



May 8, 2025

To Whom It May Concern

Company name: **TAKARA STANDARD CO., LTD.**
Stock listing: Tokyo Stock Exchange
Stock code: 7981
Representative: Masaru Komori, President
Inquiries: Kaoru Umeda, Executive Officer in charge of Financial Planning Department and IR
Department, Administration Division
E-mail: ir@takara-standard.co.jp

Notice concerning 「New Shareholder Return Policy and Profit Growth Initiatives to Achieve 8% ROE」

TAKARA STANDARD CO., LTD. (the “Company” hereinafter) hereby announces that at the Board of Directors meeting held today resolved to change some of the management targets in the "Medium-Term Management Plan 2026" ("MTMP" hereinafter) announced on May 9, 2024, as follows.

1. Background of the Changes

The Company is implementing various initiatives under its MTMP, with management targets for the final year (FYE Mar. 2027) set at sales of ¥250 billion, operating profit of ¥20 billion, an operating margin of 8%, and ROE of 7%.

Since the announcement of the MTMP, the Company has actively engaged in dialogue with investors and the capital markets, continuously reviewing and evaluating the management goals set forth in the MTMP.

As a result of these discussions and evaluations, we have determined that the early achievement of ROE of 8% is essential to further enhance corporate value. Accordingly, we have decided to revise our ROE target and shareholder return policy for FYE Mar. 2030.

On the other hand, the targets for sales, operating profit, and operating margin for FYE Mar. 2027 are steadily progressing, driven by the consistent execution of various initiatives under the MTMP, such as revenue structure reforms. Accordingly, we will maintain these targets and continue promoting the related measures.

2. Details of the Revisions (The underlined parts indicate the changes)

Item		Before Revision	After Revision
ROE Target (FYE Mar. 2027)		<u>7%</u>	<u>8%</u>
Shareholder Return policy	Dividend	Dividend payout ratio of <u>40%</u> , progressive dividend linked to profit growth	Dividend payout ratio of <u>50%</u> , progressive dividend linked to profit growth
	Purchase treasury shares	<u>Flexible purchase of treasury shares based on the capital structure</u>	<u>FYE Mar.2026 to 2027 Purchase of ~22.0 billion yen worth of treasury stock (~24.0 billion yen over three years of MTMP)</u>

TAKARA STANDARD CO. LTD.

