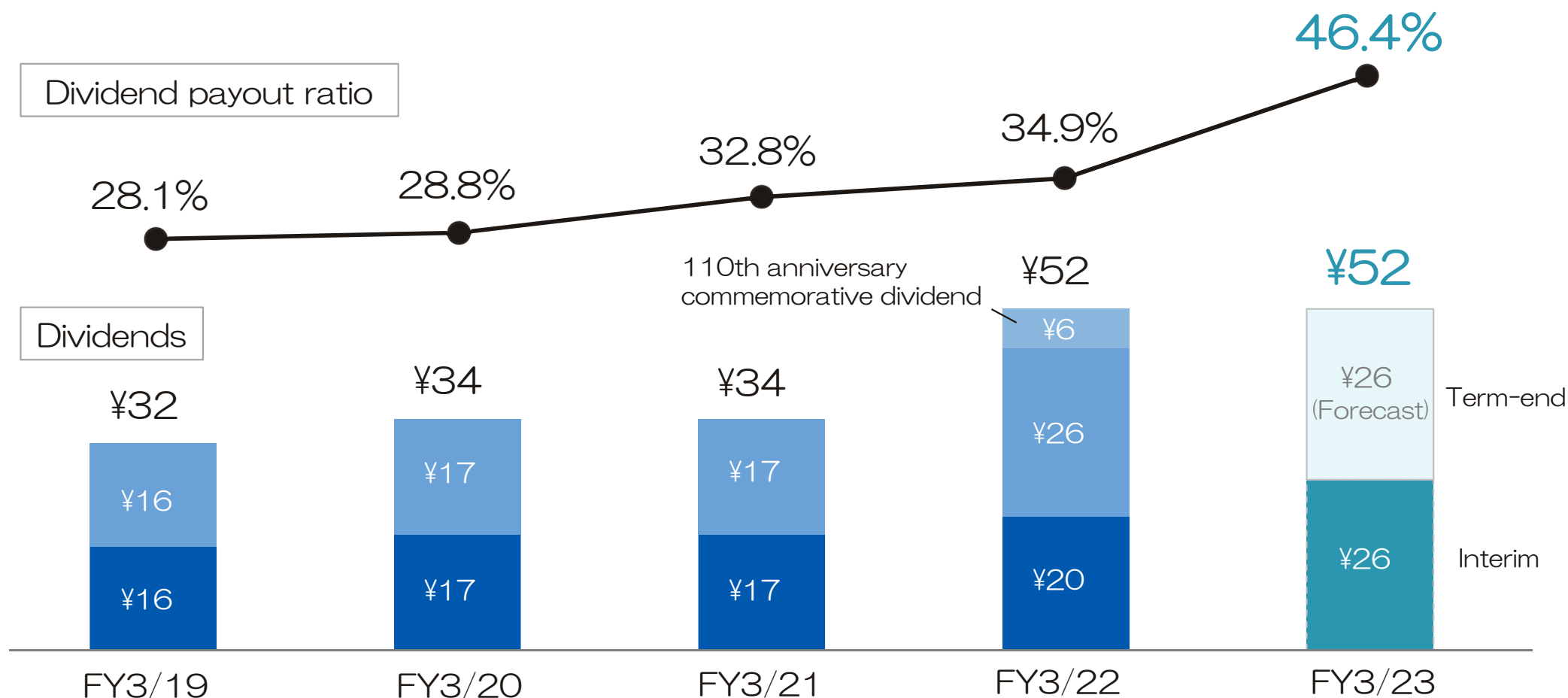
(Unit : ¥ billion)

	Apr.-Sept. 2021	Apr.-Sept. 2022	Main Items
Cash and cash equivalents at beginning of period	74.7	88.6	
Cash flows from operating activities	7.7	0.7	Profit before income taxes 6.0 Increase in trade receivables, inventories and trade payables (4.2) Income taxes paid (2.4)
Cash flows from investing activities	(2.7)	(3.4)	Purchase of property, plant and equipment (4.0) Proceeds from sale of property, plant and equipment 0.7
Free cash flows	4.9	(2.7)	
Cash flows from financing activities	(1.2)	(6.8)	Purchase of treasury shares (2.8) Dividends paid (2.3)
Cash and cash equivalents at end of period	78.4	79.0	

Dividends

The Company plans to pay an interim dividend of ¥26 per share and a year-end dividend of ¥26 per share for the fiscal year ending March 31, 2023, for total annual dividends of ¥52 per share (Dividend payout ratio : 46.4%).

The Company purchased ¥2.8 billion in its treasury shares in the second quarter of the current fiscal year (Total return ratio : 80.0%).



