



Maximizing the Value of TOTO

The Most Undervalued and Overlooked AI Memory Beneficiary

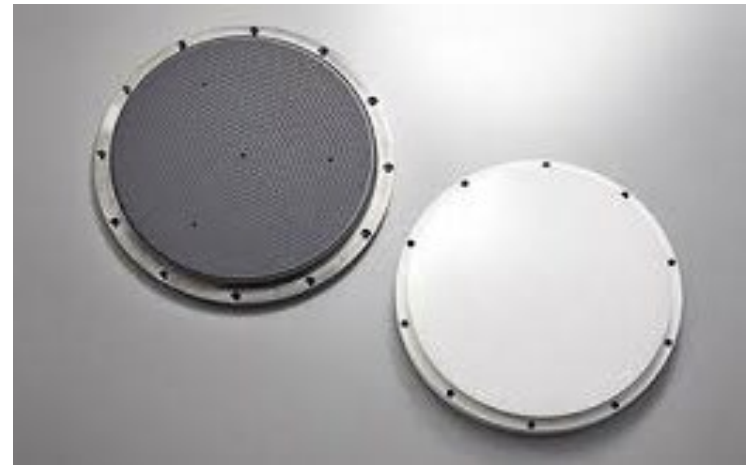
A Premium Sanitaryware Brand with Dominant Market Share in Japan

- Top 1 in Washlet with 56% market share
- Top 1 in toilet with 45% market share

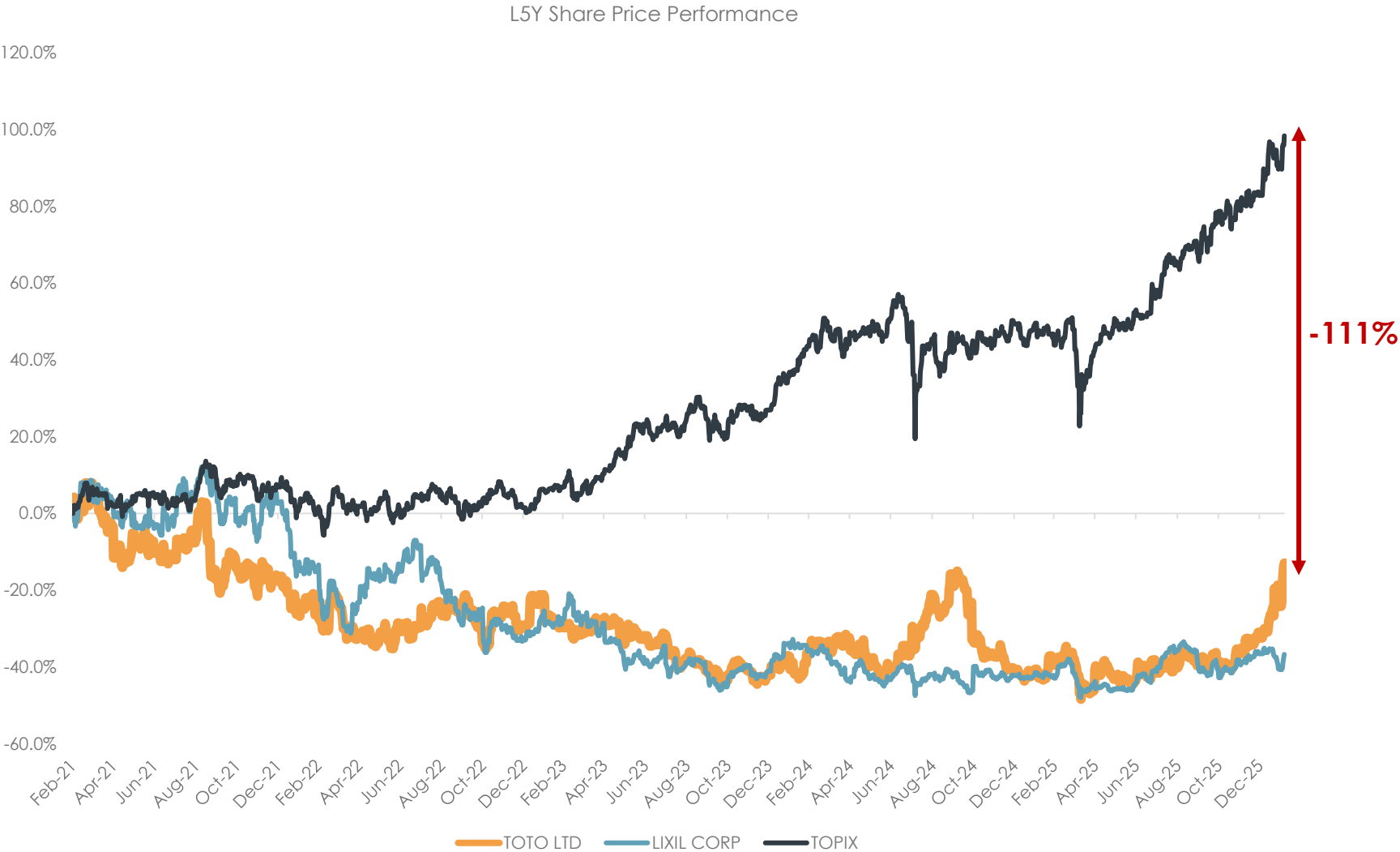


Leveraging Decades of Craftsmanship to Enable Next-generation Semiconductor Performance

- TOTO is the dominant supplier of electrostatic chucks for Lam Research's cryogenic dielectric etching tools used in 3D NAND channel hole etching
- TOTO was honored with the Supplier Excellence Award by Lam Research in 2023 and 2024



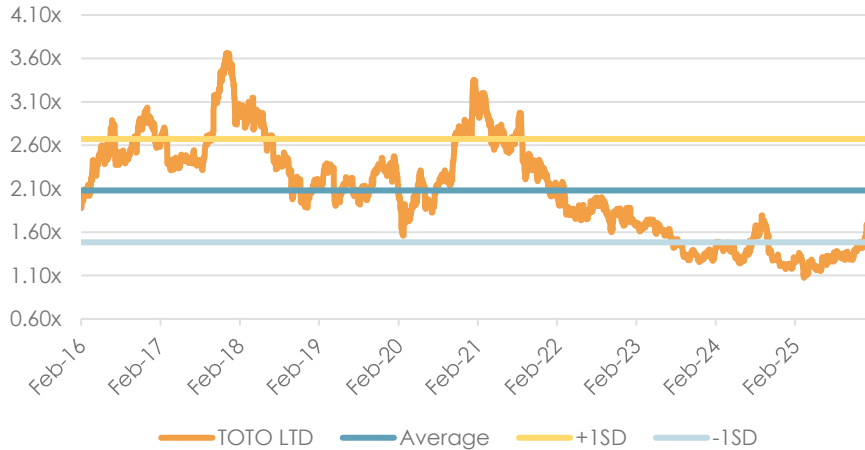
TOTO has significantly underperformed the TOPIX on share price over the past 5 years by 111% and only slightly outperformed its major housing equipment competitor LIXIL



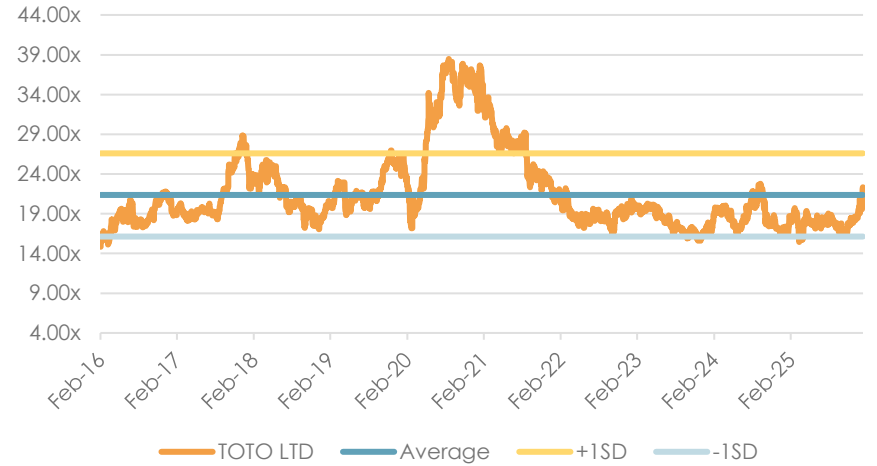
Source: Bloomberg. Market data as of 6 Feb 2026.

