



TRUSCO Nakayama Corporation

Q2 Financial Results Briefing for the Fiscal Year Ending December 2023

August 10, 2023

Event Summary

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[Venue]	Webcast		
[Venue Size]			
[Participants]			
[Number of Speakers]	6		
	Tetsuya Nakayama	President	
	Atsushi Kazumi	Director, General Manager of the Business Management Department and General Manager of the Digital Service Strategy Department	
	Tetsuhiro Mori	General Manager of the Accounting Department	
	Atsushi Shimozu	Manager of the Corporate Planning Department	
	Kyoko Yoshimi	Manager of Public Relations & Investor Relations, Corporate Planning Department	
	Mika Takahashi	Public Relations & Investor Relations Section, Corporate Planning Department	

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Presentation

Takahashi: Thank you very much for your patience. We will now begin TRUSCO Nakayama Corporation's financial results briefing for Q2 of the financial year ending December 2023. Thank you for taking time out of your busy schedules to join us today. My name is Mika Takahashi of the Public Relations and Investor Relations Section, and I will be your moderator today.

Today's briefing is an onsite–online hybrid. First, I would like to introduce today's attendees. Mr. Tetsuya Nakayama, President.

Nakayama: Thank you.

Takahashi: Atsushi Kazumi, Director, General Manager of the Business Management Department, and General Manager of the Digital Service Strategy Department.

Kazumi: Yes, I am Kazumi. Thank you.

Takahashi: Tetsuhiro Mori, General Manager of the Accounting Department.

Mori: I am Mori. Welcome to our briefing today. Thank you.

Takahashi: Atsushi Shimozu, Manager of the Corporate Planning Department.

Shimozu: I am Shimozu. Thank you.

Takahashi: Kyoko Yoshimi, Manager of Public Relations & Investor Relations.

Yoshimi: I am Yoshimi. Thank you.

Takahashi: I would like to continue with a brief introduction to today's program. First, I, Takahashi, will provide an overview of the financial results, followed by an explanation of the Company's initiatives by President Nakayama.

After the explanation, there will be time for a Q&A session. The briefing will end when the Q&A session is over. Please allow approximately one hour for this briefing.

For this Q&A session, questions will be answered in the following order: We will first answer the pre-session questions followed by the ones from the on-site participants, and then ones from online participants. Information on how to ask questions will be provided during the Q&A session.

The video of today's briefing will be posted on our official YouTube channel at a later date.

I would now like to explain the financial results.

Please refer to the financial results presentation material. We would appreciate it if you could take a look at the other documents when you have time later. We will project the materials on the screen, but they are also available for download on our website.

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【連結】経営成績

	令和4年(2022)12月期 通期 実績			令和5年(2023)12月期 第2四半期 実績			
	実績	構成比	前期比	実績	構成比	前期比	予算比
売上高	2,464億53百万円	-	+8.6%	1,313億90百万円	-	+8.9%	+0.7%
売上総利益	521億60百万円	21.2%	+9.4%	281億88百万円	21.5%	+11.1%	+4.3%
販売費及び一般管理費	374億93百万円	15.2%	+8.1%	190億31百万円	14.5%	△2.1%	△4.5%
(うち減価償却費)	66億67百万円	2.7%	△3.8%	31億58百万円	2.4%	△5.8%	△0.2%
営業利益	146億67百万円	6.0%	+12.8%	91億56百万円	7.0%	+54.3%	+28.8%
経常利益	150億65百万円	6.1%	+11.1%	92億69百万円	7.1%	+50.8%	+28.4%
親会社株主に属する当期(四半期)純利益	106億26百万円	4.3%	△8.4%	60億66百万円	4.6%	+42.7%	+23.0%
1株当たり当期(四半期)純利益	161円15銭	-	△14円71銭	91円99銭	-	+27円53銭	+17円20銭
1株当たり配当金	40円00銭	-	+4円50銭	23円00銭	-	+6円50銭	+4円00銭
PB売上高	458億76百万円	18.6%	+5.6%	243億38百万円	18.5%	+6.6%	-
設備投資額	47億99百万円	-	-	51億25百万円	-	-	-

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First, let me explain the financial performance. Please refer to page three.

Consolidated sales for Q2 of the 61st fiscal year totaled JPY131,390 million, up 8.9% YoY and up 0.7% from the budget. Gross profit was JPY28,188 million, up 11.1% YoY and up 4.3% from the budget.

SG&A expenses were JPY19,031 million, down 2.1% YoY and down 4.5% from the budget, including JPY3,158 million in depreciation and amortization, down 5.8% YoY and down 0.2% from the budget.

Operating income was JPY9,156 million, up 54.3% YoY and up 28.8% from the budget. Ordinary income was JPY9,269 million, up 50.8% YoY and up 28.4% from the budget.

Net income attributable to shareholders of the parent company was JPY6,066 million, up 42.7% YoY and up 23% from the budget. Net income per share was JPY91.99, up JPY27.53 YoY and up JPY17.20 from the budget. The dividend per share was JPY23, up JPY6.5 YoY and up JPY4 from the budget.

Sales of private brand products totaled JPY24,338 million yen, up 6.6% YoY. Capital expenditures totaled JPY5,125 million.

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【連結】経営計画

※令和5年(2023)8月10日発表の修正予算となります。

	令和5年(2023)12月期 下期 予算			令和5年(2023)12月期 通期予算※	
	予算	構成比	前期比	予算	前期比
売上高	1,346億33百万円	-	+7.0%	2,660億80百万円	+8.0%
売上総利益	288億16百万円	21.4%	+7.6%	569億70百万円	+9.2%
販売費及び一般管理費	200億4百万円	14.9%	+10.8%	390億40百万円	+4.1%
(うち減価償却費)	32億38百万円	2.4%	△2.3%	64億2百万円	△4.0%
営業利益	88億12百万円	6.5%	+0.9%	179億30百万円	+22.2%
経常利益	89億73百万円	6.7%	+0.6%	182億20百万円	+20.9%
親会社株主に属する当期(四半期)純利益	61億45百万円	4.6%	△3.6%	121億90百万円	+14.7%
1株当たり当期(四半期)純利益	93円19銭	-	△3円50銭	184円86銭	+23円71銭
1株当たり配当金	23円50銭	-	±0円	46円50銭	+6円50銭
PB売上高	-	-	-	500億円	+9.0%
設備投資額	85億76百万円	-	-	137億1百万円	-

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Let's move on to page four. The budget for H2 will be as shown here.

We are announcing an upward revision today, and in light of the uncertain outlook, we are planning a solid 7% YoY increase in sales for H2. We will explain the details later.

決算ダイジェスト

売上高 ↑	1,313億90百万円 (前期比+8.9%)	・約57万アイテムの豊富な在庫保有と、最先端の物流機器を活用した「ニアワセ+ユーチョク」(荷物詰合わせとユーザー様直送)をはじめとするお客様の利便性向上と環境負荷軽減に貢献する施策による影響
売上総利益率 ↑	21.5% (前期比+0.5pt)	・値上げ前に旧価格で購入した在庫の価格改定後の販売において利益幅が拡大した影響 ・仕入価格の販売価格転嫁が進んだことによる影響
販売費及び一般管理費 ↓	190億31百万円 (前期比△2.1%) (前期差額△4億13百万円)	・運賃及び荷造費(+3億円) 売上高増加に伴う影響 ・給料及び賞与(△1億33百万円、前期の生活支援臨時ボーナス支給)、減価償却費(△1億93百万円)、支払手数料(△1億62百万円、前期のHACOBUna構想に係るシステム構築料) などによる影響
親会社株主に帰属する四半期純利益 ↑	60億66百万円 (前期比+42.7%)	・価格改定前に仕入れた在庫の販売価格変更等による売上総利益率の上昇、給料及び賞与をはじめとする販売費及び一般管理費の減少により、前期比+42.7%

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Next, please refer to page five. This is the overview of the financial results.

