

[Translation]

May 16, 2022

### **Announcement of Mid-Term Business Plan**

Taikisha Ltd. announced its 3-year plan of Taikisha Group from the fiscal year ending March 2023 to the fiscal year ending March 2025.

In the new mid-term business plan, we have set a long-term vision with two pillars: “Contribute to a Sustainable Society through Innovative Engineering of Energy, Air and Water” and “Become an Inclusive Global Company by Leveraging Diverse Human Resources and Knowledge”. The entire Taikisha Group will work together to realize our vision.

# Taikisha Group Mid-Term Business Plan

FY2022 – FY2024



## **I** | **What Taikisha Group is Aiming for**

- 1 Long-term Vision
- 2 Strategies of the Mid-Term Business Plan to Achieve the Long-term Vision

## **II** | **Mid-Term Business Plan**

- 1 Review of the Previous Mid-Term Business Plan
- 2 Market Environment of Existing Businesses
- 3 Basic Policies
- 4 Initiatives Based on the Basic Policies

## **III** | **Quantitative Management Targets**

- 1 Performance Targets
- 2 Investment Plan
- 3 Capital Dividend Policy
- 4 Plan to Reduce Cross-Shareholdings
- 5 Capital Utilization Plan

## **Appendix** | **Materiality of Taikisha Group**

# **I** What Taikisha Group is Aiming for

- 1** Long-term Vision
- 2** Strategies of the Mid-Term Business Plan to Achieve the Long-term Vision

## Mission Statement

“Customers First”

## Corporate Philosophy

Establish a company which can continuously grow and contribute to the society  
Establish an attractive company

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## Long-term Vision

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Innovative  
Engineering

- 1 Contribute to a Sustainable Society through Innovative Engineering of Energy, Air and Water**

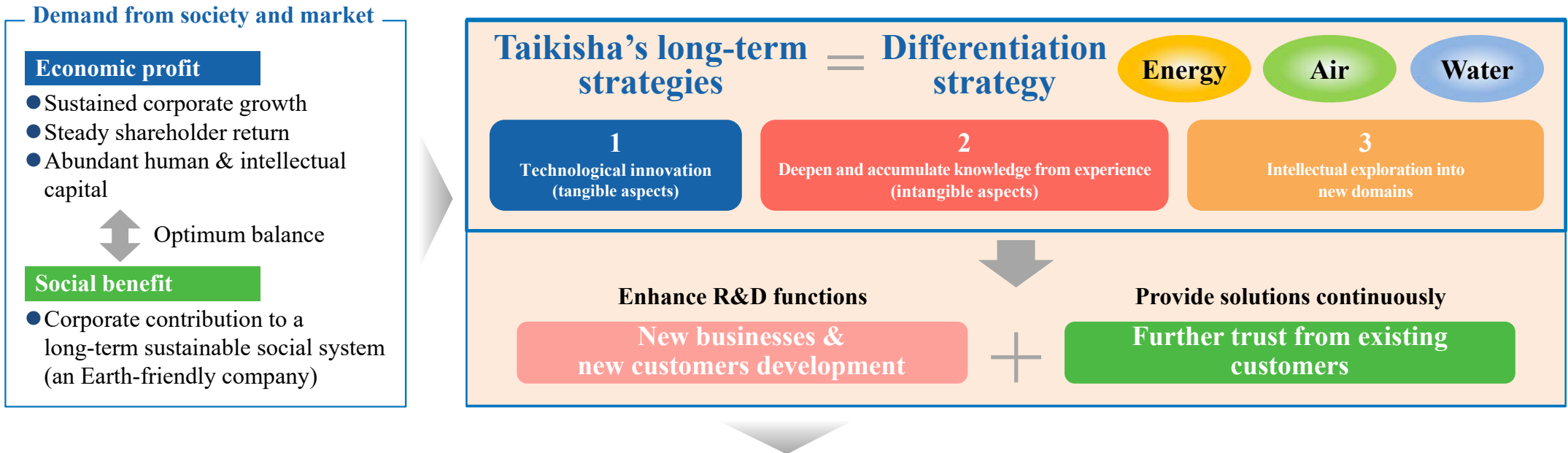
**Innovative Engineering for a Sustainable Society- with energy, air and water -**

Diversity &  
Inclusion

- 2 Become an Inclusive Global Company by Leveraging Diverse Human Resources and Knowledge**