TOTO is trading at a 10Y low valuation to its own historical multiples

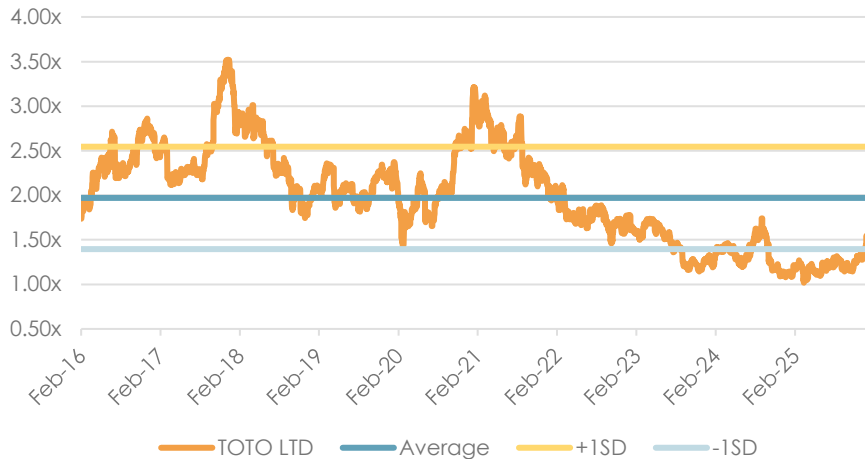
L10Y P/B



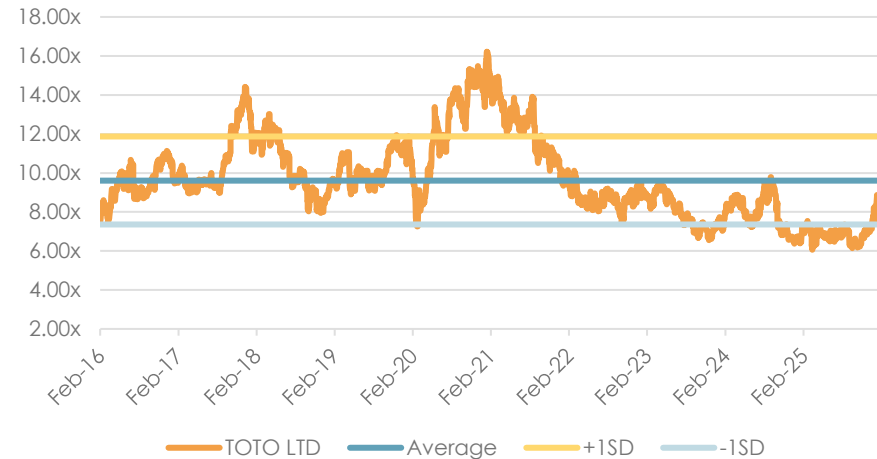
L10Y 1BF P/E



L10Y EV/IC








L10Y 1BF EV/EBITDA



Source: Bloomberg. Market data as of 6 Feb 2026.

TOTO has a far superior profitability and returns profile than its major housing equipment competitor LIXIL but is trading at a similar valuation multiple

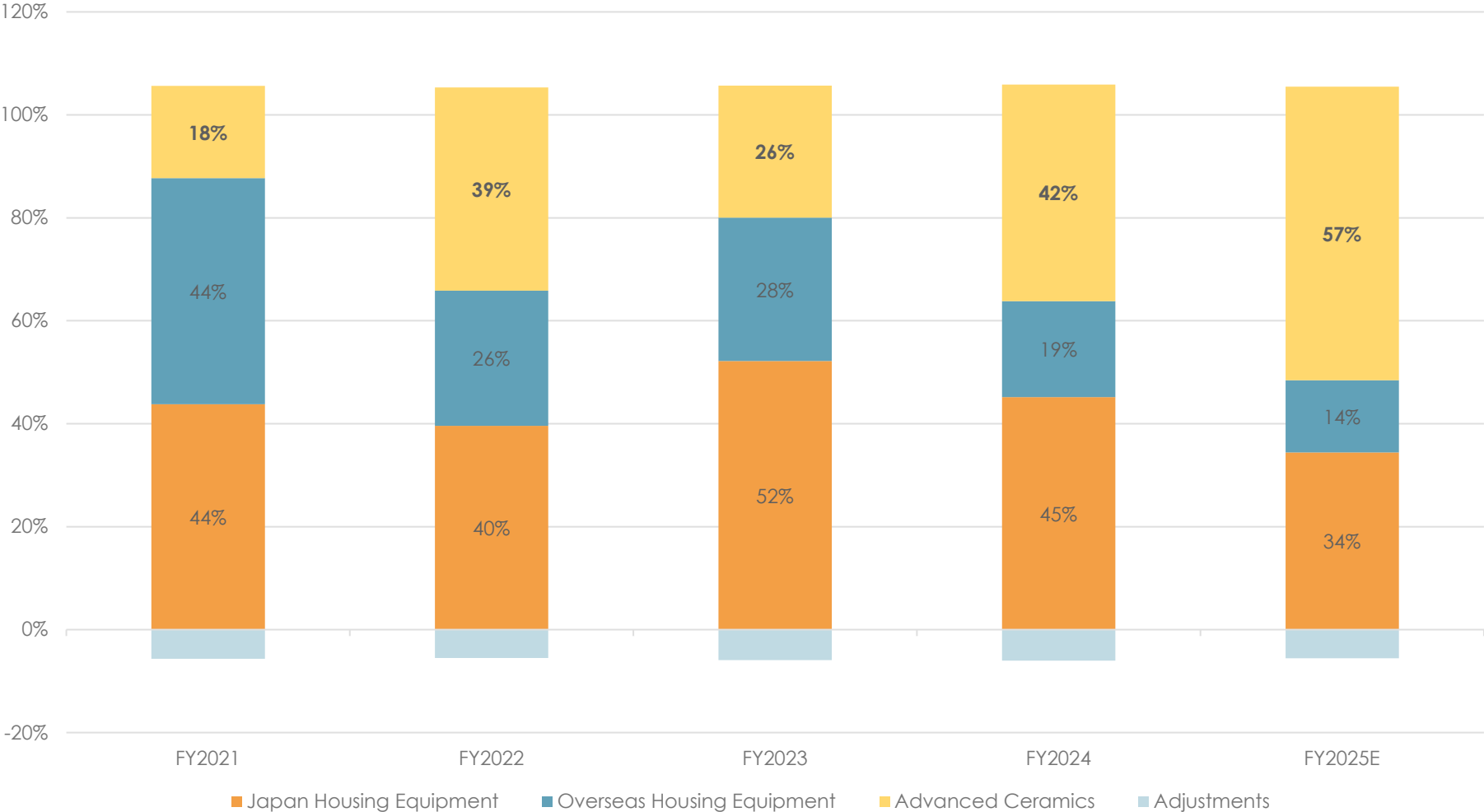
~50% Operating Profit Contribution from Advanced Ceramics

	TOTO Consolidated	LIXIL Consolidated
L5Y Sales CAGR	 4.0%	-2.3%
L5Y Operating Profit CAGR	 5.7%	-5.4%
Average L5Y Operating Profit Margin %	 6.9%	2.4%
Average L5Y Net Profit Margin %	 4.7%	1.2%
Average L5Y Return on Equity (ROE)	 7.5%	3.1%
1BF EV/EBITDA	8.9x	8.3x

Source: Bloomberg, Company filings. Market data as of 6 Feb 2026.
 Note: L5Y refers to fiscal year March 2020 to March 2025.




TOTO has transformed into a leading semiconductor materials provider with over 50% operating profit contributed by the Advanced Ceramics business

Operating Profit Breakdown by Business



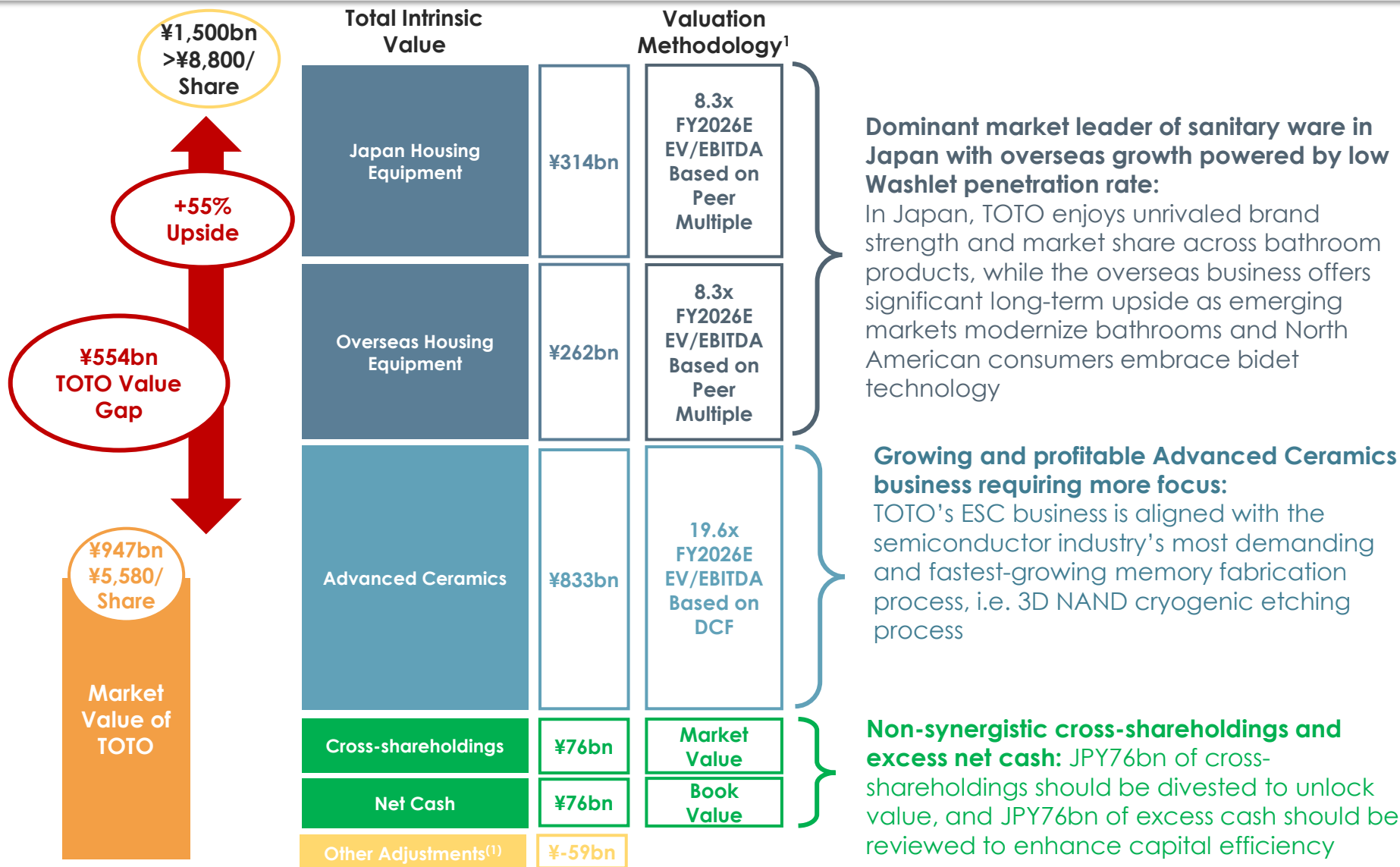
Source: Company filings, Palliser estimates.