Sales increased 8.9% because of the commercial rights were integrated into our Company, which is a result of our abundant inventory of approximately 570,000 items and measures to improve customer convenience and

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reduce environmental impact, such as package consolidation using state-of-the-art logistics equipment and direct delivery to users.

Gross profit increased 0.5 percentage points from the previous fiscal year, mainly due to the following factors: (1) many suppliers requested price increases due to inflation, (2) profit margins increased on sales of inventory purchased at previous prices before the price increases after the price revisions, and (3) progress was made in transferring prices to sales prices through certain channels where price transfers had been delayed.

As for SG&A expenses, freight and packing expenses increased by approximately JPY300 million, in line with the increase in sales. Salaries and bonuses increased due to a change in the number of months for bonus payments to logistics employees engaged in logistics operations beginning this fiscal year, but salaries and bonuses decreased due to a reactionary decline from the provision of temporary bonuses for living support that was made earlier in the previous fiscal year. Depreciation and commissions paid also decreased, resulting in a YoY decrease of minus 2.1%.

As a result, net income attributable to owners of the parent company increased 42.7% YoY due to an increase in the gross profit margin and a decrease in selling, and SG&A expenses, including salaries and bonuses, mainly due to the impact of a larger profit margin on inventory purchased at the old price before the price increase.

【連結】セグメント別実績

	令和4年(2022)12月期 通期 実績				令和5年(2023)12月期 第2四半期 実績					
	売上高			売上 総利益率	売上高				売上 総利益率	
販売ルート	実績	構成比	前期比	実績	実績	構成比	前期比	予算比	実績	前期末比
ファクトリー ルート	1,706億6百万円	69.2%	+5.1%	21.2%	895億93百万円	68.2%	+6.4%	△0.6%	21.6%	+0.4pt
eビジネス ルート	515億76百万円	20.9%	+16.2%	22.1%	289億11百万円	22.0%	+14.5%	+3.3%	21.9%	△0.2pt
ホームセンター ルート	221億62百万円	9.0%	+20.7%	17.4%	117億4百万円	8.9%	+14.7%	+4.8%	17.6%	+0.2pt
海外 ルート	21億8百万円	0.9%	+24.4%	35.8%	11億80百万円	0.9%	+17.4%	+1.8%	34.9%	△0.9pt
全社合計	2,464億53百万円	100%	+8.6%	21.2%	1,313億90百万円	100%	+8.9%	+0.7%	21.5%	+0.3pt

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Next, please see page six. This section explains results by segment.

Sales in the factory route business were JPY89,593 million, up 6.4% and down 0.6% from the budget.

Sales in the e-business route business were JPY28,911 million, up 14.5% YoY and up 3.3% from the budget.

Sales in the home center route were JPY11,704 million, up 14.7% YoY and up 4.8% from the budget.

Sales on the overseas route business totaled JPY1.18 billion, up 17.4% YoY and up 1.8% from the budget.

Each route has seen sales growth due to the convenience of our comprehensive capabilities, including Niawase (cargo assortment), U-choku (direct delivery to users), and MRO Stocker. Improvement is also

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underway in the delayed price pass-through of some price increases in the e-business and home center route businesses.

【連結】セグメント別経営計画

※令和5年(2023)8月10日発表の修正予算となります。

販売ルート	令和5年(2023)12月期 下期 予算			令和5年(2023)通期予算※	
	売上高			売上高	
	予算	構成比	前期比	予算	前期比
ファクトリールート	924億18百万円	68.6%	+7.0%	1,820億11百万円	+6.7%
eビジネスルート	289億73百万円	21.5%	+10.1%	578億85百万円	+12.2%
ホームセンタールート	118億46百万円	8.8%	△0.9%	235億51百万円	+6.3%
海外ルート	13億94百万円	1.0%	+26.5%	26億31百万円	+24.8%
全社合計	1,346億33百万円	100%	+7.0%	2,660億80百万円	+8.0%

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Please refer to page seven. The H2 budget by segment is shown in the table below.

【連結】販売費及び一般管理費

実績: 190億31百万円 (前期比△2.1%、△4億13百万円)

勘定科目	令和4年(2022)12月期 実績	令和5年(2023)12月期 第2四半期 実績			令和5年(2023)12月期 通期 予算
	実績	実績	前年増減額	前期比	
① 給料及び賞与	130億36百万円	63億40百万円	△1億33百万円	△2.1%	135億92百万円
② 運賃及び荷造費	76億30百万円	40億39百万円	+3億円	+8.0%	83億66百万円
③ 減価償却費	66億67百万円	31億58百万円	△1億93百万円	△5.8%	64億2百万円
④ 支払手数料	26億38百万円	12億87百万円	△1億62百万円	△11.2%	26億2百万円
合計	374億93百万円	190億31百万円	△4億13百万円	△2.1%	390億40百万円

①給料及び賞与 △1億33百万円
前期の生活支援臨時ボーナスの支給による影響(約5億円)
ロジス賞与支給月数変更による影響(+43百万円)

③減価償却費 △1億93百万円

②運賃及び荷造費 +3億円
出荷量の増加、輸送コストの増加による影響(+2億34百万円)
ユーザー直送増加による影響(+66百万円)
※ユーザー様直送に係る運賃は、お客様にご負担いただいております

④支払手数料 △1億62百万円
HACOBUne構想に係るシステム構築費用の影響

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Next, on page eight, we explain SG&A expenses.

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The H1 result was JPY19,031 million, down 2.1% YoY. Freight and packing costs increased by an additional JPY300 million YoY due to an increase in shipping volume, including direct shipments to users, in line with higher sales and higher transportation costs.

The amount for salaries and bonuses, depreciation and amortization, and commissions paid decreased due to the impact of the payment of extra bonuses to all employees in the previous fiscal year, which were made in advance to support the livelihood of employees in light of soaring prices and other social conditions, resulting in a decrease of JPY413 million YoY.

【連結】設備投資一覧

(単位:百万円)

令和5年(2023) 主な設備投資 内訳		令和5年(2023) 上期 投資実績額	令和5年(2023) 下期 投資予定額
物流機器	プラネット愛知物流機器設備設置工事先行発注費用 (投資予定総額:約95億円)【上期実績:約23億円】	3,647	414
	プラネット東関東 第2パレット自動倉庫 (投資総額:約27億円)【上期実績:約6億円】		
	堺ストックセンター パレット自動倉庫 (投資総額:約18億円)【上期実績:約5億円】など		
デジタル	商品データベース「Sterra2.0」構築 (投資予定総額:約8億円)【上期実績:約5億円、下期予定額:約3億円】	864	2,000
	仕入先ポータル「POLARIO」などの機能強化 (投資予定総額:約3億円)【下期予定額:約3億円】など		
建物	本町セントラルビル 改修費用 (投資予定総額約16億円)【上期実績:約4億円、下期予定額:約4億円】	614	6,162
	プラネット愛知新築計画 (投資予定総額:約176億円)【上期実績:約3億円、下期予定額:約51億円】など		
小計		5,125	8,576
年間設備投資額		13,701	

物流センター「プラネット愛知」



2026年OPEN!

