



President Nobuo Takaoka

## Takasho Corporation (7590)



### Company Information

Exchange	TSE 1st Section
Industry	Retail (Commerce)
President	Nobuo Takaoka
HQ Address	Minami Akasaka 20-1, Kainan-shi, Wakayama-ken
Year-end	January 20
Homepage	<a href="http://takasho.co.jp/">http://takasho.co.jp/</a>

### - Stock Information -

Share Price	Share Outstanding (exc. Treasury Stock)	Market Cap.	ROE (Act.)	Trading Unit	
¥432	14,578,329 shares	¥6,298 million	4.2%	100 shares	
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Act.)	PBR (Act.)
¥10.00	2.3%	¥25.52	16.9 x	¥582.84	0.7 x

\*Stock price as of closing on March 15, 2019. Number of shares issued at the end of the most recent quarter excluding treasury shares.

\*ROE and BPS are results at FY January 2019. EPS is a forecast as FY January 2020. All the numbers are rounded off.

### Consolidated Earnings Trends

Fiscal Year	Sales	Operating Profit	Current Profit	Net Profit	EPS (¥)	DPS (¥)
January 2010	12,756	580	584	296	35.00	14.00
January 2011	13,019	687	657	339	40.34	14.00
January 2012	14,969	708	690	315	37.86	14.00
January 2013	16,751	881	956	422	43.80	15.00
January 2014	18,069	1,006	973	508	43.04	19.00
January 2015	18,484	603	679	323	26.31	17.00
January 2016	17,853	722	597	240	19.63	17.00
January 2017	17,223	503	322	152	12.39	6.00
January 2018	17,489	607	571	228	18.59	10.00
January 2019	17,759	514	333	338	25.04	10.00
January 2020 Est.	18,634	648	542	372	25.52	10.00

\*Estimates are those of the Company.

\*Unit: million yen

We present this Bridge Report along with the earnings results for the fiscal year January 2019, earnings forecasts for fiscal year January 2020 and so on.

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## Key Points

- In the fiscal year January 2019, sales increased 1.5% year on year and current profit decreased 41.7% year on year. In the professional use segment in Japan, sales of large exterior products, etc. were strong. Overseas, sales increased due to the opening of new accounts with large hardware stores and the introduction of standard products with the development of the VegTrug brand products. In terms of profits, operating profit decreased 15.4% year on year due to the effects of foreign exchange, hiring personnel, soaring fares, and expenses incurred by the liquidation of Takasho Europe GmbH. Outside the operating profit, foreign exchange losses were recorded. Net profit attributable to owners of parent company increased 48.3% year on year due to the decrease in corporate tax.
- In the fiscal year January 2020, the Company estimates an increase in sales by 4.9% year on year and current profit by 62.5% year on year. Overseas, the Company aims to expand sales especially in Europe, where its sales network was reconstructed. In terms of profits, in order to improve business efficiency and strengthen productivity, it is intending to reduce costs by promoting the operation of AI/AI-OCR and RPA. A dividend of 10 yen per share is expected to be paid at the end of the term. The medium-term plan includes the target by the fiscal year January 2025.
- The Company is developing and strengthening production and sales systems globally. For production, its Chinese plant is getting on track in full swing. In terms of sales, we would like to pay attention to the trend in Europe where the Company restructured the sales network. The medium-term plan sets new goals for the fiscal year January 2025. If the goals of this plan are achieved, EPS is expected to be more than 30 yen in the fiscal year January 2021, more than 40 yen in the fiscal year January 2022, and more than 80 yen in the fiscal year January 2025. PBR is way under 1.0 point. Considering the room for future profit improvement in Japan and overseas, and the profit level of the medium-term business plan, the room for reviewing the stock price is large.

## 1. Company Overview

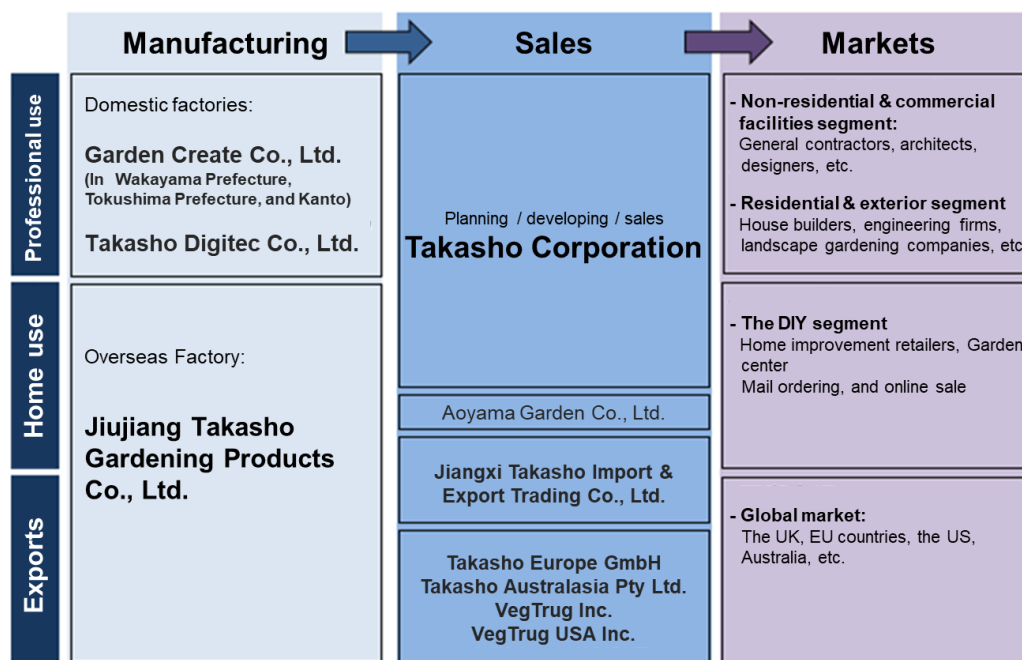
Takasho Corporation maintains a basic business concept of contributing to the “Creation of comfortable spaces” and manufactures and sells artificial and natural wooden fences, garden furniture, greenery materials, and other gardening related products and materials.

