Taikisha Ltd.　FY2025 2Q Financial Results Briefing for
analysts and institutional investors (online conference)
Main Q&A session

Date and time：　13 November 2025, 13:30~14:30
Attendees：
Masashi Osada, President Corporate Officer.
Yasushi Nakajima, Executive Vice President Corporate Officer.
Masanori Nakagawa, Chief Executive, Corporate Planning Headquarters.
Seiji Takeshita, Chief Executive, Administrative Management Headquarters.
Tadashi Sobue, Chief General Manager, Green Technology System Division.
Yukinori Hamanaka, Chief General Manager, Paint Finishing System Division.

Factors behind accounting timing shifts in orders received for industrial HVAC
Questioner:
Regarding the full-year plan for industrial HVAC orders received, the explanation indicates that the shortfall from the original forecast is due to timing shifts in accounting. Could you clarify the specific factors behind these timing shifts? Is it a matter of accuracy in estimating project timing? Are customers postponing decisions considering their business environments? Is there any common factor behind the overlap of multiple projects causing the timing shifts?

Respondent:
The investment timing of our customers has become unpredictable, and several projects near the fiscal year-end have timing-shift risks. All of the projects are under negotiation. While some may be finalized within this fiscal year, others may be delayed into the next fiscal year or beyond. We have factored in that risk.

Factors behind the improvement in the gross profit ratio of the Green Technology System Business
Questioner:
Regarding improvements, such as the gross profit ratio, they are trending upward across construction companies. Are there any factors unique to your company? Or is it just because of the improvement in line with industry-wide trends in order profitability and cost-reduction efforts? Also, assuming such unique factors are present, is it correct to understand that your forecast of a lower profit margin in the second half reflects you taking a cautious stance, similar to other companies, due to uncertainty in the second half, despite the strong performance in the first half? I would like to know If there is anything

we should pay attention to.

Respondent:
This fiscal year, profitability improved for projects completed in the first half, and that contributed significantly. Profit improvements are typically expected around the fiscal year-end, but this year they were concentrated in the first half. We also have projects scheduled for completion at the fiscal year-end, and we are currently working to ensure profit improvements toward the year-end.

Questioner:
As a supplement to the Green Technology System Business, is order profitability at the time of receipt currently improving? Is there room for further profit-margin improvement beyond the next fiscal year?

Respondent:
Order profitability at the time of receipt is performing well, and we expect further profit improvement in the next fiscal year, exceeding that of this fiscal year. Furthermore, from an order perspective, we anticipate continued improvement in the profit margin in the next fiscal year and beyond.

Trends in the Automotive Industry

Questioner:
I think there will be movements in the automotive industry, such as the transition from EVs to hybrids and the impact of tariffs.
Could you share the current and future impact of these changes in the automotive industry on your company?
Also, there is an increase in the number of automotive factories in the U.S. Should this be taken positively for your company, and can we expect profit contributions from the U.S.?

Respondent:
Due to the uncertainty of the Trump administration's policy, we have entered into an agreement with our customers to exclude tariffs, and we do not expect them to have any direct impact.
The future investment trends of automakers can vary by company, but while the regions of investment may change, such as plans in Canada being moved to the U.S., we believe investment willingness has remained relatively steady.
We predict that investment in the U.S. will increase. Moreover, demand in Europe is even stronger than in the U.S., and we believe it will contribute to profits without being affected by tariffs.

Profit margin and net sales of the Green Technology System Business

Questioner:
Regarding the profit margin of the Green Technology System Business, while completed projects are contributing, there is also talk of a base improvement through profitability-enhancing projects. Can we expect the Medium-Term Business Plan's levels of profit margin to rise in the next fiscal year and beyond? Please share additional details.
Also, regarding sales, based on the revision in the current orders received, is there any change in achieving 224 billion yen or in the sales forecast for the next fiscal year?

Respondent:
We recognize that the order environment has been improving this year, and we believe that we can expect a higher profit margin.
In addition, while we expect to meet the Medium-Term Business Plan's sales target, we cannot provide a definitive answer at this point.