2026年7月稼働予定

物流センター「プラネット東関東」



第1パレット自動倉庫棟
1,556パレット
第2パレット自動倉庫棟
4,556パレット

2023年3月稼働

物流センター「堺ストックセンター」



パレット数
3,304パレット

2023年4月稼働

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<設備投資額に関して>
・設備投資予定額には、計画中のものも含まれているため、投資額は変動する場合があります。
・第61期はキャッシュアウトベースの金額で記載しております。

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Next, on page nine, we explain capital investment.

For a detailed breakdown, please see the document at hand. The H1 results totaled JPY5,125 million due to the logistics center Planet Aichi, scheduled to be operational in 2026, a new automated pallet warehouse building at Planet Higashi-Kanto, and a new Sakai Stock Center for the purpose of inventory expansion. Operating income is projected at JPY8,576 million for H2.

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直近の業績推移について

()内、前期比

	令和4年(2022)12月期(前期)		令和5年(2023)12月期(当期)	
	上期 実績	下期 実績	上期 実績	下期 予算
売上高	1,206億83百万円(+7.1%)	1,257億70百万円(+10.1%)	1,313億90百万円(+8.9%)	1,346億33百万円(+7.0%)
売上総利益率	21.0%(△0.6pt)	21.3%(+0.9pt)	21.5%(+0.5pt)	21.4%(+0.1pt)
販売費及び一般管理費	194億45百万円(+14.0%)	180億48百万円(+2.4%)	190億31百万円(△2.1%)	200億4百万円(+10.8%)
親会社株主に帰属する当期純利益	42億50百万円(△19.1%)	63億76百万円(+0.5%)	60億66百万円(+42.7%)	61億45百万円(△3.6%)
1株当たり配当金	16円50銭	23円50銭	23円00銭	23円50銭
要因	・物価上昇に伴う生活支援臨時ボーナスの支給(約5億円)	・価格改定前に仕入れた在庫の販売による粗利率上昇	・価格改定前に仕入れた在庫の販売による粗利率上昇	・価格改定前に仕入れた在庫の販売による粗利率上昇

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Next, on page 10, we will explain the recent business performance.

This is a summary of the factors for the ups and downs in gross profit and SG&A expenses from last year to this fiscal year.

In H1 of the previous fiscal year, net sales increased 7.1% YoY, but net income decreased 19.1% YoY due to higher SG&A expenses resulting from the provision of a total of approximately JPY500 million in temporary bonuses for living expenses in response to rising prices.

For H2 of the previous fiscal year, the gross profit margin was up 0.9 percentage points YoY due to the impact of sales of inventory purchased at the old price before the price increase after the price revision, and net income was up 0.5% YoY due to the curbing of SG&A expenses, as the price of products was raised from H2 of last year.

Next, I would like to discuss the results for H1. In H1, the effect of sales of inventory purchased at the old price before the price increase after the price revision boosted profits by approximately JPY1.4 billion. For the budget for H2, we expect the impact of the price revision to boost profits by approximately JPY500 million.

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第61期通期予算の上方修正について

(令和5年(2023)8月10日に業績予想の修正を行いました)

売上高については、上期で上振れた約10億円を期初予算に加算して上方修正しております

売上総利益については、旧価格で購入した在庫の販売価格変更による利益幅拡大影響約5億円を考慮し、販売費及び一般管理費については、上期の実績を元に変更しております

	令和5年(2023)12月期 期初予算	構成比	令和5年(2023)12月期 修正後業績予算	構成比	増減額	前期比
売上高	2,650億90百万円	-	2,660億80百万円	-	+9億90百万円	+8.0%
売上総利益	553億50百万円	20.9%	569億70百万円	21.4%	+16億20百万円	+9.2%
販売費及び一般管理費	396億50百万円	15.0%	390億40百万円	14.7%	△6億10百万円	+4.1%
(内、減価償却費)	63億97百万円	2.4%	64億2百万円	2.4%	+5百万円	△4.0%
営業利益	157億00百万円	5.9%	179億30百万円	6.7%	+22億30百万円	+22.2%
経常利益	159億70百万円	6.0%	182億20百万円	6.8%	+22億50百万円	+20.9%
親会社に帰属する 当期純利益	109億20百万円	4.1%	121億90百万円	4.6%	+12億70百万円	+14.7%
1株当たり配当金	41円50銭	-	46円50銭	-	+5円00銭	+6円50銭

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Next, on page 11, I will explain the earnings forecast for this fiscal year, which was announced today.

Consolidated net sales for the 61st fiscal year were JPY266,080 million. The change from the initial budget created at the beginning of the period was plus JPY990 million, up 8% YoY.

Gross profit was JPY56.97 billion, up 9.2% YoY and up JPY1.62 billion from the initial budget.

SG&A expenses were JPY39.04 billion, down JPY610 million from the initial budget and up 4.1% YoY.

Operating income was JPY17.93 billion, up 22.2% YoY and up JPY2.23 billion from the initial budget. Ordinary income was JPY18.22 billion, up 20.9% YoY, up JPY2.25 billion from the initial budget.

Net income attributable to shareholders of the parent company was JPY12,190 million, an increase of JPY1,270 million from the initial budget, an increase of 14.7% YoY, and the dividend per share was JPY46.50, an increase of JPY5 from the initial budget and an increase of JPY6.5. That is all for the financial results.

We have revised net sales upward by adding approximately JPY1 billion to the initial budget, which was raised in the previous fiscal year. Regarding gross profit, SG&A expenses were changed based on the actual results of H1, taking into account the impact of an increase in the profit margin of approximately JPY500 million due to a change in selling prices of inventory purchased at the previous price.

Next, Nakayama, President, will explain the Company's initiatives.

President Nakayama, please.

Nakayama: Once again, hello, everyone. Thank you very much for joining us today. We hope those of you joining us via webinar will enjoy the presentation too. Thank you in advance for watching.

The numbers are as Takahashi just mentioned. I would like to talk a little about various measures.

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1. 上半期業績の総括

(1) 売上増加の要因



①取扱メーカーの拡大

2018年 2,477社 ⇒ 2023年2Q 3,423社 (+946社)

②在庫アイテムの拡大

2018年 37万アイテム ⇒ 2023年2Q 57万アイテム (+20万アイテム)

③品番登録アイテムの拡大

2018年 252万アイテム ⇒ 2023年2Q 593万アイテム (+341万アイテム)

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Page 13. I hope you can see it. In summarizing our business performance, I have listed several possible factors that contributed to the increase in sales.

The first is the increase in the number of manufacturers we handle, and we have been working diligently to increase the number of manufacturers to more than 100 per year. Compared to five years ago, the number of companies has increased by almost 1,000, or 946 companies. The increase in the number of cargos handled means cargo assortment, which I will explain later. One reason is that it is very advantageous for cargo assortment, which means sending a variety of products in one box as much as possible.