In the aftermath of the Second World War, Takasho changed its business style from sales of gardening materials to a gardening business, and then to a comprehensive lifestyle business, growing as a lifestyle maker that proposes better lifestyles with gardens. Its vision is to create mental and physical health and happy family lifestyles that bring smiles to the people Takasho always forecasts future changes to accurately create new value that matches the market’s needs, and pursues its goal of becoming the “only global company” contributing broadly to gardening culture in urban environments. Its mission is “to be a company that provides better lifestyles globally through gardens.” The Takasho Group manufactures products in Japan and China for sale in Japan, Europe, Asia, and Oceania. The Group’s integrated structure with the ability to plan, manufacture and sell products has allowed it to become the leading company within the “gardening market,” which is growing to become a firmly established market in Japan. Takasho maintains 7 domestic and 13 overseas subsidiaries. The Company listed its shares on the JASDAQ market in September 1980, and moved its shares to the Second Section of the Tokyo Stock Exchange on October 19, 2017 and transferred its shares to the First Section of the Tokyo Exchange on July 20, 2018..

**Company Overview**

Date of establishment	August 1980
Listing date	September 1998 (JASDAQ) October 2017 Second Section market of the Tokyo Stock Exchange July 2018 First Section market of the Tokyo Stock Exchange
Capital	¥1,820.86 million yen
Domestic bases	6 branches, 10 sales offices
Domestic subsidiaries	7 subsidiaries
Oversea facilities	6 facilities (Australia, Germany, China, Korea and Vietnam)
Overseas subsidiaries	13 subsidiaries (UK, US, Germany, Australia, China and India)
Number of employees	760 employees (consolidated)

**System Diagram of the Group Business**

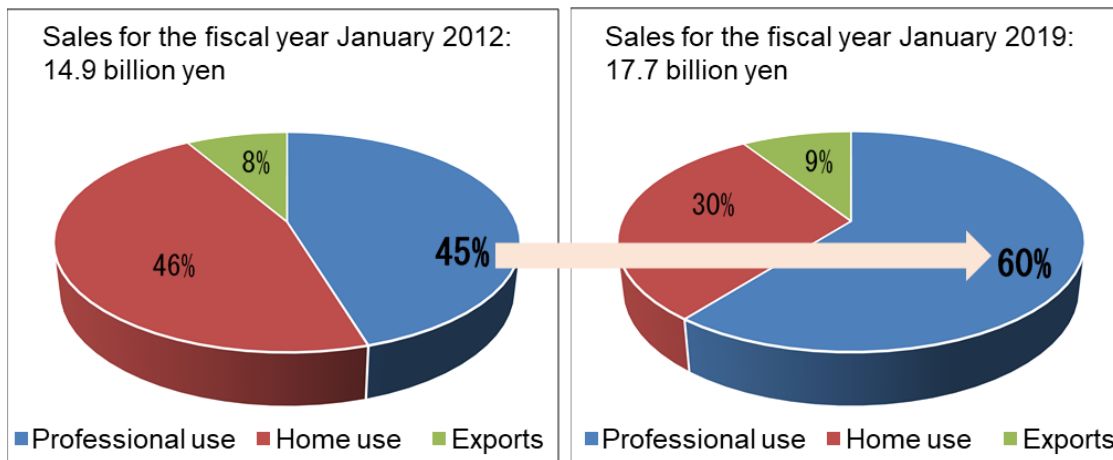


(Taken from the material of the company)

**<Sales Routes>**

Takasho’s business unit can be divided into three sales routes of “professional use” products used by home builders and mid-sized construction companies, “home use” products sold to home improvement centers on a wholesale basis for use by general consumers and “exports.” Each of these routes accounted for 60%, 30% and 9% of sales, respectively in fiscal year January 2019. Amidst the steady increase in sales, the professional use segment has also seen growth in the past few years.

**Sales Ratio by Segment**



(Taken from the material of the company)

“Professional use” products are products sold primarily through Takasho’s “PROEX” catalog, which is the industry’s largest catalog with approximately 250,000 copies printed and distributed by direct mail to gardening and landscaping companies, architects and designers, construction companies specializing in exterior construction, commercial facilities and other users. Pictures of actual gardens using Takasho’s products are included in the catalogs, and customers can fill in diagrams provided within the catalogs to order products they want to use in actual landscapes and facilities they are creating. Customers send these diagrams by fax or email to Takasho. In turn, Takasho will then create image diagrams using CAD and CG technologies to be returned to customers along with estimates within the same day to show what the gardens and landscapes they are creating look like using Takasho products and how much they will cost. The Company also boasts of the ability to supply ordered products in a very short period of time.