**New Shareholder Return Policy and
Profit Growth Initiatives to Achieve 8% ROE**

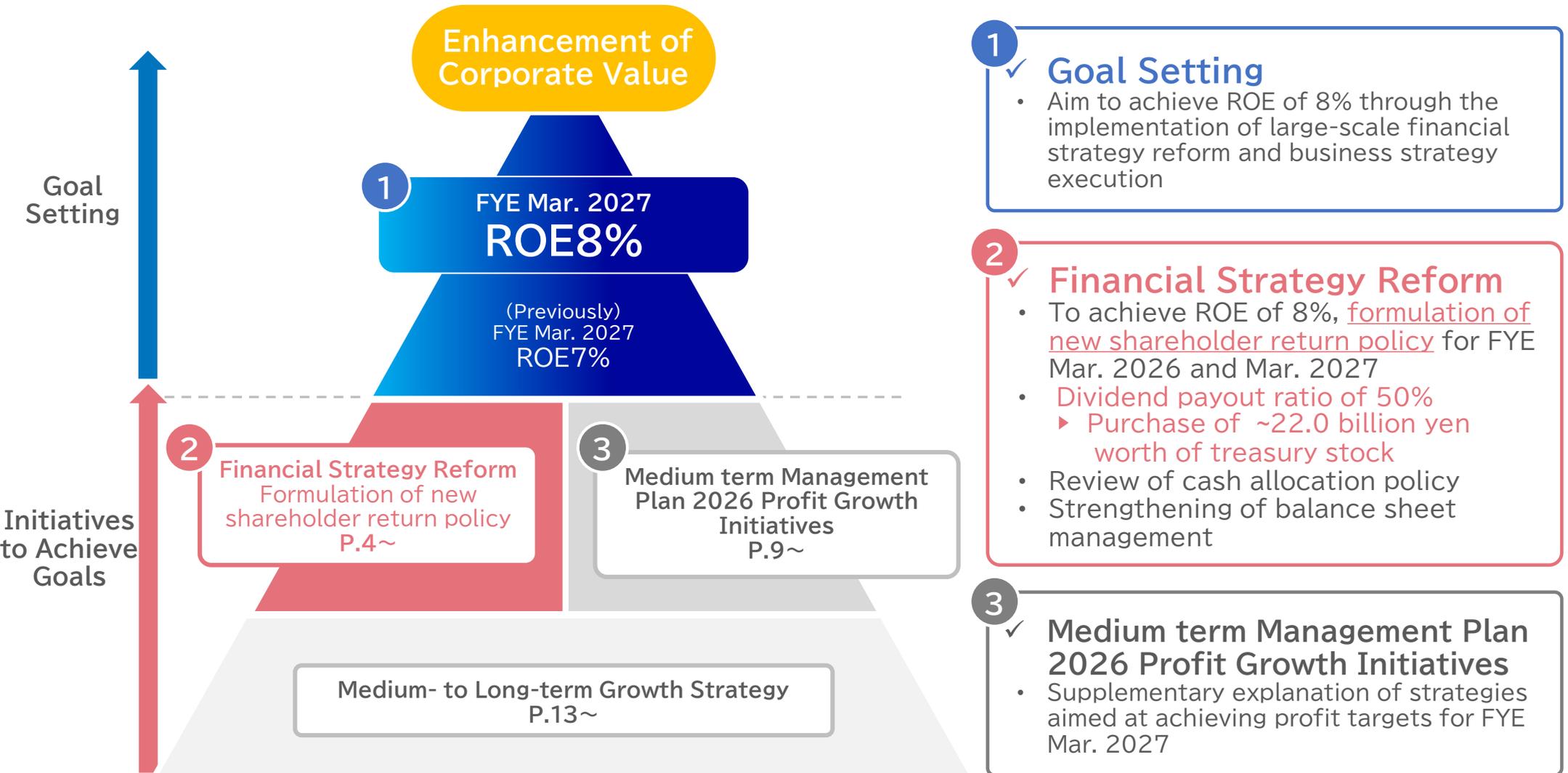
May 8, 2025

Stock Code
7981

Takara standard

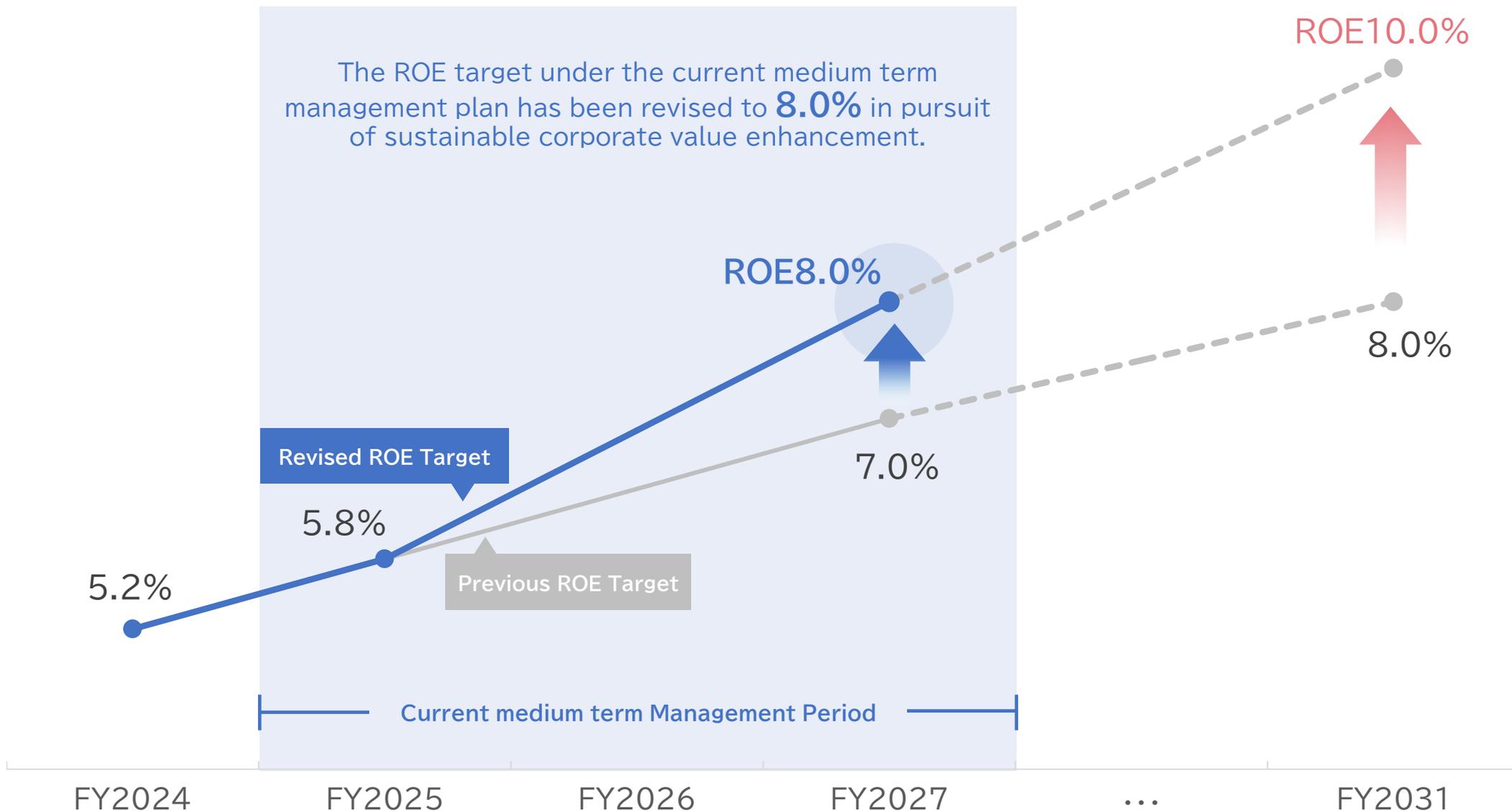
Policy Initiatives to achieve 8% ROE

In pursuit of an early achievement of 8% ROE, we will continue to drive business strategies to enhance profitability while also implementing reforms to our financial strategy to improve the balance sheet, which still has significant room for improvement.



Revision of ROE Target

In order to achieve sustainable enhancement of corporate value, we have revised our ROE target for FYE Mar. 2027 to 8.0%, reflecting ongoing dialogue with investors and shareholders. Over the long term, we aim to maintain ROE of 10.0% or higher.



Note: Fiscal year ends in March

Background of the New Policy Formulation

Through proactive engagement with investors regarding the medium term management plan 2026, various opinions were received. Based on these, We recognized the need to formulate of a new policy.

	Investor's Main Opinion	Recognition of Issues	
KPI	<ul style="list-style-type: none"> ● The rationale for achieving the performance targets is considered weak ● The minimum acceptable ROE is 8%, with 7% deemed too low 	Need to revise ROE targets in line with investor expectation	Financial Strategy Reform Formulation of new shareholder return policy P.4~
Financial Strategy	<ul style="list-style-type: none"> ● The current financial strategy may not be sufficient to achieve the ROE target ● The use of abundant cash should be disclosed 	Need for significant reform of financial strategy to improve ROE	
Business Strategy	<ul style="list-style-type: none"> ● The contribution of each measure to earnings is unclear ● There is insufficient specificity in the growth strategy, making it hard to visualize the long-term corporate value enhancement story 	Need to expand information disclosure on profit growth initiatives and growth strategy	Medium Term Management Plan 2026 Profit Growth Initiatives P.9~ Medium- to Long-term Growth Strategy P.13~

Financial Strategy Reform

Formulation of new shareholder return policy

Financial Strategy Reform

Formulation of new shareholder return policy

To achieve ROE of 8% for the FYE Mar. 2027, the shareholder return policy will be revised to a more proactive approach.

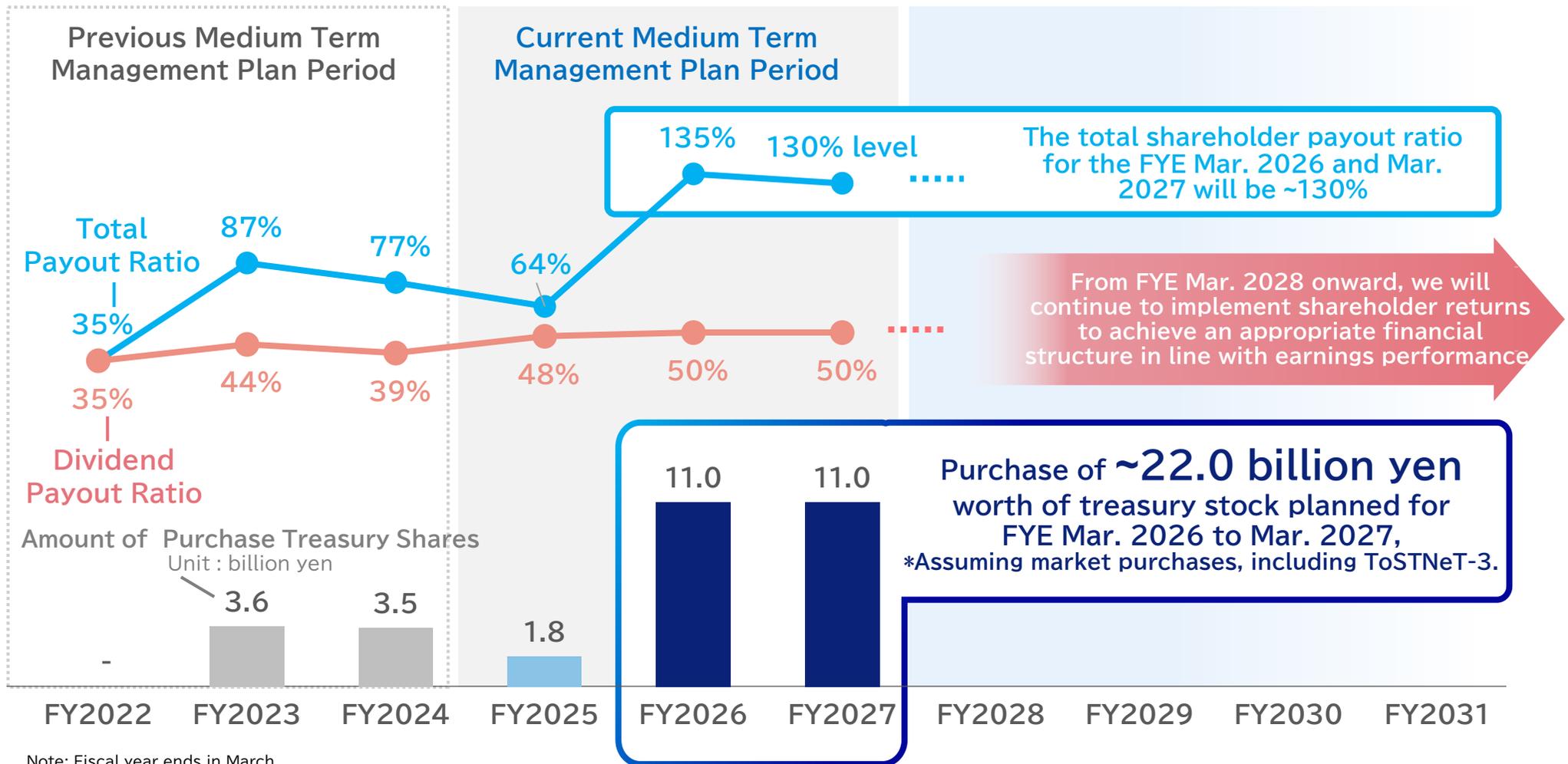
		Before Revision	After Revision
Shareholder Return policy	Dividend	Dividend payout ratio of 40%, progressive dividend linked to profit growth	Dividend payout ratio of 50% , ~20.0 billion yen over three years of the current medium term management plan, progressive dividend linked to profit growth
	Purchase treasury shares	Flexible purchase of treasury shares based on the capital structure	FYE Mar.2026 to 2027 Purchase of ~22.0 billion yen worth of treasury stock (~24.0 billion yen over three years of the current medium term management plan)
Concept of Shareholder Return		We will proactively allocate capital to growth investments and the enhancement of our management foundation in order to establish a sustainable growth platform. Moreover, while maintaining financial soundness, we will strive to enhance shareholder returns.	In addition to the above, during the current medium term management plan period, we will actively utilize shareholder returns through both dividends and purchase treasury shares to achieve an ROE of 8%.