TOTO's Advanced Ceramics business delivers a far superior profitability and returns profile than its ceramics competitors

	TOTO	Shinko	NGK	Sumitomo Osaka	Niterra
Relevant Segment	Advanced Ceramics	Metal Packaging	Digital Society	Advanced Materials	Component Solutions
Product Offerings	Electrostatic Chucks, AD Films	Electrostatic Chucks, Leadframes, Glass-to-Metal Seals, Heat Spreaders	Electrostatic Chucks, Piezoelectric Micro-Actuators, DCB and AMB Substrates, Beryllium Copper Alloys	Electrostatic Chucks, Cosmetics Materials, Paints and Coatings, Antibacterial Agents	Electrostatic Chucks, Silicon Nitride Ceramics, Ceramic Insulating Heat Dissipation Substrates
ESCs for Cryogenic Etching Process					
Segment Operating Profit Margin %	 WIN 40.6%	24.0%	10.0%	14.0%	0.0%
Segment ROA	 WIN 34.2%	N.A.	5.7%	8.3%	N.A.

Source: Company filings.
 Note: Financial data as of March 31, 2025. Segment ROA is defined as net operating profit after tax divided by average segment assets.

However, despite strong fundamentals, TOTO trades at a ¥554bn value gap – creating a compelling opportunity to unlock +55% share price upside



Source: Company filings, Bloomberg, Palliser Estimates. Market data as of 6 Feb 2026.

Note: (1) Other adjustments are retirement benefit liabilities, non-controlling interests, others/adjustments segment valuation.

The root causes of the TOTO Value Gap – three key shortcomings

A Lack of transparency on the value and growth outlook of the Advanced Ceramics business

B Suboptimal capital allocation with insufficient growth investments directed towards high-return businesses

C Inefficient capital structure with a much higher equity ratio and much lower debt ratio than TOTO's own financial discipline rules

Limited disclosure on the highly profitable and fast-growing Advanced Ceramics business – preventing analysts/investors from accurately assessing its value

- ✗ The rapidly expanding and highly profitable Advanced Ceramics segment occupies only one page in the Company's recent investor presentation of January 2026
- ✗ Such limited disclosure makes it challenging for market participants to accurately assess the Advanced Ceramics business, leaving the value of this high-quality asset effectively hidden from the market

New Business Domains: Advanced Ceramic Business

Growth segment

Sales (YoY) 47.0 billion yen (137%)	Operating Profit (YoY) 20.2 billion yen (+6.0 billion yen)
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■ Status of major products and applications

| Electrostatic chucks

Demand for both new and replacement purpose

Sales increased due to favorable conditions in the semiconductor market accompanying the increased demand from data centers.

New demand: Sales slowdown due to increased DRAM investment among memory manufacturers.

Replacement demand: Increased as device manufacturers maintained high operating levels.

| AD Components

Sales increased due to robust AI-related demand, the impact of timing differences in the 1H and higher unit prices.

■ TOTO's strengths in the long-term outlook: Gaining overwhelming customer trust

	For 3D NAND memory	For logic semiconductors
Technological innovations in etching equipment	Fundamental technological innovation in semiconductor multi-layering. (High power and ultra-low temperature environments)	<ul style="list-style-type: none"> Few-nanometer node miniaturization (Precise wafer temperature control) Thorough low-particle control
Characteristics of TOTO	【Electrostatic chucks】 <ul style="list-style-type: none"> Overwhelmingly high material purity → High durability and long service life Ultra-high-precision surface processing → Precise wafer temperature control Unique bonding & insulation technology → Maintain performance at ultra-low temperatures 	【AD Components】 <ul style="list-style-type: none"> Proprietary dense film formation → Industry-leading low-particle performance 【Electrostatic chucks】 <ul style="list-style-type: none"> High-precision heater control → Consistent temperature control Exceptionally high purity → High durability and long life

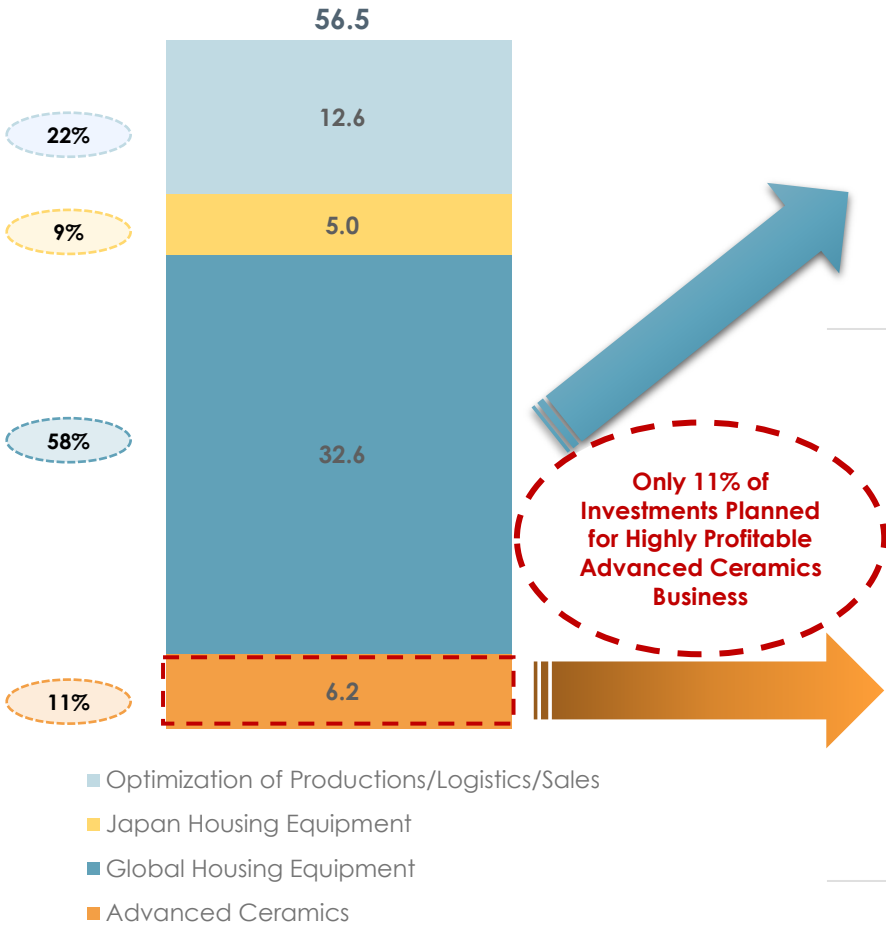
Production system: Achieving high-yield, highly profitable systems through full-scale transformation to a smart factory

We aim for long-term growth by supporting technological innovation in advanced manufacturing equipment through our proprietary technology and production system.

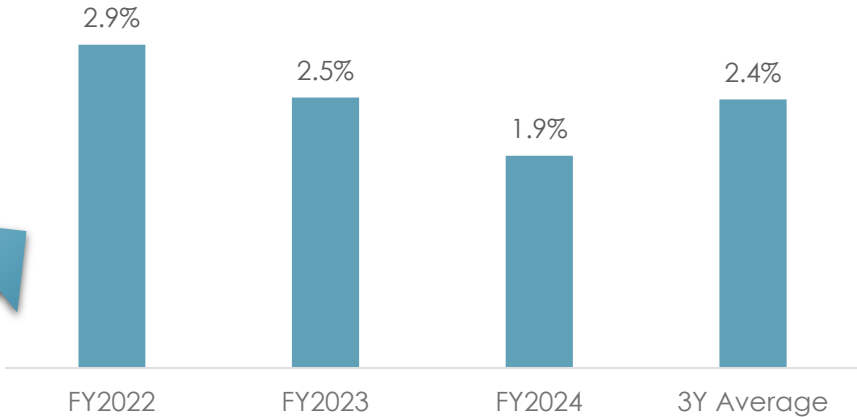
Sales and profits increased due to increased sales of electrostatic chucks and AD components accompanying robust advanced semiconductor market conditions.

