



TRUSCO Nakayama Corporation

Financial Results Briefing for the Second Quarter of the 60th Term

August 9, 2022

Event Summary

[Company Name]	TRUSCO Nakayama Corporation	
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[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	5	
	Tetsuya Nakayama	President
	Atsushi Kazumi	Director, General Manager of the Business Management Department and General Manager of the Digital Service Strategy Department
	Atsushi Shimozu	General Manager of the Corporate Planning Division
	Miki Fujitani	Corporate Planning Division Section Chief of Public Relations & Investor Relations Department
	Minori Naito	Corporate Planning Division Public Relations & Investor Relations Department
[Analyst Names]*	Tomoki Komiya	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

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*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A.

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Presentation

Naito: We will now begin the presentation of the financial results of TRUSCO Nakayama Corporation for Q2 of FY2022. Thank you for taking time out of your busy schedules to join us.

I'm Naito, Public Relations & Investor Relations Department, and I will be your moderator. Today, we will hold a hybrid on-site and online event. We would like to thank everyone who visited the venue for their cooperation in wearing masks, taking temperatures, and disinfecting with alcohol.

When holding the financial statements briefing, we strive to keep a sufficient distance between visitors to prevent infection. In addition, all staff members participating in the briefing today have been tested for antigens prior to the meeting and have been confirmed negative. The speakers will take off their masks to speak, but we will keep a sufficient distance from the audience, and splash prevention panels have been placed in front of the podium.

Let me begin by introducing the attendees. Mr. Tetsuya Nakayama, President. Mr. Atsushi Kazumi, Director, General Manager of the Business Management Department and General Manager of the Digital Service Strategy Department. Mr. Atsushi Shimozu, General Manager of the Corporate Planning Division. Ms. Miki Fujitani, Corporate Planning Division Section Chief of Public Relations & Investor Relations Department.

I will continue with a brief explanation of today's proceedings. First, Ms. Fujitani of the Public Relations & Investor Relations Department will provide an overview of the financial results, followed by an explanation of initiatives by President Nakayama. After the explanation, there will be time for Q&A. The briefing will end when the Q&A session is over. We expect the time to be approximately one hour.

Q&A will be answered in the order of those attending on-site and those attending online. We will tell you how to ask questions during the Q&A session. The video of this briefing will be shown on our official YouTube channel at a later date.

Ms. Fujitani of the Public Relations & Investor Relations Department will now give an overview of the financial results. We will also project the materials on the screen, but they are also available for download on our website.

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決算概要説明 連結経営成績

令和3年12月期の各数値については、会計方針変更の遡及適用後の数値を記載しております。
遡及適用: 新たな会計方針を過去の財務諸表に遡って適用していたかのように会計処理すること

	令和3年(2021)12月期 通期		令和4年(2022)12月期 第2四半期			令和4年(2022)12月期 通期	
	実績	率	実績	率	前年 同期比	予想	前年比
売上高	2,268億33百万円	—	1,206億83百万円	—	+7.1%	2,435億00百万円	+7.3%
売上総利益	476億70百万円	21.0%	253億79百万円	21.0%	+4.2%	517億20百万円	+8.5%
販売費及び 一般管理費	346億73百万円	15.3%	194億45百万円	16.1%	+14.0%	374億70百万円	+8.1%
(うち減価償却費)	69億29百万円	3.1%	33億51百万円	2.8%	△1.9%	68億53百万円	△1.1%
営業利益	129億97百万円	5.7%	59億33百万円	4.9%	△18.8%	142億50百万円	+9.6%
経常利益	135億55百万円	6.0%	61億47百万円	5.1%	△20.3%	146億00百万円	+7.7%
親会社株主に 帰属する 当期純利益	※115億96百万円	5.1%	42億50百万円	3.5%	△19.1%	99億60百万円	△14.1%
1株当たり 当期純利益	175円86銭	—	64円46銭	—	—	151円04銭	—
1株当たり 配当金	35円50銭	—	16円50銭	—	—	38円00銭	—
PB売上高	434億45百万円	19.2%	228億24百万円	18.9%	+3.4%	466億26百万円	+7.3%
設備投資額	87億99百万円	—	26億56百万円	—	—	43億38百万円	—

※令和3年12月期には不動産の売却を行ったため、約34億円が特別利益として計上されています。

Fujitani: I'm Fujitani from the Public Relations & Investor Relations Department.

Let me begin by explaining our operating results. Please refer to page three of the financial results presentation.

Q2 consolidated sales for the 60th business year were JPY120.683 billion, up 7.1% YoY, and the budget change is up 7.3% YoY.

Gross profit was JPY25.379 billion, up 4.2% YoY, and the budget change is up 8.5% YoY.

SG&A expenses were JPY19.445 billion, up 14% YoY, and the budget change is up 8.1% YoY. Of which, depreciation and amortization was JPY3.351 billion, down 1.9% YoY, and the budget change is down 1.1% YoY.

Operating income was JPY5.933 billion, down 18.8% YoY, and the budget change is up 9.6% YoY.

Ordinary income was JPY6.147 billion, down 20.3% YoY, and the budget change is up 7.7% YoY.

Net income attributable to owners of the parent was JPY4.25 billion, down 19.1% YoY, and the budget change is down 14.1% YoY.

Net income per share was JPY64.46, and dividend per share was JPY16.50.

Private brand sales were JPY22.824 billion, up 3.4% YoY, and the full-year forecast is up 7.3% YoY. Capital expenditures totaled JPY2.656 billion.