**Diversity & Inclusion as a Global Company**

① By proactively taking on the challenge of “solving social issues,” ② continue to proceed with the “enhancement of comprehensive engineering capabilities” to provide “solutions for highly specialized customer needs” appropriately and speedily, ③ thereby leading to an increase cash flows over the long term



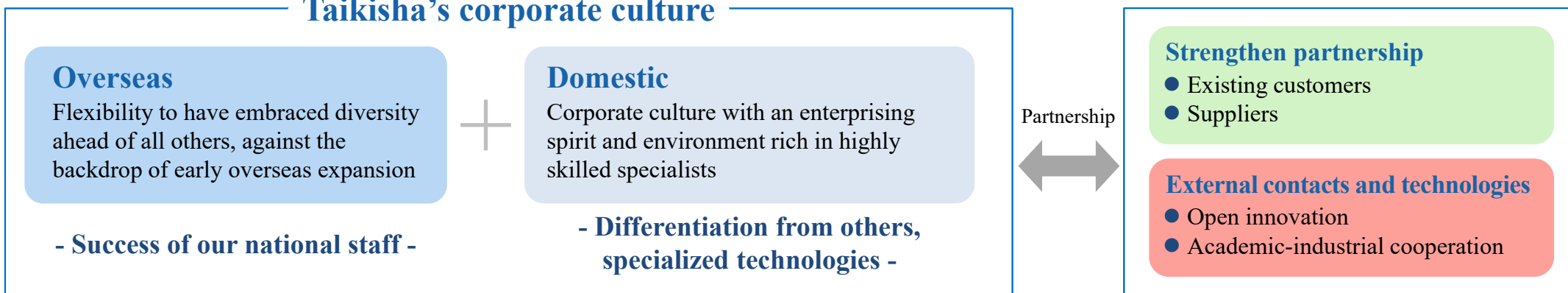
**Achieve a sustainable society and corporate growth**

**Our challenge to achieve carbon neutrality**

To achieve the world's goal of carbon neutrality in 2050, We will strive to reduce our CO<sub>2</sub> emissions to net zero by 2050, as well as contribute to the reduction of CO<sub>2</sub> emissions by our stakeholders.

As a true global company, integrate diverse values, internal and external technologies and a network of contacts to continuously create new value for a changing society