**2. Business Strategy**

**2-1 Professional use business**

In its collaborative endeavors with house builders, Takasho’s “Ever Art Wood” has come to be highly regarded and the number of its products listed in major manufacturers’ exterior and gardening catalogs is increasing. In addition, the Company proposes the “5<sup>th</sup> ROOM” concept (a proposal of the garden to play the role as the fifth room in homes in addition to living rooms, dining rooms and bedrooms). Its sales strategy is to provide customers’ life styles through mass (volume sales) and customization (addressing customers’ needs).

**IT and web strategies**

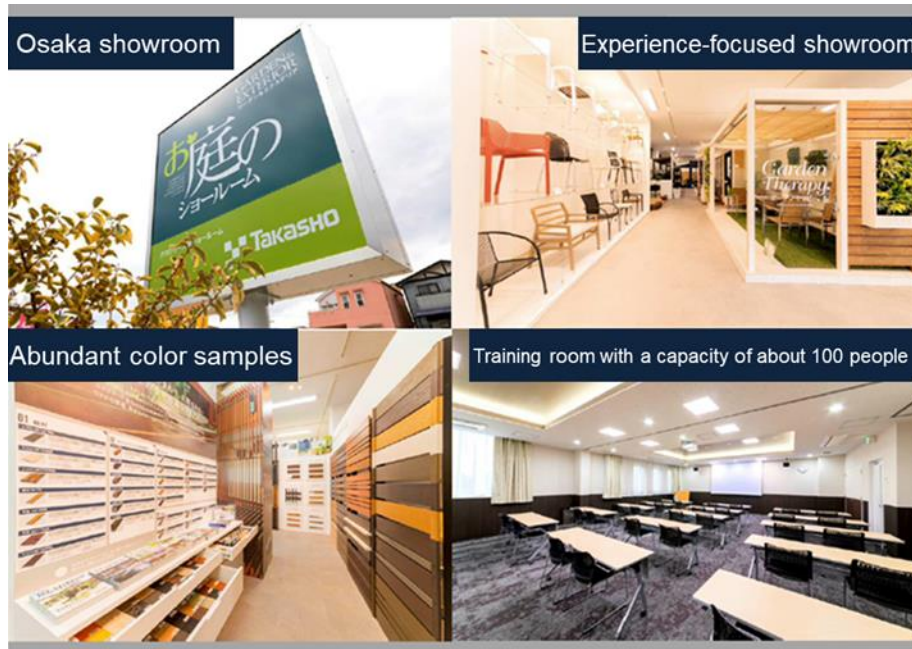


(Taken from the material of the company)

## BRIDGE REPORT



Sales channels that are used simultaneously are real (catalog) and the internet (web tools). Free estimates and other services are provided by using information technology and web services, which also help draw customers to showrooms across the country. There is a new showroom established in Osaka.



(Taken from the material of the company)

"Smart Living Garden" is a garden that realizes "energy conserving," "energy creation" and "energy storage" together with home by integrating GEMS, an energy management system arisen from "Smart House" concept and gardens, and also referred to Takasho's proposal activities for creating such a garden. Moreover, 100% use of LED for outdoor lighting was achieved in October 2014. Furthermore, the awarding of "Takasho Low Voltage Light System" with the "Best Selection Award" in the fourth award event hosted by the HEAD (Study Group on Home Environment and Advanced Design) contributed to an increase in consumer awareness of these products.

The contract (non-residential building materials and exterior siding) realm focuses upon the landscape construction materials business. Takasho is also expected to implement efforts to fortify its "Ever Art Wood" and "Ever Bamboo" product lineup. ("Ever Art Wood" has received certification from the Ministry of Land, Infrastructure, Transportation and Tourism as a fire proof material, and can be used in both exterior and interior applications.) The Company provides total packages comprised of extensive product combinations that appropriately match various garden environments for exteriors and interiors of various facilities, and it boasts of experiences in delivering a multitude of packages across the country.

# BRIDGE REPORT



## Mainstay products of the professional use segment

Ever Art Wood



EVER ART WOOD,

Ever Art Board



EVER ART BOARD,

Ever Bamboo



EVER BAMBOO,

## Unit products

- Porches fully made of glass, Façade exterior (gateposts, fences, wing walls), lights, furniture, and DIY products. -



(Taken from the material of the company)

While promoting a “mass/customization” strategy to offer volume sales and meet customer needs, it is also promoting the packages of ready-to-install exterior products.

## Promotion of packages

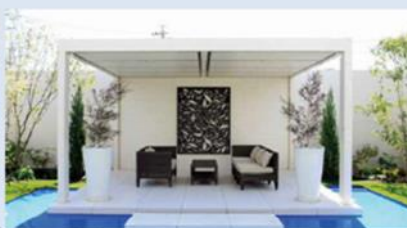
Packages per location Provide different packages that match each location



Gates package



Entrance package



Garden package

(Taken from the material of the company)

The professional use products are manufactured in Japan. Garden Create in Kainan city, Wakayama prefecture, introduced an inkjet printer and is planning for expansion in the future. At Garden Create Kanto in Kanuma city, Tochigi prefecture, an automatic wrapping machine was installed.

## Garden Create Co., Ltd. (Kainan City, Wakayama prefecture)

Installing inkjet printers and planning to expand their scale even more



(Taken from the material of the company)

Moreover, the "Reform Gardening Club," which aims to become "a group of professionals, seeks to increase communication between distributors and construction services providers. Certification systems such as "Exterior and Garden Meister System," "Water Garden

Meister System" and "Garden Lighting Meister System" were also established. The number of people certified by the Lighting Meister course exceeded 5,000 in March 2017. The "Garden Therapy Coordinator" certification system was newly established, and a seminar for this certification system was held in November 2017.