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決算概要説明 決算ダイジェスト

■上期実績について

- ・資源価格の上昇や商品の欠品が増す中、継続的な在庫拡充を実施することにより、機会損失を減少。
- ・ユーザー様直送サービスを強化し、注文集約が進んだ。
- ・従業員の生活支援のため、約5億円の臨時賞与支給などにより、販売費及び一般管理費が増加。

■下期見通しについて

- ・販売費及び一般管理費抑制のため、全社的な経費削減を実施
- ・通期予算は修正せず、予算達成を見通す

■同業他社 売上高対前年比比較

	令和2年(2020) 3月期	令和3年(2021) 3月期	令和4年(2022) 3月期
A社	△10.3%	△7.9%	+15.4% ※2
B社	△0.5%	△12.0%	+7.1% ※2
C社	△9.8%	△8.5%	+20.6%
	令和元年(2019) 12月期	令和2年(2020) 12月期	令和3年(2021) 12月期
トラスコ	+3.0% ※1	△3.3%	+7.5%

※1連結開始につき参考値 ※2会計方針変更につき、参考値

■第60期 通期経営計画

連結売上高	2,435億円
販売費及び一般管理費	374億70百万円
親会社株主に帰属する四半期純利益	99億60百万円
配当金	38円00銭

Next, I will explain the details of the financial results.

A temporary drop in the number of COVID-19 cases eased behavioral restrictions, and the non-manufacturing sector recovered. In the manufacturing sector, however, business confidence deteriorated due to higher resource prices, higher costs resulting from the yen's depreciation, and difficulties in procuring materials, which resulted in manufacturing supply stoppages.

The Company intends to expand the number of items in stock increased by 520,000 by the end of June of this fiscal year to 1 million 2030. By stocking a wide range of products, even if one manufacturer is out of stock, we can propose alternative products. We carried out sales activities utilizing our abundant inventory capabilities.

By product category, demand for infection prevention products such as masks and gloves slowed, but sales of products related to capital investment and so-called safety belts, the crash-restraint equipment required for work at heights, increased with the full enforcement of the revised law.

Although these factors resulted in sales exceeding budgets, both operating income and ordinary income fell short of the budgets due to an increase in SG&A expenses resulting from the provision of approximately JPY500 million in temporary bonuses to support the daily lives of all employees due to soaring prices, and higher utilities and other costs.

As shown in the table above right, a YoY comparison of sales with other companies in the same industry for the most recent three years shows that both Company A and Company C posted double-digit YoY sales growth in their most recent fiscal years, but sales were down approximately 10% for the two consecutive fiscal years ended March 2020 and March 2021.

The Company recorded a YoY increase in the fiscal year ended December 2019, and a decrease of only about 3% in the fiscal year ended December 2020, when COVID-19 began to spread, and maintained a YoY increase of 7% or more in the last fiscal year ended December 2021.

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As for the outlook for H2, we will conduct company-wide activities to reduce expenses in order to curb SG&A expenses. Cost-reduction measures will be explained later. Therefore, we will not revise our budget for the full year and will continue to expand our inventory and improve convenience for our customers in order to achieve our budget.

As a result of the above, net income per share for the quarter was JPY64.46, lower than the forecast, and the dividend was JPY16.50, with a dividend payout ratio of 25%. The dividend was JPY1.50 less than the budgeted dividend announced at the financial results for the fiscal year ended December 2021, but is expected to be JPY21.50 in H2, resulting in an annual dividend of JPY38 per share.

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決算概要説明 セグメント別 経営成績

販売ルート	令和3年(2021)12月期			令和4年(2022)12月期 第2四半期						令和4年(2022)12月期 通期	
	売上高		売上 総利益率	売上高			売上総利益率			売上高	
	実績	構成比	実績	実績	構成比	前年同期比	予算比	実績	前年同期比	予想	前年比
ファクトリー ルート	1,623億79百万円	71.6%	20.5%	842億20百万円	69.8%	+4.3%	△1.5%	20.8%	△0.4pt	1,717億82百万円	+5.8%
eビジネス ルート	443億93百万円	19.6%	23.5%	252億53百万円	20.9%	+14.3%	+2.7%	22.4%	△1.6pt	500億97百万円	+12.8%
ホームセンター ルート	183億66百万円	8.1%	18.6%	102億03百万円	8.5%	+13.7%	+6.4%	17.7%	△1.2pt	194億55百万円	+5.9%
海外 ルート	16億94百万円	0.7%	33.0%	10億05百万円	0.8%	+22.2%	△1.4%	36.5%	+3.6pt	21億64百万円	+27.7%
全社合計	2,268億33百万円	100%	21.0%	1,206億83百万円	100%	+7.1%	+0.0%	21.0%	△0.6pt	2,435億00百万円	+7.3%

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Next, please refer to page five. This section discusses results by segment.

Factory route sales were JPY84.22 billion, up 4.3% YoY, and the budget change is up 5.8% YoY.

E-Business route sales were JPY25.253 billion, up 14.3% YoY, and the budget change is up 12.8% YoY.

Home center route sales were JPY10.203 billion, up 13.7% YoY, and the budget change is up 5.9% YoY.

Overseas route sales were JPY1.005 billion, up 22.2% YoY, and the budget change is up 27.7% YoY.