Earnings Forecasts for FY Ending March 2023

Takara standard

Although the first-half results of the fiscal year exceeded the initial forecasts, the current business environment remains uncertain due to the soaring material and energy prices, etc. Therefore, the full-year forecasts remain unchanged as announced at the beginning of the year.

(Unit : ¥ billion)

	FY3/2022 Results	FY3/2023 Forecasts	Change	
				% change
Net sales	211.5	217.6	+6.0	+2.8%
Operating profit	14.4	12.3	(2.1)	(14.8)%
Operating margin	6.8%	5.7%	(1.1 ppt)	-
Ordinary profit	14.8	12.7	(2.1)	(14.5)%
Profit attributable to owners of parent	10.9	8.2	(2.7)	(24.8)%

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System Bathroom “GRANSPA” Launched

Takara standard

The mid- to high-end series System Bathroom “GRANSPA” was launched on August 29, 2022. It offers a wide selection of designs, materials, and optional features.



Series Concept

“Make every day a little more special. A home spa for the whole family.”

In response to diversifying needs of customers, we offer a wide range of options for functional products, including bathtubs, washing areas, and color ceilings. You can customize your ideal bathroom space to suit your lifestyle.



Comfortable bathing time
with relaxing function
“Shoulder Wrapping Bath”



Cleaning the bathtub with
the flick of a switch
“Auto Wash”

Strengthening Product Capabilities

Takara standard

Using our unique inkjet printing technology on enamel, we have developed an unprecedented matte finish door pattern. In addition, a wide range of products, including large-sized marble patterns with a glossy finish, are available to create a luxurious atmosphere.

Enameled System Kitchen “LEMURE”



“GRAYISH GREEN”



“WHITE PORCELAIN”

Enameled Washstand “ELEENA”



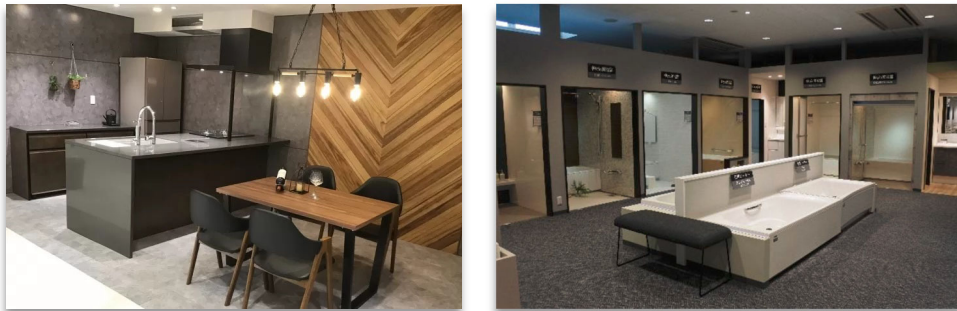
“MARQUINA BLACK”



“CONCRETE DARK”

The industry's only base specializing in condominium remodeling

Tokyo MRe. Sumida Showroom



As a major base for condominium remodeling in the Tokyo metropolitan area, the office was completely renewed with the presentation of construction case studies.

The second floor of the showroom features a new training facility for customers to learn how to conduct site inspections before remodeling and to acquire knowledge about the installation process.



Left : Easy-to-see reproduction of bathroom structure

Right : Example of kitchen construction presupposing existence of beams

Engineer training base to increase construction ability

Yokohama Training Base



To meet expected further growth in demand for remodeling, a new engineer training center has been established to strengthen and secure construction ability.



The training includes hands-on experience in product assembly and other on-site processing, as well as on-site installation checks prior to the installation of products.

Extensive web content.

Virtual Showroom with 360° View



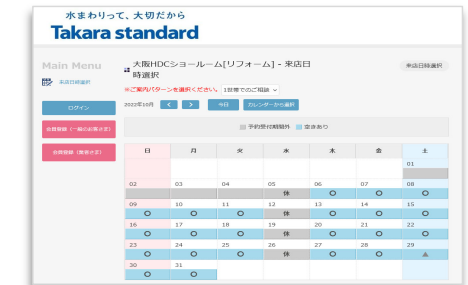
Showroom Exhibit Information



Color Simulation with VR function



Web Reservation System

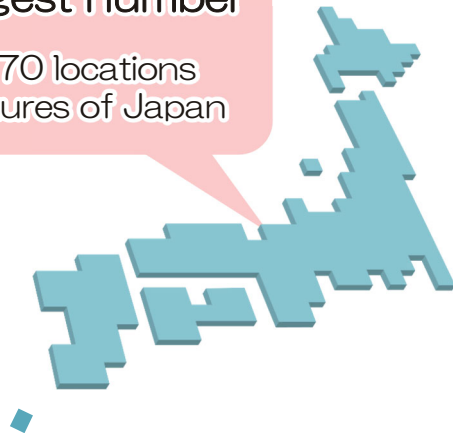


Promoting visits to showrooms through use of Web

Develop community-based showrooms where customers can “see, touch, and feel” products.

