

[Translation]

May 15, 2019

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

Taikisha Ltd. announced its 3-year plan of Taikisha Group from the fiscal year ending March 2020 to the fiscal year ending March 2022.

In the previous mid-term business plan, our group absorbed the abundant demand by the booming construction market and achieved our business goals for the final year.

The long-term vision, which is a basis of this new mid-term business plan, is “Aim to become a global corporate group that creates an optimal environment Through unique engineering”. Each of our staff actively works on 3-year plan in order to realize the long-term vision.

Under our Mission Statement, “Customers First,” our group will expand our business globally by utilizing our environment-responsive technologies for “energy, air, and water,” and make the utmost effort to achieve our business goals and meet the expectations of our shareholders and stakeholders. We would like to ask for your support and patronage in the future.

# Taikisha Group Mid-Term Business Plan

FY2019 - FY2021

## Taikisha Philosophy Scheme

Clients

Business partners

Employees and their families

Shareholders

Supervisory authorities

Global environment

Communities / societies

### 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.

### Corporate Philosophy

1

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

1. 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.
2. 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**

1. We aim to be a motivation-oriented company where the employees can demonstrate creativity and vitality through their work responsibilities.
2. 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.
3. 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.

I

Review and Results of the Mid-Term Business Plan  
(FY2016 – FY2018)

II

New Mid-Term Business Plan (FY2019 – FY2021)

III

Quantitative Management Targets

I

## Review and Results of the Mid-Term Business Plan (FY2016 – FY2018)

- 1 Results of Initiatives
- 2 Business Performance

## 1 Results of Initiatives (1)

Theme	Outcome of measures
<p><b>Improve business in Japan</b></p>	<ul style="list-style-type: none"> <li>● Capture of abundant demand accompanying the growing investments in the electronic parts industry and office buildings in the Tokyo metropolitan area: Results (enhancement of productivity, flexible allocation of human resources between divisions, increase in mid-career hires, etc.) achieved by ensuring construction capabilities</li> </ul>
<p><b>Improve overseas business</b></p>	<ul style="list-style-type: none"> <li>● Expansion of orders received from non-Japanese customers in Southeast Asia: Departure from dependence on Japanese customers</li> <li>● Expansion of orders received from European automobile manufactures: Result of coordination with Group companies</li> </ul>
<p><b>Enhance productivity</b></p>	<ul style="list-style-type: none"> <li>● Promotion of IT: Enhancement of efficiency and simplification of onsite operations</li> <li>● Establishment of Field Support Office: Sharing of expertise of experienced engineers and reduction of the onsite work burden</li> </ul>

## 1 Results of Initiatives (2)

Theme	Outcome of measures
<p><b>Develop new businesses and improve businesses of related areas</b></p>	<p><b>Plant factory business</b></p> <ul style="list-style-type: none"> <li>● Establishment of a Plant Factory Demonstration and Development Center in Itabashi-ku, Tokyo: Enhancement of capabilities to respond to customer needs</li> <li>● Establishment of a showroom in Ayutthaya, Thailand: Promotion of overseas expansion</li> </ul> <p><b>Paint finishing system business other than for automobiles, including railway and aircraft</b></p> <ul style="list-style-type: none"> <li>● Establishment of a Technical Center in Zama City, Kanagawa: Acceleration of R&amp;D</li> </ul> <p><b>Exhaust-gas treatment system business</b></p> <ul style="list-style-type: none"> <li>● Expansion of orders received of exhaust-gas treatment systems in China: Reinforcement of proposal activities to reduce the environmental impact, in conjunction with the tightening of environmental regulations by the Chinese government</li> </ul>
<p><b>Enhance corporate governance system</b></p>	<ul style="list-style-type: none"> <li>● Proactive compliance with the Corporate Governance Code (Introduced in 2015, revised in 2018)</li> </ul>