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決算概要説明 第60期 設備投資について

第60期 投資計画: **43億38百万円** (上期実績: 22億75百万円) (単位: 億円)

デジタル 13.1	土地、建物 27.9	設備 2.4
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■第60期 設備投資の詳細 (単位: 百万円)

令和4年(2022) 主な設備投資 内訳		上期投資実績額	下期投資予定額
システム	商品データベース「Sterra(ステラ)」リニューアル(総投資予定額: 13.3億円)	512	798
	仕入先様との業務連携サイト「ポラリオ」改修(総投資予定額: 1.4億円)		
	従業員人事システム導入(総投資予定額: 0.8億円) など		
建物	プラネット東関東 第2パレット自動倉庫(仮称) 増築工事(総投資予定額: 25.5億円)	1,192	1,195
	堺ストックセンター 新築工事(総投資予定額: 18.7億円) など		
土地	HC東日本物流センター 移転計画(総投資予定額: 85億円)	400	-
設備	プラネット東北I-Pack®仕様変更(総投資予定額: 0.2億円)	171	70
	プラネット埼玉パレタイズロボット導入(総投資予定額: 1億円)		
小計		2,275	2,063
年間設備投資額		4,338	

※設備投資詳細の金額についてはキャッシュアウトベースにて記載しております。

Next, please refer to page six.

Capital expenditures are planned at JPY4.338 billion for the current fiscal year, and the H1 result was JPY2.275 billion.

First, in the digital-related business, we plan to spend about JPY300 million this fiscal year for the renewal of the product database Sterra, which will be able to register data on more than 10 million items. The total planned investment is approximately JPY1.33 billion, JPY68 million in H1 and approximately JPY300 million for the full year.

Next, we will revamp POLARIO, our business collaboration site with suppliers. The total planned investment is approximately JPY140 million, JPY53 million in H1 and JPY140 million for the full year.

Then, in land and buildings, the total investment will be JPY2.55 billion, about JPY800 million in H1 and about JPY1.3 billion for the full year, mainly for the expansion of the No. 2 pallet automatic warehouse at Planet Higashi-Kanto.

This will be followed by the construction of a new distribution center, Sakai Stock Center, near Planet Osaka. The total amount is expected to be approximately JPY1.9 billion, JPY406 million in H1 and JPY850 million for the full year.

Finally, the purchase of land for the relocation of the HC East Japan Logistics Center will amount to approximately JPY400 million this fiscal year, for a total of approximately JPY8.5 billion.

These and other investments are expected to total approximately JPY1.3 billion in the digital-related business, JPY2.8 billion in land and buildings, and JPY200 million in facilities in the current fiscal year.

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決算概要説明 販売費および一般管理費

■販売費及び一般管理費の主な増加項目

勘定科目	令和3年(2021) 12月期	令和4年(2022)12月期 第2四半期		令和4年(2022)12月期 通期	
	実績	実績	前年 同期比	予想	前年比
給料及び賞与	121億59百万円	64億74百万円	+ 11.9%	123億75百万円	+1.8%
支払手数料	23億21百万円	14億50百万円	+ 43.5%	25億93百万円	+11.7%
運賃及び荷造費	67億92百万円	37億38百万円	+ 11.5%	72億31百万円	+6.6%
水道光熱費	3億22百万円	1億99百万円	+ 46.3%	3億20百万円	△0.8%
旅費及び交通費	4億72百万円	2億77百万円	+ 18.2%	4億95百万円	+5.0%
販売費及び一般管理費 合計	346億73百万円	194億45百万円	+ 14.0%	374億70百万円	+8.1%

■臨時賞与の支給状況(約5億円)

社員		
在籍年数	支給単価	対象社員人数
新入社員および入社1年未満	30,000	88人
1～15年未満	200,000	775人
15年以上	300,000	777人
パート社員		
入社1年未満	10,000	219人
1～5年未満	30,000	429人
5～10年未満	50,000	399人
10年以上	100,000	249人

※令和4年通期予算について、給与及び賞与、運賃及び荷造費以外の項目については【親単体】の数値にて記載しています。

■5月13日に臨時賞与を約5億円支給

近年の物価高騰が続く中で、従業員の生活支援を目的とした臨時賞与約5億円を支給いたしました。詳細は右上の図に記載しておりますが、社員だけでなくパートタイマーへの支給も行いました。

SG&A expenses are explained below.

H1 was above the planned amount. The main reason for the increase was the payment of temporary bonuses, totaling approximately JPY500 million, to all employees on May 13 to support their daily lives in the light of recent price hikes and other social conditions.

Refer to the table on the right for details on the payment of temporary bonuses. Employees who have been with the Company for less than one year received JPY30,000, those for 15 years or more received JPY300,000, and part-time employees have also received up to JPY100,000.

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決算概要説明

販売費及び一般管理費の増加要因と今後の施策

【主な増加要因】

① 従業員給料及び賞与	前年同期比+6億88百万円(+11.9%) 生活支援ボーナスの支給+5億12百万円、パート給料及び賞与+1億58百万円 在宅勤務から出社へ切り替えたことによる社員の残業代増加
② 支払手数料	前年同期比+4億39百万円(+43.5%) HACOBUne構想+1億41百万円、保守点検費+70百万円 など
③ 運賃及び荷造費	前年同期比+3億84百万円(+11.5%) 出荷個数増加+3億30百万円 うちユーザー様直送増加+1億78百万円
④ その他増加分	前年同期比+2億42百万円(+8.9%) 水道光熱費:電気代高騰+55百万円、旅費交通費:出張費+16百万円

【今後の施策について】

勘定科目	削減項目
給料及び賞与	定時勤務による従業員残業代削減(82百万円) パート人件費削減、下期パート採用の中止(60百万円)
支払手数料	各種保守点検費用などの見直し(1億04百万円)
水道光熱費	節電による電気料金削減
旅費交通費	オンライン活用などで出張回数削減

その他、販売促進費、修繕費、会議費などを削減し、約10億円の削減を見込む

In addition, salaries and bonuses increased by JPY688 million due to a switch from telecommuting to coming to work as well as an increase in the number of part-time employees and hourly wages.

Next, fees paid totaled approximately JPY400 million, including JPY141 million for the HAKOBUne project and JPY70 million for maintenance and inspection fees.