Suboptimal capital allocation with only 11% of JPY56.5bn strategic investments in FY2025 planned for the Advanced Ceramics business

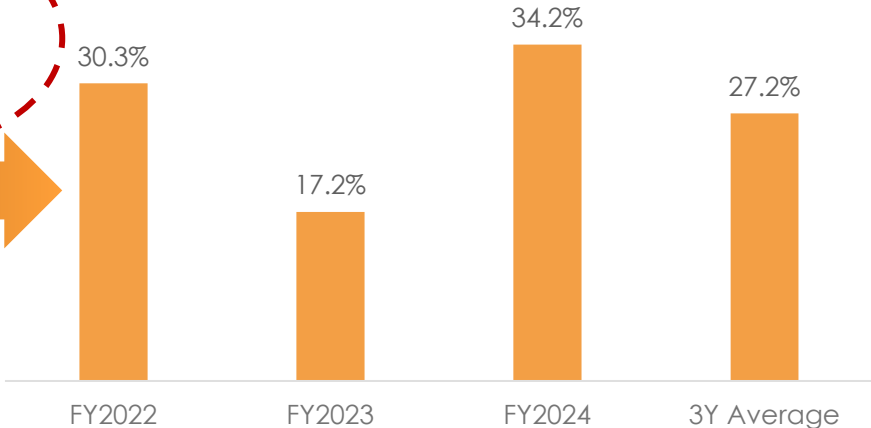
Breakdown of FY2025 Strategic Investments (JPYbn)



Global Housing Equipment ROA



Advanced Ceramics ROA



Source: Company filings.

Note: Segment ROA = net operating profit after tax divided by average segment assets.

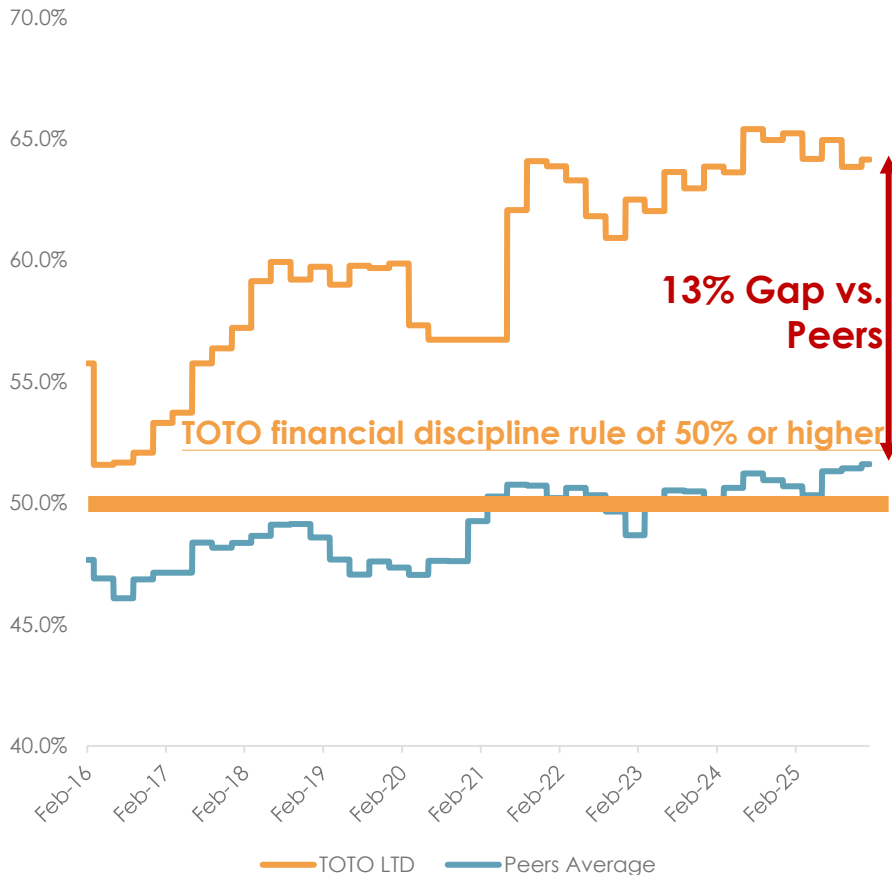


TOTO maintains a high equity ratio and an inefficient capital structure when measured against its own 50% financial discipline rules and Japan housing equipment peers

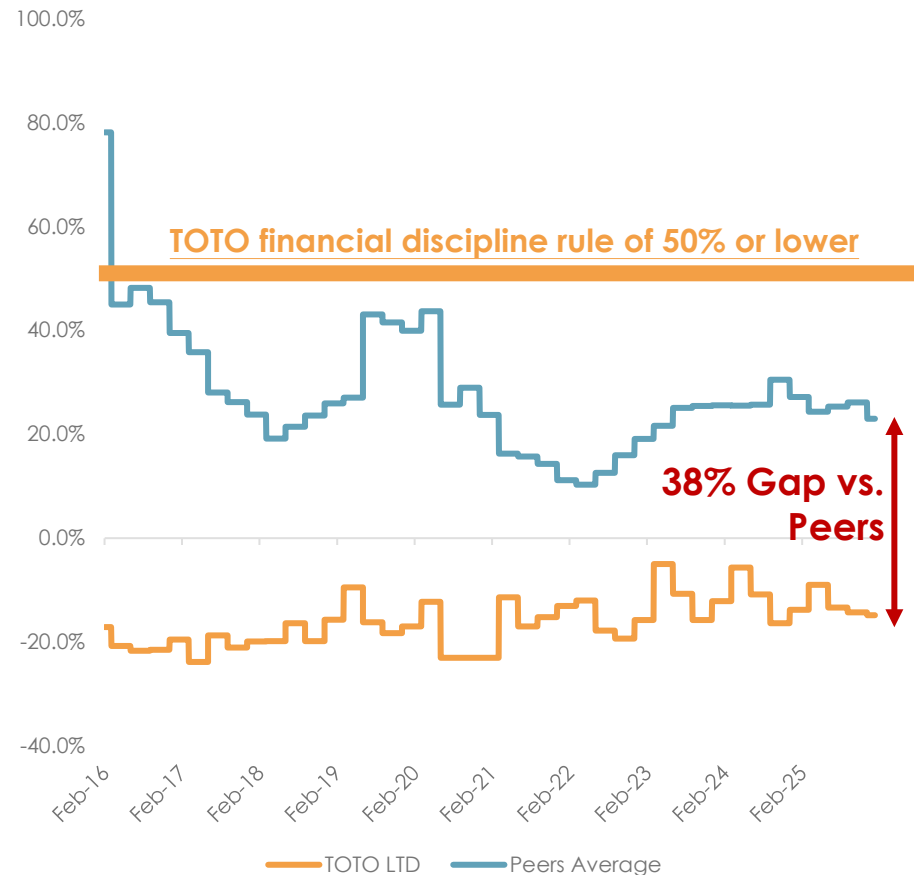
✘ TOTO's equity ratio is close to ~64%, which is less efficient than the Company's 50% financial discipline rule and Japan housing equipment peers average

✘ TOTO's net debt to equity of -15% reflects a capital structure that is less efficient than the Company's 50% financial discipline rule and Japan housing equipment peers average

L10Y Equity to Asset vs. Peers



L10Y Net Debt to Equity



Source: Bloomberg, Company filings.

Note: Peers average include LIXIL and Rinnai.

Palliser's 3-step "TOTO Value Enhancement Plan"

1

Improve disclosure on the Advanced Ceramics business to provide transparency on its competitive strength and growth outlook, ensuring its true value is appropriately reflected in TOTO's share price

2

Implement a best-in-class capital allocation framework to ensure the highest-returning utilisation of capital with clear ROIC targets above cost of capital

3

Enhance capital efficiency by optimising capital structure

1 i TOTO should improve transparency of its Advanced Ceramics business by underscoring the following key investment highlights to analysts/ investors

1

TOTO is the dominant supplier of electrostatic chucks (ESCs) for cryogenic dielectric etching tools used in advanced 3D NAND channel hole etching

2

Structural expansion of the cryogenic etch in 3D NAND is fueling the growth of TOTO's ESCs

3

TOTO's ESCs are superior to competitors in technology, specification, and end-use applications, enabling a superior margin and return profile

4

TOTO's ESCs benefit from a powerful competitive moat driven by the demanding 5+ year qualification and design-in process required for cryogenic dielectric etching ESCs

5

TOTO's Advanced Ceramics business could deliver 30%+ revenue growth CAGR in the next 2 years driven by NAND upgrade cycle and stable replacement demand

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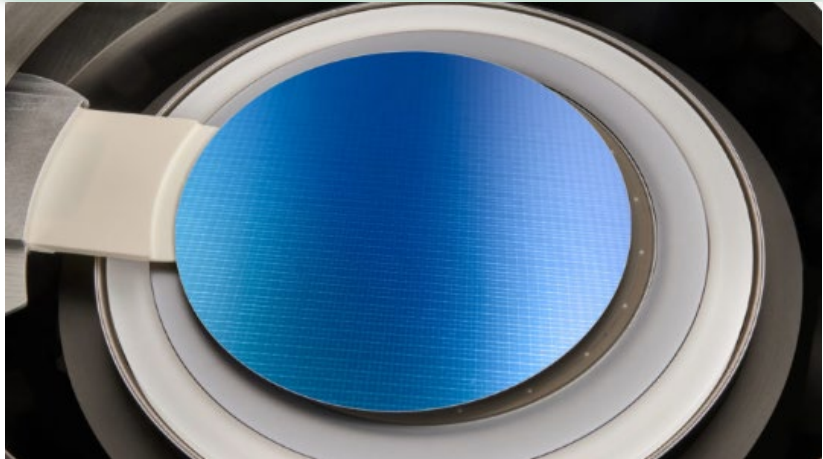
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TOTO