Financial Strategy Reform

Details of Shareholder Return

From the FYE Mar. 2026 to the FYE Mar. 2027, with the purchase of ~22.0 billion yen in treasury stock and a dividend payout ratio of 50%, the total shareholder return ratio over two years will be ~130%.

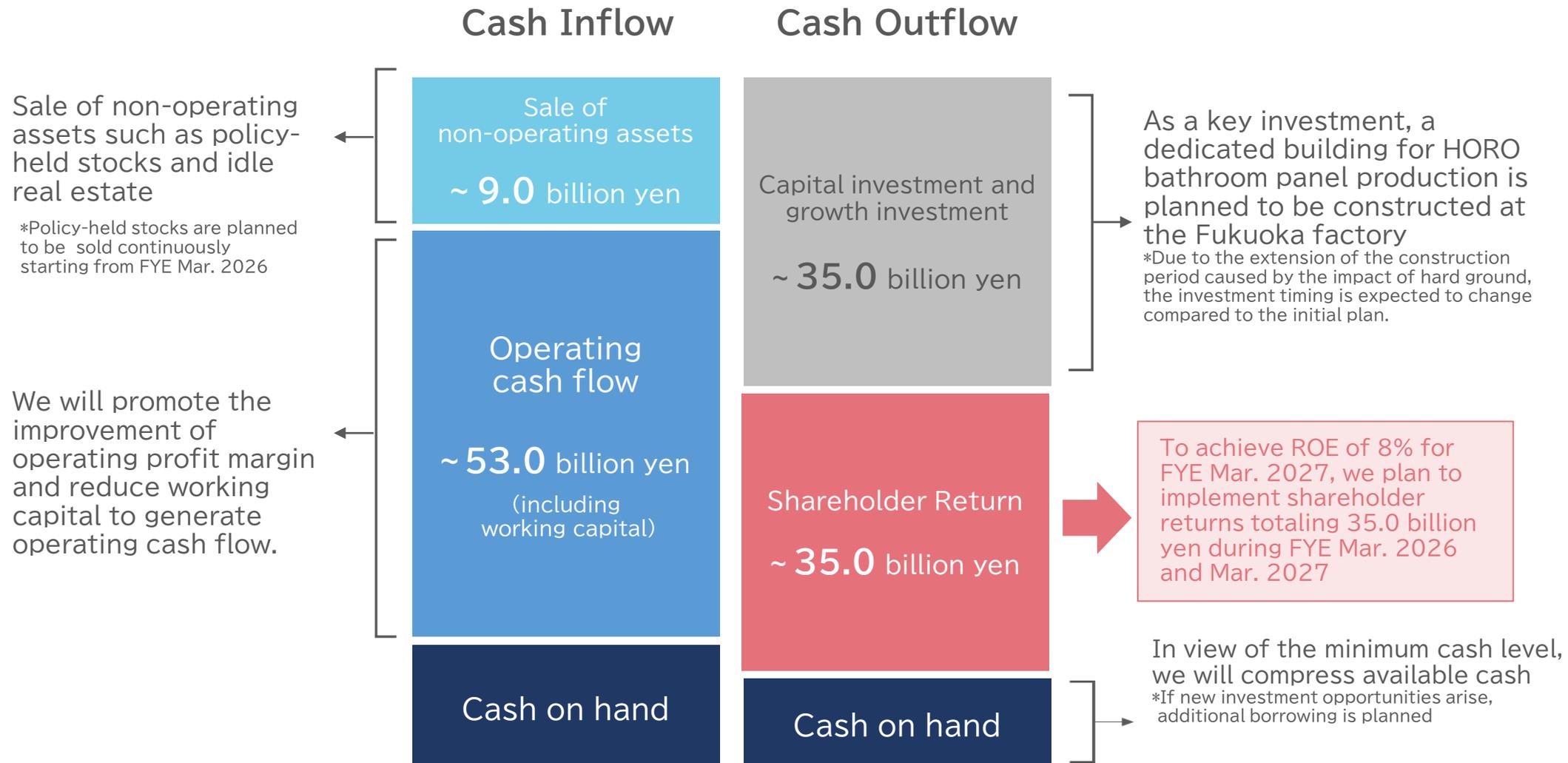
Trends in Shareholder Returns



Cash Allocation

FYE Mar. 2026 - Mar. 2027

Utilize cash inflows from operating cash flow and sales of non-operating assets to conduct growth investments and shareholder returns.

