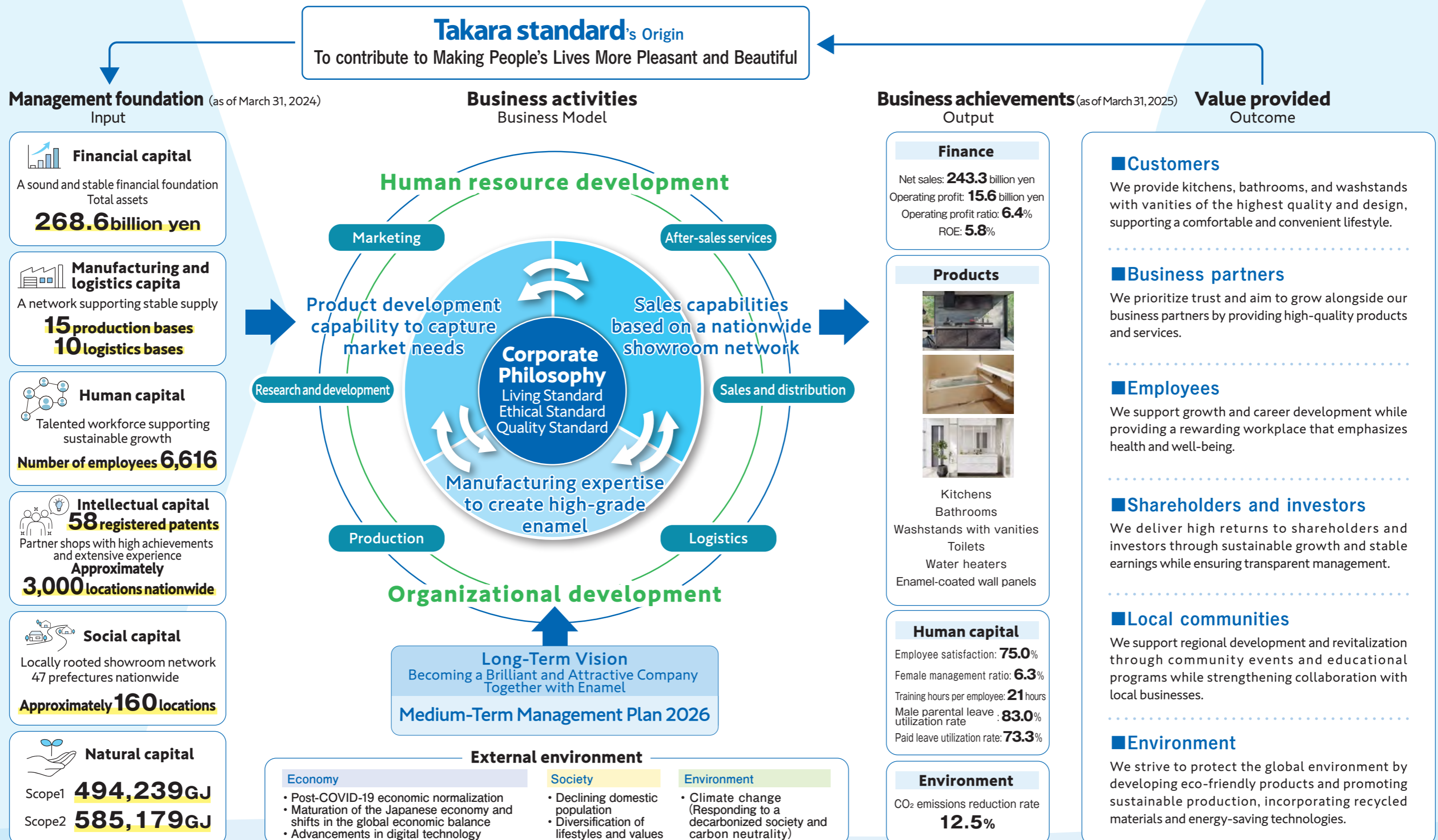


Value Creation Process and Business Model

Since its founding, Takara standard has built a unique position as the only domestic manufacturer of enamel-based wet area housing equipment. This uniqueness is supported by our strong manufacturing capabilities, nationwide showroom-based sales force, and product development expertise in capturing market needs. Leveraging our accumulated know-how over many years, we continue to differentiate ourselves from competitors and create value to realize our philosophy of “To contribute to make people’s life more pleasant and beautiful.”

Through the value creation process, we aim to achieve our medium – to long-term business performance targets.



Risk and Opportunity Analysis

We have categorized and summarized the analysis of short-, medium-, and long-term key risks and opportunities in the business environment surrounding Takara standard along the triple bottom line of economy, society, and environment, as shown in the table below.

