Surrounding Environment and Management Issues

| Outlook for the market environment | Market for HVAC systems for office buildings (in Japan): | Expectations for the market to remain steady in the long-term, due to the continuing need to rebuild/renew buildings constructed under the old earthquake-proof standards and to redevelop, despite the moderate decline in demand for office buildings |
|---------------------------------------|---|---|
| | Market for industrial HVAC systems (in Japan): | Expectations for continued further investments by electronic-parts manufacturers, the driving force of the manufacturing industry, in line with the advance of 5G (5th Generation Mobile Telecommunications System), as well as the use of electronics in automobiles, despite the decline in Japan's industrial production |
| | Overseas HVAC systems market: | New potential investments in anticipation of a re-examination of the supply chain in the manufacturing industry due to the US-China trade friction |
| | Paint finishing systems market: | Expectations of changes in the investment trends of manufacturers in the major market of passenger vehicles due to the spread of electric vehicles, the advances in self-driving technology and the use of AI in automobiles |
| Society and Customer needs | Growth in demand for new solutions with sophistication of client needs toward energy-saving, cost-saving, environment-responsiveness, automation, the utilization of IoT/AI, etc. Growth of the renovation/renewal market due to the increasing sophistication and diversification of corporate demand toward offices Increase in demand to reduce environmental impact rising out of an awareness of the SDGs Increasing interest by society and investors in ESG | |
| Globalization | Increasingly harsh business environment of clients on the global market due to the rise of manufacturers of emerging countries Increasingly fluid and uncertain investment targets and destinations of Japanese corporate clients Intensified competition with local enterprises in the emerging countries | |
| Securing human resources | Crucial task of securing human resources to support the future, as the working population shrinks Necessity of improving the work-life balance of employees to aim to create an attractive company Emerging issues of enhancing productivity by leveraging technological innovations Necessity of human resource strategies to secure outstanding national staff overseas | |

Taikisha Philosophy Scheme

Mission Statement "Customers First"

Customers are defined as Overall Society in a broad sense.

The spirit of "Customers First" is to win persistent trust from the customer. To achieve this goal, we have to follow our conscience and make the utmost efforts in every doing based on the belief that the behavior of individuals or the company will bring benefit and happiness to one's counterpart.

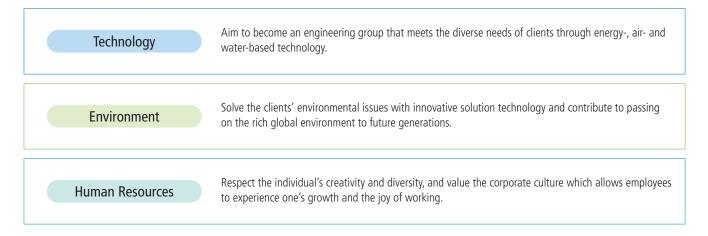
| Со | rporate Philosophy | |
|----|--|--|
| 1 | Establish a company which can continuously grow and contribute to the society | We strive to grow continuously by enhancing our added values; thereby, bringing prosperity to our customers and business partners as well as to our employees. We strive to create rich environment and evolve the industrial society through our engineering expertise that meets the needs of the society, in order to achieve our ultimate objective to contribute to the society. |
| 2 | Establish an attractive company | We aim to be a motivation-oriented company where the employees can demonstrate creativity and vitality through their work responsibilities. We aim to be a company having the corporate culture in which all employees work in close cooperation to achieve the goals of the company, with the spirits of mutual trust, collaboration and rationality. Through the expansion of our expertise in "Energy, Air, and Water", we aim to become a unique company in all aspects of corporate management, including engineering, marketing, and human resource development. |

Basic Policy and Direction of the Mid-Term Business Plan / Strategy

| Basic Policy | Direction | | Strategy |
|--|------------------------------|---|---|
| Solidify the Company's position in the global market | Reinforce the business base | Þ | •Build a well-balanced business portfolio: Respond to changes in the environment and economic fluctuations |
| Increase competitiveness and profitability and aim to solidify the Company's position in Japan and overseas facility construction industry. | Enhance competitiveness | • | Enhance added value: Energy-saving-, cost-saving- and environment-responsive technology and automation technology, etc. Upgrade and utilize laboratories: Reinforce technological development capabilities and strengthen proposal capabilities through the visualization of technology |
| | Improve profitability | • | Make priority allocations of management resources into the growth markets. Enhance productivity: Improve and propagate onsite construction methods and business processes and utilize IT, etc. |
| Strengthen initiatives for the future | Expand business domains | | Deepen the existing major business domains Expand new businesses: The plant factory business and the paint finishing system business for large vehicles other than automobiles |
| Look ahead to future changes in the market environment and promote the development of systems and structures that will turn those changes into business opportunities. | Environment response | ۲ | Reinforce capabilities to solve clients' environmental issues: Reduction of greenhouse gas emissions and environmentally hazardous substances by leveraging the technological expertise cultivated in the HVAC business |
| Build an attractive company and establish a solid management base Reinforce human resource strategies | Human resource strategies | • | Secure human resources: Measures to make the Company more attractive including the enhancement of systems to enable flexible work styles, improvement of benefits and reduction of working hours Firmly establish the Career Plan Scheme: Raise the capabilities and enhance the motivation of employees |
| that will make the Company more attractive and the corporate governance structure which will raise the society's trust in the Company. | Governance | • | Reinforce corporate governance: Reinforcement of the management oversight functions of the Board of Directors and capital cost-conscious management Reinforce the internal control system both in Japan and overseas |

Long-term Vision

"Aim to become a global corporate group that creates an optimal environment Through unique engineering"



| Secure stable suppliers and business partners Maintain a sound financial base |
|--|
| •Utilize IoT/AI: Promote the development of new solutions •Enhance the company's presence through stepped-up PR |
| Reinforce the project management structure |
| Expand business areas into new countries Promote alliance with overseas Group companies: Reinforce capabilities to respond to the needs of overseas clients |
| Respond to social needs such as SDGs- and ESG-related needs through business operations: Pursue these areas as new business opportunities |
| • Reinforce human capital and organizational capabilities through the utilization of diverse human resources |

 Secure employees in line with the situation of each overseas group company

 Improve the global risk management system: Legal risks, information security, compliance, etc.

Quantitative Management Targets

| Quantitative targets for the FY 2021 | | |
|---|--------------------------------|--|
| Orders-received | 2,650 hundred million yen | |
| Net sales of completed construction contracts | 2,600 hundred million yen | |
| Ordinary income | 160 hundred million yen | |
| Profit attributable to owners of parent | 100 hundred million yen | |
| Return on equity (ROE) | 8 % or higher | |
| Investment Plan | 200 hundred million yen | |
| | | |

We will aim for return on equity (ROE) exceeding capital costs and strive to increase corporate value.