Industry's largest number

Approximately 170 locations in all 47 prefectures of Japan



Renovation examples in the current year



Fukuyama Showroom, Hiroshima
(September 2022)



Ota Showroom, Gunma
(September 2022)

Our high-grade enamel products have earned a good reputation in Asia's hot and humid climate, and sales are steadily increasing. We will continue to further strengthen our efforts overseas with the aim of expanding sales even further.

Initiatives

- Develop sales offices and supply chain
- Develop products for overseas markets
- Strengthen efforts for large-scale properties such as condominiums

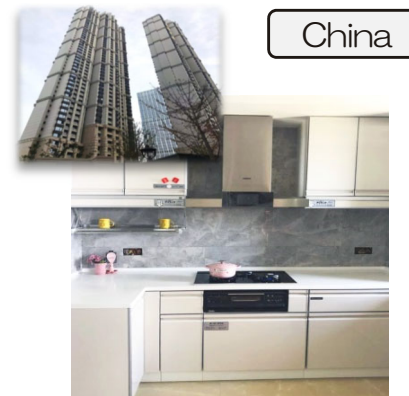
Aim for ¥10-billion level of overseas sales within 10 years



Promotes expansion of distributor network in each country

Case Studies

Provide large properties such as condominiums and rental houses with enamel kitchens and system baths with enamel bathroom panels



Joined local exhibitions to increase recognition overseas



“VIETBUILD,”
one of the largest architectural
exhibitions in Vietnam



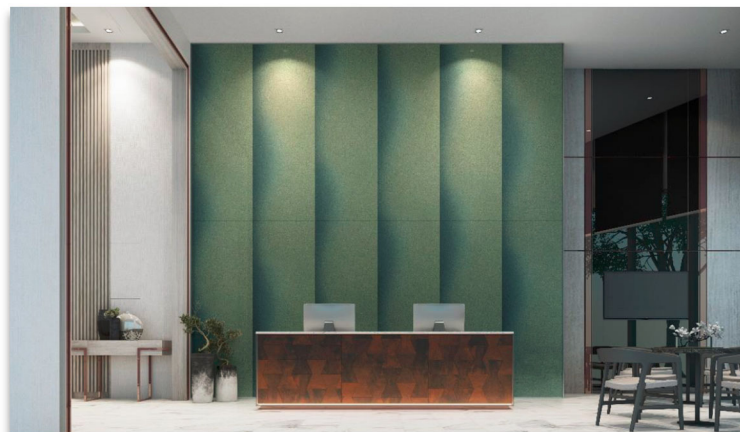
“TAIPEI BUILDING SHOW,”
a large-scale exhibition in Taiwan

Released "Emawall Interior Type," an interior material ideal for public spaces such as offices and commercial facilities, adding antibacterial and antiviral specifications.



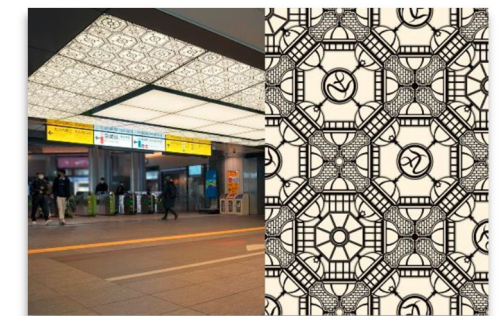
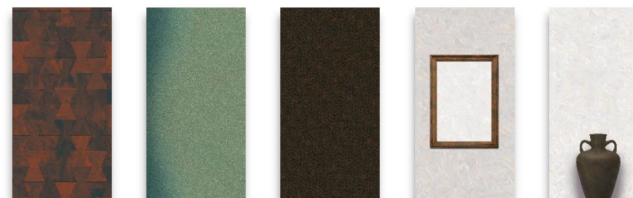
Added antibacterial and antiviral products to our product lineup in response to growing demand for those products in public spaces, where many people gather, since the spread of the new coronavirus infection.

The Company has launched new patterns designed by Mr. Jun Kondo (CYALAXY CO., LTD.), a graphic designer who created the light ceiling pattern for Tokyo Station.



designed by **CYALAXY**

Released five types of luxurious patterns, including one in which the gradation expressing light and shadow gives a sense of profundity.