Activities for rejuvenating the industry are also going well. Visitors to Takasho's Garden and Exterior Fair, an exhibition aiming at presenting next term's product policies for its clients, is held in July annually and has been successful. Last year, it was held on July 27 and 28, and the number of visitors reached 3,720. The Company also actively supports its network of construction companies. The number of the Takasho Reform Garden Club member companies exceeded 700.

## 2-2 Home Use Business

The business in the home use segment is expanding globally. Products are manufactured in Jiujiang, China, and the Company sell them in Japan and overseas. As for the sales route, the Company is exploring a brand strategy using both online and traditional retail stores.



(Taken from the material of the company)

The Company is planning to expand the floor size of the Jiujiang plant in China from 70,000 m<sup>2</sup> to 100,000 m<sup>2</sup>.

## Strengthening plants



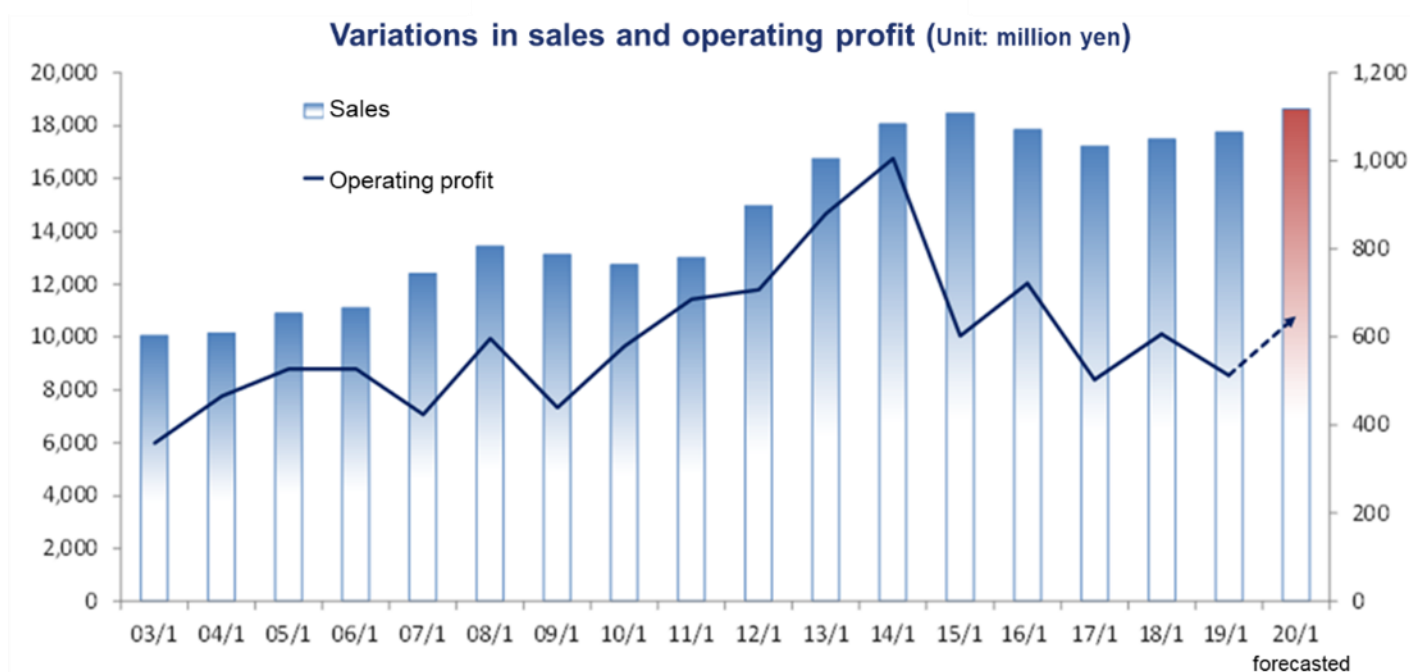
(Taken from the material of the company)

## 2-3 Global Expansion in Sales

Sales are expanding across a wide geographic region. Efforts have been made to fortify sales within the United States market, along with the establishment of "VegTrug USA" in February 2015, which has been fully funded by its wholly owned sales subsidiary (VegTrug) in the United Kingdom. At the same time, a new showroom was established in Vietnam in May 2016. It also established a subsidiary in India where a promising market exists.

In addition to these regions, the Company also conducts business in Germany, Australia and Korea. In order to pursue its worldwide business expansion, it is said that Takasho needs to establish sales subsidiaries in countries with large markets like the United Kingdom, where gardening is estimated to amount to ¥4 trillion (compared with the Japanese market at only ¥600.0 billion).

The operation of a global site called "VegTrug.com" has been started and sales were launched in the United Kingdom, the United States, and Australia.



### 3. Fiscal Year January 2019 Earnings Results

#### 3-1 Consolidated Earnings

	FY Jan. 18	Ratio to sales	FY Jan. 19	Ratio to sales	YY Change	Initial Forecast	Divergence
Sales	17,489	100.0%	17,759	100.0%	+1.5%	18,490	-4.0%
Gross Profit	7,592	43.4%	7,680	43.2%	+1.2%	-	-
SG&A	6,984	39.9%	7,166	40.4%	+2.6%	-	-
Operating Profit	607	3.5%	514	2.9%	-15.4%	457	+12.4%
Current Profit	571	3.3%	333	1.9%	-41.7%	436	-23.6%
Net Profit	228	1.3%	338	1.9%	+48.3%	273	+23.9%

\*Figures include reference figures calculated by Investment Bridge Co., Ltd. Actual results may differ (the same shall apply to all data in this report).