**Taikisha's corporate culture**

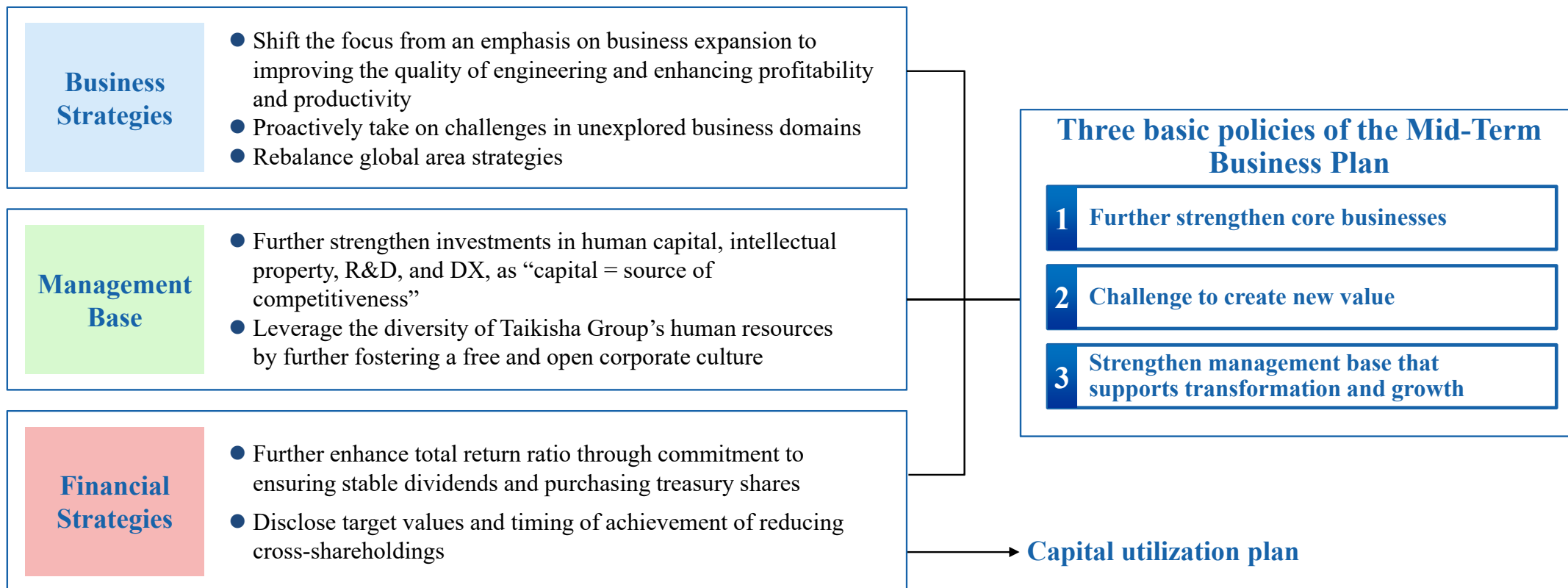


**Driving force of corporate competitiveness and differentiation**

## 2 Strategies of the Mid-Term Business Plan to Achieve the Long-term Vision



Review the existing business portfolio from the perspectives of “capital efficiency,” “consistency with long-term strategies,” and “affiliated company governance,” to transform into a leaner business structure that can create added value in the long term





## **II** | **Mid-Term Business Plan**

- 1** Review of the Previous Mid-Term Business Plan
- 2** Market Environment of Existing Businesses
- 3** Basic Policies
- 4** Initiatives based on the Basic Policies

# 1 Review of the Previous Mid-Term Business Plan (Details of Initiatives)



## Three Basic Policies

- 1 Solidify the Company's position in the global market
- 2 Strengthen initiatives for the future
- 3 Build an attractive company and establish a solid management base

## Major Initiatives

- Made Research and Development Center into Demonstration Center
- Expanded Southeast Asia business through establishment of Taikisha Lao Co., Ltd.
- Expanded business domains in the Indian market by investing in Nicomac Clean Rooms Far East LLP
- Expanded automation business through additional investment in Encore Automation LLC
- Expanded plant factory business domain and established our own mass production factory
- Shifted to electronic expense reimbursement
- Formulated and introduced a telework system

## Investment Results

137 hundred million yen

※ Investment plan: 200 hundred million yen

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- We implemented measures to improve our competitiveness and expand business domains
  - Through our “building an attractive company” initiative, we have been recognized as a Certified Health & Productivity Management Outstanding Organization for two consecutive years
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## 2 Market Environment of Existing Businesses



### Green Technology System Business

**Demand for core businesses remains strong as investment expansion in the semiconductor and data center markets is expected, and plans for ultra large-scale redevelopment projects are expected to continue**

Major areas	Market growth potential	Outlook
Electrical and electronic parts factory		Investment expansion will continue due to the global shortage of semiconductors
Chemical and pharmaceuticals and medical equipment manufacturing		Pharmaceuticals manufacturing market will expand against the backdrop of outbreaks of new viral diseases and an increase in elderly population
Data center		Usage will expand due to increased demand for cloud services, etc. and the promotion of DX
Office building (new construction)		While there are many ultra large-scale redevelopment projects (until around 2025), the spread of telework will be a headwind in the future
Office building (renewal)		Renovation of aging buildings and infrastructure, and building renewal to address infectious disease control and carbon neutrality will increase
Plant factory		Will expand moderately due to increased health consciousness, growing commercial needs by restaurants, etc. and expanding demand for fresh vegetables overseas

## 2 Market Environment of Existing Businesses



### Paint Finishing System Business

**Demand for core businesses remains strong due to the recovery of the automotive market, which had plunged due to the spread of COVID-19, and investments with an eye on EVs and carbon neutrality**

Major areas	Market growth potential	Outlook
Automobile		Production volume in the automotive market as a whole will be on an increasing trend New investments for EVs and additional investments to address carbon neutrality will also increase
Railway and aircraft		Passenger transportation, which has been sluggish due to the impact of COVID-19, is expected to recover
Automation		Automation and control systems will grow steadily due to labor shortages and demand for more sophisticated equipment control

**1 Further strengthen core businesses**

**Continuously create added value through pursuit-based problem solving, which is one of our strengths**

**2 Challenge to create new value**

**Create innovation and expand business domains by integrating our own technologies with external knowledge**

**3 Strengthen management base that supports transformation and growth**

**Undertake initiatives with a focus on human capital, digital strategies, and governance to transform our business structure**

## 4 Initiatives Based on the Basic Policies (Green Technology System Business)



### 1 Further strengthen core businesses

#### Business development that continues to create added value

- **Decarbonizing business initiatives to achieve carbon neutrality** ▶▶▶ Refer to P15
- Structure that continues to meet the technical needs of customers and projects, and developing professionals
- Accumulation of know-how and intellectual property for industrial air conditioning for electrical and electronics, pharmaceuticals, etc.

