

**TAKARA STANDARD CO., LTD.**

**Action to Implement Management that is  
Conscious of Cost of Capital and Stock Price**

May 9, 2024

Stock Code  
7981

**Takara standard**

## Agenda

- 1 Status Analysis
- 2 Action Plan
- 3 Initiatives
- 4 Cash Allocation

# 1. Status Analysis

The Company acknowledges challenges it faces in achieving greater return on capital and enhancing corporate value amid a scenario where its PBR has remained consistently below 1x in recent years.

## <Current perception>

### ◆ Return on capital

#### <Current ROE and ROIC>

Neither ROE nor ROIC have improved due to profit growth stagnation and increases in total net assets against a backdrop of revenue gains. Profit margins have been eroding particularly since 2022 due to soaring material and energy prices along with a situation where the Company has revised its prices but has encountered delayed effectiveness of those price revisions.

⇒ **Improvement in terms of both profit structure and balance sheet needed in order to achieve greater return on capital**

### ◆ Capital cost

#### <Discrepancy with market expectations>

PBR has remained consistently below 1x amid a situation where both equity spread and EVA spread have held to negative territory due to low levels of ROE and ROIC.

⇒ **Aiming to achieve return on capital with consistently positive equity spread and EVA spread, while striving for further improvement**

### ◆ PBR

#### <Factors attributable to PBR below 1x>

Insufficient disclosure of growth strategy amidst the changing business environment and sluggish ROE and ROIC.

⇒ **The Company needs to present a growth-oriented equity narrative and engage in active dialogue with the market through IR activities**

## <Equity spread, EVA spread and PBR>

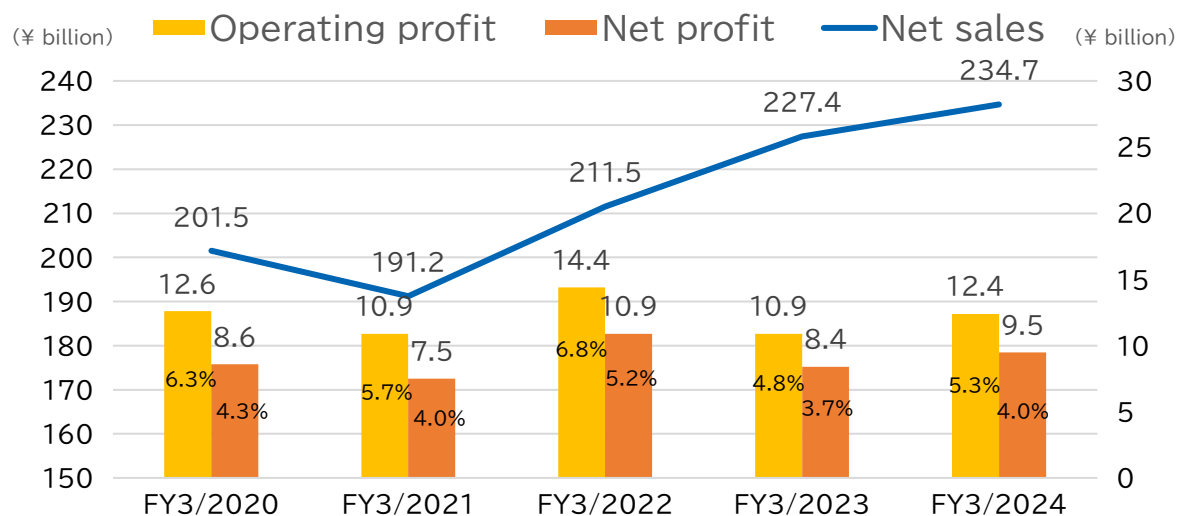
	FY3/2020	FY3/2021	FY3/2022	FY3/2023	FY3/2024	5-year avg.
CAPM*	6.4%	7.0%	6.3%	4.5%	5.2%	5.9%
ROE	5.3%	4.4%	6.1%	4.6%	5.2%	5.1%
Equity spread	(1.1)	(2.6)	(0.2)	0.1	0.0	(0.8)
	FY3/2020	FY3/2021	FY3/2022	FY3/2023	FY3/2024	5-year avg.
WACC*	5.9%	6.5%	5.7%	4.2%	5.0%	5.5%
ROIC	5.0%	4.1%	5.2%	4.0%	4.4%	4.5%
EVA spread	(0.9)	(2.4)	(0.5)	(0.2)	(0.6)	(1.0)

(Unit : ¥)