\*Unit: million yen

#### Sales increased 1.5% year on year and current profit decreased 41.7% year on year

Sales were 17,759 million yen, up 1.5% year on year.

In the gardening industry, the number of new housing construction decreased from the previous year, although there is a slight recovery, as the effects of various policies underpinned the effort. Furthermore, the severe situation still continues because of stagnation in construction due to intense heat as well as shortage of materials and workers nationwide to cover restoration work related to natural disasters. Under these circumstances, based on the concept that the garden plays a role as the "5<sup>th</sup> Room" in home, the Company made efforts to expand the new product lineup for living with a pleasant garden where people can enjoy nature and the season. The products include "Smart Living Garden" which is a garden that realizes "energy saving," "power saving" and "safety" and "Garden Therapy" which is a garden that makes families smile and healthy. The Company also strengthened its sales activities including the hosting of the



exhibition TGEF 2018 (Takasho Garden & Exterior Fair 2018) to propose future garden lifestyles.

For domestic sales, in the professional use segment, sales of large exterior products, etc. using “Ever Art Wood,” artificial wood made from aluminum, as well as “Ever Art Board,” an aluminum composite plate that emits a variety of natural patterns such as wood, stone, plastered walls and Japanese style, were strong. Furthermore, sales of products related to artificially reinforced bamboo hedge, “Ever Bamboo,” also grew in the contract field for commercial facilities and hotels under the influence of inbound consumption. As a result, sales improved from the same period last year. It also promoted packaged exterior products that can be installed quickly on site, resolved the manpower issue on-site with the “mass/customization” through which products can be manufactured and provided according to the site. It also established a system that can carry out exterior and garden designs while drawing a plan for construction and focused on the development of an innovative system to enable the simultaneous proposal for a house and garden. In addition, the Company launched the “Ever Art Board” exclusively for indoor use, and expanded sales channels as a building material.

In the home use segment, sales of sun protection products expanded as the end of the rainy season is getting earlier and the heat in summer is intensifying. Sales of illumination products, which are seasonal products in winter, also grew steadily. However, sales decreased from the previous year due to a decrease in sales volume as a result of inventory adjustments by business partners. Under these circumstances, the Company focused on developing “Grow Care” (smart gardening) that incorporates IoT, which promotes the participation of young generations in gardening.

With regard to overseas sales, the Company integrated the suppliers of products in the home use segment into its Chinese manufacturing subsidiary to reduce costs and improve productivity. Under these circumstances, its subsidiaries opened new accounts with large hardware stores with the development of the VegTrug brand products and introduced standard products. Transactions with regional builders also went well in Korea, and sales of Art Wood related products increased. As a result, net sales increased from the same period last year.

Furthermore, in order to expand the gardening market to increase the corporate value of the Company, the Company started making efforts to expand the gardening population. The efforts included the development of the special website “Garden Story” ([gardenstory.jp](http://gardenstory.jp)) that delivers information on gardens and distribution of gardening recipes ([tsukurou-tsukurou.com](http://tsukurou-tsukurou.com)) including group planting and flower bed making using the “Tsukuro” brand by Gardeners Japan.

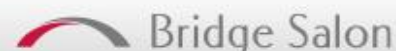
As for overseas expansion, the Company dissolved Takasho Europe GmbH, which had poor performance, and established VegTrug Europe GmbH in Germany as a subsidiary of VegTrug Limited, headquartered in the United Kingdom. It distributes horticultural materials of the VegTrug brand in the European region at hardware stores and horticultural stores. In addition, the EU branch office (Germany) was established to develop exterior products centered on Ever Art Wood, and the sales system in the European region was restructured. Furthermore, to expand the business in the global market, it established Takasho Garden Living India Private Limited in India where a promising market exists with steady economic growth.

In terms of profits, the increase in the cost of sales due to exchange rate fluctuations was offset by the stable gross profit ratio of overseas sales subsidiaries through measures such as establishing an integrated system of planning, manufacturing and sales in the group companies and enhancing the ratio of original products. However, operating profit decreased 15.4% year on year to 514 million yen as SG&A expenses incurred including hiring employees to strengthen sales capacities and increase productivity, soaring fares, system transfer expenses to address aged servers, and some expenses associated with the liquidation of Takasho Europe GmbH.

In addition, current profit decreased 41.7% year on year to 333 million yen as foreign exchange losses were recorded despite the measures to avoid the risk of foreign exchange fluctuations. Net profit attributable to owners of parent company increased 48.3% year on year to 338 million yen due to a decrease in income taxes which received impacts from losses carried forward and tax effect accounting.

In comparison with the Company plan, construction delays due to weather, such as intense heat and typhoons, affected the professional use segment in Japan. In the home use segment, net sales of sun protection products increased due to intense heat, but sales volume decreased due to inventory adjustments by customers. Overseas sales were temporarily sluggish due to the impact of EU market restructuring. In terms of profit, operating profit exceeded the forecast as gross profit ratio improved through the transition to in-house product sales in planning, manufacturing and sales. Outside of the operating profit, current profit was below the forecast due to the posting of foreign exchange losses. Net profit attributable to the parent company exceeded the forecast due to tax effects and a decrease in tax burden.