On the economic front, in the short term, cost increases due to geopolitical instability, exchange rate fluctuations leading to rising raw material costs, rising logistics costs, and government-mandated wage hikes are significant concerns. To effectively manage these challenges, we need to implement proper cost management, reduce inventory and logistics costs, and make timely price adjustments. While our company has grown steadily by capturing the demand for more comfortable living amid domestic market growth, Japan's population decline, which began in the 2010s, is expected to accelerate after 2030. Consequently, not only will new housing starts decline, but the currently strong demand for remodeling will also likely decrease in the long term. Thus, addressing the risk of market contraction is recognized as the most critical

mid- to long-term challenge. As countermeasures, our core strategies will include expansion into emerging markets, primarily in Asia, where rising living standards are expected to drive growth in the wet area product market, as well as the creation of new businesses leveraging the customer base cultivated in Japan's housing equipment industry.

On the social front, population decline and the diversification of people's values are expected to have the greatest impact. Addressing labor shortages due to a shrinking workforce and adapting to changing perspectives on work and employment practices will be key. Our diversity, equity, and inclusion initiatives represent both a risk and an opportunity, making them central to our human capital strategy.

Regarding environmental concerns, the timeframe until Japan's 2050 carbon neutrality goal is narrowing, and international environmental standards must be met for overseas market expansion. Consequently, more proactive decarbonization initiatives are deemed essential.

Field	Social and environmental factors	Risks and opportunities		Timeframe			Strategy (countermeasures)
				Short	Medium	Long	
Economy	Post-COVID-19 economic normalization	Risks	Limitations in factory production capacity		●		Enhancement and streamlining of production capacity through new factory construction and capital investment
			Rising logistics costs	●	●		Reduction of inventory and logistics costs through item management
			Government-mandated wage increases	●	●		Effective utilization of human resources through area management
		Opportunities	Growth in remodeling demand	●	●		Expansion of the remodeling business by leveraging the showroom network Strengthening of high-grade enamel products, a proprietary material
	Maturation of the Japanese economy and changes in the global economic balance	Risks	Rising prices of raw materials and other resources	●	●		Strengthening supply chain management Timely price adjustments
			Stagnation in household disposable income growth		●	●	Strengthening overseas business and creating new business opportunities
			Deterioration of financial indicators such as ROE and PBR		●	●	Effective utilization of capital through financial strategy
		Opportunities	Growth in emerging markets		●	●	Expansion of market share in overseas markets
	Advances in digital technology	Risks	Loss of opportunities due to delays in digitalization		●		Improvement of labor productivity and logistics efficiency through DX utilization
		Opportunities	Creation of new value through digital utilization		●		
Society	Declining domestic population	Risks	Decrease in new housing starts		●	●	Strengthening overseas business and creating new business opportunities
			Declining labor force			●	Promotion of human resources and organizational development
	Diversification of lifestyles and values	Risks	Increased costs due to diversified work styles	●	●		Enhancement of work satisfaction through increased labor mobility and enriched training programs
		Opportunities	Productivity improvement through diversified work styles	●	●		
		Risks	Increased costs for DE&I implementation		●	●	Innovation driven by women's empowerment and mid-career recruitment
		Opportunities	Organizational revitalization through DE&I		●	●	
		Risks	Rise in cooking appliances and ready-to-eat food products		●		Strengthening overseas business and creating new business opportunities
		Opportunities	Growth in remodeling demand	●	●		Expansion of the remodeling business by leveraging the showroom network Strengthening of high-grade enamel products, a proprietary material
			Expansion of the e-commerce market		●		Utilizing an online store for selling consumable goods
Environment	Climate change	Risks	Strengthening of environmental regulations		●	●	Proactive and planned decarbonization transition ahead of regulatory tightening
			Rise in fossil fuel costs		●	●	Energy procurement plans, including the transition to renewable energy
			Cost burden for achieving carbon neutrality		●	●	Planned decarbonization transition incorporating transition costs
			Intensification of natural disasters	●	●	●	Implementation of appropriate countermeasures at each business site against natural disasters such as heavy rainfall
		Opportunities	Growth of the environmental-related market		●	●	Creation of new businesses
			Advancements in energy-saving technology		●	●	

[Key Issues for Takara standard]

Expansion of the remodeling business by leveraging the showroom network

►P21

Improvement of labor productivity and logistics efficiency through DX utilization

►P23

Strengthening overseas business and creating new business opportunities

►P25

Decarbonization transition to comply with stricter environmental regulations

►P27

Enhancement of work satisfaction through human capital investment

►P29

Effective utilization of capital through appropriate financial strategy

►P33

Takara standard conducts analysis and evaluation of risks and opportunities to determine key issues.

This report includes a table summarizing key risk and opportunity analyses, presenting only those items deemed highly significant for the company and its stakeholders.