Innovative Engineering

#### Strengthen Taikisha, the Technology Company

- Identifying customer needs and joint development by utilizing new Research and Development Center and R&D Satellite
- Proactively making technology proposals to customers and uncovering seeds through collaboration between sales and development divisions

Innovative Engineering

#### Improve business operation systems and productivity

- **Digitalization and DX of business operations to improve ease of work** ▶▶▶ Refer to P20
- Business process reform to eliminate forcing, waste, and inconsistency
- Create a system where we can strengthen the relationships and grow together with suppliers

Diversity & Inclusion

## 4 Initiatives Based on the Basic Policies (Paint Finishing System Business)



### 1 Further strengthen core businesses

#### Establish a firm position at home and abroad

- Diversification of technologies to meet the needs of non-Japanese customers
- Reaching out to new customers outside the automotive market through collaboration with partners
- Business development rooted in the local communities by utilizing overseas networks

Innovative Engineering

#### Development with an awareness of global social issues

- **Contributing to the transformation of customers' production technologies through technological development to achieve carbon neutrality** ▶▶▶ Refer to P15
- Establishing a development structure linked to overseas bases

Innovative Engineering

#### Improve business operation systems and productivity

- **Remote and automated onsite operations through digitalization of business processes** ▶▶▶ Refer to P20
- Designing global educational programs
- Optimizing human resources by reviewing the project management structure

Diversity & Inclusion

## Initiatives of Green Technology System Business

Achieve energy savings by **mini-environmental control of HVAC equipment** (small-scale environmental control)



Also applied to the production lines of rechargeable batteries, etc., including semiconductors and all-solid-state batteries

Contribute to a shift to smart factories and smart cities with **energy management technology using ICT** (production follow-up control, predictive maintenance)



Develop and verify **facilities that do not emit CO<sub>2</sub> and facilities that can recycle CO<sub>2</sub>**

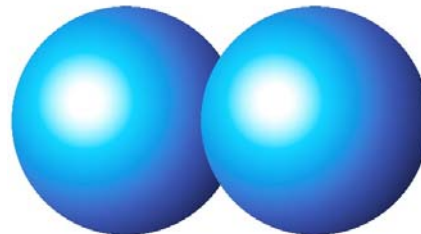


## Initiatives of Paint Finishing System Business

Downsize facilities through **development of paint finishing machine with high coating efficiency** to achieve energy saving



Develop and verify **equipment with low environmental impact**, such as hydrogen burners



Promote **development of a Paint-free decoration** that emits less CO<sub>2</sub> instead of the conventional Wet coating method





### 2 Challenge to create new value

Innovative Engineering

#### Plan and promote intellectual property strategies

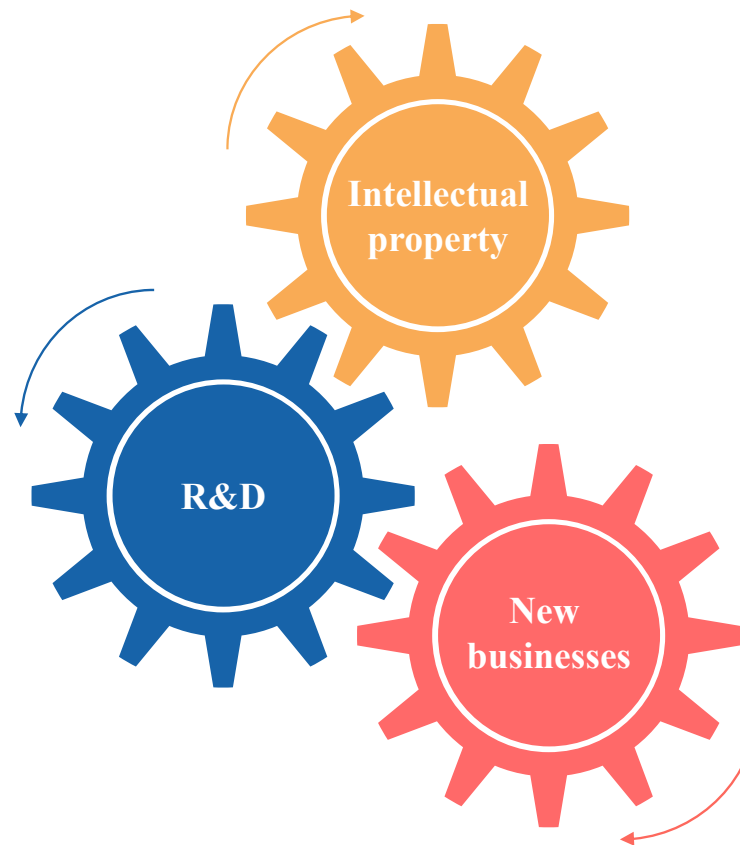
Promote management strategies that leverage our own intellectual property and intangible assets