## BRIDGE REPORT

**Sales, General and Administrative Expenses**

	FY Jan. 18	Ratio to sales	FY Jan. 19	Ratio to sales	YY Change
Labor	2,731	15.6%	2,754	15.5%	+0.8%
Shipping	1,033	5.9%	1,098	6.2%	+6.3%
Advertising, Marketing	696	4.0%	689	3.9%	-1.0%
Rent expenses	524	3.0%	569	3.2%	+9.2%
Commissions Paid	495	2.8%	565	3.2%	+14.1%
<b>SG&amp;A Expenses, Total</b>	<b>6,984</b>	<b>39.9%</b>	<b>7,166</b>	<b>40.4%</b>	<b>+2.6%</b>

\*Unit: million yen

**3-2 Trend by Segment****Sales by Segment**

	FY Jan. 19	Composition ratio	Compared with budgets
Professional Use	10,590	59.6%	-1.7%
Home Use	5,434	30.6%	-2.7%
Global Business	1,741	9.8%	-18.2%
Others	-7	-	-
<b>Total Consolidated Sales</b>	<b>17,759</b>	<b>100.0%</b>	<b>-3.9%</b>

\*Unit: million yen

**Professional Use**

Although sales of core products, such as Ever Art Wood and Ever Art Board, increased, the weather such as intense heat and typhoons affected the progress of construction.

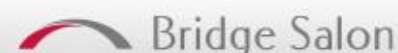
**Home Use**

The business was affected by the shift to direct transactions with overseas sales companies and inventory adjustments at sales destinations.

**Global Business**

Although sales in the U.S. increased at overseas sales companies, the market was disrupted due to issues associated with disposal of a large hardware store in the United Kingdom.

## BRIDGE REPORT



## Sales and Profit by Region

	FY Jan. 18	Ratio to sales	FY Jan. 19	Ratio to sales	YY Change
Japan	16,208	77.4%	16,031	77.4%	-1.1%
Europe	1,141	5.5%	868	4.2%	-23.9%
China	3,192	15.2%	3,181	15.4%	-0.3%
Korea	74	0.4%	98	0.5%	+32.1%
US	194	0.9%	353	1.7%	+82.0%
Others	125	0.6%	170	0.8%	+35.7%
Companywide, elimination	-3,446	-	-2,944	-	-
<b>Total Consolidated Sales</b>	<b>17,489</b>	<b>100.0%</b>	<b>17,759</b>	<b>100.0%</b>	<b>+1.5%</b>
Japan	646	86.2%	508	117.8%	-21.3%
Europe	-104	-	-244	-	-
China	255	34.0%	192	44.6%	-24.6%
Korea	-50	-	-33	-	-
US	14	2.0%	1	0.3%	-91.8%
Others	-11	-	7	1.7%	-
<b>Consolidated Adjustments</b>	<b>-142</b>	<b>-</b>	<b>82</b>	<b>-</b>	<b>-</b>
<b>Consolidated Operating Profit</b>	<b>607</b>	<b>-</b>	<b>514</b>	<b>-</b>	<b>-15.4%</b>

\*Unit: million yen

## Japan

Sales decreased 1.1% year on year to 16,031 million yen. Segment profit decreased 21.3% year on year to 508 million yen. Sales of new products, such as Ever Art Wood, Ever Art Board, and lighting series, remained strong, and the use of Ever Art Wood as a building material also contributed to an increase in sales in the professional use segment. However, in the home use segment, although the Company made efforts to increase sales by introducing new products, net sales declined as it changed to direct transactions with the business partners in order to reduce foreign exchange risks. On the profit side, although SG&A expenses were reduced, gross profit margin deteriorated as the cost of sales increased due to foreign exchange fluctuations.

## Europe

Sales fell 23.9% year on year to 868 million yen, and segment loss was 244 million yen (a loss of 104 million yen in the previous year). Sales decreased due to the effects of starting the liquidation procedure of a sales subsidiary in Germany and the market turmoil caused by the sale of a major hardware store in the United Kingdom. The segment loss increased as a result of decreased sales and liquidation costs of a sales subsidiary in Germany.

## China

Sales decreased 0.3% year on year to 3,181 million yen, and segment profit decreased 24.6% year on year to 192 million yen. Sales to external customers increased 43.3% year on year to 866 million yen as a result of the transfer of the trade area from the parent company and the progress of integration into in-house products. Profit decreased because of the rise in the cost ratio due to impact of exchange rate fluctuations, an increase in depreciation expenses associated with capital investment, and an increase in rental costs.

## Korea

Sales grew 32.1% year on year to 98 million yen, and segment loss was 33 million yen (a loss of 50 million yen in the previous year). Sales grew because the number of items introduced to hardware stores increased and sales of exterior related products to regional builders were strong. Segment loss shrank as sales increased.

## United States

Sales grew 82.0% year on year to 353 million yen, and segment profit decreased 91.8% year on year to 1 million yen. Sales increased due to the opening of new accounts with large hardware stores and the expansion of transactions with a mail-order company that mainly

focuses on TV shopping. Profit decreased due to an increase in warehouse fees, etc. as a result of strengthening sales.

### Others

Sales grew 35.7% year on year to 170 million yen, and segment profit was 7 million yen (a loss of 11 million yen in the previous year). Sales increased due to a steady growth in transactions with a large-scale hardware store, and revenue turned to a surplus as sales increased.