Also, from the customer's point of view, having a relationship with one company, TRUSCO Nakayama, gives them access to products from 3,423 manufacturers, which is very convenient for them.

Secondly, the number of inventory items has increased from 370,000 in 2018 to 570,000, which is an increase of approximately 200,000 items.

We are aiming to have one million items in stock by 2030, and this expansion of stock items will also contribute to our efforts for cargo assortment or to send packages together as much as possible.

Thirdly, the number of items registered with a product number has increased considerably, from 2.52 million to 5.93 million, regardless of whether the product is in stock or not.

The more this increases, the more business opportunities will expand, so to speak. The expansion of the number of items registered with a product number will lead to "Wow, TRUSCO handles such a thing," and greater efficiency by streamlining the exchange of paperwork, such as orders received and orders placed.

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1. 上半期業績の総括

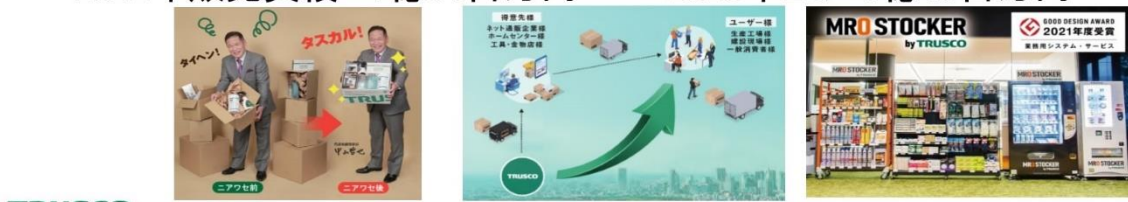
④「ニアワセ+ユーチョク」サービスの拡大

2018年 175万個口 ⇒ 2023年 2Q 218万個口
通期計画440万個口 (+265万個口)

⑤MROストックカーの設置拡大

2020年 47件 ⇒ 2023年2Q 974件 (+927件)

2022年販売実績 1億94百万円 ⇒ 2023年2Q 1億49百万円



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Then the next page explains the fourth factor about the expansion of Niawase & U-Choku services. Niawase is rather an uncommon word, and it may sound like nimono (food cooked by boiling) to you.

As you can see in this pile of boxes, I ordered five items to wash my car on Amazon, and what a surprise, I received these four boxes one after another. It was very inconvenient and time-consuming to receive them. And it's a waste of boxes. And having a truck come and go four times is very unreasonable. For your reference, when I tried to put all five items that I received into this single largest box, they all fit.

We are now working very hard on this Niawase because we know it's not good to waste things like this.

As for this U-choku service, although we are a wholesaler, we basically deliver the order directly to the customer who placed the order when we receive an order from a customer online. It is a very unusual case for a wholesaler to send directly to the user, but this is one of the very popular services, and I think it is fair to say that there are basically no companies like ours in the world that offer direct delivery to users on a large scale.

First of all, from the point of view of online shopping customers, a president of a company told us that if we could ship everything directly to them, he would buy everything he could.

Also, general factory customers have a shortage of manpower and transportation problems. So they want us to send them this and that together if we can send the products directly to them or deliver additional products, so to speak. This is, in fact, an unexpected purchase. "I was going to ask another company, but TRUSCO, now that you are going to send one to us, send these all together." This is a very popular service that also induces customers to buy something on the side.

By the way, last year saw a large amount of cargo, with 3.55 million packages sent directly to users, and we have already sent 2.18 million packages this year. We are looking at 4.4 million packages for the full year, but I think this may still become a little higher.

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The fifth factor is that we are expanding the installation of MRO stockers at our production sites, which is a tool equivalent to Okigusuri (drugs stored at home). In 2020, only 47 were installed, but as of Q2, there were already 974, indicating that installation is progressing at a very high pace.

The number of sales is still not that large, but basically, the users have already specified what to place. They asked us to place specific products, so there is no way they are not going to be purchased. Therefore, we would like to work on those areas to enhance such convenience, including the designated products plus extra.

1. 上半期業績の総括

⑥取扱商品のプロツール限定一部解除

エアコンなどの家電製品の取り扱いも可能となります



⑦プラネット埼玉の開設

業績拡大の大きな戦力となっています



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The sixth factor on the next page is a partial lifting of the professional tools limitation on products handled. In the past, we used to be a jack-of-all-trades, selling everything, but we realized that it was not good to handle everything, so we decided to limit our business to professional tools as one of the strategies to stop such sales.

When sales were around JPY100 billion, we made a very rough treatment by stopping sales of non-professional products, which amounted to about JPY10 billion. While we were doing so, as you can see here, IRIS OHYAMA is the easiest to imagine, for example. Originally, we sold their plastic storage cases in the Pro Tools line, but then they released more and more electrical appliances.

From the customer's point of view, this was a source of confusion in the sales field, as they wondered if we were also handling air conditioners and refrigerators if we have Iris's products. I think one of the major reasons for this was that we were trying to expand the range of products we handled for not all but some manufacturers.

The seventh and final factor is the opening of Planet Saitama, which has become a major force in expanding our business performance. Whether we are selling inventory, shipping directly to users, or doing anything else, we need a large distribution center, and if we had not built Planet Saitama, we would not be in the position we are in today.

There was a discussion about cost-effectiveness, but I don't think cost-effectiveness should be considered or necessary for management strategy. We would like to continue to aggressively construct new centers in the future, as these large-scale logistics centers support our business strategy.

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1. 上半期業績の総括

(2) 利益増加の要因

商品の値上がり局面における在庫保有メリットは大きく、
値上げ前に旧価格での在庫調達を大量に行っている。

これにより、価格改定後の販売における利益の押し上げ効果が発生している。

上半期においては約14億円(実績)、下半期においては約5億円(予想)、
通期で約19億円(予想)の利益押し上げ効果が予想される。



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We will turn to page 16.

As for the factors behind the increase in profits, as Takahashi explained earlier, I think some of you may be unsure about the idea of hoarding or stocking up on inventory. Basically, we have told our staff to reflect the price increase immediately if there is a request for it.

Instead, we have also told them to ask for purchases of as many items as possible at the old price before the price increase. In this context, the advantage of having an inventory is still very significant during this price increase phase.

We procured a large amount of inventory at the old price before the price increase, and this had the effect of boosting profits on sales after the revision, which we estimated to have added about JPY1.4 billion to profits in H1. In H2, it is difficult to calculate, but we estimate that there will be a boost effect of approximately JPY500 million.

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2. 同業他社の状況

			売上高		経常利益		四半期純利益	
			実績 (百万円)	前年比 (%)	実績 (百万円)	前年比 (%)	実績 (百万円)	前年比 (%)
12月決算 第2四半期	1月～6月	トラスコ中山	131,390	+8.9	9,269	+50.8	6,066	+42.7
		フルサト・マルカHD	85,159	+10.7	3,631	+9.7	2,598	+19.0
3月決算 第1四半期	4月～6月	トラスコ中山 第2四半期単体	65,407	+9.9	5,296	+113.9	3,390	+97.6
		山善	8月10日開示					
		ユアサ商事	110,721	+1.3	1,707	+2.3	3,334	+222.3
		日伝	31,398	△2.3	1,617	△7.9	1,073	△10.8
		杉本商事	10,841	+7.1	562	+28.1	360	+26.6
2月決算 第1四半期	3月～5月	NaITO	11,107	+1.3	130	△1.0	86	△0.6

※敬称、株式会社略

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Next, the situation of other companies in the same industry is shown in a separate table on an A4 sheet in addition to this table. We have prepared a few documents on the status of the financial results of other companies in the same industry.