#### Development from the customers' perspective

Establish R&D Satellites with easy access to promote proactive identification of customer needs

#### Open innovation

Open a new R&D Center to promote the development of innovative technologies through integration with academic institutions and startups



#### Horizontal deployment of technologies that are our strength

##### Green equipment business

Create a business in a niche field by integrating HVAC business with manufacturing industry

##### Automation business

Focus on robot control technology to develop non-automotive markets such as automated sanding equipment

##### Plant factory business

Establish a brand through plant construction and aggressive market development for production and sales of factory vegetables

#### Develop new businesses

Pursue new businesses by utilizing intellectual property and integrating with external knowledge through R&D

▶▶▶ Refer to P17

Pursue the potential of establishing businesses in new domains in the future

## Recover and utilize CO<sub>2</sub>



Direct Air Capture of CO<sub>2</sub> (DAC)  
Use in plant growing, etc.

## Enrich eating and make eating healthy



Highly functional vegetables  
Vegetable-based meat substitutes

## Maintain and effectively use water resources



New technology for water treatment and generation (such as MOF)

## Solve labor shortages



Fully automated working robots  
Construction support robots

## 4 Initiatives Based on the Basic Policies

### 3 Strengthen management base that supports transformation and growth

Innovative Engineering

Diversity & Inclusion

#### Develop and secure human capital

- Creating an organizational culture that fosters innovation
- Improve employee engagement
- Systematic development of human resource value

▶▶▶ Refer to P19

#### Digital strategies to provide new value

- Improving productivity through onsite digitalization and DX
- Establishing a global IT and DX structure
- Digital integration for R&D and new business creation

▶▶▶ Refer to P20

#### Strengthen the Group governance structure

- Business portfolio management in light of capital costs
- Enhancing the effectiveness of the board of directors and auditing functions of affiliated companies

**Promote diversity and inclusion to create a structure that brings out and the potential of our “people,” the greatest assets of the Company and facilitates their growth**

### Create an organizational culture that fosters innovation



- Co-creation by diverse human resources
- Create a workplace that encourages challenge

### Improve employee engagement



- Enhance career development system in which employees experience their growth
- Improve the evaluation system and ensure its appropriate operation
- Promote health management

### Systematic development of human resource value



- Systematic development of management personnel
- Facilitate increased sophistication of professional personnel
- Activate human resources exchange including overseas

## Improve productivity through onsite digitalization and DX



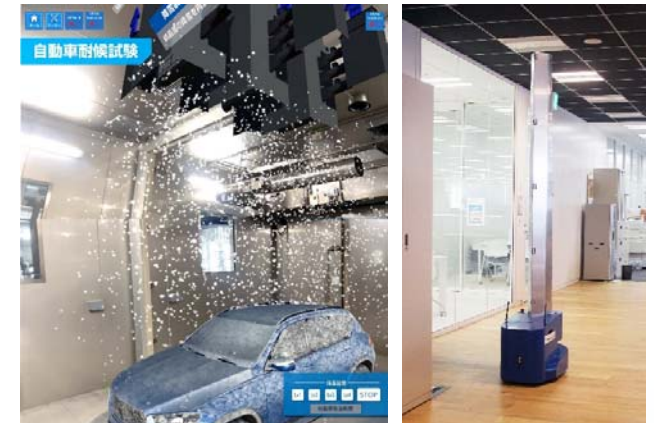
- Apply BIM and various onsite management support tools to practical use
- Build a foundation for utilizing accumulated data

## Establish a global IT and DX structure



- Expand onsite digitalization and DX globally from Japan
- Build governance through IT systems