## 3-3 Financial Conditions and Cash Flow

### Balance Sheet Summary

	Jan. 18	Jan. 19		Jan. 18	Jan. 19
Cash, Equivalents	2,587	3,210	Payables	3,254	3,049
Receivables	2,951	3,187	Short Term Interest Bearing Liabilities	4,941	5,326
Inventories	4,896	4,877	Current Liabilities	9,459	9,720
Current Assets	11,453	12,252	Long Term Interest Bearing Liabilities	591	379
Tangible Assets	4,799	5,127	Noncurrent Liabilities	799	559
Intangible Assets	392	335	Net Assets	7,575	8,581
Securities, Other Investments	1,189	1,147	Total Liabilities, Net Assets	17,835	18,861
Noncurrent Assets	6,381	6,609	Total Interest Bearing Liabilities	5,533	5,706

\*Interest Bearing Liabilities = Debt + Leases

\*Unit: million yen

Total assets grew 1,026 million yen from the end of the previous fiscal year to 18,861 million yen at the end of the FY January 2019.

Current assets increased 798 million yen to 12,252 million yen, mainly due to increases in cash and deposits of 623 million yen and trade receivables of 165 million yen.

Noncurrent assets grew 228 million yen from the end of the previous fiscal year to 6,609 million yen, mostly due to an increase of construction in process account of 465 million yen.

Total liabilities grew 20 million yen from the end of the previous fiscal year to 10,280 million yen.

Current liabilities increased 260 million yen from the end of the previous fiscal year to 9,720 million yen, mostly due to short-term borrowings of 455 million yen.

Noncurrent liabilities decreased 240 million yen from the end of the previous fiscal year to 559 million yen. The main factor for the decrease is a decrease of long-term debt of 208 million yen from the end of the previous fiscal year due to the shift of working capital from long-term borrowings to short-term borrowings.

Net assets increased 1,005 million yen from the end of the previous fiscal year to 8,581 million yen. The main factors for the increase include an increase of capital of 513 million yen through public offering and an increase of capital surplus of 513 million yen.

Capital adequacy ratio rose 3.0 points to 45.0%.

### Cash Flow

	FY Jan. 18	FY Jan. 19	YY Change	
Operating Cash Flow	1,307	433	-874	-66.8%
Investing Cash Flow	-575	-801	-225	-
Free Cash Flow	732	-367	-1,099	-
Financing Cash Flow	-310	1,043	1,354	-
Cash and Equivalents at First Term End	2,587	3,210	623	+24.1%

\*Unit: million yen

Cash and equivalents rose 623 million yen from the previous term to 3,210 million yen at the end of fiscal year January 2019.

Operating CF had a revenue of 433 million yen (it was a revenue of 1,307 million yen in the previous term). The main factors for the decrease were net income before tax adjustment of 328 million yen and an increase in trade receivables of 264 million yen.

Investment CF was an expenditure of 801 million yen (it was an expenditure of 575 million yen in the previous term). The main factor was the purchase of property, plant and equipment of 713 million yen.

Financing CF had a revenue of 1,043 million yen (it was an expenditure of 310 million yen in the previous term). The main factors include proceeds from issuance of new shares of 1,014 million yen and a income of 500 million yen from short-term borrowing.

## 4. Fiscal Year January 2020 Earnings Forecasts

### Consolidated Earnings

	FY Jan.19	Ratio to sales	FY Jan. 20 (Est.)	Ratio to sales	YY Change
Sales	17,759	100.0%	18,634	100.0%	+4.9%
Gross Profit	7,680	43.2%	7,939	42.6%	+3.4%
SG&A	7,166	40.4%	7,291	39.1%	+1.7%
Operating Profit	514	2.9%	648	3.5%	+26.0%
Current Profit	333	1.9%	542	2.9%	+62.5%
Parent Net Profit	338	1.9%	372	2.0%	+9.9%

\*Unit: million yen

### Sales expected to rise 4.9% and current profits expected to decline 62.6%

Takasho's forecasts for the fiscal year January 2020 call for sales to rise 4.9% year on year to 18,634 million yen, and current profits to increase 62.5% year on year to 542 million yen.

Based on the concept of the garden playing a role as the "5<sup>th</sup> Room" in home, the Company will make efforts to strengthen its brand as a "garden lifestyle maker." Within Japan, strengthened sales activities and expansion of manufacturing capacity are expected to allow sales of the gardening and exterior products to grow. In addition, the Company will further develop "Grow Care" (smart gardening) that incorporates IoT to promote the participation of young generations in gardening. With regard to profit, in order to improve operational efficiency and strengthen productivity improvement, it is planning to promote AI/AI-OCR and robotics process automation (RPA) to reduce costs.

In the global business expansion, VegTrug Europe GmbH, which was launched to restructure sales strategies in Europe, will operate in full swing. In addition, with a goal of expanding sales of exterior products including Ever Art Wood products in line with South Korea and Australia, where sales of the same products are steady, sales in Europe will be expanded by opening the Company's EU branch. In addition, in the Chinese manufacturing sector, the Company will increase the production volume by expanding the plant and strengthen sales activities in Europe, Asia, Oceania and North America.

## 5. Medium- to Long-Term Plan

### ~Vision~

Life improvement style from now on.