The table at the top represents this half of the year. As you can see, for example, just in the period from April to June, we grew by 9.9% in these three months while Yamazen's performance was down by 5.4%, Yuasa Trading's performance was up 1.3%, Nichiden's performance was down 2.3%, Sugimoto's performance was up 7.1%, and NaITO's performance was up 1.3%.

I believe that we have entered an era in which the industry can no longer be categorized into one thing, as it once was. In the past, if there was a 10% increase in sales in one company, every company would have a 10% increase in sales, but we can see that this is no longer the case.

It was more of a management effort than a sales effort, such as the logistics center and the Niawase and Uchoku services, as I mentioned. It is important to create more and more services that customers find convenient, and unfortunately, they do not pay for courage, perseverance, effort, and enthusiasm. We are in such an era. And I will continue to implement measures that will make people say that TRUSCO is convenient.

I believe that all companies are making the same effort in sales and marketing, but the results differ greatly depending on whether or not they have such a system in place. I believe that we have entered such an era and that once one moves toward convenience, there is no going back to inconvenience. So, we should not be lazy about such things, and instead, we will continue to take such measures to improve convenience for our customers.

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3. 通期の業績予想

(1) 売上高 2,660億円 +8.0%

景況に左右されることなく、すべての拡大戦略を継続することにより、持続的な成長を遂げていく。

特に「ニアワセ+ユーチョク」の拡大に注力し、マーケットシェア拡大を狙う。

(2) 経常利益 182億円 +20.9%

旧価格仕入商品の売却益は約5億円を見込んでいるが、実際には予測は難しい。

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On the next page, we present the sales forecast for the full year.

Our sales forecast is JPY266 billion, and we will continue all expansion strategies to achieve sustainable growth regardless of business conditions. We will continue to focus on the expansion of the Niawase and U-choku services, and we hope to increase our market share in the future.

The ordinary income forecast is JPY18.2 billion, which is a little lower than H1, but we will not know until we try it. But we are working towards our target of JPY18.2 billion.

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3. 通期の業績予想



(3) 配当金 46円50銭 +6円50銭

配当性向25%に変更はない。

機能強化のための投資が控えており、配当性向の引き上げ、自社株買いの計画はない。あくまでも利益の拡大による増配に努めたい。

今期より「^{ゼン}トラスコ善択配当」制度を導入し、配当金が前年度を下回った場合に限り、配当金原資に減価償却費の最大10%を加算し、減配額の縮小に努めたい。

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As for the financial forecast for the full year, we are considering a dividend of JPY46.5, which is an increase of JPY6.5.

As I mentioned in the news release, starting this year, we are going to establish a system called the TRUSCO Zentaku Dividend System.

For a long time now, aggressive capital investment has undoubtedly led to an increase in depreciation, which in turn reduces the resources available for dividend payments. Some of our shareholders told us that capital investment was fine, but they didn't want to see a reduction in dividends, and we were wondering if there was a better way.

It would be uninteresting to simply increase the dividend payout ratio, and we came up with this idea. Capital expenditures are made, and depreciation increases. However, we came up with an idea to incorporate 10% of depreciation expenses into the dividend resource in the unlikely event that the amount of the dividend is lower than the previous year.

This fiscal year, we will be increasing the dividend compared to last year, so this rule will not apply to this fiscal year. But we would like to resolve the conflicting issues of dividends and capital investment as much as possible in the future.

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4. 今後の設備投資計画

(1) 物流センター「プラネット愛知」の建設

- ① 在庫100万アイテム目標。
- ② 「ニアワセ+ユーチョク」機能強化に重点を置く。
- ③ 総投資額 約300億円
2026年オープン予定。

【所在地】	愛知県北名古屋市
【敷地面積】	12,595 坪 (41,634 m ²)
【延床面積】	26,795 坪 (88,579 m ²) ※東京ドーム約2個分
【階数】	倉庫4階、事務所4階、地下免震構造
【建屋竣工】	2024年11月末 出荷開始:2026年7月予定
【設計・施工】	大成建設株式会社様



Next, I would like to discuss future capital investment plans.

The first plan is the construction of a logistics center, Planet Aichi. The groundbreaking ceremony has recently been completed, and the construction work has already started.

The center will have an area almost double the size of the current one in Saitama, which can store one million items in inventory. And we will store one million items.

Then, as I mentioned earlier, we will focus on enforcing the function of the Niawase+U-choku services. Let me give you a brief explanation of Niawase for a moment: it is absolutely impossible to pack the packages in one box by swarming tactics. To give you an idea of what we do, imagine a distribution center that actually has an apartment room inside. Once the picking is done, the container will quickly flow all the way to that apartment room. Then, when the order is given to ship Mr. Nakayama's goods, the goods in containers are conveyed from the apartment room to the shipping space, where they are packed together and shipped in one box, which is absolutely impossible by swarming tactics.

Then, after that, the so-called packing is done at high-speed using an automatic packing and shipping line, and this automatic packing and shipping line is quite excellent, packing about 720 packages per hour, which is also a bit too much for human labor to keep up with, so without such equipment, the Niawase and U-choku services would not be possible.

This is because we have a lot of inventory and large distribution centers, and we use state-of-the-art logistics equipment. And another reason is digitalization. We are the only company in the industry that is currently offering this service on a large scale because it is not possible without digital capabilities.

The total investment is about JPY30 billion, which is very expensive, but we would like to complete the project somehow to make it more convenient and to expand its use throughout the world. This one will open in 2026.

Okay. Here is a little 3D image of Planet Aichi, which I would like you to take a look at.

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The building is still only in this CG image, so I can only give you an idea of what it will look like, but we are constructing the building.

4. 今後の設備投資計画

(2) 物流センター「プラネット新潟」の建設

- ①主に関東以北のホームセンター向け物流の強化を目的とする。
- ②日本海経由の輸入商品のストックヤード機能を持つ。
- ③ファクトリー向けビジネスの営業・物流の拠点としても活用する。
- ④総投資額 約180億円
2026年オープン予定。

【所在地】新潟県三条市
【敷地面積】 7,958 坪(26,307㎡)
【延床面積】 約14,218 坪予定(約47,000 ㎡)
【階数】 倉庫4階、事務所3階、地下免震構造
【建屋竣工】 2025年11月予定、2026年出荷開始予定
【設計/施工】株式会社日建設計様 / 鹿島建設株式会社様



The second capital investment plan is another logistics center, Planet Niigata.

Preparations are underway for this one, also scheduled to open in 2026. We aim to strengthen distribution to home centers, mainly in the Kanto region and northward.

We would also like Niigata Planet to function as a stockyard for imported goods using a shipping route from China or Korea via the Sea of Japan. These goods are currently unloaded in Yokohama, which is such a detour, and we would like to unload them in Niigata to reduce ocean freight costs and speed up the process. It will also serve as a base for sales and logistics for factory-oriented businesses.

The total investment is about JPY18 billion, and although I had hoped that it would be within JPY10 billion, now that construction costs have skyrocketed, I am not sure what to do, but we are going ahead with the project.