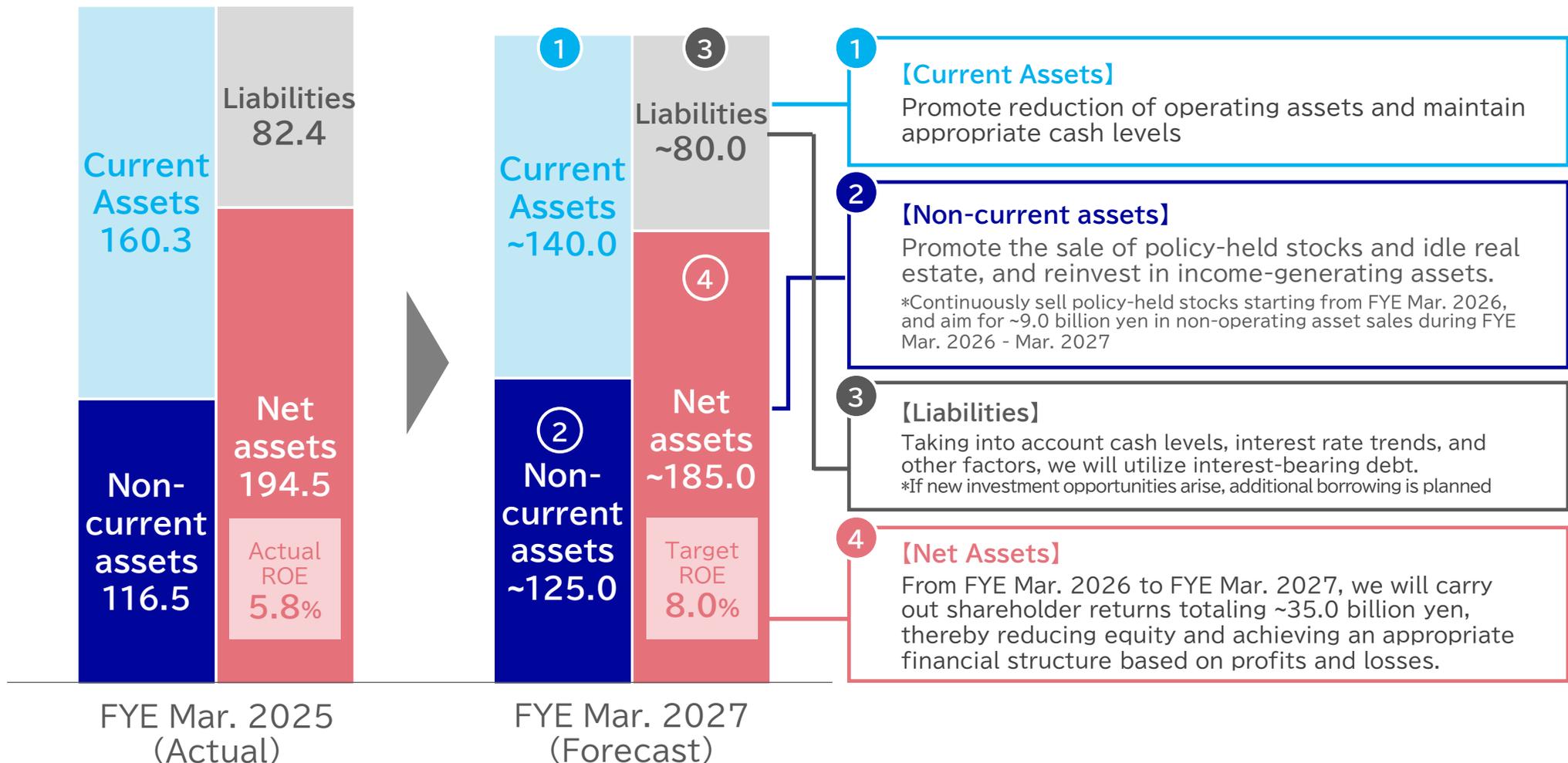


Balance sheet management

Based on our current recognition of the balance sheet, we will implement the following improvements. The funds generated through these improvements will be utilized as resources for growth investments and shareholder returns.

Balance Sheet Trend

Unit : billion yen



Medium term Management Plan 2026

Profit Growth Initiatives

Medium Term Management Plan 2026

Theme of Med-Term Management Plan

Re-committing to transformation

- **Boost earning capacity**
Drastic structural transformation and management reinforcement
- **Develop an infrastructure for sustainable growth**
Forward looking investment and actions towards social issues (further reinforcement of management base)

Basic Strategy

To make our Long Term Vision come to life, Medium Term Management Plan 2026 promotes (i) profit structure transformation, (ii) financial strategy and (iii) sustainability strategy as the three pillars of our growth strategy.

	Profit structure transformation		Financial strategy	Sustainability strategy		
FYE Mar. 2027 targets	<ul style="list-style-type: none"> • Sustainable growth in existing businesses • Growth of sales in new areas 		<ul style="list-style-type: none"> • Forward looking investment • Shareholder returns 	<ul style="list-style-type: none"> • Environmental initiatives • Human capital investment 		
	Net sales 250.0 billion yen	Operating profit 20.0 billion yen (Operating margin 8%)	ROE 8%	CO ₂ emissions (15)% relative to FY2020	Employee satisfaction 77%	Female management ratio 10%
FYE Mar. 2031 targets	Net sales 270.0 billion yen	Operating profit 27.0 billion yen (Operating margin 10%)	ROE 10%	CO ₂ emissions (30)% relative to FY2020	Employee satisfaction 80%	Female management ratio 15%

Progress against performance targets

- FYE Mar. 2025: In addition to favorable demand for new construction, the price revisions implemented in FYE Mar. 2024 contributed to increased revenue and resulted in higher operating profit margins.
- FYE Mar. 2026: Revenue growth and improvement in operating profit margins are expected, progressing smoothly toward the goals for FYE Mar. 2027.

← Current medium term management plan period →

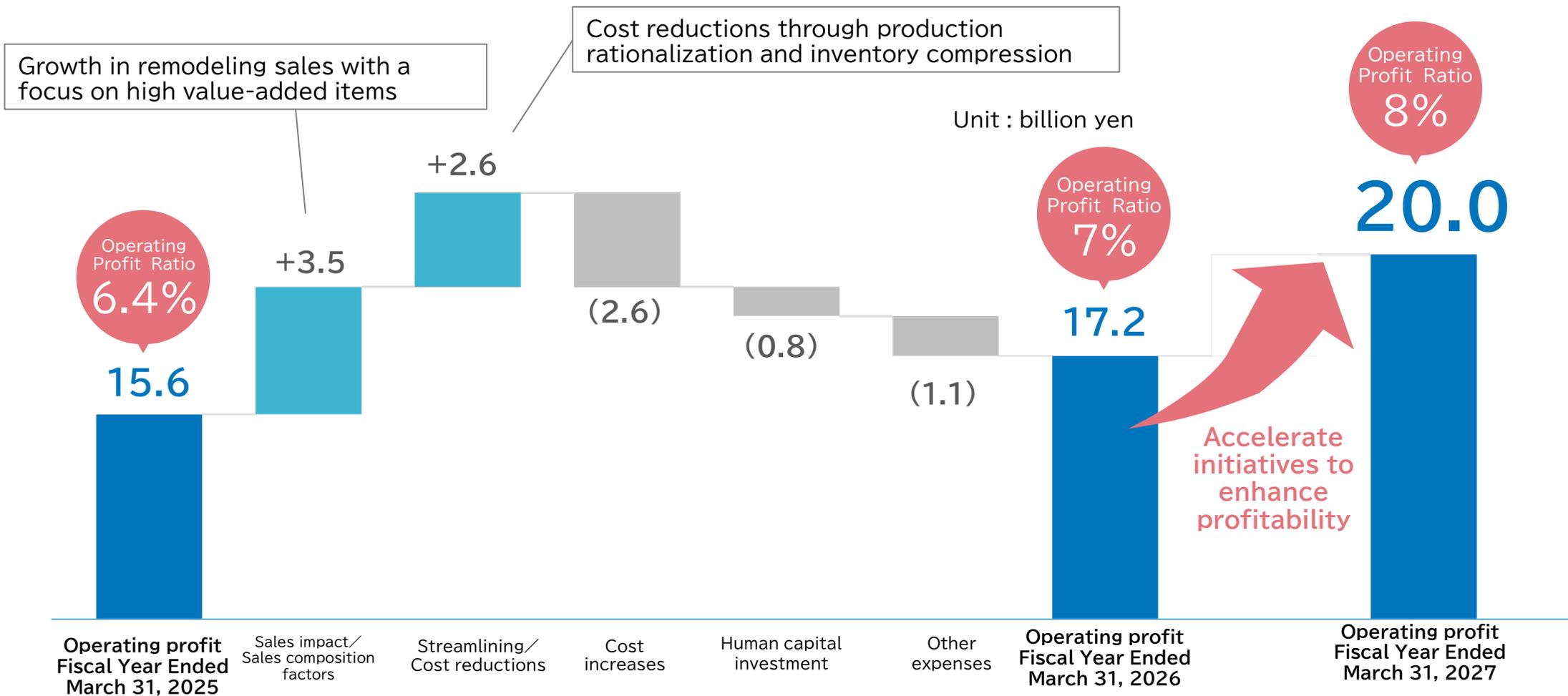
Unit : billion yen

	FYE Mar. 2025 Results	FYE Mar. 2026 Forecasts	FYE Mar. 2027 Targets	FYE Mar. 2031 Long-term goals
Net sales	243.3	247.0	250.0	270.0
Operating profit	15.6	17.2	20.0	27.0
Operating profit ratio	6.4%	7.0%	8.0%	10.0%
ROE	5.8%	6.7%	8.0%	10.0%