## 1 Results of Initiatives (3)

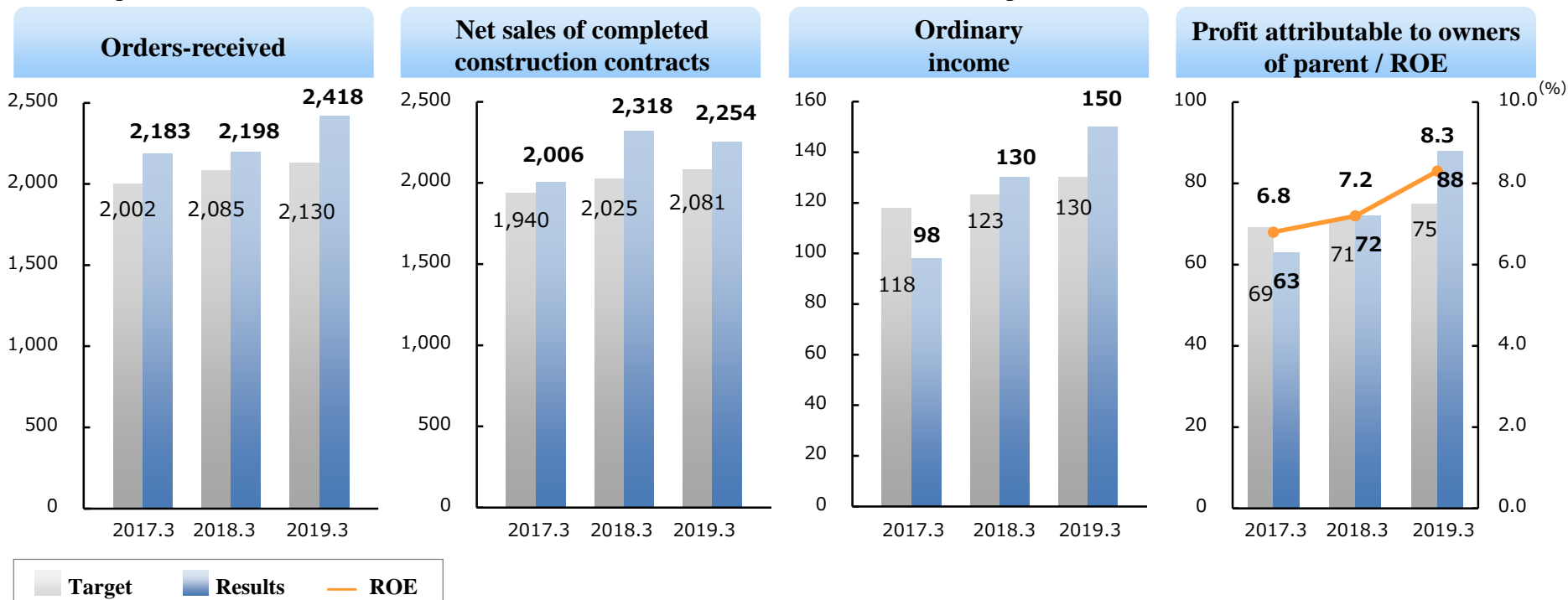
Theme	Outcome of measures
<p><b>Enhance global compliance system</b></p>	<ul style="list-style-type: none"> <li>● Implementation of regular monitoring and training at Japan and overseas sites: Promotion of risk identification and improvement</li> </ul>
<p><b>Enhance human resource development</b></p>	<ul style="list-style-type: none"> <li>● Update of personnel system: Promotion of flexible hiring and appropriate personnel evaluations</li> <li>● Adoption of Career Plan Scheme and establishment of a new department dedicated to employee education: Upgrade of the knowledge- and skill-levels and enhancement of the capabilities of engineering employees</li> </ul>
<p><b>Reinforce the business base</b></p>	<ul style="list-style-type: none"> <li>● Establishment of a BCP (Business Continuity Plan) environment and reduction of maintenance costs through the introduction of a new core system</li> </ul>



## 2 Business Performance

In terms of results for the final year of the plan, we achieved our targets for orders-received, net sales of completed construction contracts as well as all profit items. Moreover, with the exception of net sales of completed construction contracts, we achieved record levels in orders-received and all profit items.

