



**Consolidated Financial Results [Japanese GAAP]
for the Third Quarter of the Fiscal Year Ending January 20, 2023**

Takasho Co., Ltd.

November 25, 2022

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Scheduled date to submit statutory quarterly financial report:	December 2, 2022		
Scheduled date of starting payment of dividend:	N/A		
Availability of supplementary explanatory material on quarterly results:	N/A		
Quarterly results briefing:	N/A		

This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

**Figures are rounded down to the nearest million yen, except share and per share data*

**“ % ” indicates year-on-year changes from the previous corresponding quarter*

1. Consolidated Financial Results for the Nine Months Ended October 20, 2022 (From January 21, 2022, to October 20, 2022)

(1) Consolidated Operating Results (Cumulative)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2023 3Q (Nine months ended October 20, 2022)	15,884	△0.5	619	△55.7	1,138	△22.9	629	△37.8
FY2022 3Q (Nine months ended October 20, 2021)	15,965	12.3	1,399	25.0	1,476	41.5	1,012	35.2

(Note) Comprehensive income:

FY2023 3Q (Nine months ended October 20, 2022): 1,305 million yen (△0.3%),

FY2022 3Q (Nine months ended October 20, 2021): 1,308 million yen (64.5 %)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2023 3Q (Nine months ended October 20, 2022)	35.90	35.87
FY2022 3Q (Nine months ended October 20, 2021)	68.77	68.62

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
As of the end of	Million yen	Million yen	%
FY2023 3Q (As of October 20, 2022)	26,082	13,971	53.1
FY2022 4Q (As of January 20, 2022)	23,665	13,064	54.8

(Ref.) Shareholders' equity amount:

FY2023 3Q (As of Oct. 20, 2022): 13,845 million yen

FY2022 4Q (As of Jan. 20, 2022): 12,957 million yen

2. Dividends

	Annual cash dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2022 4Q ended Jan. 20, 2022	—	0.00	—	23.00	23.00
FY2023 3Q ended Jul. 20, 2022	—	0.00	—		
FY2022 4Q ending Jan. 20, 2023 (forecast)				23.00	23.00

(Note) Revisions to the dividends forecast since the latest announcement: None

3. 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
FY2023 4Q (full year)	20,880	0.5	810	△45.1	1,320	△13.8	730	△27.1	41.63

(Notes) Revisions to the forecast since the latest announcement: Yes

※ **Notes;**

(1) Changes in Significant Subsidiaries during the Current Quarter

Changes in specified subsidiaries that caused a change in the scope of consolidation: None

Newly included companies: None

Newly excluded companies: None

(2) Simplified Accounting Procedures and Specific Accounting Procedures: None

(3) Changes in Accounting Policies and Accounting Estimates

(i) Changes in accounting policies as required by newly promulgated account pronouncement: Yes

(ii) Changes other than (i) above: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of Shares Outstanding (Ordinary Shares)

	FY2023 3Q (As of Oct. 20, 2022)	FY2022 4Q (As of Jan.21, 2022)
Number of shares outstanding at end of period (Treasury shares included)	17,590,114	17,590,114
Number of treasury shares at end of period	57,578	63,578
	FY2023 3Q (From Jan.21, 2022, to Oct. 20, 2022)	FY2022 1Q (From Jan.21,2021, to Oct. 20, 2021)
Average number of shares during 3Q	17,531,126	14,716,852

* This quarterly financial results report is out scope of the quarterly review by a certified public accountant nor audit firm.

* 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. For information regarding the forecast of consolidated financial results, due attention should be paid to "Explanation of Forward-Looking Statements" on page 4 of the attached documents.

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1. Status of the Group

(1) Business Overview and Results for the Third Fiscal Quarter

Business Overview

During the third quarter of the current consolidated fiscal year, the prospects of Japanese economy continue to be highly uncertain and are unpredictable. The tenacious adversity out of the novel coronavirus and emerging variants (hereafter referred to as “COVID-19”) pandemic, and other volatile global factors, including the supply shortage of materials, such as semiconductors, as well as sharp appreciation of the energy prices and materials, further depreciation of the yen in the exchange market and the Ukraine affairs, are all rampant and have been increasing this uncertainty.