There is an interesting phenomenon in logistics for home centers. For example, a manufacturer of safety shoes, which makes sports shoes, has been very well received and is selling like hotcakes. However, this company has an unusual ordering system: they only accept orders twice a year. Normally, when a company runs out of inventory, you can still order again, which is the norm in business. But that company does not receive orders until they have inventory for the next orders.

This makes them one of those manufacturers with whom it is very difficult for us to do business. We have taken advantage of this situation and decided that we should purchase a large quantity so that we would not run out of stock.

Of course, we need a logistics center to store them, but this is convenient for home centers because it's not ideal if they run out of the products and cannot reorder for another six months after they start handling them

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to add to their lineups. Such home centers and online retailers mainly make orders with us because we have a stable inventory. The very secure purchase is an advantage for us.

5. 物流2024年問題の対応

(1) 当社の顧客への物流形態は大きく分けて2つ

ファクトリールート ⇒ 全国約300台の自社トラックによる自社物流。

ユーチャックについては路線便にて出荷。

運賃は顧客負担となるが、年間取引額による運賃割引制度あり。

eビジネスルート ⇒ 在庫品についてはチャーター便にて納品。

ユーチャックについては顧客指定路線便にて出荷。

運賃は全て顧客負担。

ホームセンタールート ⇒ 顧客物流センターへ路線便またはチャーター便にて出荷。

運賃は当社負担。

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Continuing on, I would like to talk a little bit about the 2024 issue of logistics.

It is said that an era will come when it will be impossible to transport goods, but first of all, we have two major logistics systems for our customers. As for the Factory Route, we have basically established a system of about 300 trucks nationwide that do our own logistics with our own trucks. This is what we call fixed-cost logistics, and it is also the root of our profits.

Also we also have the U-choku services, which are shipped via fixed routes. Although the freight is paid by the customer, the freight discount system based on the annual transaction amount has been well received, and for such logistics and e-business, we offer a chartered delivery service to customers who place their inventory with us.

As for U-choku, the online shopping company uses a route delivery service designated by the customer, and we are not involved in this process. Therefore, Amazon and Monotaro are in direct contact with the shipping companies, so although they come to pick up the goods, the freight charges are all billed to them.

For the Home Center Route, we ship to customers' distribution centers via route delivery or chartered delivery. This is not a solution to a particular problem but rather just the situation as it stands right now.

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5. 物流2024年問題の対応



(2) 2024年問題への対応

- ①「ニアワセ+ユーチョク」を拡大し、全体的な物流量を減少させる。
- ②ロジス社員50歳の平均給与は約 670万円(時間外手当含む)
物流職としては年収レベルも見劣りすることなく、福利厚生もキャリア職・エリア職とも共通。安定した職場ということで離職者は限定的である。
- ③入荷・出荷にかかる省力化・自動化にも取り組んでおり、物流会社様から見て、「手間のかからないお客」を目指している。

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The next page addresses the 2024 issue.

As we expand the Niawase and U-choku services, we reduce the overall logistics volume. I have mentioned Niawase and U-choku, but to put it simply, for example, we used to send our products packed in TRUSCO's boxes to Amazon. They used to pick up the products in the boxes in the truck and then pack them in Amazon's boxes to ship them, which was a chain of waste. By sending the goods directly, we can cut both freight and transportation time in half, thereby reducing overall logistics, social problems, and the burden on logistics companies.

The average salary of a 50-year-old logistics employee, for example, is about JPY6.7 million, which includes overtime pay. The annual income level is not inferior to that of other logistics positions, and benefits are the same for both career and area positions. The number of job leavers is limited, or almost none, and we do not have a shortage of truck drivers at this time, and it will remain stable in the future.

What is more, the drivers of transportation companies in the town even ask us to hire them. In this aspect, it means that we can run our own logistics without worrying.

Thirdly, we are also working on labor-saving and automated receiving and shipping processes and are actually trying to make our customers hassle-free from the perspective of logistics companies. For example, Yamato and Sagawa come to this building, but they don't have to go to each floor as we have a designated place for delivery and pick-ups on the seventh floor, so the drivers are satisfied as they can deliver and pick up packages on the same seventh floor.

I have this faint hope, though, that one of these days, President Nagao of Yamato Transport will give me a certificate of commendation. I think we need to take proper measures to deal with this kind of situation.

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6. 女性役員問題への対応

(1)「見習い執行役員」制度の発足

- ①任期半年か1年の当番制。
- ②普段は今まで通りの通常業務を行い、月1回の経営会議に出席。
- ③経営会議では今の仕事の改善点・変更点等を提議し、経営の参画意識を高めて、将来の女性役員創出のための土壌づくりを行う。
- ④メンバーは3～5名程度、手当等詳細については検討中。



当社経営会議の様子

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Then the sixth point addresses the issue of female board members.

It has been 25 years since I first wanted to have a female board member, and I still haven't solved anything. It is one of the issues that I have not been able to accomplish, and I have been reflecting on that. When I was thinking about how to deal with it, I came up with this idea called the Apprentice Executive Officer System.

We haven't decided yet whether the term of office will be six months or one year. This system is on duty, and the apprentices usually do their regular job. And they are asked to join the monthly management meeting. Then, at the management meeting, we let them make suggestions on how we can improve or streamline the work we are currently doing by doing this or that. Through these efforts, we will first raise awareness of the need for participation in management and create the groundwork for the creation of female directors in the future.

There would be roughly 3 to 5 members. We are working out the details of allowances, etc., but they would wear a badge and come to the monthly management meeting to make some suggestions.

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6. 女性役員問題への対応



(2) 女性役員創出のための留意点

- ①「女性総合職の割には仕事のデキが今ひとつ・・・」
⇒「だったら男性総合職は皆、仕事ができるのか！！」
- ②「女性役員なら皆、仕事が出来て当たり前・・・」
⇒「何の発言、提案もなく座っているだけの役員・部長もいっぱいいるじゃないか！！(笑)」
- ③このような「女性特別視」を改めることから、意識改革を始めやがて女性役員がいて当たり前の会社になる様に努力したい。

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So, if you look at the next page, this used to be the case.

The women's career track started about 25 years ago. Back then, one of our directors said something like that she was not doing a good job for a female career-track employee. Here's how I responded to him: "If so, can male career-track workers do the job?" He fell silent. I started this system because I thought that we have to change the way we think or the idea that we take for granted that women career-track workers are capable of doing the job.

I think it will come up if it is that female board member this time. I do expect the future executive officer or board member to do a job that people would say is as good as it gets, of course. But I think it's not right to take it for granted.

Looking back, we were having a management meeting in this conference room on the third floor, and if you look closely, you can see that inside there are men sitting there who generally don't talk or make suggestions. If there are a bunch of guys who don't talk or make suggestions, I think it would be more interesting to have female employees come out, get lively, make various suggestions, and discuss them, whether it's good or bad. In any case, I believe that we will not be able to nurture women unless we start by changing the way we view women. I would like to do my best so that one day we will be able to nurture such female directors and executive officers.