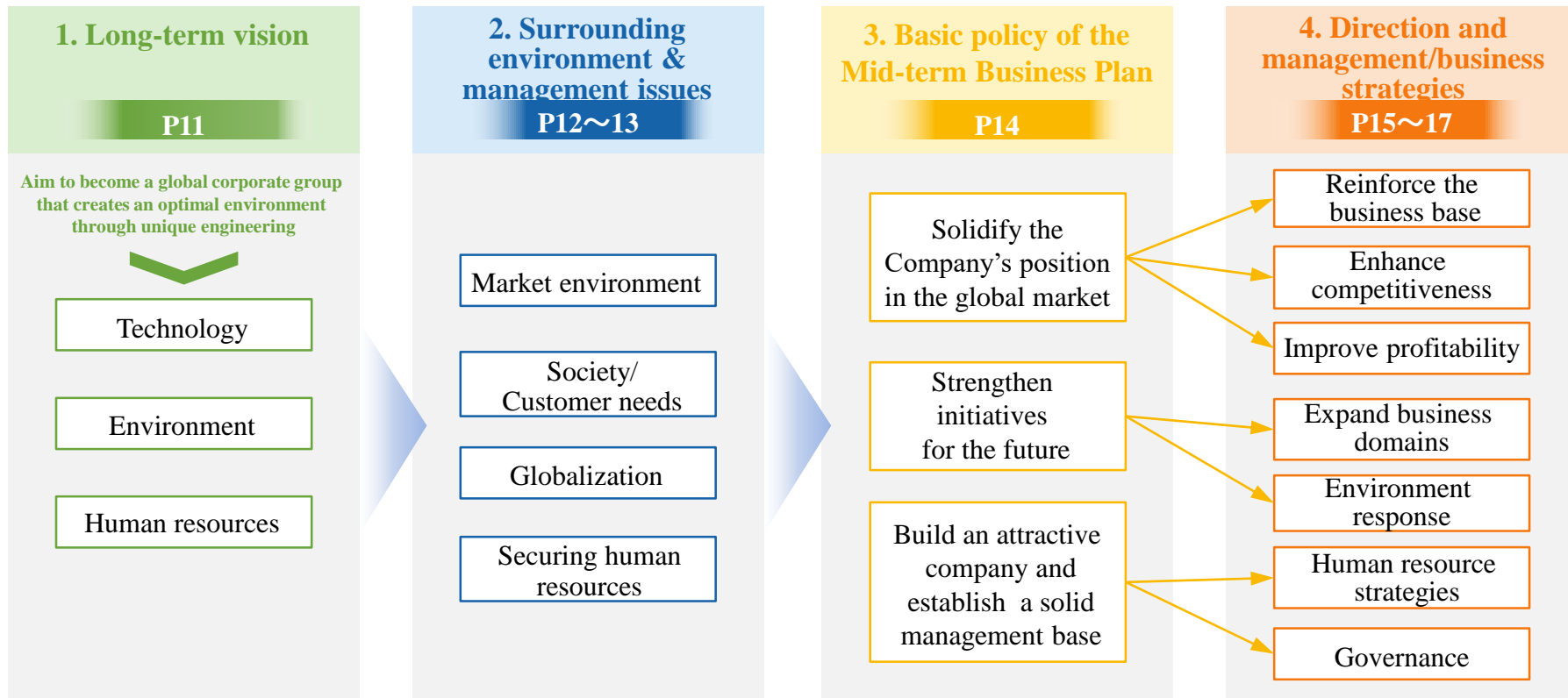
Unit: Hundred million yen



## II New Mid-Term Business Plan (FY2019 – FY2021)

- ① Long-term Vision
- ② Surrounding Environment and Management Issues
- ③ Basic Policy and Direction of the Mid-Term Business Plan
- ④ Management and Business Strategies

## Overall structure of the new Mid-Term Business Plan



### 1 Long-term Vision

1. Long-term vision	2. Surrounding environment & management issues	3. Basic policy of the Mid-term Business Plan	4. Direction and management/business strategies
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“Aim to become a global corporate group that creates an optimal environment  
Through unique engineering”

Technology	Aim to become an engineering group that meets the diverse needs of clients through energy-, air- and water-based technology.
Environment	Solve the clients' environmental issues with innovative solution technology and contribute to passing on the rich global environment to future generations.
Human Resources	Respect the individual's creativity and diversity, and value the corporate culture which allows employees to experience one's growth and the joy of working.