In this business environment, for the purpose of enhancing our brand value and fueling future growth, we intensified sales promotion campaigns. We broadcasted TV commercials which are linked with our web platform to increase customer touchpoint and engagement. Also, we hosted our original exhibition, TGEF2022 (Takasho Garden Exterior Fair 2022).

Further, we launched “GLD-LAB Design Network Service” which supports housing providers and housing reformers to propose housings and exteriors. Leveraging our state-of-the-art technologies, such as XR (AR/VR/MR) and metaverse, users can utilize technologically advanced offerings with more enhanced customer engagement.

Overseas sales nosedived due to the stock adjustments caused by merchants’ stock overload. In U.S., customer attraction at home center and garden center temporary slowed down due to the relaxation of voluntary curfew. In Europe, people refrained from buying due to the price rise in electricity, gas, and necessities.

As such, business performance for the third quarter of the current consolidated fiscal year has been resulted in as follows.

3rd Quarter Fiscal 2023 Highlight (January 21, 2022, to October 20, 2022)

	FY2023 3Q (Nine months ended October 20, 2022)	FY2022 3Q (Nine months ended October 20, 2021)	Increase or Decrease	%
Revenue	15,884	15,965	△81	99.5
Operating income	619	1,399	△779	44.3
Ordinary income	1,138	1,476	△338	77.1
Net income attributable to owners of the parent	629	1,012	△382	62.2

Sales Metrics by Business Segments

<Pro-use segment>

The sales of Pro-use accounted for a percentage of 62% our total sales and has been stable. To accelerate our successful growth, we promoted our new multidimensional business model; innovative synergy of online, virtual, and real, more precisely, DX-enabled proposals of lifestyles and sales closing through web-based showrooms and VR parks, as well as through our original Garden & Exterior showrooms located throughout Japan where customers can experience and feel a wide selection of our products.

Also, we have our own factory in Japan, which enables flexible “mass customization” to each customer’s order, and it has been promoting hybrid-style proposals, as mentioned above, that utilize content both online and real by comprehensively proposing "Facade Exterior & Living Garden" lifestyle through abundance of color variation tailored to each customers’ aesthetics sense, tastes, and interests.

What’s more, sales of living garden products such as "Home Yard Roof," a key product inspired by "5th ROOM" (fifth room) concept, increased by the brand designated orders, due to the new DX-enabled proposals and sales which links TV commercial and web-based platform.

In addition, since the sales of "Low Volt Light," a safe and secure exterior illumination for nighttime gardens, has been continuously increasing, Pro-use sales increased by 107.5% from the same quarter of the previous fiscal year.

Pro-use segment Highlight (January 21, 2022, to October 20, 2022)

	FY2023 3Q (Nine months ended October 20, 2022)	FY2022 3Q (Nine months ended October 20, 2021)	Increase or Decrease	%
Revenue	9,859	9,174	684	107.5

On the other hand, TAKASHO DIGITEC CO.,LTD., our consolidated subsidiary which is engaged with LED sign and lightening/illumination business, has been growing its business and its sales achieved 124.8% growth compared to the same quarter of previous fiscal year, due to the cooperation with our landscape building material company and the increased transactions with non-housing fields (Commercial facilities such as hotels and Japanese-style Ryokans etc.).

<Home-use segment>

Sales by home-use segment maintained approximately same level (98.7%) compared to the same quarter of previous fiscal year. Positive factors such as YoY 120% growth in the e-commerce were not sufficient to neutralize negative factors such as decreased sales of gardening-related products due to bad weather, with more typhoons than usual, in demand-period autumn.

Home-use segment Highlight (January 21, 2022, to October 20, 2022)

	FY2023 3Q (Nine months ended October 20, 2022)	FY2022 3Q (Nine months ended October 20, 2021)	Increase or Decrease	%
Revenue	4,673	4,733	△60	98.7

<Overseas segment>

Although maritime freight cost has been stabilized, overseas sales decreased to 65.3% compared to the same quarter of previous fiscal year. 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 whose demands were all pent up during COVID-19. In Europe, people refrained from buying due to the price rise in electricity, gas, and necessities. As a result of these circumstances, the stock adjustments and corresponding delivery adjustment were caused by merchants' stock overload, and overseas sales decreased from the same quarter of the previous fiscal year.