## Digital integration for R&D and new business creation



- Speed up and increase sophistication of R&D through robot technology and Digital Twin by also incorporating knowledge from other companies

## III Quantitative Management Targets

- ① Performance Targets
- ② Investment Plan
- ③ Capital Dividend Policy
- ④ Plan to Reduce Cross-Shareholdings
- ⑤ Capital Utilization Plan

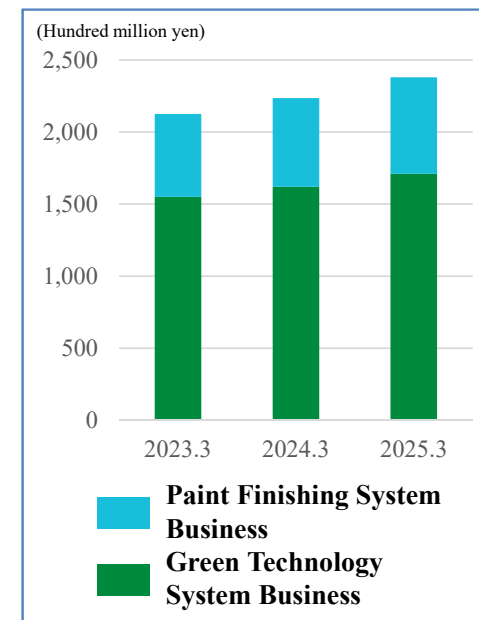
# 1 Performance Targets

## Financial Targets

(Hundred million yen)

Item	Mid-Term Business Plan Period			What Taikisha Group is aiming for in 5 years
	2023.3	2024.3	2025.3	
Orders-received	2,150	2,230	2,360	2,700
Net sales of completed construction contracts	2,125	2,235	2,380	2,650
Ordinary income	120	135	150	165
Profit attributable to owners of parent	86	91	96	
Return on equity (ROE)	6.8%	7.0%	7.2%	

Net sales of completed construction contracts by business segment

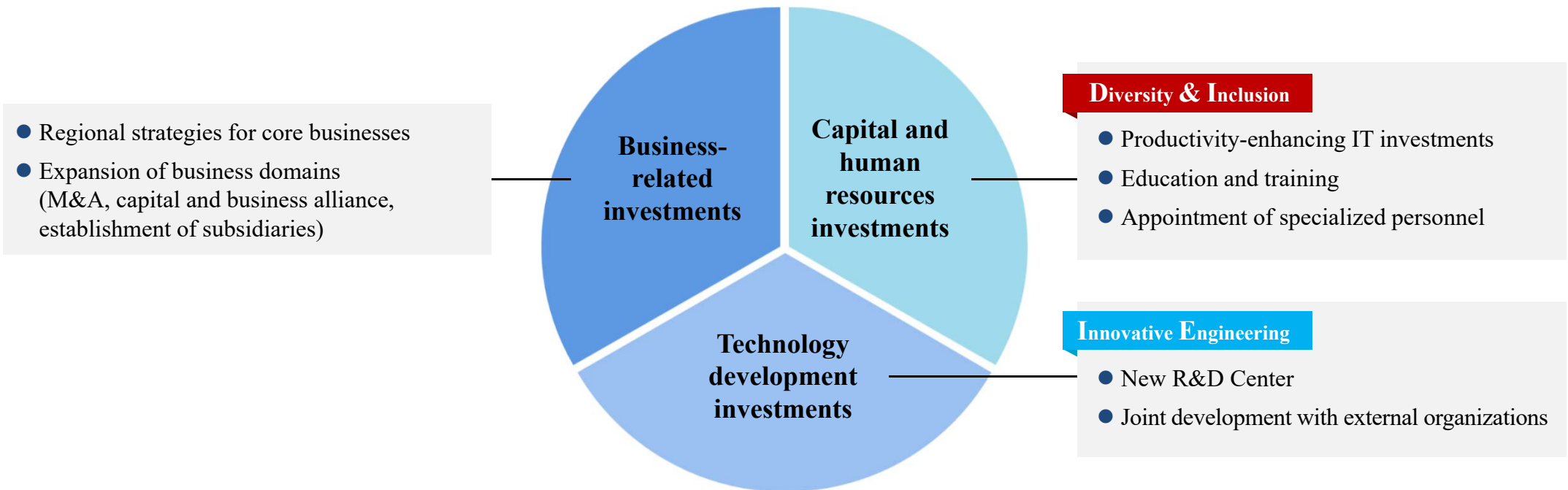


## Non-financial Targets

CO<sub>2</sub> emissions from business activities (Scope 1 and 2) ➡ **46% reduction by 2030** (compared with FY2015 results)