### 2 Surrounding Environment and Management Issues (1)

1. Long-term vision	2. Surrounding environment & management issues	3. Basic policy of the Mid-term Business Plan	4. Direction and management/business strategies
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#### 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

## 2 Surrounding Environment and Management Issues (2)

1. Long-term vision	2. Surrounding environment & management issues	3. Basic policy of the Mid-term Business Plan	4. Direction and management/business strategies
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### 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

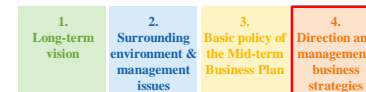
- Crucial task of securing human resources to support the future, as the working population shrinks
- Necessity of improving the work-life balance of employees to aim to create an attractive company
- Emerging issues of enhancing productivity by leveraging technological innovations
- Necessity of human resource strategies to secure outstanding national staff overseas

### 3 Basic Policy and Direction of the Mid-Term Business Plan

1. Long-term vision	2. Surrounding environment & management issues	3. Basic policy of the Mid-term Business Plan	4. Direction and management/business strategies
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Basic Policy		Direction
<b>Solidify the Company's position in the global market</b>	<b>Increase competitiveness and profitability and aim to solidify the Company's position in Japan and overseas facility construction industry.</b>	<b>Reinforce the business base Enhance competitiveness Improve profitability</b>
<b>Strengthen initiatives for the future</b>	<b>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.</b>	<b>Expand business domains Environment response</b>
<b>Build an attractive company and establish a solid management base</b>	<b>Reinforce human resource strategies that will make the Company more attractive and the corporate governance structure which will raise the society's trust in the Company.</b>	<b>Human resource strategies Governance</b>

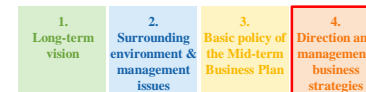
## 4 Management and Business Strategies (1)



Direction	Strategy
<p><b>Reinforce the business base</b></p>	<ul style="list-style-type: none"> <li>● Build a well-balanced business portfolio: Respond to changes in the environment and economic fluctuations</li> <li>● Secure stable suppliers and business partners</li> <li>● Maintain a sound financial base</li> </ul>
<p><b>Enhance competitiveness</b></p>	<ul style="list-style-type: none"> <li>● Enhance added value: Energy-saving-, cost-saving- and environment-responsive technology and automation technology, etc.</li> <li>● Upgrade and utilize laboratories: Reinforce technological development capabilities and strengthen proposal capabilities through the visualization of technology</li> <li>● Utilize IoT/AI: Promote the development of new solutions</li> <li>● Enhance the company’s presence through stepped-up PR</li> </ul>
<p><b>Improve profitability</b></p>	<ul style="list-style-type: none"> <li>● Make priority allocations of management resources into the growth markets.</li> <li>● Enhance productivity: Improve and propagate onsite construction methods and business processes and utilize IT, etc.</li> <li>● Reinforce the project management structure</li> </ul>



## 4 Management and Business Strategies (2)



Direction	Strategy
<p><b>Expand business domains</b></p>	<ul style="list-style-type: none"> <li>● Deepen the existing major business domains</li> <li>● Expand new businesses: The plant factory business and the paint finishing system business for large vehicles other than automobiles</li> <li>● Expand business areas into new countries</li> <li>● Promote alliance with overseas Group companies: Reinforce capabilities to respond to the needs of overseas clients</li> </ul>
<p><b>Environment response</b></p>	<ul style="list-style-type: none"> <li>● 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</li> <li>● Respond to social needs such as SDGs- and ESG-related needs through business operations: Pursue these areas as new business opportunities</li> </ul>

## 4 Management and Business Strategies (3)

1. Long-term vision	2. Surrounding environment / management issues	3. Basic policy of the Mid-term Business Plan	4. Direction and management/ business strategies
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Direction	Strategy
<h3>Human resource strategies</h3>	<ul style="list-style-type: none"> <li>● 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</li> <li>● Firmly establish the Career Plan Scheme: Raise the capabilities and enhance the motivation of employees</li> <li>● Reinforce human capital and organizational capabilities through the utilization of diverse human resources</li> <li>● Secure employees in line with the situation of each overseas group company</li> </ul>
<h3>Governance</h3>	<ul style="list-style-type: none"> <li>● Reinforce corporate governance: Reinforcement of the management oversight functions of the Board of Directors and capital cost-conscious management</li> <li>● Reinforce the internal control system both in Japan and overseas</li> <li>● Improve the global risk management system: Legal risks, information security, compliance, etc.</li> </ul>

### III | Quantitative Management Targets

- 1 Quantitative Targets
- 2 Investment Plan
- 3 Shareholder Return

#### 1 Quantitative targets for the FY 2021

Item	Target	Results for FY 2018
Orders-received	2,650 hundred million yen	2,418 hundred million yen
Net sales of completed construction contracts	2,600 hundred million yen	2,254 hundred million yen
Ordinary income	160 hundred million yen	150 hundred million yen
Profit attributable to owners of parent	100 hundred million yen	88 hundred million yen
Return on equity (ROE)	8% or higher	8.3%