→ Progressing smoothly

Profit growth for FYE Mar. 2026 to FYE Mar. 2027

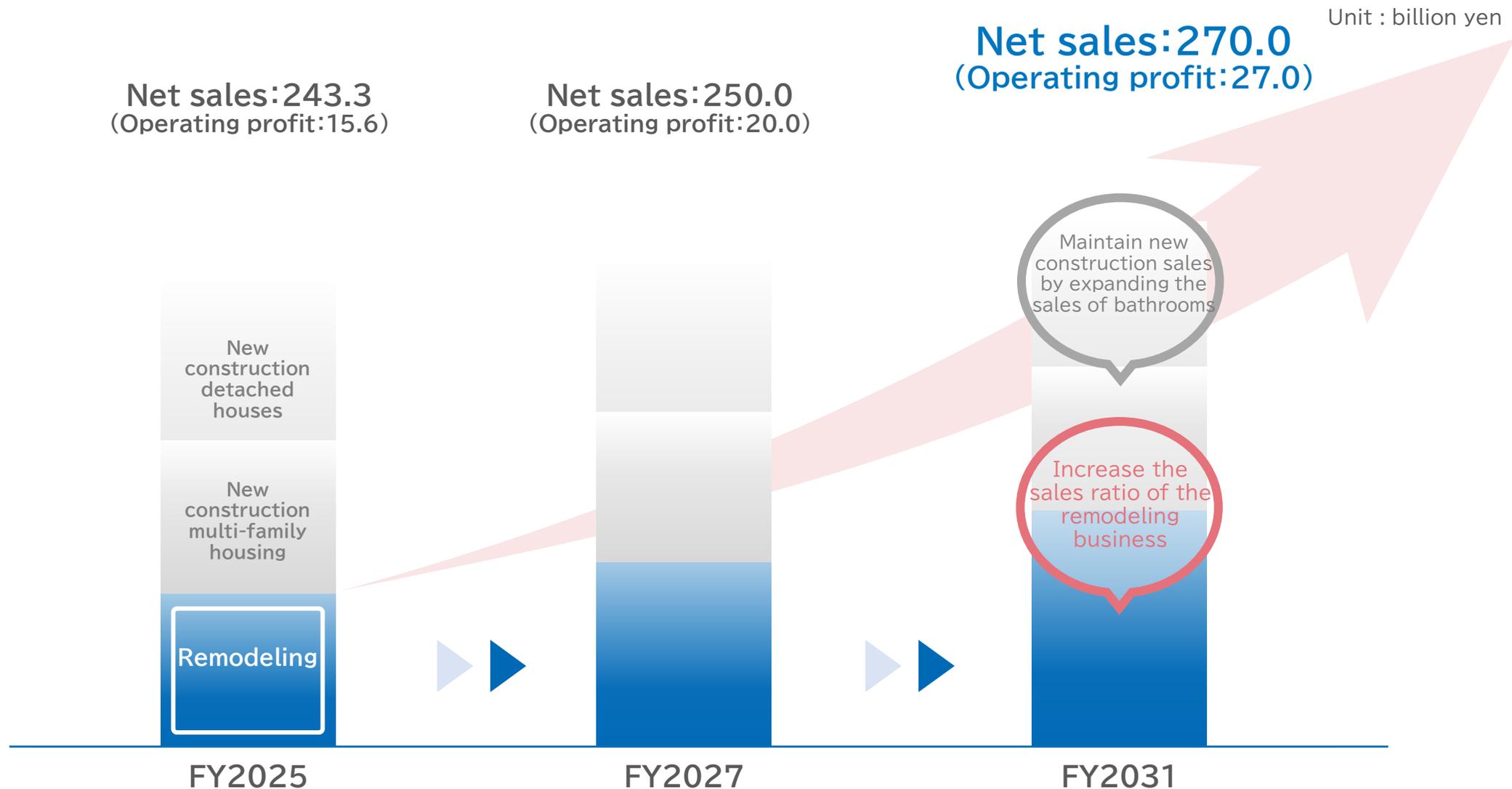
- For the FYE Mar. 2026, profits will increase due to the recovery trend in remodeling sales, improved profit margins for new construction, and enhanced profitability (cost reduction) through the promotion of basic strategies in the medium term management plan
- For the FYE Mar. 2027, by further promoting the initiatives under the basic strategies of the medium term management plan and maximizing their effectiveness, we aim to achieve further profit growth.



Mid- to long-term growth strategy

The path to growth in the domestic market

- Leveraging a wealth of housing stock, we aim to increase the sales ratio of the remodeling business, which is expected to grow in the market
- For the new construction business, which is expected to shrink, we will focus on expanding the sales of bathrooms for new construction multi-family housing, where we hold a high market share, in order to maintain sales

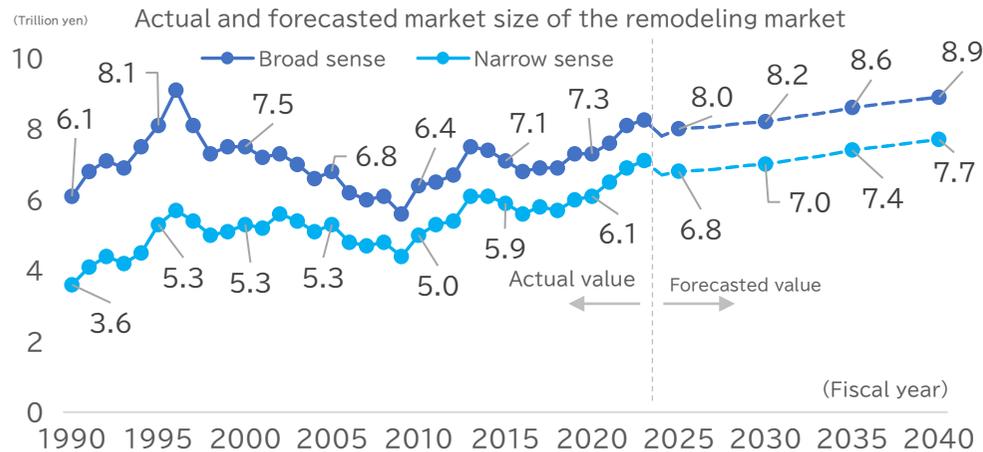


Perception and direction of the remodeling market

Market size (2024 to 2040 forecast)

The remodeling market is expected to remain steady

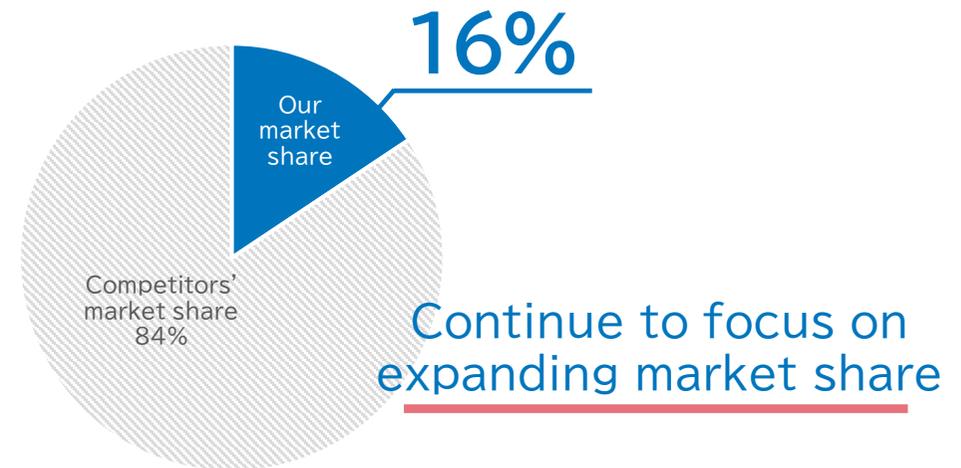
Source: Based on data from Nomura Research Institute (2024), as prepared by the company.