**Other indicators and targets related to climate change will be set as part of the TCFD response (during FY2023)**

### Growth investment in the Mid-Term Business Plan period: 200 hundred million yen





### 3 Capital Dividend Policy

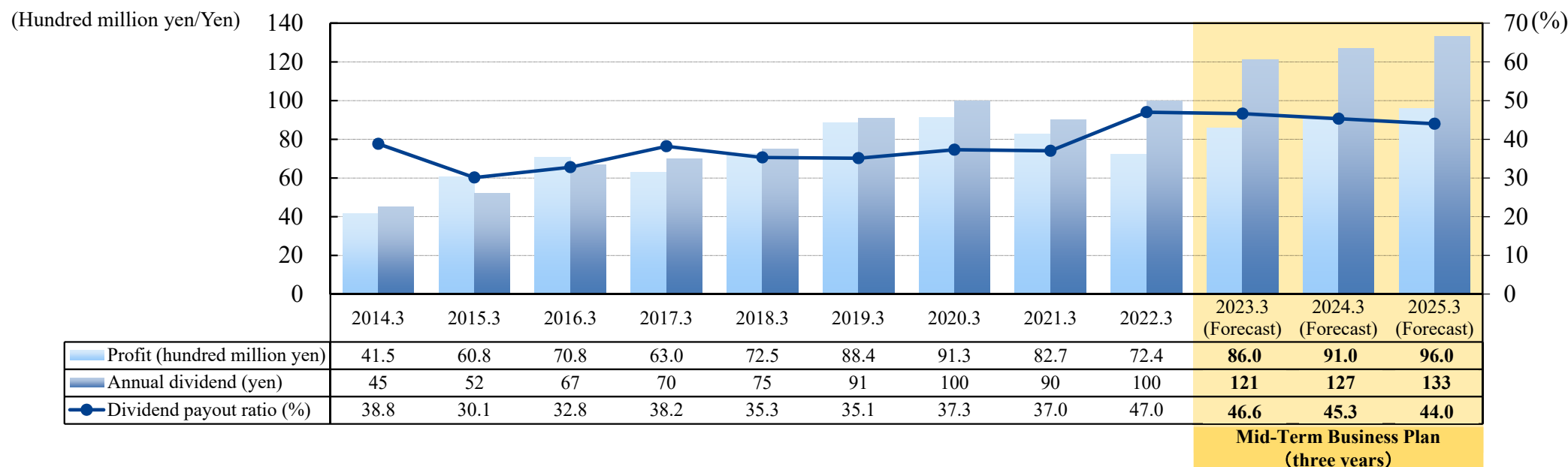


#### Dividend policy

- We will implement steady dividends targeting a consolidated dividend on equity ratio (DOE) of 3.2%, with profit return to shareholders through dividends as one of our most important measures
- [Basic concept]  
DOE 3.2% = Aimed ROE level 8.0% × dividend payout ratio 40%

#### Purchase of treasury shares

- We will flexibly purchase and retire treasury shares in order to **improve capital efficiency and promptly implement financial policies.** (Aim for roughly 20 hundred million yen per year)



## 4 Plan to Reduce Cross-Shareholdings



Reduce cross-shareholdings to less than 20% of net assets by the second year of the Mid-Term Business Plan <sup>Note 1</sup>