Nonetheless, we've witnessed that "Lifestyle with gardening" has been penetrated and embedded in everyday life. In the face of COVID-19, and continuously in "with and after COVID-19" era, people worldwide reaffirmed the importance of health (garden therapy), culture (emotion, art), and environment (green, nature). Accordingly, stable demands are expected and, embracing this propitious trend, we will foster our effort and boost overseas business by horizontally expand our success model in Australian market to U.S. market (several projects are in pipeline or under constructions).

Overseas segment Highlight (January 21, 2022, to October 20, 2022)

	FY2023 3Q (Nine months ended October 20, 2022)	FY2022 3Q (Nine months ended October 20, 2021)	Increase or Decrease	%
Revenue	1,334	2,044	△710	65.3

Operating income

Although we maintained approximately same level of sales compared to the same quarter of the previous fiscal year, operating income decreased to 44.3% from the same quarter of the previous fiscal year. The skyrocketing purchase price at foreign subsidiaries lowered gross profit margin by 2.1%. Also, though we strenuously made our efforts to lower logistic cost, by switching to cheaper shipping companies and by utilizing partners' logistics networks, proactive advertising and sales promotion, etc., such as real exhibitions reopened after COVID-19 pandemic, and up-front investment, such as CAPEX and recruiting, increased sales and administrative costs compared to the same quarter of the previous fiscal year.

As for non-operating Profit and Loss, foreign exchange gain increased compared to the same quarter of the previous fiscal year due to further depreciation of yen in the exchange market.

Our mission, Future strategies, and SDGs Initiatives.

Passion for our establishment was “Heart and Art”, which has never been changed nor forgotten ever since. Underpinned with passion and mission we have a long history of and reputation for designed gardening and innovation, inspired by traditional Japanese aesthetics (such as wabi-sabi, elegance and refinement) and British garden cultures etc., integrating the beauty of nature into daily lives and spiritual values.

As future strategies, in Pro-use segment, we will further promote DX-enabled sales promotions such as hybrid of real and internet, AR/MR, etc., for the purpose of brand value enhancement and sales promotion reinforcement. Also, we will expand the sales channels by strengthening sales and proposals toward landscapes.

In Home-use segment, we will further strengthen e-commerce, which we have witnessed stable growth. Also, we will promote innovative new product developments in our own factories and accelerate simultaneous sales efforts of the global items.

As for the overseas segment, we are committed to launch trading with large home centers and further strengthen sales promotion, especially in Europe (France, Italy etc.), which were relatively left behind in our overseas geographical sales efforts. Also, we will strengthen our sales promotion by newly introducing sales items and by developing the new products, thereby proposing the comprehensive product mix which decorate the whole garden toward more enjoyable and comfortable space.

In addition, our competitive advantageous business model “mass customization”, which accommodates each customer’s needs by tools, equipment, and system, significantly contributes to our success. Under this model, we will further promote tailored Garden & Exterior, not as the producer of consumer items, but as the creator of professional materials and space. Also, we appointed new officer responsible for “market creation”, which manifests our commitment to augment sales by venturing into untapped industries and fields.

Our employees are precious human capital, and continue to nurture them toward “all-engagement, diversity & Inclusion” working environment and culture.

Also, as a member of our society, we have been promoting Eco Garden (recycle, reduce, reuse) ensuring sustainable consumption and production patterns.

(2) Explanation on the Financial Position

1) Status of Assets, Liabilities, and Net assets

Total assets at the end of the current third quarter amounted to 26,082,826 thousand yen, an increase of 2,416,831 thousand yen from the end of the previous consolidated fiscal year. Current assets have been increased by 17,625,623 thousand yen (an increase of 1,705,210 thousand yen from the end of the previous consolidated fiscal year). Note receivable, account receivable and contract assets have been increased, mainly due to our sales promotion of the support of housing providers and housing reformers to propose exteriors. Also, finished goods have been increased, primarily due to the temporary demand decrease affected by restrained buying of gardening products, with the price rise in materials and energy.

Noncurrent assets have been increased by 8,457,202 thousand yen (an increase of 711,620 thousand yen from the end of the previous consolidated fiscal year), mainly due to an increase of tangible noncurrent assets.

Current liabilities at the end of the current third quarter amounted to 11,278,082 thousand yen (an increase of 1,303,836 thousand yen from the end of the previous consolidated fiscal year), primarily due to an increase of short-term loans payable, to finance incremental working capital at the beginning of fiscal year.