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7. 男女間の給与格差問題

- (1) 当社の男女賃金格差については下記の通り。
賃金格差は存在しない。

派遣社員ゼロ。
会社には社員が安心・安定して働ける職場を提供する義務がある。

■年代・職掌・等級別の年収シミュレーション

年代・職掌・等級	女性	男性
28歳・キャリア・J1・評価B+	631万円	631万円
36歳・キャリア・S2・ボス・評価B	974万円	974万円
55歳・エリア・S1・評価B	726万円	726万円

基本給+評価給+賞与+残業+住宅補助+扶養+育児+役職+ファイナンシャルボンド含む

- (2) しかしながら、女性の社内役員ゼロ、部長ゼロは解消しなくてはならない課題である。支店長・センター長・課長等、課長職以上の男女比は男性 129人:女性 12である。

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And this is the pay gap issue that is so prevalent these days.

The wage gap between men and women that the government is showing is too wide, with women receiving a little more than 60% or less than 70% of what males gain. However, the calculation was not quite right, so I checked what would happen if they were the same age, in the same position, in the same grade, or in the same evaluation, according to the company rules, then in our company's case, there isn't a yen difference.

So I have been very uncomfortable with the idea that there was some kind of gender disparity, but when we did it properly, assuming they work in the same condition, male and female employees receive the same amount of money without any difference.

However, number two. There are no female internal officers. Outside the company, we currently have Ms. Suzuki, the chairperson of ST Corporation as our executive officer, but internally there are none. Also, there are no female department heads, and I believe this situation must be changed.

Currently, the ratio of men to women in managerial positions such as branch managers, center managers, and section managers is 129 to 10, so we still need to work on these issues.

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事前質問

Q.上期を終えて、期初の想定と比べてギャップはございましたか
(ポジティブな面でもネガティブな面でも)

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Now, let's move on to the pre-sessional questions.

"After H1, have there been any gaps compared to the assumptions made at the beginning of the fiscal year?"

事前質問

A.改めて在庫を保有することの有用性、有利性を実感しています
また、物流力、デジタル力の向上は、「ニアワセ+ユーチョク」(荷物詰合わせ+ユーザー様直送)という他社にはできないビジネスモデルを実現し、ビジネスの優位性のみならず、環境問題、物流などの社会問題、納期短縮に代表されるユーザビリティの向上など、数々のメリットを生み出してくれました

景況に一喜一憂するのではなく、ユーザー様、ディーラー様、社会全体に対する利便性を高めて、成長につなげていきたいと思えます
「問屋によるユーザー様直送」という世には珍しいビジネスモデルが社会に広がり、少しでも環境負荷の低減につながることを願っています

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I guess this question is about whether there was a gap between business forecasts and actual performance in H1. Our company does not have to discuss business conditions at all, as we do not perform better because of a booming economy or worse because of a bad economy. It's just a question of what kind of measures we take and what kind of services we add.

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I would venture to say that what I have felt since the end of this six-month period is that I have once again realized the usefulness and advantageousness of holding inventory.

In addition, our improved logistics and digital capabilities have enabled us to create a business model that no other company can match, such as the Niawase and U-choku services. I think you have given us numerous advantages, not only in terms of business advantages but also in terms of environmental issues, social issues such as logistics, and usability improvements that are typified by in shorter delivery times.

Rather than being happy or sad about the business climate, we want to increase convenience for users, dealers, and society as a whole and thereby lead to growth.

We hope that this rare business model of direct delivery by wholesalers to users will spread throughout society and lead to a reduction of environmental burdens.

Let me explain U-choku using a simple analogy. If we were a wholesaler of medicines, we would not send medicines to hospitals or pharmacies but would deliver them directly to patients. Please understand that U-choku is such an idea.

Now that I have finished my explanation, I would like to answer your questions.

Takahashi: President Nakayama, thank you.

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Question & Answer

Takahashi [M]: We will now move on to the question-and-answer session. As explained at the beginning of this presentation, we will be taking questions and answers from those in the audience and those online, in that order.

First, if anyone in the audience has a question, please raise your hand and state the name of your company, your name, and then your question. Now, please raise your hands.

Mr.Hiramatsu [Q]: Thank you very much for your explanation. Mr. President, I was expecting you to talk about the DX Platinum Award. I was expecting you to talk about it because you received the DX Platinum Grand Award. It's really good as it's like an Eisei-Meijin (a title in shogi). However, I was more surprised when I read about the Niigata center on the right side of the newspaper. Why is it in Niigata?

You already have the East Japan Distribution Center, and there is also the land you bought in Kariki, Hokkaido. Or would there be more business opportunities in the Chugoku and Kyushu regions. In Hokkaido, there is also [inaudible]. Why Niigata? I was interested because you are building two of them for 2026 despite the rising cost of construction. Is there some kind of strategy? If you could tell us.

Nakayama [A]: Why Niigata? First of all, the East Japan Distribution Center for HC is still located in Sanjo, Niigata. Historically, the center has been in operation for almost 30 years, and it is quite old. However, we felt that we did not have enough capacity, considering aging and such, so we decided to replace it somewhere else, and Sanjo in Niigata was one of our choices.

Also, as you probably know, Niigata is home to many manufacturers of working tools and hardware, so it is close to the production center.

Also, I am not sure about the recent situation, but in the past, the fares for shipments departing from Niigata were actually cheaper. Freight rates shipping from Niigata were said to be the cheapest in the country. Considering the various employment issues for part-time workers and other factors, I think Niigata was the most appropriate location for the project.

We have already secured a site for a distribution center in Hokkaido, but we still have plenty of capacity at our previously opened distribution center in Sendai. So, Sendai is covering Hokkaido at the moment.

Also, as I mentioned earlier, I think Niigata is very convenient in terms of receiving maritime routes across the Sea of Japan. We chose Niigata for such reasons. Does that answer your question?

Mr.Hiramatsu [Q]: Yes. Thank you very much.

Regarding the e-business route, your company is growing steadily, but the MRO business has been slowing down, both at MISUMI and Monotaro, and I am a little concerned. Your company's facilities are also being evaluated, but I'm wondering if we don't need to worry about that anymore. Are you optimistic about that because there are other partners that are growing more with your company? How do you see it?

Nakayama [A]: There are Monotaro, MISUMI, and various other vendors, but I am not too worried about their performance, as I think it is just temporary.

On the other hand, people often worry that if Monotaro builds some kind of large distribution center, TRUSCO's sales will decrease. But I am afraid that is a big amateur idea. If you compare the two companies'

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systems, we believe that buying from us is the most convenient, fastest, and hassle-free way to buy from us. So, there are many places that are very dependent on us in such a situation.

In addition, we also have business with an online electronics retail company. I also hear that they will be putting a lot of effort into online shopping at home centers in the future. Also, a major machine tool manufacturer, whose name I can't reveal too much about yet, wants to use our direct-to-customer delivery system to sell not only machines but also cutting tools, tooling tools, and measuring tools along with the machines through their online store.

They can't handle warehousing, sales, or delivery at their place, so they will leave that to us, TRUSCO. They just ask us to take care of the products they pass on from their online shops. We believe that this will be an unprecedented business flow, and if machine tool makers can sell not only machines but also cutting tools and consumables, it will be a very interesting development for us.

In any case, we will not be able to respond to such requests unless we have a proper framework for logistics. We will continue to develop this kind of capability.

Mr.Hiramatsu [Q]: Thank you very much. Also, one last small question. I saw a glimpse of the word "mont-bell." Do they use your services, too? Do you do outdoor activities, Mr. President?