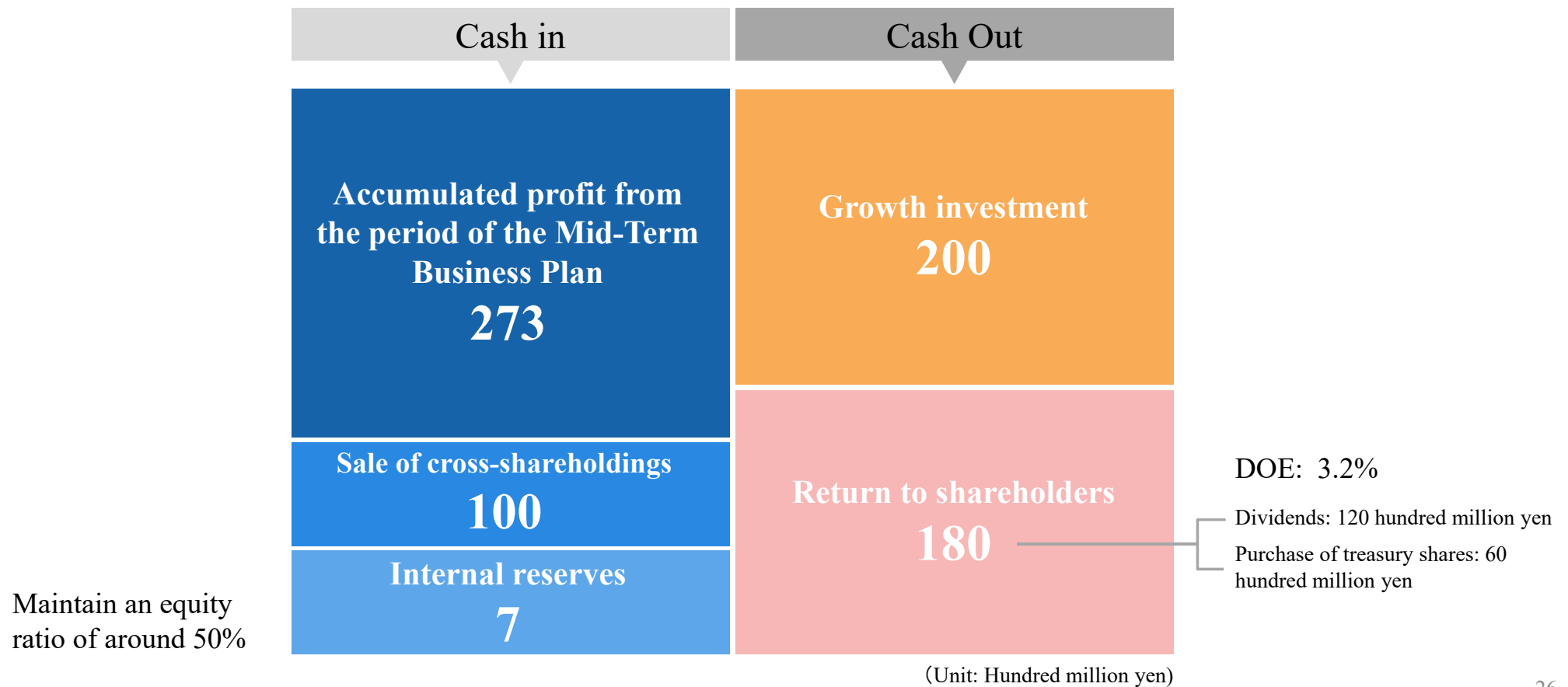
Item	Actual value		Planned value	
	2021.3	2022.3	2023.3	2024.3
Proceeds from sale (hundred million yen)	0	14	42 <sup>Note 2</sup>	34
Ratio to net assets (%)	27.9%	24.4%	20.7%	17.7%

Note 1: holdings including deemed holdings

Note 2: of which, 16 hundred million yen has been sold between April 1 and May 16, 2022

## 5 Capital Utilization Plan

- In addition to the accumulated profits from the three years covered by the Med-Term Business Plan, internal reserves will also be used for growth investment
- Aim for a DOE of 3.2%, and further enhance total return ratio, including the purchase of treasury shares



Appendix

# Materiality of Taikisha Group

			Management and business strategies			Creation of social value					Management infrastructure
			Enhancement of technological competitiveness and ability to innovate	Initiatives for global social issues	Digital innovation and productivity improvement	E		S		G	
						Climate change mitigation and adaptation	Initiatives to prevent pollution and reduce environmental impact	Securing and developing human resources	Creation of pleasant working environment	Highly effective corporate governance	
Strengthening core businesses	Green Technology System Business	Business development that continues to create added value	●			●	●				
		Strengthen Taikisha, the Technology Company	●								
		Improve business operation systems and productivity			●			●	●		
	Paint Finishing System Business	Rebuilding customer portfolio						●			
		Development with an awareness of global social issues	●	●		●	●				
		Improve business operation systems and productivity			●			●	●		
Creating new value	Intellectual property strategy		●								
	R&D / open innovation		●	●		●	●				
	New business creation			●		●	●				
Management base	Develop and secure human capital				●			●	●		●
	Digital strategies to provide new value				●			●	●		●
	Strengthen the Group governance structure									●	●