Market share

Sales composition ratio of kitchens, bathrooms, and washstands in total sales

Based on the financial results announced by each company for FYE Mar. 2024



Initiatives

Expansion of sales to major remodeling players

Establishment of a dedicated department for condominium remodeling

Enhancement of Products for the remodeling market

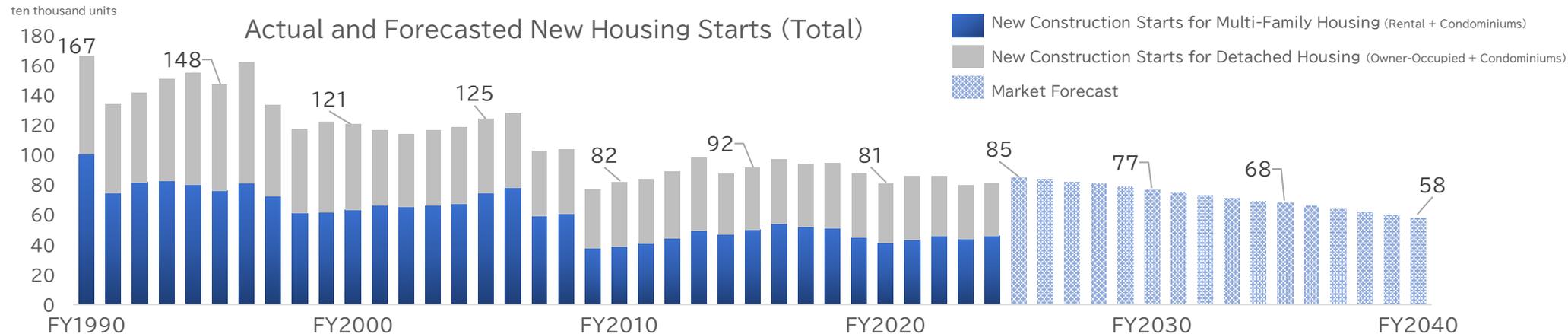
- Revise product structures to better suit remodeling needs

Outlook and Strategy for the New Construction Market

Forecast of New Housing Starts (FY2025-FY2040)

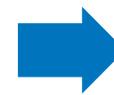
The new housing market is expected to shrink due to a declining population and households

Source: Prepared by the Company based on data from Nomura Research Institute (2024)

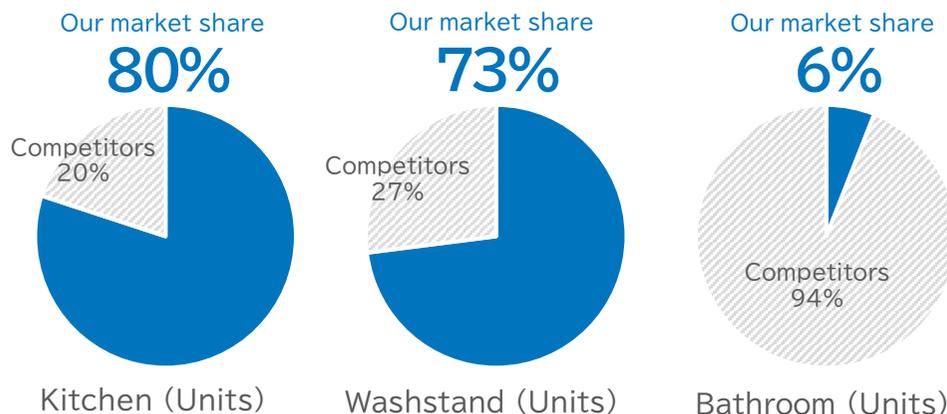


Market Share by Type in the New Construction Multi-Family Housing Market

While the kitchen and washstand have overwhelming market shares, there is significant potential for growth in the share of bathrooms, which are a later entrant



Expand our market share by leveraging our strong sales and proposal capabilities in kitchens and washstands, as well as our unique bathrooms differentiated by HORO panels, and aim to maintain sales in a shrinking market.



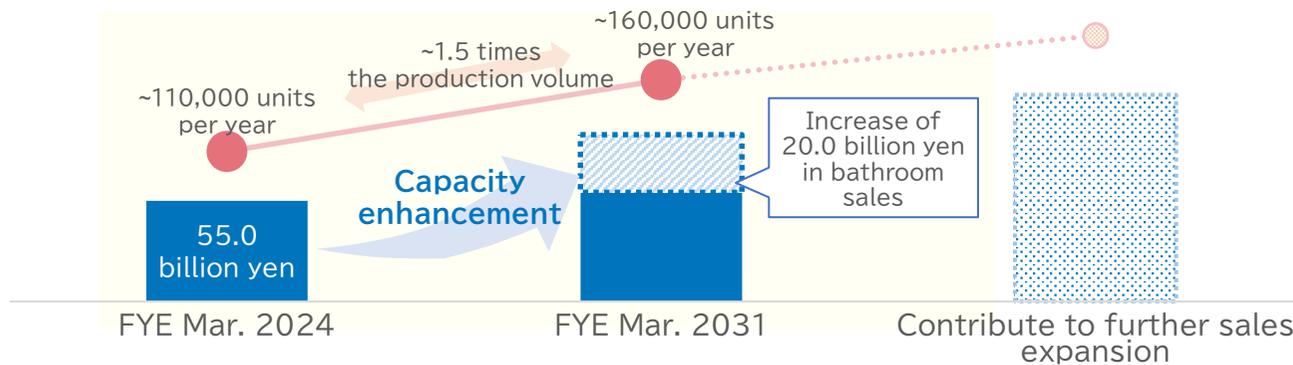
To strengthen production capacity for bathrooms, we will invest in the Fukuoka plant (next page)

*Market Share of Shipment Units in the New Construction Multi-Family Condominium Housing Market (The Company Research)

Investment Plan for the Fukuoka Plant

Enhancement of Bathroom Production Capacity

- Full-scale operation of the new building is scheduled to begin in April 2028 (~40.0 billion yen in capital investment)
- Increase in production capacity: HORO bathroom panels to rise ~1.5 times compared to FYE Mar. 2024
- Sales are expected to increase by ~20.0 billion yen by FYE Mar. 2031



Fukuoka Factory
New Building Completion Plan/Design

- **By introducing state-of-the-art equipment, we aim to enhance productivity and profitability, driving further profit growth**

Production Innovation

- Automated transfer and sorting between processes
- Utilization of digital technologies (Manufacturing Execution System [MES], image-based inspection)
- Introduction of efficiency-enhancing equipment (robotics, process streamlining)

Sustainability

- Improved firing efficiency (high-performance burners, enhanced thermal insulation, and waste heat recovery)
- Reuse of HORO glaze

Strengthening Competitiveness and Product Capabilities of Bathrooms

- Shortened production lead times
- Labor savings (~40% reduction)
- Improved quality and traceability
- Simplified construction (reduction of on-site work, shorter construction times)
- Production of high-design inkjet patterns

Reduction of Energy Consumption and Environmental Impact

- CO₂ emissions reduction
- Increased recycling rate

In addition to the above effects, we aim to enhance the overall production capacity of the HORO factory, which will also contribute to the expansion of sales overseas.