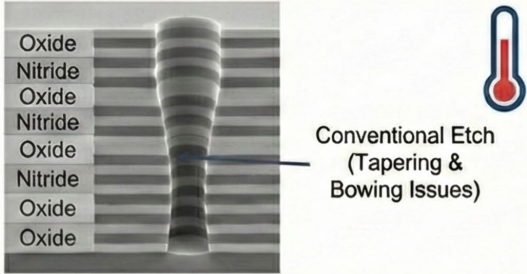
- ✓ TOTO is the dominant supplier of electrostatic chucks (ESCs) for Lam Research's cryogenic dielectric etching tools used in 3D NAND channel hole etching
- ✓ TOTO was honored with the Supplier Excellence Award by Lam Research in 2023 and 2024

- ✓ Lam Research is the dominant supplier of cryogenic dielectric etching tools used in advanced 3D NAND channel hole etching (Vantex Product Family) to leading NAND makers including Samsung / SK Hynix / Kioxia / Sandisk / Micron

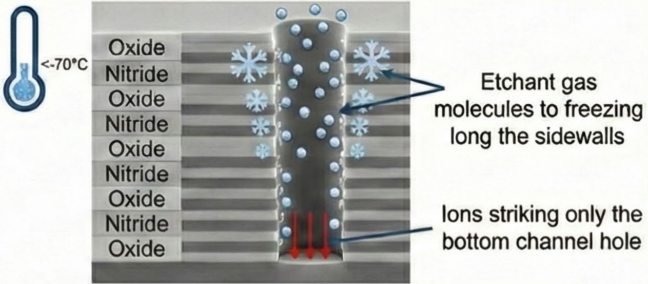


Cryogenic dielectric etching – critical for advanced 200+ layers 3D NAND channel hole etching

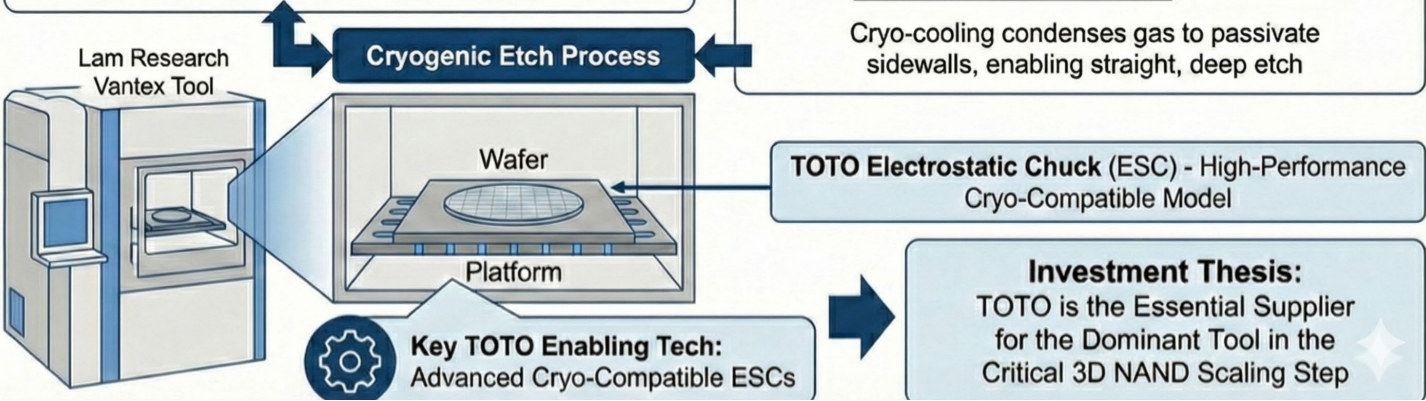
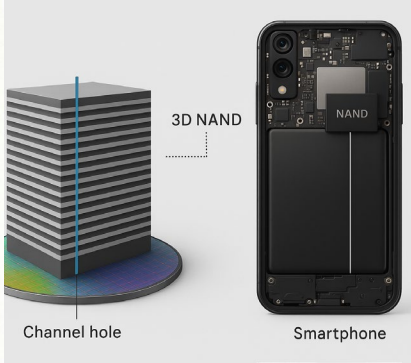
1. The Challenge: 200+ Layer 3D NAND Stack



2. The Solution: Cryogenic Dielectric Etching



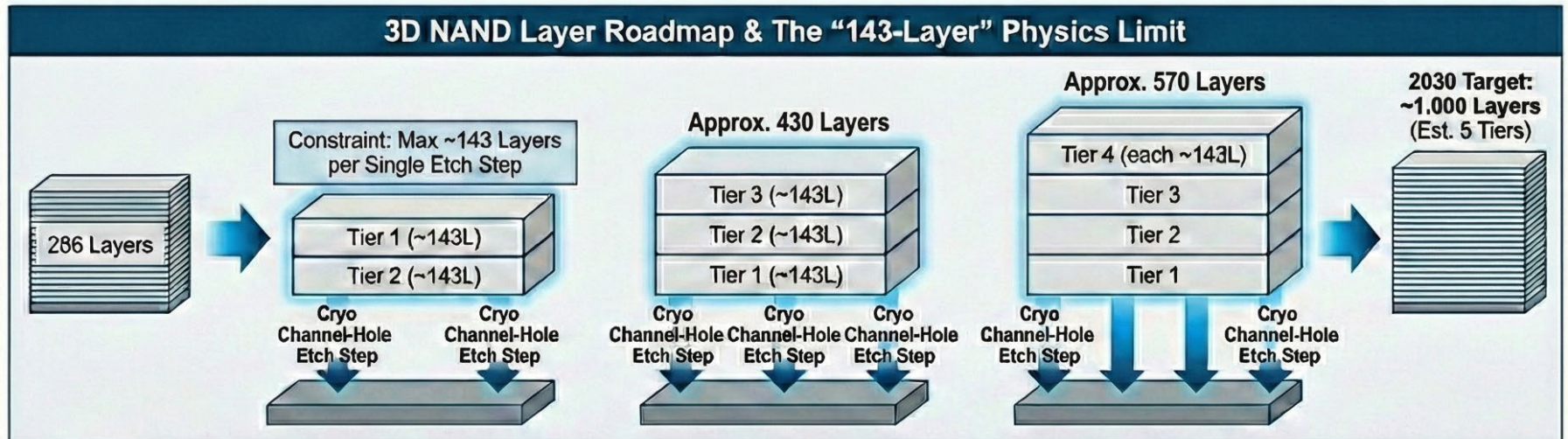
3D NAND Channel Hole



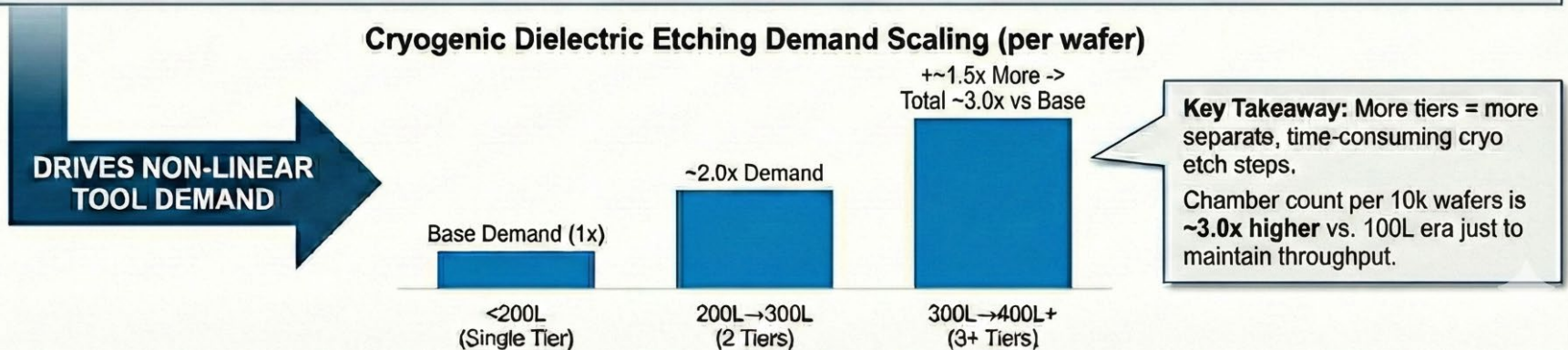
- **Extreme geometry:** 200+ layer NAND needs holes that are very deep (10 μm) and very narrow (~100 nm) — 100:1 aspect ratio
- **Old etch method fails:** Traditional polymer-based etching clogs the hole, causing crooked or incomplete holes
- **Cryogenic etching Solution:** Etching at -70°C to -100°C avoids polymer buildup and keeps holes straight, but temperature must be perfect: even a 2°C difference across the wafer ruins uniformity and kills yield
- **TOTO's role:** Provides the Electrostatic Chuck (ESC) used in Lam's Vantex cryo etcher; uses special cold-resistant ceramics that keep the wafer uniformly chilled, enabling reliable cryo etching

As cryogenic etch complexity grows from 1 to 2-3 tiers in advanced 300-400+ layers of 3D NAND, memory makers must deploy 2-3x more cryogenic etch tools simply to maintain the same wafer throughput

The Cryogenic Etch Multiplier Effect: Layers → Tiers → Etch Steps



Cryogenic Dielectric Etching Demand Scaling (per wafer)