Freight and packing expenses increased by a total of JPY330 million, due to an increase in the number of units shipped as a result of higher sales and increased demand for user direct shipment. Of this amount, JPY178 million was for the increase in user direct shipment. The cost of direct route delivery by users is also included in net sales and is borne by the customer.

Others increased by approximately JPY200 million, of which JPY55 million came from higher electricity costs and JPY16 million came from travel and transportation expenses.

Future measures include reducing employee overtime costs through regular work hours, reduction of part-time labor costs by discontinuing part-time employment, reduction of electricity costs through power conservation, and reduction of the number of business trips by utilizing online and other means. In addition, by reducing sales promotion, repair and meeting expenses, we will work to reduce the cost by approximately JPY1 billion in total.

By reviewing costs and improving profits to achieve full-year results, we expect net income attributable to owners of the parent of JPY9,960 million, as forecast. Therefore, the year-end dividend is expected to be JPY21.50 per share, JPY1.50 higher than the announced JPY20 per share. Based on the above, the annual dividend is JPY38 per share at this time.

This concludes my explanation of the financial summary.

Naito: Next, President Nakayama will explain our initiatives.

Nakayama: Hello, everyone. And to those of you watching online, thank you very much for joining us today. I'm Nakayama.

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Today, I would like to talk about a number of things, and today, Nikkei Shimbun wrote a very prominent article about us. The stock price has already reacted quickly.

I just looked at it at exactly 2:00 PM, and it was JPY1,889, down JPY68, with a volume of 204,600 shares. It seems that the market has been sold off quite a bit, but I would like to do my best to get the market to buy back in the course of what I am about to say, so please listen to me.

TRUSCO.

当社の事業に対する考え方

代表取締役社長 中山哲也

当社は、顧客に対する、マーケットに対する、利便性向上を最大の事業戦略と位置付けており、独自の利便性向上策を展開しています。

目指す企業の理想像は、
「できればトラスコから買いたくないが、買わざるを得ない」と言われることであります。
「お客様には愛されろ」では、お世辞しか生まれず、何の戦略も生まれません。
「買わざるを得ない」と言われるには、数多くの戦略が必要で企業の機能向上が求められます。
「お世辞vs戦略」の決戦の行方は、戦略の積み重ねに軍配が上がると信じ、これからも機能強化を続けていきます。

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I would like to start from page nine, and rather than presenting the financial results, I would like you to learn a little bit about how we are managing our business.

First of all, we believe that the most important value we should provide to our customers and the market is improved convenience. We are working day and night on various measures to raise the convenience.

Convenience may not ring a bell for some of you, but the market's demand, which has not changed in 100 years, is to be able to buy things conveniently. I believe this will not change, whether it be 100 years or 1,000 years.

Also, I think the final deciding factor is material procurement, or whether or not things can be purchased conveniently. Some of you may say, "No, no, after all, old relationships and face-to-face communication are important."

Be that as it may, the overwhelming majority considers such convenience.

I wrote the ideal image the Company is aiming for. You might say I am a little strange. I think the ideal company is one about which people will say, "I wouldn't buy from TRUSCO if I could, but I have no choice."

No president has ever said this. I think most of them would tell you that you should be liked, adored, and loved by your customers.

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However, if you think about it, talking about being loved and adored, the only things that come to mind are things like paying a compliment, polishing the apple, or flattering. The other side of being loved is that nothing like a strategy is created.

But if you try to get them to say, "I have no choice but to buy," you actually have to develop various strategies and do various things. We would like you to understand that we are developing and accumulating a variety of measures to compel them to buy our products on a daily basis.

As for the outcome of the battle of "flattery vs. strategy," we will continue to enhance our functions, believing that accumulation of strategy will prevail.



現在取組中の利便性強化策とは

1. 荷合わせ＋ユーザー様直送サービス

一般的には、卸売業者がユーザー様まで商品を直送することは有り得ませんが、この直送サービスの実施により

納期半減	運賃半減	梱包資材半減	環境負荷半減
------	------	--------	--------

と数多くの効果をもたらします。

医薬品業界で例えるならば、医薬品卸売業が病院や薬局に薬を届けるのではなく、直接患者に薬を送るということでありませぬ。

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I will now explain what kind of enhancements we are currently working on. Load assorting plus user direct shipment service.

What do we mean by "load assorting"? As you can see, we call the matching of cargoes "load assorting," and we provide direct shipment service to the users.

First of all, let me explain the user direct shipment service.

In general, wholesalers like us are not supposed to send things to users. We send products to our own direct customers, but we don't send them to users beyond that.

However, by providing this service, the delivery time, which used to take one day to the customer and one day from the customer to the user, for a total of two days, can be reduced to one day by sending the product directly to the user. Also, the fare, which used to cost double, is now charged only once. Packing materials are also halved.

For example, we send it to an online retailer in TRUSCO boxes. Online retailers are sweating over the completely meaningless task of taking products out of TRUSCO boxes, repackaging them in their own boxes, and sending them out again.

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But now the cycle happens only once. That is why the environmental impact is also reduced by half. I believe that it is absolutely necessary for wholesalers to send products to users in the future, and if all wholesalers in the world do so, it will have great social significance. If possible, we would like to do our best to make it so widespread in the professional tools industry that user direct shipment becomes a common sight and a matter of course.

Incidentally, we estimate that we will send nearly 4 million packages to users this year. Four million is a significant number, and we are sending more than 10,000 packages to users every day.

When wholesalers in any industry are asked if they can send the product to the users, they generally say, "Oh, that's fine," as if they can do it. They can send two or three a day, but to send tens of thousands a day is impossible unless they have the right equipment.