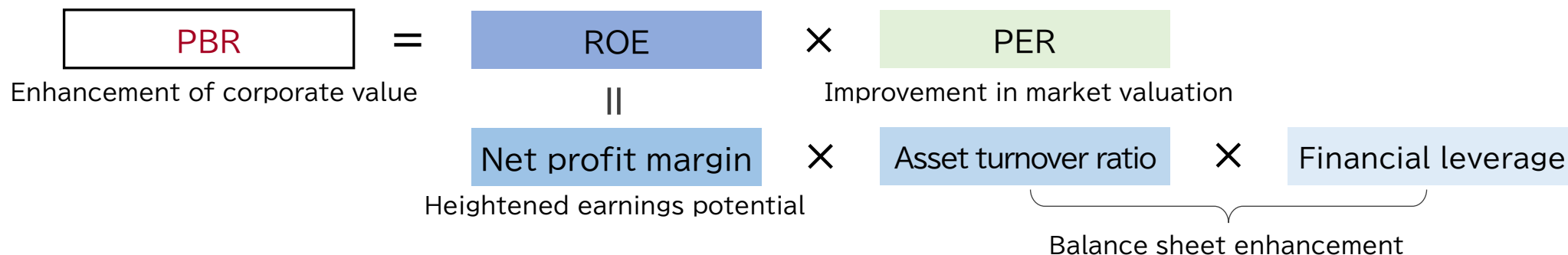
BPS	2,280	2,397	2,480	2,580	2,742
FY End stock price	1,658	1,667	1,269	1,469	1,953
PBR	0.73	0.70	0.51	0.57	0.71

\* CAPM : Capital asset pricing model for calculating cost of shareholders' equity  
WACC : Weighted average cost of capital

## Net sales, Operating profit and Net profit over five years



The Company will strive to increase PBR amid improvement in ROE and PER by enlisting a financial strategy aligned with implementation of various measures for achieving sustainable growth with a focus on “enhancing corporate value over the long term.”



	FY3/2020	FY3/2021	FY3/2022	FY3/2023	FY3/2024
PBR	0.73	0.70	0.51	0.57	0.71
ROE	5.3%	4.4%	6.1%	4.6%	5.2%
PER	14.0	16.1	8.5	12.5	14.2
Net profit margin	4.3%	4.0%	5.2%	3.7%	4.0%
Asset turnover ratio	0.79	0.74	0.76	0.81	0.87
Financial leverage	1.54	1.48	1.53	1.54	1.43

The Company focuses on the objective of improving ROE given its low ratio of interest-bearing debt

### <Action Plan>

- ROE
7% in FY2026, 8% in FY2030, consistently above 10 % in the future
- PER
Improve market valuation by **enhancing structure** of IR activities, **expanding information disclosure**, and **actively engaging in dialogue** with investors
- Net profit margin
Profit growth through **sustainable growth of existing businesses** and **expansion of new businesses** (increase in proportion of high value-added products)
- Asset turnover ratio
**Reduce non-operating assets** (sale of cross-shareholdings and idle assets) and **optimize inventory levels**
- Financial leverage
Reduce net assets through **enhancement of shareholder returns** while allocating capital to growth investment

The Company will strive to steadily implement various measures for achieving greater return on capital and enhancing corporate value.

Becoming a brighter and more attractive company  
with enamel by enhancing corporate value over the long term

Profit structure transformation (creating economic value)

Sustainability strategy (creating social value)

◆ Sustainable growth in existing businesses ROE (net profit) improvement

- **Takara Standard Digital Transformation** ... Transform operations enlisting digital technologies (improve human productivity, reduce inventory and distribution costs, rebuild business foundation)
- **Area management** ... Consolidate operations by geographic region, enhance the revenue management structure (reduce workforce and curb labor costs)
- **Item management** ... Reduce product items, appropriately maintain and manage item count (focus on developing hit products, heighten earnings potential)
- **Remodeling business expansion** ... Concentrate business resources on the remodeling market, which will serve as an area of key focus going forward (augment production capacity, strengthen product capabilities, increase sales of medium- to high-end products, etc.)

◆ Expansion of new sales

- **Building overseas business infrastructure** ... Develop products, establish manufacturing and supply structure, arrange strategic partnerships
- **Open innovation** ... Develop new businesses (invest in and co-create new businesses)

◆ Environmental initiatives PER improvement

- **CO2 emissions reduction (Relative to FY2020)** ... FY2026 (15%)  
FY2030 (30%)

◆ Human capital investment

- **Human resource development** ... Realize a variety of career paths, develop specialized personnel, enhance training programs
- **Organizational development** ... Develop a culture that embraces challenges, promote diversity, promote health management, ensure evaluation and remuneration package transparency

◆ Financial strategy

ROE improvement (financial leverage, asset turnover ratio)