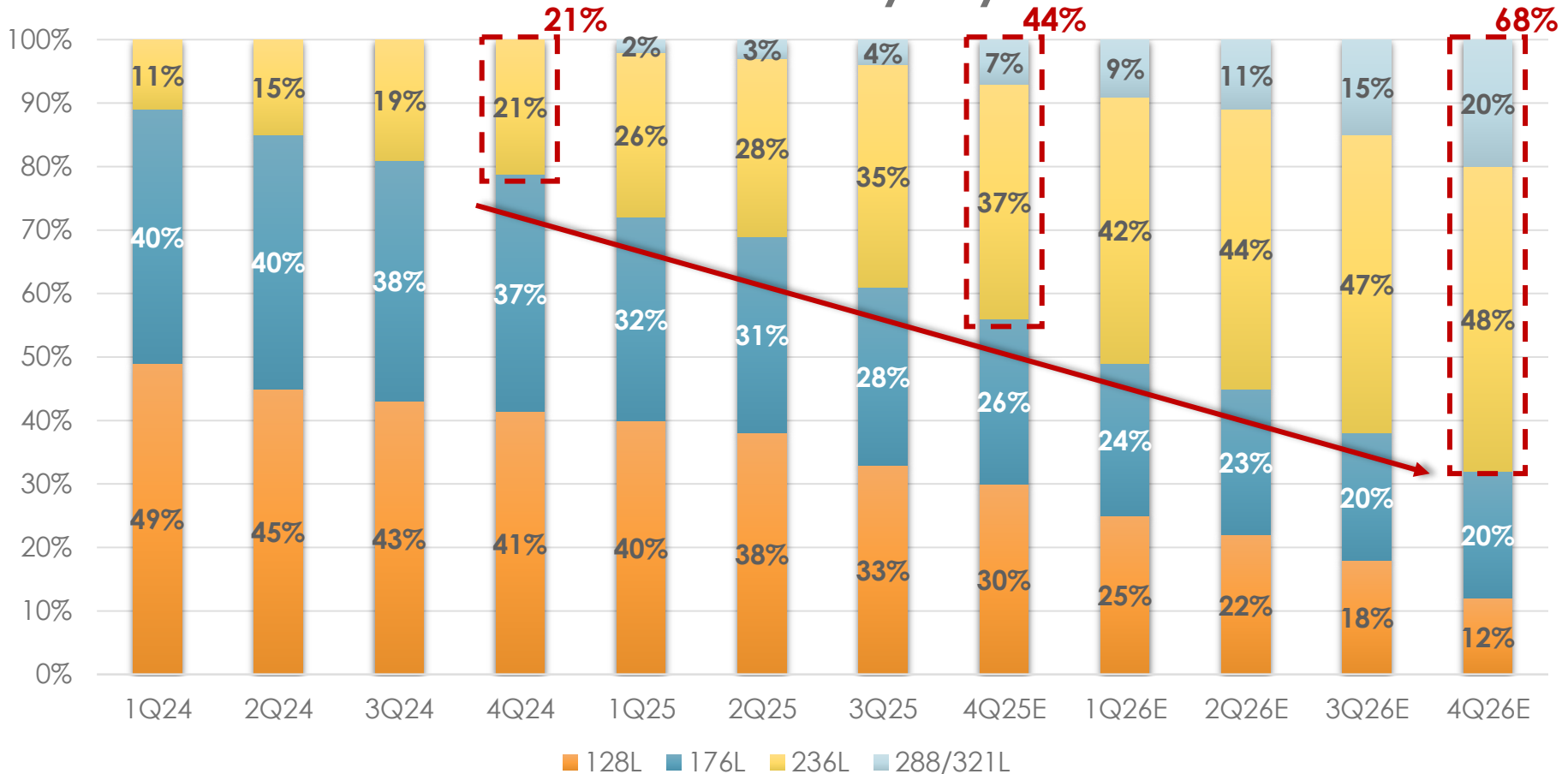




Rising 200+ Layer NAND production fuels cryogenic etch adoption and demand for TOTO's ESCs

% production for 200+ layers NAND has increased from 21% in 4Q24 to 44% in 4Q25 and is expected to increase to 68% in 4Q26, with accelerated layer upgrade driven by AI data center demand, greater bit productivity, and cost reduction

NAND Bit Production by Layer Count

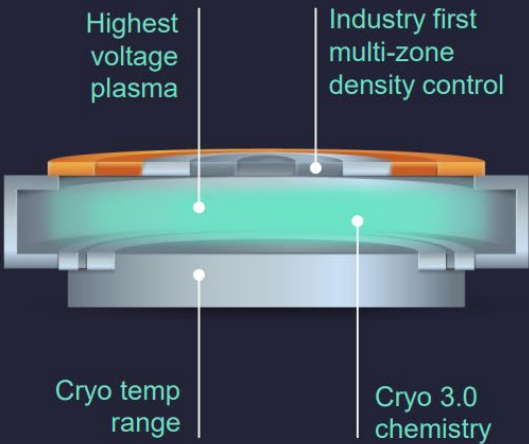


Vantex[®]: HAR etch innovation enabling NAND scaling

Unique Lam Cryo[™] 3.0 hardware and process

Differentiated performance

Upgradeable installed base



10 μm HAR merge etch

↓ PROFILE DEVIATION 80%

↓ CARBON EMISSIONS 90%



Improvement over Cryo 1.0
 Source: Lam Research, 90% reduction in Kg CO2 per wafer. Estimated emissions reduction calculated using IPCC (Intergovernmental Panel on Climate Change) guidelines for greenhouse gas inventories. The estimated reduction has not been independently verified.

Micron’s newly announced US\$24bn investment for a new NAND fab in Singapore in Jan 2026 further amplifies the NAND capacity expansion story for TOTO



Micron Breaks Ground on Advanced Wafer Fabrication Facility in Singapore

January 26, 2026 at 9:30 PM EST

Approximately \$24 billion investment over 10 years will support long-term manufacturing requirements and AI-driven demand

SINGAPORE, Jan. 27, 2026 (GLOBE NEWSWIRE) -- Micron Technology, Inc. (Nasdaq: MU) broke ground today on an advanced wafer fabrication facility located within the company's existing NAND manufacturing complex in Singapore. This new facility represents a planned investment of approximately US \$24 billion (SG \$31 billion) over 10 years and is designed to ultimately provide 700,000 square feet of cleanroom space. Wafer output is scheduled to begin in the second half of calendar 2028, helping Micron address growing market demand for NAND technology driven by the rapid expansion of AI and data-centric applications.

The groundbreaking ceremony for this facility, Singapore's first double-story wafer manufacturing fab, was marked by the attendance of Gan Kim Yong, deputy prime minister and minister for Trade and Industry of Singapore, Dr Beh Swan Gin, permanent secretary of the Ministry of Trade and Industry, Jermaine Loy, managing director of the Singapore Economic Development Board (EDB) and Jacqueline Poh, CEO of JTC Corporation.

"Micron's leadership in advanced memory and storage is enabling the AI-driven transformation reshaping the global economy," said Manish Bhatia, executive vice president of global operations at Micron Technology. "We are grateful for the longstanding support and successful partnership with the Singapore government, including EDB and JTC. This investment underscores Micron's long-term commitment to Singapore as an important hub in our global manufacturing network, enhancing supply chain resiliency and fostering a vibrant ecosystem for innovation."

This new fab will become an integral part of Micron's NAND Center of Excellence in Singapore. The facility provides the essential capacity to support continued technology transitions, positioning Micron to meet long-term demand for advanced storage solutions. Additionally, co-locating R&D with manufacturing improves efficiencies, accelerates time-to-market and deepens research partnerships between industry and academia.

TOTO's ESCs are superior to competitors in technology, specification, and end-use applications, enabling an outstanding margin and return profile

ESC Supplier for Cryogenic / Dielectric Etching Process

TOTO

ESC Supplier for Conductor Etching Process



- ✓ TOTO's ESCs maintain superior thermal uniformity under the immense heat generated by the high-power plasma needed to drill through 200+ layers of memory stack
- ✓ In cryogenic dielectric etching for channel hole in 3D NAND, the plasma requires extremely high voltage to drive ions deep into the silicon stack – this creates a harsh environment that standard chucks cannot withstand
- ✓ Etching is the second hardest semiconductor equipment after lithography, and ESC is the most important and expensive subsystem in etching equipment

TOTO's ESCs benefit from a powerful competitive moat driven by the demanding 5+ year qualification and design-in process required for cryogenic dielectric etching ESCs

TOTO



Decades of
Partnership



Decades of
Partnership



KIOXIA

SanDisk

micron

- TOTO has a multi-decade, chamber-level co-development partnership with Lam Research since 1990
- TOTO's competitors have attempted to enter the ESC market in the past but none have succeeded
- Any new entrant into cryogenic dielectric etching ESCs would be required to undergo joint R&D and stringent verification with etching tool makers and end memory/foundry customers, which will take 5+ years

1 x

TOTO's Advanced Ceramics business could deliver 30%+ revenue growth CAGR in the next 2 years driven by NAND upgrade cycle and stable replacement demand

30%+ Revenue Growth CAGR in the Next 2 Years

Key Drivers of TOTO's Advanced Ceramics Segment Revenue

~80% ESC Revenue

ESC demand driven by recurring replacements and increasing installed base

- Roughly 80% of TOTO's Advanced Ceramics revenue comes from recurring ESC replacement demand, supported by a ~1 year consumption cycle
- Growth in installed tools drives stable recurring revenue, as more equipment requires regular replacements