To put it a little more clearly, let me use an analogy with the pharmaceutical industry. For example, Mediceo, Alfresa, Suzuken, and Toho Pharmaceutical. It is very easy to understand if you imagine that these pharmaceutical wholesalers do not send medicines to hospitals or pharmacies, but directly to patients.

TRUSCO.

現在取組中の利便性強化策とは

1. 荷合わせ+ユーザー様直送サービス

また、荷物をできるだけ詰め合わせをして(荷合わせ)ユーザー様直送をすることにより、

荷受け手間半減	段ボール処理手間半減	配送手間半減
環境負荷半減	梱包資材半減	運賃半減

と数多くの社会的問題の解決にもつながります。(別添付資料参照)

しかしながら、このサービスを実現するためにはいくつもの高いハードルがあります。

多種多様大量の在庫	大型物流センター	高密度在庫収納機器
高速荷合わせ機器	高速自動梱包出荷ライン	大規模デジタル処理能力

等々、相当の設備投資が必要となります。

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Then refer to the next page.

So, what we do, instead of just sending it, is that we pack the entire order into one box as much as possible and then send it to the user. We do this kind of work, day and night.

When you buy something from a variety of online retailers, you may have experienced that the order arrives today, tomorrow, the day after tomorrow in several separate boxes, even though you placed the order all at once. That is written in various ways in the attached document, so I hope you will take a look.

Instead of having multiple packages coming in, if we sort out the load, the time and effort required to receive the packages will be reduced by half.

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Like, you only have to pick up the mail order package once rather than every time the call bell rings. It is usually the husbands' standard job to dispose of cardboard boxes, and I am sure everyone does it at home, but it also cuts in half the time and effort.

Then the shipping hassle will be cut in half. They say, "Why do I get two or three courier services when I have placed an order with one?" If there is such a time to talk about logistics collapse or the last mile, online shopping companies should do more load sorting and send it in one shot. And wholesalers should definitely send it directly. I believe that we should definitely do this kind of work.

The environmental impact is accordingly reduced by half. Cardboard materials are also halved. Also, only one fare is required instead of three. I believe that this is a very good solution to the social problem.

However, while this is easy to say, there are very high hurdles to make this happen. As noted here, a wide variety and large amount of inventory is required, and wholesalers who do not keep a large inventory cannot perform this task.

Then you also need to own a large distribution center to do this work. High-density inventory storage equipment is also necessary. There are a variety of new equipment, but if they are stocked on ordinary shelves, it is not possible to store much inventory.

Then there is high-speed load sorting equipment. We have a warehouse that is like a so-called product apartment. If you order five items, the five packages will be stored once in that apartment as we make the shipment. Then, at the shipping stage, there's a load sorting equipment that comes out with containers, packs them together, and ships them. Such things are also needed.

Moreover, if we have to open and cover the cardboard boxes by hand, it is already nightfall. For this purpose, we have a high-speed automatic packing and shipping line, which we call I Pack. This machine can pack and ship 720 pieces per hour, and we have six lines of these machines. Such a line is also necessary.

And finally, we still need large-scale digital processing power. We can't do it just by shouting. So it can process such orders and various other processes.

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現在取組中の利便性強化策とは

1. 荷合わせ＋ユーザー様直送サービス

卸売業者によるユーザー様直送の強化という、世の中にはない物流改造で、誰もが真似できないビジネスモデルを創出し、多くの社会問題解決をしながら、業容拡大にもつなげることのできる企業でありたいと思います。

当社株価も低迷しておりますが、企業をP/Lだけで判定することに疑問を感じています。

P/Lに加えて、B/Sや、企業戦略も踏まえて、総合的に判断をしていくべきだと考えています。

Next page. This is a logistics modification that does not exist in the world, the enhancement of user direct shipment service by wholesalers. This does not exist yet. We would like to create a business model that no one else can imitate by modifying logistics in such a way as to solve many social problems while expanding our own business.

I have had enough of the power struggle and competition. It was simply exhausting. My hope is to wrestle in a different ring, preferably in a contest of wits. We would like to create such a new business model.

As I wrote in a sarcastic tone, our stock price has also been sluggish. Today, when there is a slight decrease in profits, there is a flurry of selloffs. I would like to point out that it is a big mistake to judge a company by its P&L alone.

We need to look at the B/S, what kind of business they are doing, and what kind of business model they are using. I think it is a bit wrong to simply look at sales and profit and to buy and sell stocks or invest in them. I would like you to take a look at our B/S as well as the details of our business model, as I am explaining it to you.

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現在取組中の利便性強化策とは

1. 荷合わせ＋ユーザー様直送サービス

ネット通販企業様が大型物流センターを設置されるとメーカー直取引が増加し、TRUSCOの役割が減り、売上減少につながるという世間の予測についてお答えします。

結論から申し上げますと、これは誰もが予測しえる単純で素人的発想であります。

成長を続けるネット通販企業様にも、数々の諸問題があります。

Then on the next page, we will answer some frequently asked questions. This is what we explain to institutional investors when they come to our office.

About 99 out of 100 customers are of the opinion that if online retailers build a large distribution center, TRUSCO's role will be reduced and sales will decrease.

I will answer about that forecast. In conclusion, I would like to say that this is a simple and amateurish idea that anyone can predict. Even these growing Internet companies face a variety of problems and challenges. I would like to touch on the challenges.

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現在取組中の利便性強化策とは

1. 荷合わせ＋ユーザー様直送サービス

コスト削減

商品の調達コストは商品単価のみならず、物流を含めたトータル調達コストで見なければなりません。

メーカー直取引と言いましても、

- ・全商品を在庫できるわけではない
- ・メーカーはバラ出し出荷はできません
- ・ユーザー直送は対応してくれません
- ・運賃着払いのケースも多い

The first is cost reduction. When we think of cost, we often think of the issue of just the price of the product, such as how much to buy this product. It is no good if we do not look at the total procurement cost, including logistics, and not just the unit price of the product.