- **Aggressive growth investment** ... Augment capacity for producing high value-added products (enamel products, modular bathrooms , etc.)
- **Streamlining of owned assets** ... Reduce cross-shareholdings, sell idle assets, optimize inventory levels
- **Enhancement of shareholder returns** ... Progressively increase dividends in line with profit growth (dividend payout ratio at the 40% level), flexible purchase of treasury shares based on the capital structure

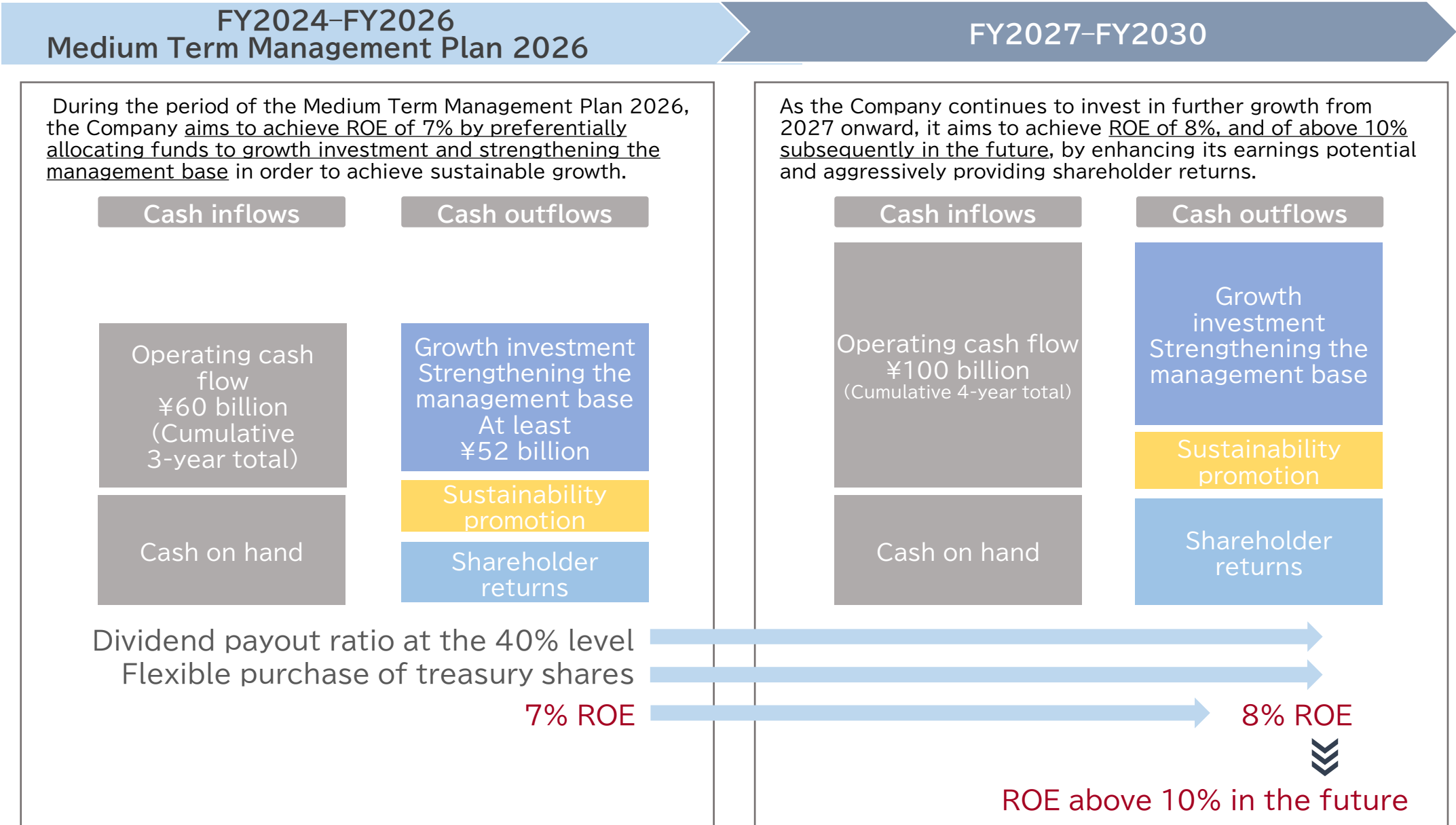
◆ Enhancement of IR activities

PER improvement

- **Enhance capacity to convey financial and non-financial information** (investor briefing sessions, IR website overhaul, integrated report, etc.)
- **Enhance the relationship of trust with shareholders and investors** through active dialogue

# 4. Cash Allocation

The Company seeks to enhance shareholder returns while maintaining financial soundness, as it actively allocates capital to objectives that include growth investment and strengthening the management base with its sights set on developing sustainable growth infrastructure.



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