Noncurrent liabilities at the end of current third quarter amounted to 832,868 thousand yen (an increase of 205,588 thousand yen from the end of the previous consolidated fiscal year), primarily due to an increase of other noncurrent liabilities, partially offset by a decrease of long-term loans payable.

Total net assets at the end of the current third quarter amounted to 13,971,875 thousand yen (an increase of 907,407 thousand yen from the end of the previous consolidated fiscal year), mainly due to an increase of accumulated other comprehensive income.

2) Explanation on Future Performance Forecast

In view of actual performance to the current third quarter, we revised the consolidated financial results forecast for the full year announced on March 3, 2022. For more detailed information, due attention should be paid to "Revision to the Consolidated Financial Results Forecast for the Fiscal Year Ending January 20, 2023" announced today.

2. Quarterly Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY2022 4Q (As of Jan. 20, 2022)	FY2023 3Q (As of Oct. 20, 2022)
ASSETS		
CURRENT ASSETS:		
Cash and deposits	5,600,181	5,754,293
Note receivable, account receivable	3,096,998	—
Note receivable, account receivable and contract assets	—	3,435,807
Electronically recorded receivables	586,558	606,491
Merchandise and finished goods	3,998,831	4,959,671
Work in process	506,015	562,561
Raw materials and supplies	1,344,812	1,629,350
Other current assets	927,886	824,658
Allowance for doubtful accounts	△140,872	△147,211
Total current assets	15,920,412	17,625,623
NON-CURRENT ASSETS:		
Tangible assets		
Property, plant and equipment (net)		
Buildings and structures, net	3,643,980	3,985,740
Land	1,043,608	1,123,571
Construction in progress	208,158	17,144
Others (net)	904,004	1,211,586
Total tangible assets	5,799,751	6,338,042
Intangible assets		
Goodwill	24,747	55,312
Others	472,197	476,473
Total intangible assets	496,945	531,785
Investments and other assets		
Investment securities	225,576	264,478
Deferred tax assets	121,401	192,927
Others	1,124,846	1,149,706
Allowance for doubtful accounts	△22,939	△19,739
Total investment and other assets	1,448,884	1,587,373
Total non-current assets	7,745,581	8,457,202
TOTAL ASSETS	23,665,994	26,082,826
LIABILITIES		
CURRENT LIABILITIES:		
Note and accounts payable	3,513,059	3,056,320
Electronically recorded payables	1,071,036	1,246,539
Short-term borrowings	3,734,870	5,157,387
Current portion of long-term borrowings	39,140	36,000
Income taxes payable	338,590	371,449
Provision for bonuses	21,684	146,263
Other current liabilities	1,255,864	1,264,122
Total current liabilities	9,974,245	11,278,082
LONG-TERM LIABILITIES:		
Long-term borrowings	111,000	85,087
Retirement benefit liability	9,086	10,632
Asset retirement obligations	222,914	235,517
Other long-term liabilities	284,279	501,631
Total long-term liabilities	627,280	832,868
TOTAL LIABILITIES	10,601,526	12,110,951
NET ASSETS		
Shareholders' equity		
Share capital	3,043,623	3,043,623

Capital surplus	3,094,927	3,097,865
Retained earnings	6,137,003	6,363,189
Treasury shares	△16,651	△13,770
Total shareholders' equity	12,258,902	12,490,907
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	101,669	128,568
Deferred gains or losses on hedges	11,335	19,034
Foreign currency translation adjustment	496,568	1,145,034
Remeasurements of defined benefit plans	88,811	62,426
Total accumulated other comprehensive income	698,384	1,355,064
Stock subscription rights	1,681	1,230
Non-controlling interests	105,500	124,673
TOTAL NET ASSETS	13,064,468	13,971,875
TOTAL LIABILITIES and NET ASSETS	23,665,994	26,082,826

(2) Quarterly Consolidated Statement of Income and Comprehensive Income

(Quarterly Consolidated Statement of Income, Cumulative)

(Thousands of yen)