Overseas Expansion and New Business Initiatives

Overseas Expansion

Takara Global Vision 2030

We aim to become a “global top leader” among Japanese kitchen brands



FY2031 KPIs
Overseas net sales:
10.0 billion yen

In addition to Taiwan, China, and Vietnam, which we have been focusing on, we aim to expand sales primarily in five regions, including Indonesia and India

Establishment of Takara Standard's first overseas office, the 'Taiwan Branch'

Strengthen relationships with local distributors, improve recognition of our company and enamel, and establish a system for supporting local distributors, as well as quickly collecting and analyzing information

Developed a communication tagline for the global market: 'HORO YOUR LIFE' – Aiming to enhance brand recognition and move towards full-scale expansion

HORO
YOUR
LIFE

To expand brand recognition in the global market, we have developed a dedicated communication tagline and launched official SNS accounts in China and Taiwan

New Business - Open Innovation -

Takara standard

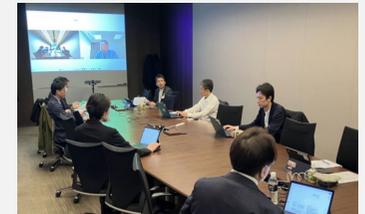
×

A partner company that accelerates our growth

- Utilize our business resources externally
- Actively collaborate with external parties to create new businesses

Business Matching for New Business Development

As our first initiative in new business development, we conducted business matching to explore potential co-creation partners for open innovation.



Exploring New Applications for Glass Frit (Functional Glass)



▶ Challenging new fields and uses, such as protective films and dental materials



▶ Exploring applications in electronic components as a sintering aid (for adhesion)

Goals and Policies

Initiatives

Appendix :

- Action to Implement Management that is Conscious of Cost of Capital and Stock Price
 - Status of Implementation of Dialogue with Shareholders and Investors
-

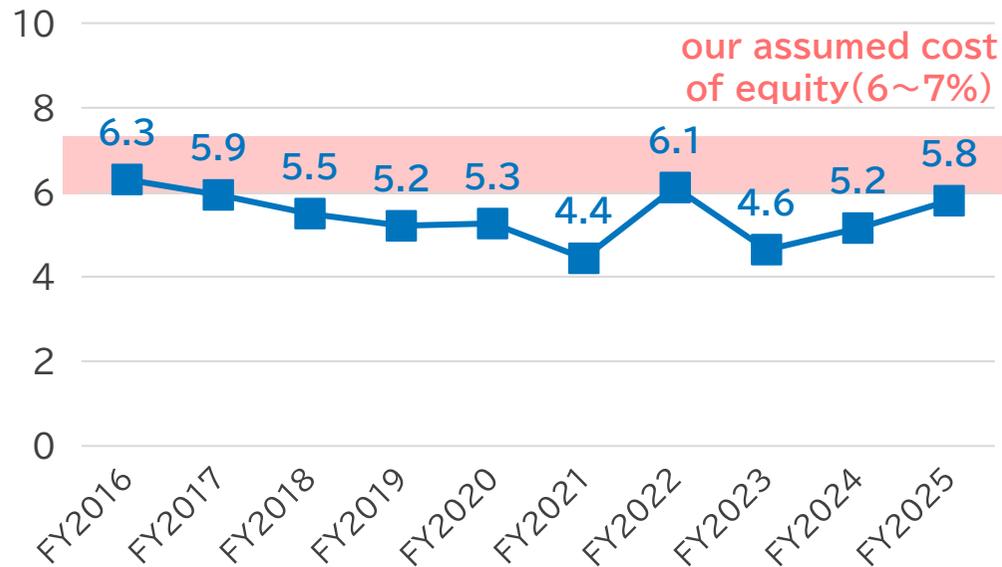
Trends and Issues Regarding ROE, Cost of Equity, and PBR

Our KPI, ROE, has remained flat compared to past levels. Coupled with our sluggish stock price, our PBR has consistently remained below 1x.

Return on capital

- Although revenue has been on an upward trend, ROE continues to fall below our assumed cost of equity, due to stagnant profit growth and an increase in net assets
- To enhance capital efficiency, we recognize the need not only to strengthen our earning power but also to review our balance sheet structure

ROE Trends(%)