Nakayama [A]: It's not that I do mountain climbing as a hobby. In fact, our headquarters in Osaka is next door and across the street from mont-bell's headquarters. We are actually moving our headquarters building to Hommachi, and after we move out, mont-bell will purchase the building with such a connection.

So, I asked them to let us sell mont-bell products if we had such an opportunity, and they said yes. I think they are mostly direct sellers, but I don't think you can find any other distributors for mont-bell.

In fact, we are not going to sell their products under the category of mountaineering equipment, but in fact, mountaineering equipment which can be used for disaster relief supplies, such as one-person tents for reconstruction, evacuation, protection from cold, medical care, and many other purposes besides mountaineering. So we handle such products, and they have been very popular among our customers. Mont-bell, their brand is very strong, as I expected. We also keep an inventory.

Mr.Hiramatsu [M]: Thank you very much. Sorry, I am Hiramatsu from Tokio Marine.

Nakayama[M]: Thank you very much for all your questions.

Takahashi [M]: This is going to be the last question from the audience. Does anyone have any questions? Thank you very much.

If there are none, we will move on to the questions from those attending online. After I nominate your name, please tell us your company name, your name, and your question.

Now, Mr. Komiya, please.

Mr.Komiya [M]: Thank you. I am Komiya of Mitsubishi UFJ Morgan Stanley Securities. Thank you.

Nakayama [M]: Thank you very much.

Mr.Komiya[Q]: In your earlier comment about H2, you said that the price increase would be plus JPY500 million in H2. I think you meant the price difference from the inventory you hold, but it is also stated in the document that it is difficult to predict. It may be inappropriate to say that it went too well, but what went better than expected that led to the JPY1.4 billion in H1? As you say, H2 is uncertain; I feel from the outside

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that there was some uncertainty that turned out to be good in H1. It's a bit confusing, so if you have any specific examples, such as a place where it was surprisingly easy to get a price increase approved, we'd like to hear about it.

In the next fiscal year, the difference will disappear because the purchase price itself will go up, or will this continue for a while? It would be helpful if you could tell us the nuance of it.

Nakayama [A]: Thank you. Frankly speaking, it is true that the JPY1.4 billion in H1 was also a bit unexpected. Although we have not yet been able to carefully examine the details of the price increases, there were price hikes by a considerable number of manufacturers, so it is difficult to specifically mention such products or such products. If we had a better understanding of the situation, we might be able to see H2 a little more clearly. However, we will not know until we try what kind of products will actually sell and at what price, so we will continue to watch H2 with some caution.

As for the next fiscal year and beyond, the current situation is that price increases are still continuing, so I think there will be some impact on the next fiscal year as well. We do not think that it is a good idea to rely too much on this, so we are just trying to understand how profits are made in the normal course of business, and if there is an extra factor, it would be just an extra factor.

Mr.Komiya [Q]: Okay. Thank you very much. Factors that reduced SG&A expenses in H1 and I'm just wondering what you think of the assumption that there will be an increase in H2.

Takahashi [A]: Regarding the reduction of SG&A expenses, as of this quarter's plan, it is freight and packing costs. The decrease is due to the fact that the increase in direct shipment to users was budgeted to match the increase in direct shipment to users, but the amount of increase was slightly less than expected.

For H2, some adjustments were made based on the H1 results, and some repairs that were scheduled to be implemented in H1 have been moved to H2.

Mr.Komiya [M]: I understand. Thank you.

Nakayama [M]: Thank you very much.

Takahashi [M]: Thank you. Next, Mr. Watanabe, please.

Mr.Watanabe [Q]: I am Watanabe of Mito Securities. Thank you for your support. I just have one question, and I'm sorry that I ask this all the time. But the past five years have seen average sales growth of around 5.4% or 5.5%, and it was more than 20% in total, and the operating income ratio this time is 6.7%, and it was also 6.7% five years ago, or five years ahead of the current plan. Your company has invested in Planet Saitama and various facilities, and the operating profit margin bottomed out at 5.2, but it is now rising again.

As for the next five years, as you mentioned earlier, there are various measures to increase sales. The president's concept is to further increase the profit margin compared to the past five years, and since you mentioned earlier that you will be investing in facilities in Aichi Prefecture, there are various unit prices and other unknown factors, so the profit margin is still uncertain. Is it difficult to say what the profit margin will be, but is the idea to increase the top line? Or do you envision doing it over the next five years with some degree of profit margin in mind as well?

Nakayama [A]: Yes. Of course, we are not completely unmindful of the need to improve profits in addition to raising the top line. However, when we make various aggressive capital investments, depreciation increases and appears to be a drag on earnings, but I am thinking in terms of depreciation gain, not depreciation expense.

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So, I think it is a little unusual for us to go out of our way to include depreciation in our earnings announcements, but that is the way we would like to raise it one after another.

I don't know how long it will take to improve profitability, but for example, we are currently charging our online customers for freight but not for packing fees for direct shipment. So, in the future, we would like to charge a fee, I don't know whether it's JPY200 or JPY300 per piece for packing, but we would like to take this into consideration as this is quite a lot of money for five million packages.

When we mentioned that it was time for us to start charging packing fees to our major online shopping customers, they replied that they had noticed. In light of this, I would like to improve our earnings every step of the way.

However, as I showed the financial results of other companies in the industry earlier, we are clearly not in an industry that is expanding as a whole. So, in a zero-sum situation, we are sucking up more and more sales from other companies, though it is a bit of a misnomer to say that we are sucking up more and more sales, but every year we are making enough sales to make one new business that is equivalent to a medium-sized trading company. I think this will continue to progress.

Therefore, to put it bluntly, the days of competing with each other in sales, salesmen, and sales efforts are long gone, and only companies that focus on the original purchasing aspect of how to procure goods conveniently and cheaply will survive. Nowadays, our Niawase and U-choku are hardly mentioned or even in the back of their minds because that is the current situation in this industry.

If this is the case, we believe that there is ample room for further expansion, and although it remains to be seen how far we can go in five years, we would like to improve not only our sales but also the content of our products.

Mr.Watanabe [Q]: I understand. I understood that while you have ideas for sales, you will also work together to come up with ideas to increase profits.

Also, it is a bit obvious, but the slight deflation is turning into inflation. If inflation continues for your company, you will be able to make great use of that inventory that you have in the form of this quarter. In that sense, although it may be a bit obvious, will it be easier for sales and profits to increase if inflation continues? Should I understand it that way?

Nakayama [A]: I think that will be the result, but we do not think that we will buy up all of the products because of the price increase and do something after that. In such an inflationary environment, I believe that taking risks, building distribution centers, and placing inventory, as we have done, will be well rewarded.

Mr.Watanabe [Q]: I understand. That's all from me. Thank you very much.

Takahashi [M]: Thank you very much. The next question will be the last one online. Does anyone have any questions?

Since there seem to be no further questions, we will end the question-and-answer session.

If anyone has any other questions, please contact us by e-mail, or if you prefer, we accept interview requests when appropriate.

This concludes the presentation of the financial results for the fiscal year ending December 31, 2023. Thank you very much for joining us today.

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Nakayama [M]: Thank you very much.

[END]

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1. *Portions of the document where the audio is unclear are marked with [Inaudible].*
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