They say that direct transactions with manufacturers and a large distribution center would reduce TRUSCO's sales. This seems to be a generally accepted equation, but even if they deal directly with the manufacturer, it does not mean that they can stock all of the products handled by the manufacturer.

Some parts have been put on the shelf because there are parts that can be done by themselves. However, it is not only the products they have on the shelf that users order, but also many other products. When such orders come to them, they are in trouble, and in fact, we are receiving orders from them.

Then, the manufacturer will not ship the product in pieces. It means that they basically can't accept a request to share three bottles of a box of 10.

Then, as I mentioned earlier, when they would like the manufacturer to send it to the user, to be clear, the manufacturer cannot respond to this. They can't accept it like, "I'm sorry, we will send it to your company, and you have to send it to the user."

Also, there are many cases where freight is paid on delivery, so we would like you to know that direct transactions with manufacturers are not always advantageous.

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現在取組中の利便性強化策とは

1. 荷合わせ＋ユーザー様直送サービス

よって、メーカー直取引は安い、有利と、そんな簡単なものではありません。
コスト削減の鉄則は、

「できるだけ商品に触れずにビジネスを完結させること」であります。

発注作業→入荷受付→開梱作業→検品作業→仕分作業→格納作業→
受注作業→ピッキング作業→仕分出荷→梱包作業→出荷作業→
請求書確認作業→支払作業

と、諸々の人海戦術作業がつきまといます。

Next page. We want you to know that dealing directly with manufacturers seems cheap and advantageous, but it's not that easy.

The ironclad rule of cost reduction is to complete the business without touching the product as much as possible. I believe this is the most important ironclad rule for online retailers.

If we were to procure the goods ourselves, there would first be an ordering process with the manufacturer. This is hard work too. I rambled about this in a casual manner, though.

Reception of incoming shipments means that the shipping company arrives, and a dozen packages arrive first. It's a lot of work to cut the strings, open the packages, and take the goods out.

Then actually, we also have a tough job to do. We have to inspect the goods to make sure that they are the same as on the invoice. Then comes the task of sorting them according to where they are to be stocked.

Next, once we sort them, we have to do the storing process to see where we can put them in the warehouse. Then, when an order comes in, we go to where the ordered goods are stored and pick up the goods. Then we have to sort them according to shipment.

Then comes the packing process. We call it packing, and after that kind of thing, we do the final shipping to the shipping company.

Again, it doesn't end there. It's already a mountain of human work, with bills coming in and payments to be made, and all sorts of other things.

Packing and unpacking is all done by manpower, and we are having a hard time doing it, so we decided to come up with a way to avoid bringing cardboard boxes into the distribution center.

We are even thinking of opening all the packages and unpacking them at one time. Once they are put inside, they have to be taken out again, and this process of taking them out can amount to hundreds of kilograms a day, even for cardboard boxes. We are trying to stop that kind of work.

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I'm sorry. I rambled on a bit, but anyway, it is taking a lot of very hard work for us to do it ourselves.

現在取組中の利便性強化策とは

1. 荷合わせ+ユーザー様直送サービス

そこで、TRUSCOのように、「荷合わせ」をして「ユーザー様直送」をしてくれるサプライヤーがいれば、ネット通販事業様は受注をしたら、受注データをTRUSCOに転送するだけでビジネス完了となります。

あるネット通販企業様の社長は、
「TRUSCOがすべて『荷合わせ+ユーザー様直送』をやってくれるならば、TRUSCOで取り扱っている商品をすべて発注する」と断言されておりました。

Next page. If there is a supplier like TRUSCO that sorts the load and ships directly to the user, the online shopping business operator can simply transfer the order data to TRUSCO once the order is received. And transferring is automatic. So, once the site is open and the order is placed, TRUSCO will pack it up and send it to the user on its own. The Company does such useful work.

The president of an online shopping company, I won't say who, but the other day I was talking with him and he said, "If TRUSCO handled all the load sorting and user direct shipment, we would order all the products handled by TRUSCO. We built a new distribution center, but it didn't matter, we would just get it all out."

He said at that time, "Of the data we are receiving now, we can buy 20% of the products from TRUSCO. But we can only get 7% out now. If TRUSCO could have everything shipped directly to the user, we would order all 20% of it from TRUSCO."

We are grateful to hear such a story. User direct shipment is a good service for online retailers, more so than you might think.

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現在取組中の利便性強化策とは

1. 荷合わせ+ユーザー様直送サービス

このご要望に対してのTRUSCOの対応策は、

- ・主要物流センターの在庫フルライン化を早急に進めるとともに荷合わせ装置、高速自動梱包出荷ラインの設置を行う。
- ・現在設計中のプラネット愛知物流センターの建設を急ぐ。

このようなご要望にお応えできるプロツールサプライヤーは他になく、ブルーオーシャンのビジネスモデルとして、今後の成長の柱の一つとして、「荷合わせ」+「ユーザー様直送サービス」の拡大を進めていきます。今年度からスタートした「取り扱い商品のプロツール限定解除」もご利用の後押しとなるものと考えます。

Next page. Although we have received such requests, we have not yet done enough. The measures to be taken in the future include a full line of inventory at major distribution centers.

I mentioned 520,000 items earlier, and we will have an inventory of 520,000 items. Then we will install load sorting equipment and a high-speed automated packing and shipping line. We have to deal with this kind of thing. This means that considerable investment will be required in the future.

The Planet Aichi Logistics Center is currently under design, and its construction must be expedited. No other professional tool supplier can meet these demands.