	FY2022 3Q (From Jan. 21, 2021, to Oct. 20, 2021)	FY2023 3Q (From Jan. 21, 2022, to Oct. 20, 2022)
Net sales	15,965,282	15,884,176
Cost of revenue	8,732,663	9,019,102
Gross profit	7,232,618	6,865,074
Selling, general and administrative expenses	5,833,424	6,245,108
Operating income	1,399,194	619,966
Non-operating income		
Interest income	7,836	6,202
Dividend income	3,092	3,376
Foreign exchange gain	90,967	463,162
Royalty income	13,767	33,493
Miscellaneous income	71,520	81,273
Total non-operating income	187,185	587,508
Non-operating expenses		
Interest expense	53,803	52,572
Sales discounts	27,584	—
Commitment fee	3,530	1,961
Other	24,968	14,548
Total non-operating expenses	109,886	69,081
Ordinary income	1,476,492	1,138,392
Extraordinary gains		
Gain on sales of non-current assets	—	4,454
Total extraordinary gains	—	4,454
Extraordinary losses		
Loss on retirements of non-current assets	3,156	2,418
Loss on sales of non-current assets	2,838	—
Impairment losses	666	13,688
Total extraordinary losses	6,661	16,107
Income before income taxes	1,469,831	1,126,739
Income tax - current	383,850	499,077
Income tax adjustment	71,308	△7,591
Total income taxes	455,159	491,485
Quarterly net income	1,014,672	635,254
attributable to noncontrolling interests	2,553	5,957
attributable to owners of the parent	1,012,118	629,296

(Quarterly Consolidated Statement of Comprehensive Income, Cumulative)

(Thousands of yen)

	FY2022 3Q (From Jan. 21, 2021, to Oct. 20, 2021)	FY2023 3Q (From Jan. 21, 2022, to Oct. 20, 2022)
Quarterly net income	1,014,672	635,254
Other comprehensive income		
Valuation difference on available-for-sale securities	△10,990	26,899
Deferred gains or losses on hedges	24,895	7,699
Foreign currency translation adjustment	217,119	661,680
Remeasurements of defined benefit plans	62,772	△26,384
Total accumulated other comprehensive income	293,797	669,894
Quarterly comprehensive income	1,308,469	1,305,148
attributable to owners of parent	1,296,785	1,285,976
attributable to non-controlling interests	11,684	19,172

(3) Notes to Quarterly Consolidated Financial Statement

(Note on Going Concern): None

(Note on Significant Change in Equity Capital): None

(Changes in Accounting Policies):

<Application of Accounting Standard for Revenue Recognition>

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020. Hereinafter referred to as the "Accounting Standard for Revenue Recognition") has been applied from the beginning of the first quarter of the current fiscal year, and revenue is recognized at the amount expected to be received in exchange for the promised goods or services when control of the promised goods or services has been transferred to the customer.

In accordance with the alternative treatment prescribed in Paragraph 98 of the "Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021), for domestic sales of products, our Company recognizes revenue at shipping point if the interval between shipment and transfer of the control is normal.

The major changes resulting from the application of the Accounting Standard for Revenue Recognition are as follows

- Sales promotion expenses and sales discount: A portion of sales promotion expenses previously recorded in selling, general and administrative expenses and sales discount previously recorded in non-operating expenses are deducted from net sales.

The Company has followed the transitional treatment prescribed in the provision of Paragraph 84 of the Accounting Standard for Revenue Recognition, and the cumulative effect of retrospective application of the new accounting policy prior to the beginning of the first quarter of the current fiscal year has been included in retained earnings at the beginning of the first quarter of the current fiscal year.

Consequently, the effect of this change on profit and loss for the first quarter of the current fiscal year is immaterial. There is no effect on the beginning balance of retained earnings for the first quarter of the current fiscal year.

Due to the application of Accounting Standard for Revenue Recognition "notes and accounts receivable," which was included in "current assets" in the consolidated balance sheet for the previous fiscal year, is included in "notes, accounts receivable and contract assets" in the consolidated balance sheet for the first quarter of the current fiscal year.

In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made to reflect the new presentation for the previous consolidated fiscal year.

<Application of Accounting Standard for Fair Value Measurement>

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the "Accounting Standard for Fair Value Measurement") has been applied from the beginning of the first quarter of the current fiscal year, and in accordance with the transitional treatment stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policy will be applied prospectively. There is no impact on the quarterly consolidated financial statements.