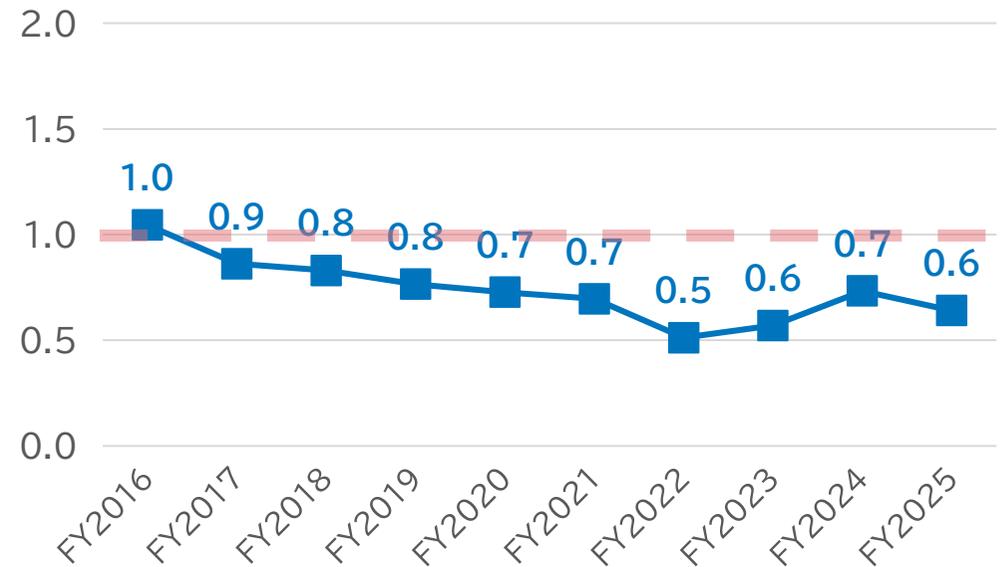


Note: Fiscal year ends in March

PBR

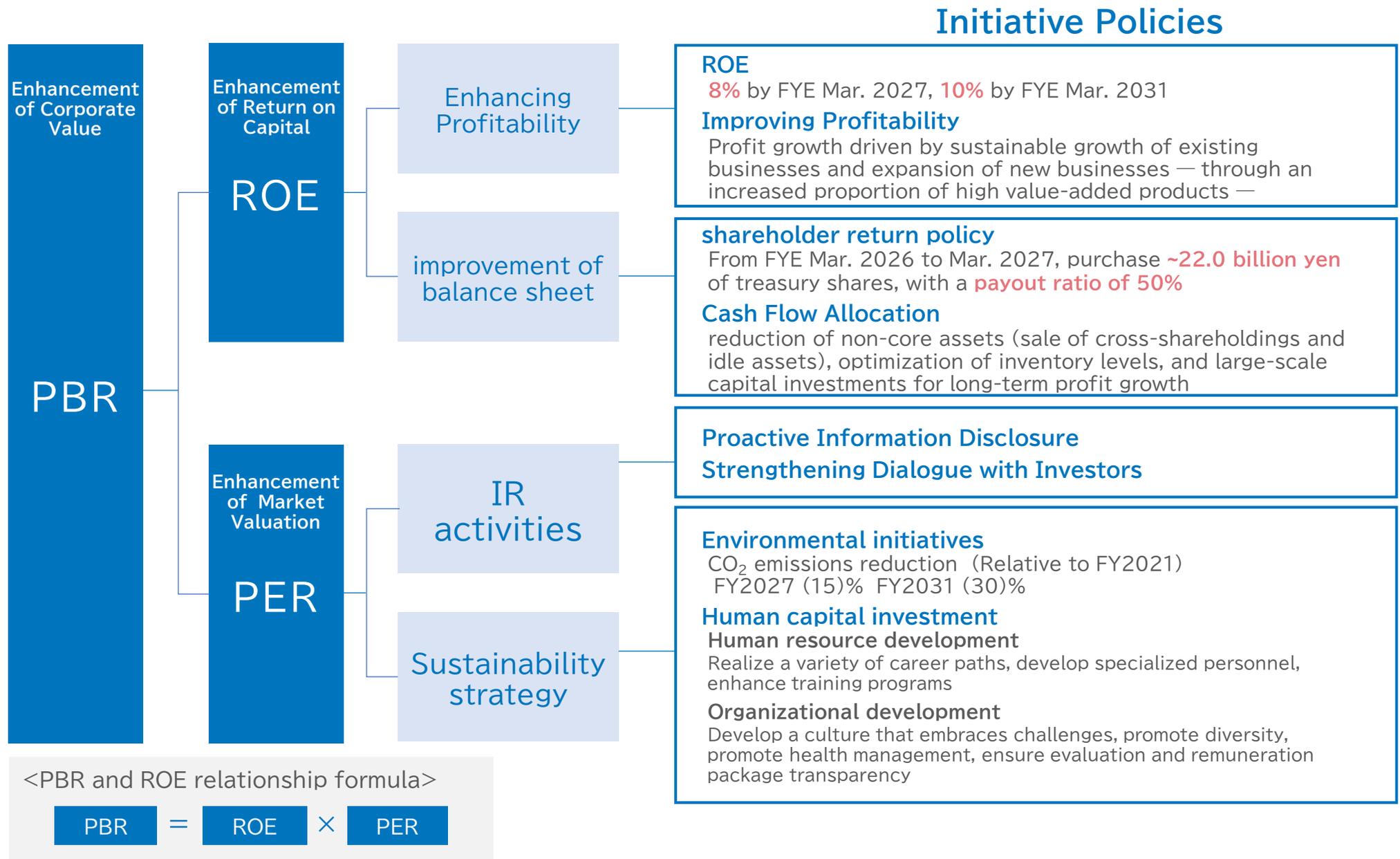
- Our PBR has remained below 1x over the long term. In addition to persistently low ROE, our disclosure on growth strategies has been insufficient amid changes in the business environment
- To address this, we recognize the importance of presenting a compelling equity story and engaging more proactively with the capital markets through IR activities

PBR Trends(times)



Initiatives for Improving PBR (PBR Logic Tree)

To improve PBR, we aim to enhance ROE and expand PER by implementing the following initiatives.



Enhancement of IR Activities:

Status of Implementation of Dialogue with Shareholders and Investors

With the aim of achieving sustainable growth and enhancing corporate value, we actively engage in constructive dialogue with our shareholders and investors. We also provide timely feedback within the company on the content and outcomes of such dialogue.

Results of dialogue FYE Mar. 2025

	Implemented by	number of companies and meetings
institutional investor meetings	President, Executive Officer in charge of IR department, IR department head, IR department member	Overseas: 11 companies, 15 times Domestic: 20 companies, 29 times
Briefings for Institutional Investors	President	2 times
Briefings for individual investors	President	2 times
General Meeting of Shareholders	All Directors and Audit & Supervisory Board Members	1 time

In-house feedback

■ Primary feedback content

- **Board of Directors (6 times)**
 - Improving return on capital
 - IR activities
 - Status of Shareholders
- **Management, Relevant Divisions(As necessary)**
Each relevant theme, including the above

■ Items incorporated based on dialogue

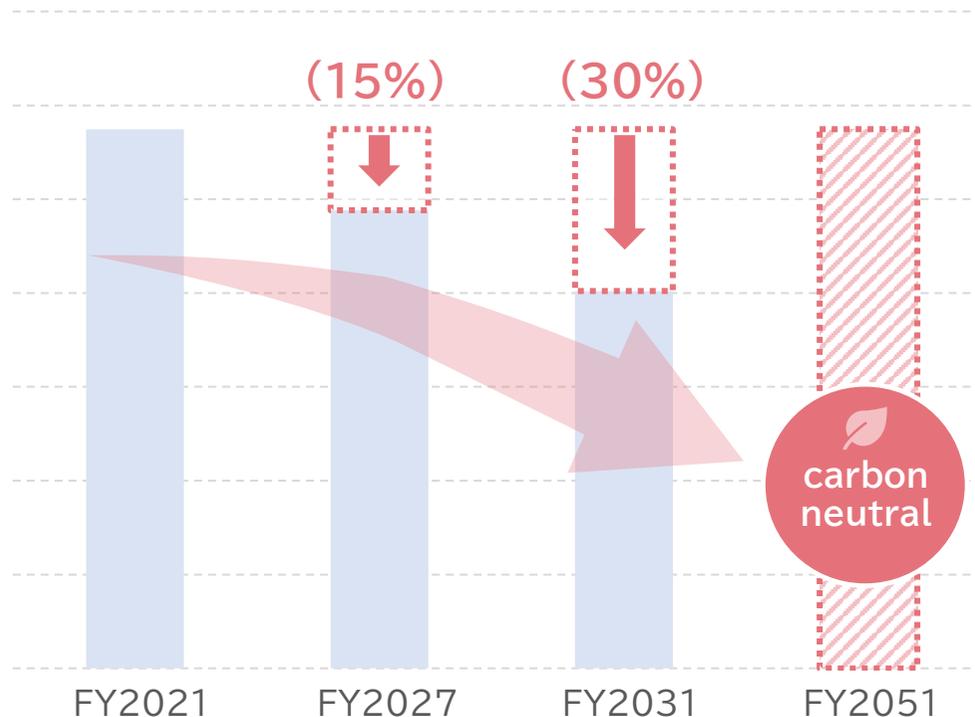
- Raising ROE targets with consideration of the cost of equity
- Implementing dividend increases and purchase of treasury shares to improve capital profitability and enhance shareholder returns
- Holding a new institutional investor briefing for the fiscal year and Q2 results (with the CEO in attendance)
- CEO's participation in a briefing for individual investors
- Issuing our first integrated report
- Simultaneous release of English-language materials for the Q3 earnings presentation alongside the Japanese version

Sustainability strategy

Positioning sustainability as a key management issue, we aim to contribute to the realization of a sustainable society through achieving carbon neutrality and investing in human capital.

Initiatives for Environmental Issues

- Setting CO₂ reduction targets :
15% reduction by FY2027
30% reduction by FY2031
**relative to FY2021*
- Development of products and services that take environmental impact into consideration
- Promoting initiatives to reduce environmental burden in business activities :
Examples: Introduction of energy-saving equipment and fuel conversion at production sites



Human Capital Investment

- Ensuring diversity in human resources, while strengthening initiatives for human resource development
- Creating a comfortable working environment

Generate innovation

Human resource development

- Promote job rotation
- Self-motivated career building
- Variety of career paths
- Develop specialized professionals
- Equal opportunities regardless of age, gender, and nationality
- Refined development programs

Organizational development

- Develop a culture that encourages innovation
- Design and operate systems to allow flexible careers and work styles
- Promote diversity
- Promote wellness management
- Improve productivity through AI/RPA
- Transparent evaluation and remuneration policy

< IR Contact >

TAKARA STANDARD CO. LTD.

IR Department Administration Division

E-mail

ir@takara-standard.co.jp

Takara standard

This document contains forward-looking statements based on the Company's plans as of May 8, 2025. These statements are subject to risks and uncertainties that may cause actual results to differ materially from those described herein. In addition, this document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the Japanese original shall prevail.