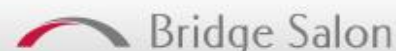
**"Health, richness in mind and body, happiness and fun"**

To provide a comfortable living with green, thinking about home and garden simultaneously

### Management Strategies for Medium- to Long-Term Plan

Management Strategies for Medium- to Long-Term Plan	
1	To promote housing therapy and housing community
2	To revitalize used houses with EX and gardens
3	To add gardens to non-residential buildings and bring them to a value-added market.
4	To improve productivity of construction by dry-style products and packaged products.
5	To establish a unique route through establishing sales organizations and networks
6	To be the leader in the industry of IT platform of garden

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	exterior products
7	To improve productivity by introducing AI and RPA.

The medium-term plan is to achieve sales of 22,500 million yen and current profit of 960 million yen in the fiscal year January 2022. In addition, in the fiscal year January 2025, the Company estimates that it will reach sales of 30,000 million yen and an current profit of 1,980 million yen.

	FY Jan. 19	FY Jan. 20 (Plan)	FY Jan .21 (Plan)	FY Jan. 22 (Plan)	FY Jan.25 (Plan)
Sales	17,759	18,634	20,500	22,500	30,000
Professional Use	10,590	11,241	11,952	12,668	16,000
Home Use	5,434	5,865	6,446	7,070	9,000
Global Business	1,741	1,553	2,101	2,762	5,000
Operating Profit	514	648	820	1,013	2,040
Current Profit	333	542	780	960	1,980
Parent Net Profit	338	372	480	600	1,230

\*Unit: million yen

## 6. Conclusion

The Company is developing and strengthening production and sales systems. Sales in the fiscal year January 2019 were sluggish, and operating and current profits decreased. However, the Company is organizing and strengthening its system globally. There is rather an impression that the Company well managed to curb the amount of decrease in profit by developing the system. For production, its Chinese plant is getting on track in full swing. In terms of sales, we would like to pay attention to the trend in Europe where the Company restructured the sales network.

The medium-term plan sets new goals for the fiscal year January 2025. If the goals in the medium-term plan is achieved, EPS is expected to be more than 30 yen in the fiscal year January 2021, more than 40 yen in the fiscal year January 2022, and more than 80 yen in the fiscal year January 2025.

PBR is way under 1.0 point. Considering the room for future profit improvement in Japan and overseas, and the profit level of the medium-term business plan, the room for reviewing the stock price is large.

## <Reference: Concerning Corporate Governance>

### ◎ Organizational structure and composition of directors and corporate auditors

<b>Organizational structure</b>	<b>Company with audit and supervisory board</b>
<b>Directors</b>	<b>6, out of which 2 are outside directors.</b>
<b>Corporate auditors</b>	<b>3, out of which 2 are outside directors.</b>

### ◎ Corporate Governance Report

Last updated: April 23, 2018

#### <Basic policy>

Takasho recognizes that the establishment of corporate governance that is sound and highly transparent and secures the efficiency of management decision-making to respond promptly and appropriately to changes in the business environment is an important matter and is working on it.

## &lt; Reasons for Non-compliance with the Principles of the Corporate Governance Code (Excerpts) &gt;

Principles	Reasons for not implementing the principles
【Supplementary principle 1-2-4】	Our company has not decided to install the electronic platform for exercising voting rights and prepare the English translation of the convocation notice, because the ratio of institutional investors and overseas investors is relatively low. In the future, we will consider these matters in accordance with changes in the shareholder composition, etc.
【Supplementary principle 3-1-2】	Our company has not adopted information disclosure in English, because the ratio of overseas investors is relatively low in light of cost effectiveness from the personnel and cost perspectives. In the future, we will consider the matter in accordance with changes in the shareholder composition, etc.
【Supplementary principle 4-8-1】	At present, there are no regular meetings, etc. consisting of independent external directors only, but our outside directors exchange views with other directors and corporate auditors, and they actively participate in the Board of Directors and make remakes. Therefore, we believe that our external directors are fulfilling their roles and responsibilities.

## &lt; Disclosure Based on the Principles of the Corporate Governance Code (Excerpts) &gt;

Principles	Reasons
【Principle 1-4 Strategically held shares】	<p>(1) Policy on strategic shareholding Our company will hold shares strategically after comprehensively judging whether they will lead to the maintenance and strengthening of business relationships or whether they will lead to an improvement in our medium- to long-term corporate value through smooth promotion of business activities, etc. For the major ones, we will examine the effects of strategic shareholding from the perspective of maintaining medium- to long-term economic rationality and maintaining and strengthening the overall relationship with our business partners and report the results to the Board of Directors.</p> <p>(2) Criteria for exercising voting rights pertaining to strategic shareholding We will review the contents of the shareholder meeting agenda of the investee company based on the prospect of sustainable development and medium- to long-term corporate value enhancement for both investee company and our company and exercise the voting rights.</p>
【Principle 4-8 Effective utilization of independent directors】	Our company appoints two outside directors. They are the independent outside directors to keep an independent and neutral position in the discussions at the Board of Directors. We will continue to select candidates so that multiple independent outside directors with high expertise and rich experience can be appointed.

This report is intended solely for information purposes, and is not intended as a solicitation to invest in the shares of this company. The information and opinions contained within this report are based on data made publicly available by the Company, and comes from sources that we judge to be reliable. However we cannot guarantee the accuracy or completeness of the data. This report is not a guarantee of the accuracy, completeness or validity of said information and or opinions, nor do we bear any responsibility for the same. All rights pertaining to this report belong to Investment Bridge Co., Ltd., which may change the contents thereof at any time without prior notice. All investment decisions are the responsibility of the individual and should be made only after proper consideration.

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