I may be a bit exaggerating to call it a blue ocean business model, but I would venture to call it blue ocean at this stage, because no other company can provide the same kind of service. We intend to make this one of the pillars of our future growth, by expanding our load sorting and user direct shipment services.

Also, we have started lifting the restriction of professional tools for products we handle from this fiscal year. I think this will also encourage people to use it very much. We used to say that we would not sell anything other than professional tools used in factories, but we are now looking to broaden the scope of our business.

To give a simple example, we used to handle storage products from IRIS OHYAMA Inc., but as you know, they are becoming more and more like an appliance manufacturer. There was some talk about whether appliances would be included or not. It was too much of a hassle, so we decided to handle all the IRIS OHYAMA products.

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現在取組中の利便性強化策とは

1. 荷合わせ＋ユーザー様直送サービス

結論としましては、ネット通販企業様の成長の後押しとなりますのは、

- ・品揃えも豊富
- ・在庫も豊富
- ・ユーザー様に荷合わせして直送できる能力がある
- ・デジタル環境が整っている

このような機能を持った卸売業者とのパートナーシップだと考えます。
メーカー直取引が一見有利なように思われがちですが、
決してそうではないことをご存知いただければと思います。

Next page.

In conclusion, what will help online retailers grow is a wide selection of products and a large inventory, ability to sort the load and ship directly to the user, and the digital environment being in place. We believe it is a partnership with a wholesaler that has these functions.

We would like you to know that although dealing directly with manufacturers may seem advantageous at first glance, it is not. If a company with such capabilities can be controlled and used properly, it will lead to the expansion of the online retailer's business.

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現在取組中の利便性強化策とは

2. MROストッカー(別添パンフレット参照)

ユーザー様をご指定されるMRO商材を、MROストッカーにストックし、ご使用になられた分だけ請求されるサービスです。

<メリット>

- 発注の手間がない
- 納期ゼロ、究極の即納
- 管理、棚卸が不要
- 配送作業が大幅に削減され、環境負荷軽減にもつながる
- 導入費用がかからない。設置場所提供のみ

Next page. On a different note, we are now working on something called MRO stockers. Please see the attached brochure for more information.

It is a tool version of a business model that has been popular in Japan for many years: okigusuri, or "use-first-pay-later medicine". They have a permanent supply of emergency equipment that can be used for emergency repairs in the event of a broken pump or bearing, etc. We would like to think of this as a substitute service for this.

These are MRO products specified by the user, or regular supply of factory equipment. This is not for us to decide, but for the user to decide. This is stocked in the MRO stocker and the customer is billed only for the amount used. The advantage is that there is no need to place an order.

Zero delivery time. It's the ultimate instant delivery. If you go to the stocker to pick it up, it will be there. All management and inventory will be done by our distributors, so there is no need for such management.

Also, the delivery work has been greatly reduced, which will lead to a reduction in environmental impact. Every time they wanted something or asked for something, trucks were used to deliver by dealers. This will not be reduced to zero but will be greatly reduced. Then, there is no cost to install this stocker. You are only required to provide the location of the installation.

This may seem like a service that anyone can provide, but in fact, we need to have a large amount of inventory. We have to make the logistics system work properly. Digital is also very important.

The tool version of use-first, pay-later medicine is very difficult to operate. We intend to make this another pillar of our future growth.

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現在取組中の利便性強化策とは

2. MROストッカー(別添パンフレット参照)

■現状

2022年 6月末時点 導入件数	494件
現在商談中	258件
2022年 12月末時点 目標設置件数	1,409件
1件当たり月額売上目標	30万円
現在の1件当たり売上実績	最高170万円/月 最低10万円/月

■当社のメリット

- ・卸売業者の当社が、ユーザー様と直接接点を持つことにより、ユーザー様の声を直接収集することができる。
- ・ユーザー様に直接PRしたい商品も、設置することにより可能となる。
- ・受注・配送品頻度の軽減も実現し、サプライチェーン全体のコスト軽減、環境負荷軽減にもつながる。

Next page.

Currently, we have received nearly 500 installations. We are currently under business negotiations for about 258 installations, and we hope to reach about 1,409 installations by the end of the current fiscal year.

We would be grateful if we receive orders of roughly JPY300,000 per month. Currently, some of the sales results per case are JPY1.7 million per month, while others are still stagnant at around JPY100,000 per month.

We would like to increase the figure and gradually upgrade this to a level where an MRO stocker can be classified as a new business route, such as a factory or e-business.

We wrote our company's merits at the end. As a wholesaler, basically we do not have direct contact with our customers.

We are a 100% wholesale company and have no direct dealings with users, so we believe that being able to directly send, collect, and listen to users' opinions is a positive thing.

By placing products that we want to promote directly to users on the stocker, we believe it will be possible for them to see and touch them with their own eyes and hands.

We also hope to reduce the frequency of order delivery, and thereby reduce costs and environmental impact throughout the supply chain as much as possible.

I think it is important to be able to reduce the environmental burden on society, rather than just increase sales.

Lastly, I mentioned social issues, and we handed out a booklet called the TRUSCO Book to everyone. These days, I am fed up with the situation of WASH SDG, sustainable WASH. If you look up the word "wash," you will see what I mean. All talk, but no reality is called "wash."

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There are many good words used to describe various aspects of society, such as "staying close," and "the SDGs," but I think it is important to consider what the actual situation is.

We do not wear badges or overtly campaign for the SDGs at our company, but we do encourage each employee to be mindful of his or her own lifestyle, as the primary cause of environmental destruction is the individual. Although the Company as a whole does not wear a badge, I would like you to know that we are working on such environmental issues as well.