~20% ESC Revenue

ESC demand driven by capacity upgrades and expansion of new tools

- As of February 2025, Lam Research reported that nearly two-thirds of NAND production still uses older sub-200 layer technology, representing a US\$40 billion upgrade opportunity ahead
- Lam Research anticipates 3x growth in cryogenic etch installed base within the next three to five years



New Revenue Contribution

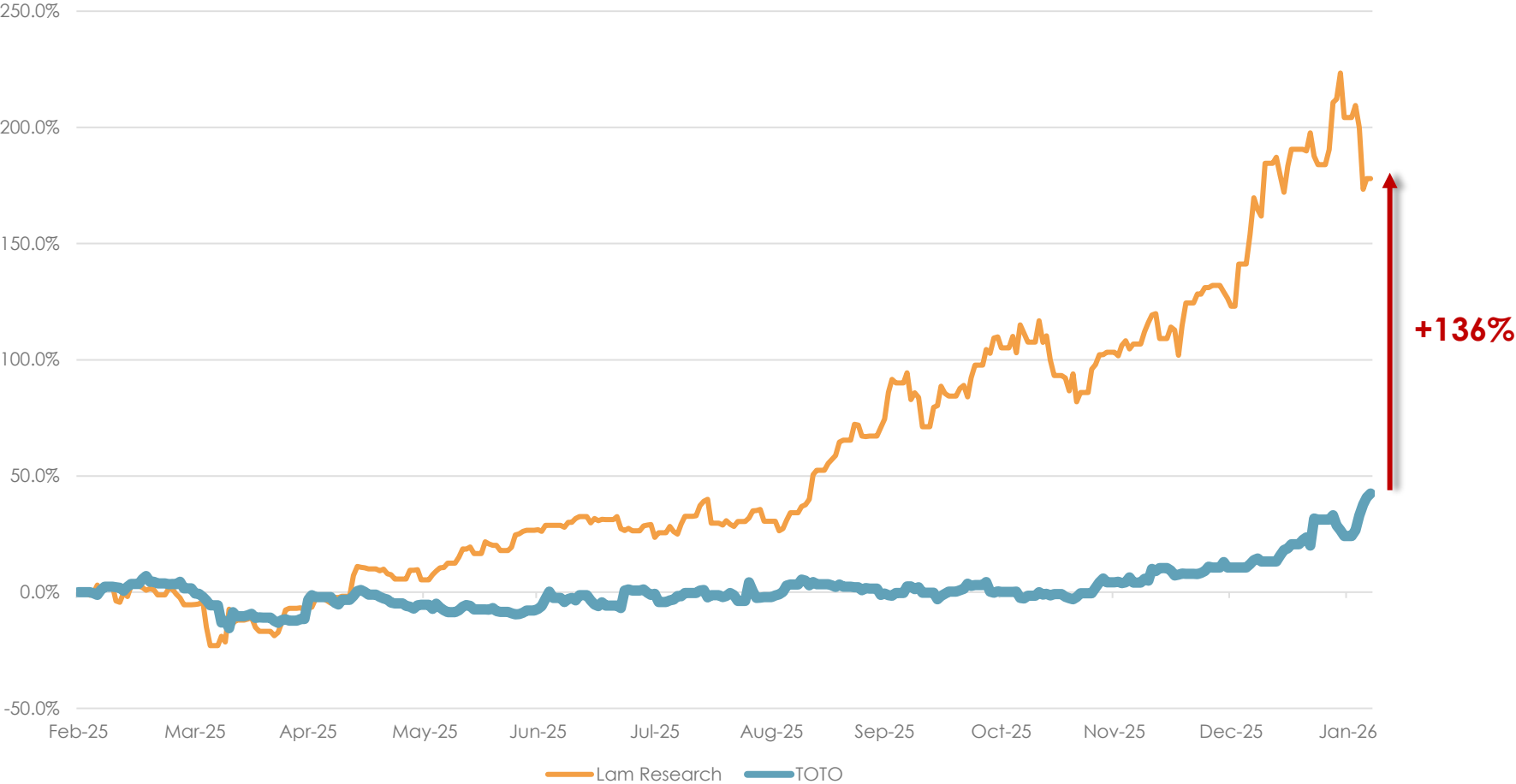
Growth opportunities in new addressable markets

- HBM production requires high-performance ceramics in TSV etch, bonding, and plating tools—applications where TOTO's products are increasingly relevant
- Advanced packaging technologies (e.g., 2.5D/3D integration, CoWoS) are creating new equipment categories that rely on ceramic components such as ESCs, rings, and capillaries

Lam Research, a major customer of TOTO's Advanced Ceramics business, has significantly outperformed TOTO on share price in the past year by 136%

Improvement on disclosure of the Advanced Ceramics business and transparent communication on growth outlook will drive tremendous upside of TOTO's share price

L1Y TOTO vs. Lam Research Share Price Performance



Source: Bloomberg. Market data as of 6 Feb 2026.

Implement a best-in-class capital allocation framework that ensures the highest-returning utilisation of capital above cost of capital

A transparent and well-communicated capital allocation framework that prioritises high-return investments combined with a fair shareholder returns policy will help create a compelling equity story

Sources of Capital

Sale of Cross Shareholding



Optimisation of Capital Structure (50% Equity Ratio)



Free Cash Flow from Operations

Uses of Capital

A

Growth Investments

- ✓ Detailed and focused investment strategy in the most profitable Advanced Ceramics business
- ✓ Conduct a thorough reassessment of future growth investments in housing equipment business with clear Return on Invested Capital (ROIC) thresholds/targets versus cost of capital

B

Base Dividend

- ✓ Maintain **dividend payout ratio of 60%+**

C

Additional Shareholder Returns with Excess Cash

- ✓ Robust shareholder returns through **impactful share buybacks and stable dividend increase** each year

Focus on investment plan of Advanced Ceramics business, which has segment ROA way above cost of capital

Formulate a detailed and focused investment strategy in the most profitable Advanced Ceramics business

FY2024 Segment ROA

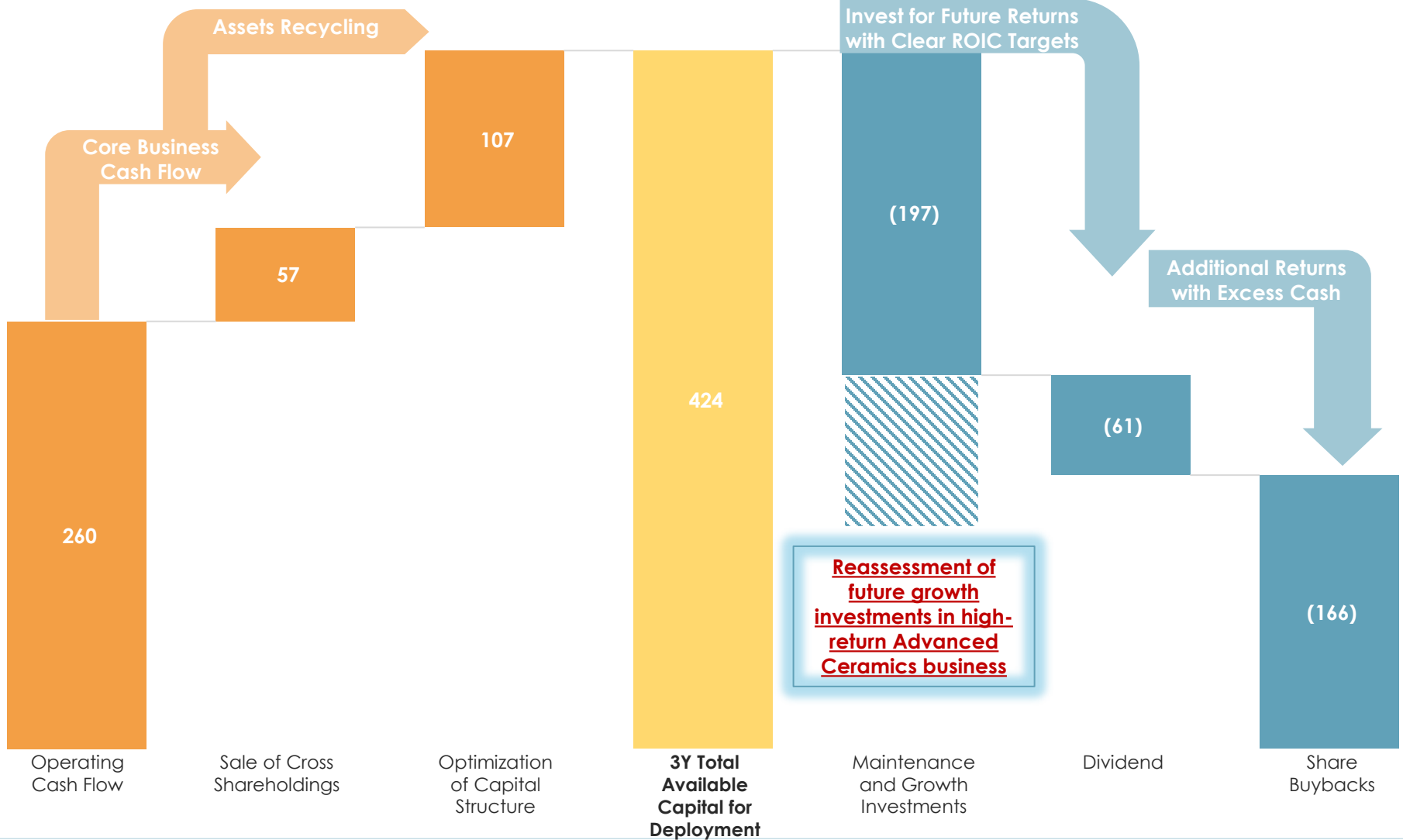


Source: Company filings..