Profit margin of the Paint Finishing System Business
Questioner:
Is there room for upside in the operating margin for the second half of the fiscal year? It was expected that there would be improvements in the following fiscal years as well. Is there any change compared with the forecast of the Medium-Term Business Plan?

Respondent:
One of the factors for the increase in sales in the second half is internal transaction adjustments. Since internal transactions do not contribute to profits, we have not changed our full-year earnings forecast from the initial target.
Regarding the potential for upside in the following fiscal years, last year, large domestic projects contributed to profit margin improvements. Going forward, however, with a significant portion of large projects in Europe being fully outsourced, the profit margin per project is not expected to be very high. Therefore, we are currently seeing the profit margin proceed as anticipated. Of course, we will make efforts to achieve the upside.

SG&A expense trends reflecting growth investments
Questioner:
Regarding SG&A expenses, they have increased compared with the previous year through Q2 this year, and I believe the increases in personnel expenses and growth investments align with the plan. However, personnel expenses are increasing faster. Given the growth investment policy for the next fiscal year and beyond, how should we view the pace of increase in SG&A expenses?

Respondent:

Let me address the progress of the investment plan. Business growth investments, including the dry decoration system explained earlier, are progressing smoothly with a budget of 6.5 billion yen. We are also actively investing in digital technologies, such as BIM. Moreover, we have started investing in human capital, focusing on developing digital talent, global talents (global competent personnel), and management personnel. For these three, there are also costs involved. Some projects are still in the planning stage, and as they progress into the second or third years, the cost burden will be heavy.

The capital allocation for growth investments, including M&A and capital increases, has progressed with 22 billion yen, and with an M&A by Encore Automation LLC in North America, valued at a few hundred million yen, the North American strategy is now starting to advance.

Growth investments also include domestic projects, and we cannot invest in anything that would easily result in impairment. Therefore, we are proceeding cautiously, carefully considering the risks and returns with the Governance Committee and other bodies.

Even if the cost burden increases in the second and third years of the Medium-Term Business Plan, we are prepared for financing. Once specific projects or other updates emerge, we will disclose information to you.

Growth outlook of the Paint Finishing System Business

Questioner:

Regarding the Paint Finishing System Business, since there is strong demand in Europe, can we expect net sales of completed construction contracts to increase from the following fiscal years? Or, considering factors like construction capacity, will growth remain gradual?

Respondent:

The net sales of completed construction contracts from a large project in Europe that we received order in the first half of this fiscal year will contribute in the next and following fiscal years, so we expect an increase in net sales.

Outlook for Industrial HVAC in Japan

Questioner:

Looking at overall construction orders, the manufacturing industry has contracted compared with the previous year, and we believe factors such as rising construction costs are slowing down customers' capital investment. Could you share your outlook, including any risks involved, for domestic industrial HVAC?

Respondent:

We believe that customer investments remain strong. We expect that demand in sectors, particularly semiconductors, pharmaceuticals, and data centers, will continue. While demand for EV-related projects has slightly slowed, we anticipate that inquiries will increase in the long term.

Initiatives and profitability of the India business

Questioner:

India is focusing on developing the semiconductor industry. Could you share your company's initiatives for the India business? Additionally, could you share your insights on profitability?

Respondent 1:

The Indian base of the Green Technology System Business includes a panel manufacturer and an HVAC Division. The HVAC Division is currently in the phase of expanding its scale and building a system capable of supporting our focus areas: semiconductors, pharmaceuticals, and data centers, aiming for growth in those areas. As for profitability, although the base is currently small in scale, we plan to improve performance and contribute to profits moving forward.

Respondent 2:

India is in a period similar to China in the 2000s, with motorization rapidly advancing. Japanese automakers have also shared that they plan to double their current production capacity within the next decade. We have been expanding into India from a very early stage, and we have maintained favorable profitability compared with other locations. We intend to continue to maintain this state moving forward.

《Disclaimer》

The contents of this material are the views of the company, summarized from the question-and-answer session of the financial results briefing and based on the judgement on the announcement date and the available information.

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