(Graphic design of the light ceiling pattern, "History and Dignity," on the Marunouchi side of Tokyo Station North Passage, designed by Mr. Kondo)

Through ESG initiatives, we aim to enhance corporate value over the medium to long term

E (Environment)

- Our proprietary “high-grade enamel” is a sustainable material.
- Establishment of Takara Environmental Policy
- CO2 emission reduction target for FY2030 [Reduction of 30% from FY2020 level]
- Endorsement of “White Logistics” to reduce CO2 emissions
- Protect the environment by reducing packaging resources and waste
- Solar power equipment installed at the Company building to conserve the environment and energy

S (Social)

- Create an environment where women can play an active role through various childcare support
- Promote “health management” to enable employees to work in good health and wellness
- Promote flexible work styles that are not restricted by location or time
- Donations to children’s cafeterias (contributing to society through food support)
- Sponsorship of “Kokoro no Gekijo” (Theater of the Heart) to nurture children’s thoughts and feelings
- Sponsor the Fulbright Scholarship Program
- Aim to contribute to society by supporting artists with “Enamel x Art Project”

G (Governance)

- Strengthen the governance system that leads to sound corporate management as a company listed on the TSE Prime Market
- Conduct constructive dialogue with a wide range of stakeholders through IR activities

Present what we see as the SDGs on our website.



Projects to Commemorate the 110th Anniversary of Founding (1) **Takara standard**

On May 30, 2022, we celebrated the 110th anniversary of our founding.
Here are some of the various initiatives we have undertaken to commemorate our 110th anniversary.

110th anniversary logo established



Designed by Mr. Tamotsu Shimada, an art director/graphic designer who invented the official logo for Expo 2025 Osaka, Kansai, Japan

Showroom advisors' uniforms renewed



Designed by Ms. Tomoe Shinohara, a designer/artist, based on the concept of "water flows"

Commemorative video narrated by Ms. Tao Tsuchiya published on the website



Special and ideal water supply-related topics of the image characters and employees published on the website



Donate Emawall to the Tsutenkaku Tower, which also celebrated the 110th anniversary since its construction



Videos of "Yoshimoto's Sumimasu Geinin (resident comedians)" visiting our showrooms



Projects to Commemorate the 110th Anniversary of Founding (2) **Takara standard**

The entrance to the head office is redesigned as “Enamel Art Square”.

The space has been transformed into a place where visitors can experience the further possibilities of our unique “high-grade enamel” by using the “Emawall” enamel interior and exterior material for various applications.



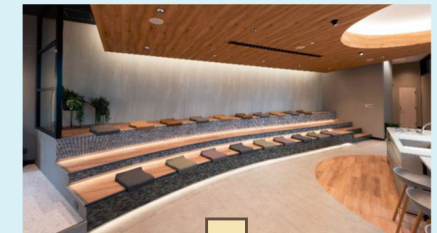
Chronological table that allows magnets to be attached to and removed from, using the characteristics of enamel



The world's first enamel kitchen unit “Model E” on display

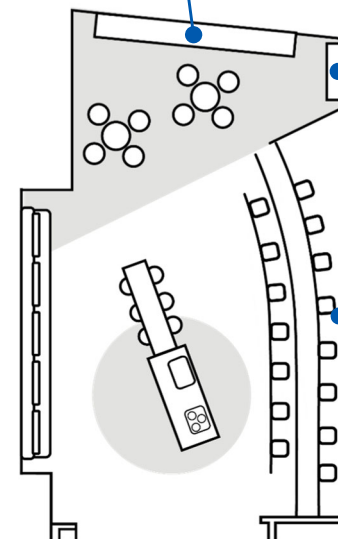


Enameled stair bench with projection mapping function



“Enamel x Art Project” works on display

The “Enamel x Art Project” aims to further increase awareness of “enamel” and its potential and to contribute to society by supporting artists. The first phase of the “Enamel x Art Project,” collaborative works with Mr. Satoshi Kawata, a contemporary artist and muralist, were exhibited for a limited time.



Schematic diagram of Enamel Art Square

TV Commercials

Our new commercials featuring Ms. Tao Tsuchiya as a CM character are aired nationwide.

The concept of the new commercials is **“Family members become closer.”**

Ms. Tao Tsuchiya, who has been working as our showroom advisor for four years, is dressed in a new uniform renewed on the occasion of the Company’s 110th anniversary to meet guests.

This time, Ms. Tsuchiya welcomes the married couple of Ms. Akira Hokuto and Mr. Kensuke Sasaki. In the commercial, both Ms. Hokuto and Mr. Sasaki talk about their feelings toward their family members.

Please focus your attention to the friendly relationship between Ms. Hokuto and Mr. Sasaki and their overflowing smiles, Ms. Tsuchiya’s smiling face as she talks with them, and her gentle gaze as she listens happily to the couple’s conversation.



*The CM clip is also available on our website (<https://www.takara-standard.co.jp/>).

< IR Contact >

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Takara standard

This document contains projections based on the Company's plans as of November 1, 2022. These plans and projections are subject to risks and uncertainties that could cause actual results to differ from the plans.