Note: Segment ROA = net operating profit after tax divided by average segment assets.

TOTO could improve capital efficiency by accelerating the sale of cross-shareholdings and optimising its capital structure...

FY2025E-2027E Illustrative Capital Allocation Framework (JPYbn)



Source: Palliser estimates.

... leading to the Company's equity-to-asset ratio and key debt ratios re-calibrating in line with the Company's financial discipline rules

✓ Illustrative total debt-to-equity ratio will increase to ~41% in FY2027, in line with the Company's financial discipline rule of 50% or lower

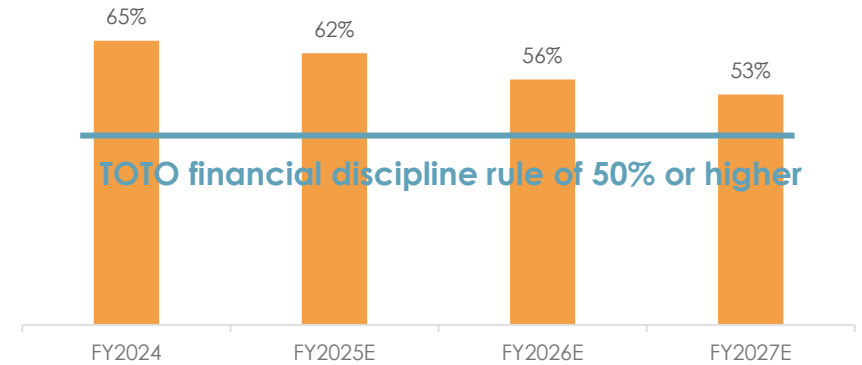
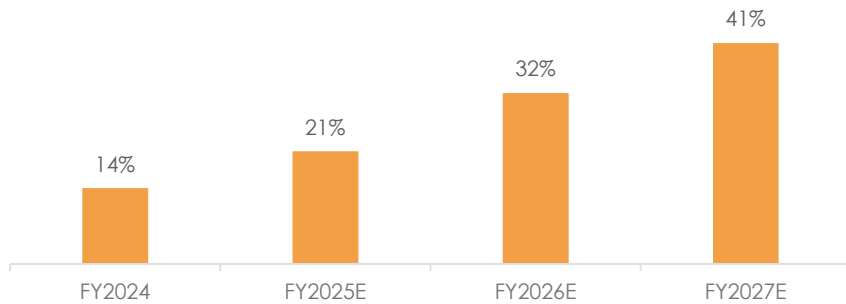
✓ Illustrative equity-to-asset ratio will decrease to ~53% in FY2027, in line with the Company's financial discipline rule of 50% or higher

Total Debt to Equity

Equity to Asset

TOTO financial discipline rule of 50% or lower

TOTO financial discipline rule of 50% or higher

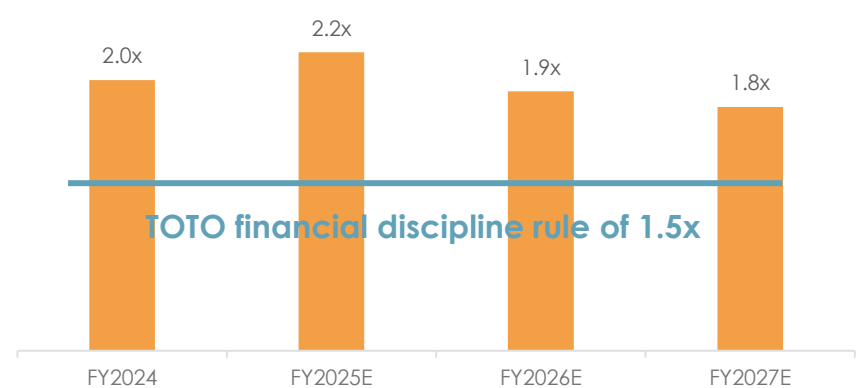
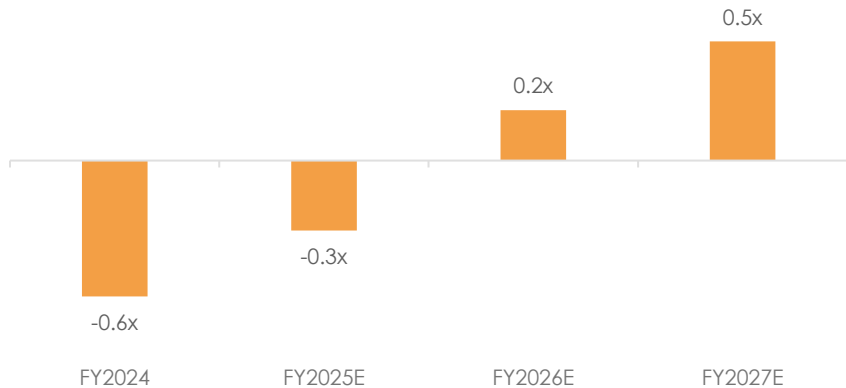


✓ Illustrative net debt to EBITDA will increase to ~0.5x in FY2027, which is at a healthy level

✓ Illustrative cash as X months of sales will decrease to ~1.8x in FY2027, which is in line with the Company's financial discipline rule of 1.5x

Net Debt to EBITDA

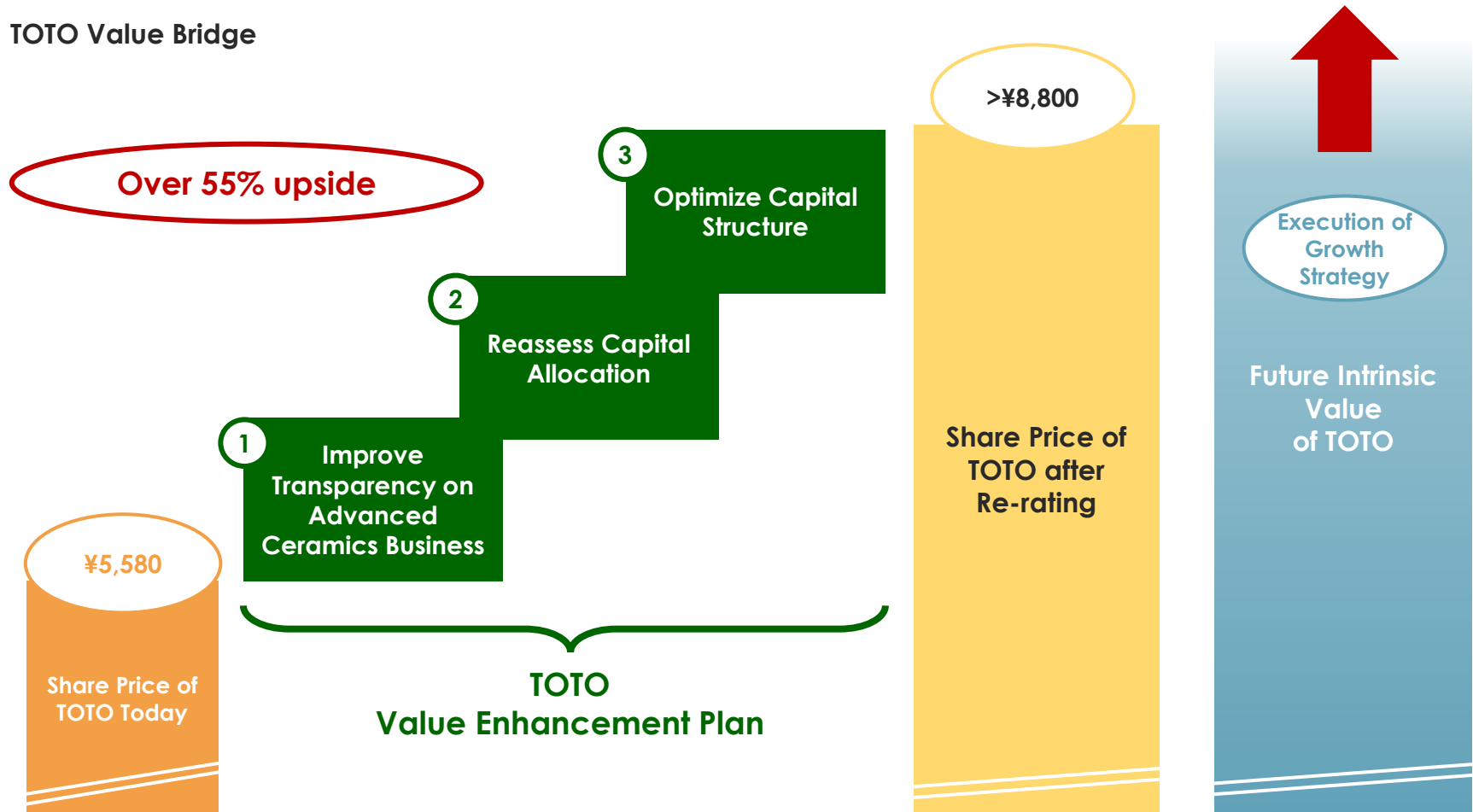
Cash as X Months of Sales



...revealing TOTO's true value to facilitate a share price re-rating

The TOTO Value Enhancement Plan will significantly narrow the current discount to intrinsic value – leading to a potential upside on the current share price of at least 55% in our assessment

TOTO Value Bridge



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