I would like to end my explanation now.

Thank you very much for your attention.

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Question & Answer

Naito [Q]: We will move on to the Q&A session. First of all, we will answer two questions received in advance.



質疑応答

事前質問①

・出荷単価は値上げにより平均でどれくらい上昇しているのか

→ 当社は仕入先様からの値上げ要請に対して商品供給を優先するため速やかに受け入れ、販売価格にも転嫁しております。
現在、3,000社中約1300社の仕入先様より、平均して8～59%の値上げ幅で値上げ要請をいただいておりますが、取扱アイテム数の幅広さが強みとなり、平均単価の上昇額は軽微であると認識しております。

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First, how much, on average, has the unit price per shipment increased as a result of the price increase?

President Nakayama will answer this question.

Nakayama [A]: As I wrote my answer here, we receive many requests for price increases from our suppliers. Basically, if a price increase is requested to be accepted promptly, we will accept that price increase immediately. Instead, we ask them to give us priority in the supply of goods.

Also, with regard to selling prices, basically, any price increase requested will be passed on to the price on a set date. We follow what comes that way. We have no particular problems with this.

Right now, the average price increase is from 8% to 59%, from about 1,300 suppliers out of 3,000. It is not the same for each company.

Since there is a wide range of items in stock and items handled at the moment, the situation is not so difficult due to noticeable price hikes, and the increase in average unit price is minor. That is how we perceive it.

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質疑応答

事前質問②

・商品の値上げによる数量減は、 値上げ幅以下に収まっているのか

- 値上げ対象商品も値上げ対象外商品も数量ベースで前年を上回っており、値上げによる買い控えはないと考えています。
当社で扱う商品は製造現場で使用されている消耗品のため、工場が稼働すると必ず必要となる商品が多いため、値上げ＝買い控えとはなっておりません。

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Naito [Q]: The second preliminary question. Is the decrease in volume due to the price increase less than or equal to the price increase?

Nakayama [A]: We have also checked the quantity base of products subject to the price increase, and there has not been much of a decrease.

Unlike general daily necessities, for consumables used at manufacturing sites like ours, we are not likely to reduce the amount of consumables we use or buy because of a price increase. We are aware that there has been no particular decrease in volume, and that there has been no reluctance to buy.

Naito [M]: Thank you very much. As explained at the beginning of this presentation, we will accept questions in the order of those participating on-site and those participating online.

If those participating on-site have any questions, please raise your hand and tell us the name of your company, your name, and the content of your question. So, if you have any questions, please raise your hand.

Nakayama [M]: Anything is fine.

Nagai [Q]: I'm Nagai of the Kankisangyo Shimbun.

Nakayama [M]: Please go ahead.

Nagai [Q]: You may have mentioned earlier that sales are going up briskly, and the profit side is negative. What are the main reasons for this?

Nakayama [A]: Yes. As explained earlier, the Company has offered so-called temporary bonuses for employees in H1. That is for the full year, but since it was paid in H1, it was recorded in H1. It means that the profit was reduced by more than JPY500 million for that amount than expected. There was also the issue of raising prices and so on. The increase in costs in these areas had some impact.

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As you can see in the forecast for the full year, the bias toward H1 will be evened out for the full year. In this area, we are proceeding with a decrease in profits and, conversely, a projected increase in profits in the end.

Also, as I explained earlier, considerable investment is required for load sorting and user direct shipment. Basically, we are a company that is not too conscious of P&L but rather, we make all the necessary investments in order to increase convenience.

If we are too conscious of P&L, we may neglect necessary investments, or it may be too late. The downside is significant. We have a policy of being aggressive and doing what is necessary there.

Therefore, I think it is more important to check whether the sales growth is in line with the policy or not, rather than whether the half-yearly earnings have declined significantly or not. I hope you will take a look into that.

Naito [M]: Thank you very much. Does anyone have any other questions? Since there seem to be no other questions, we will move on to questions from the online participants.

If you wish to ask your question online, I will unmute you after I indicate your name, so please tell us your company name, your name, and state your question.

Nakayama [M]: Please do not hesitate to ask questions if you like.

Naito [M]: Mr. Komiya of Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. Please wait a moment while we unmute you.

Komiya [M]: I'm Komiya of Mitsubishi UFJ Morgan Stanley.

Nakayama [M]: Please go ahead.

Komiya [Q]: Thank you very much. Just one question. I would like to mention the temporary bonuses for employees. I think the background is that prices are going up. However, there is not any sense of prices going down as they are. If that is the case, will you include that in the salary increase portion next year? Or are you thinking of a similar bonus next year? Are you paying extra this time and leaving the rest to them? What are your thoughts on management as a feeling?

Nakayama [A]: We paid this temporary bonus in May of this year, but even before that, we had actually been considering revising the level of our salary system. We had been considering revising salaries for the next fiscal year, but the price of commodities suddenly became an issue, so we made a decision in May, relatively early in the year, to pay the salary for now.

Therefore, next year, rather than a temporary bonus, we would like to take a proper step toward revising the salary structure. The extent to which the salary base will be increased is still under consideration, so I will refrain from answering that question. It is possible to increase salaries in a slightly different way next year.

Komiya [M]: Thank you for your kind explanation. That is all.

Nakayama [M]: Thank you.

Naito [M]: Thank you very much. Does anyone have any other questions? Since there seem to be no further questions, I will conclude the Q&A session.

If you have any further questions, please contact us by e-mail or as appropriate for interview requests.

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This concludes the financial results briefing for Q2 of FY2022. After the webinar, participants will be taken to a short survey regarding this information session. Please respond if you would like.

Thank you very much for attending today.

Nakayama [M]: Thank you very much. Please excuse me.

[END]

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