(assumed exchange rate: 1US\$=108.00JPY, 1Euro=121.38JPY, 1Baht=3.39JPY)

(average exchange rate for FY2018 : 1US\$=110.58JPY, 1Euro=130.38JPY, 1Baht=3.42JPY)

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

#### 2 Investment Plan

Aiming for the sustained growth of the Company and the enhancement of corporate value in the medium- to long-term, we plan to make 200 hundred million yen in investments over the 3-year period from FY2019 to FY2021 under the following themes.

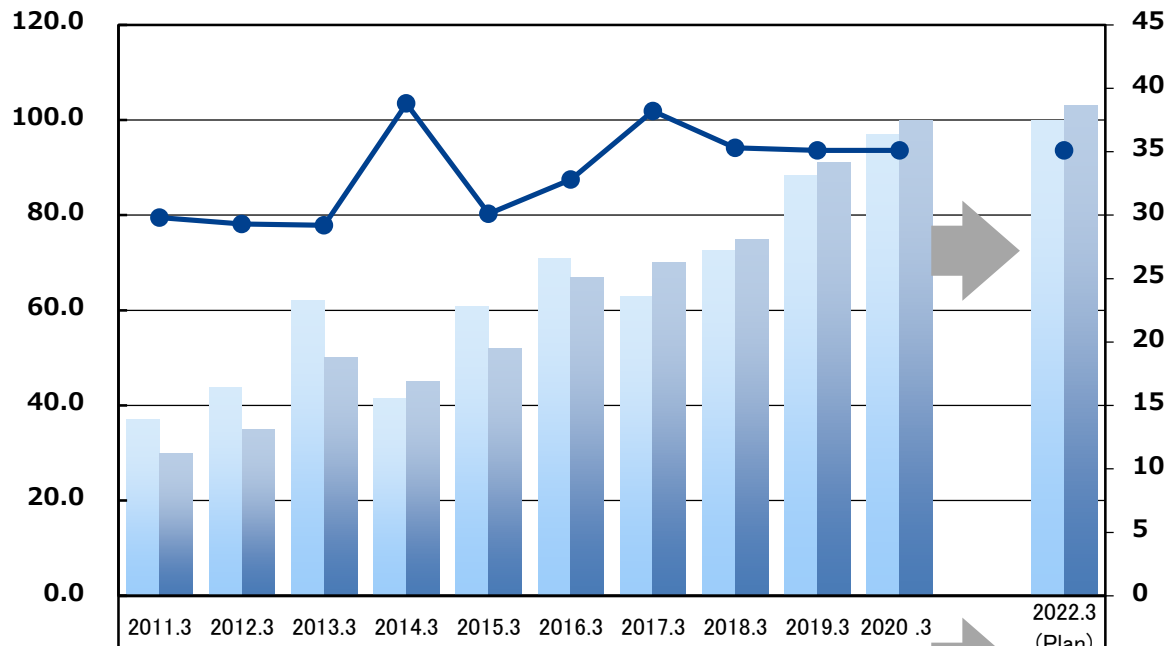
Investment theme	Investment amount (Planned)
Reinforcement of technological development and proposal capabilities / Promotion of initiatives into new businesses (e.g. improvement of R&D facilities)	<b>200 hundred million yen</b>
Enhancement of productivity (e.g. utilization of IT) / Human resource development	
Capital investments such as M&As	

## 3 Shareholder Return

- The basic policy will be to aim for a consolidated dividend payout ratio of 35% and implement steady dividends.
- We will also flexibly purchase and retire treasury stock in order to improve capital efficiency and promptly implement financial policies.

(Hundred million yen/ Yen)

(%)



Profit (hundred million yen)	37.0	43.7	62.0	41.5	60.8	70.8	63.0	72.5	88.4	97.0	100.0
Annual dividend (yen)	30	35	50	45	52	67	70	75	91	100	103
Dividend payout ratio (%)	29.8	29.3	29.2	38.8	30.1	32.8	38.2	35.3	35.1	35.1	35.1

# Taikisha Group Mid-Term Business Plan FY2019 - FY2021

## 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.

### Corporate Philosophy

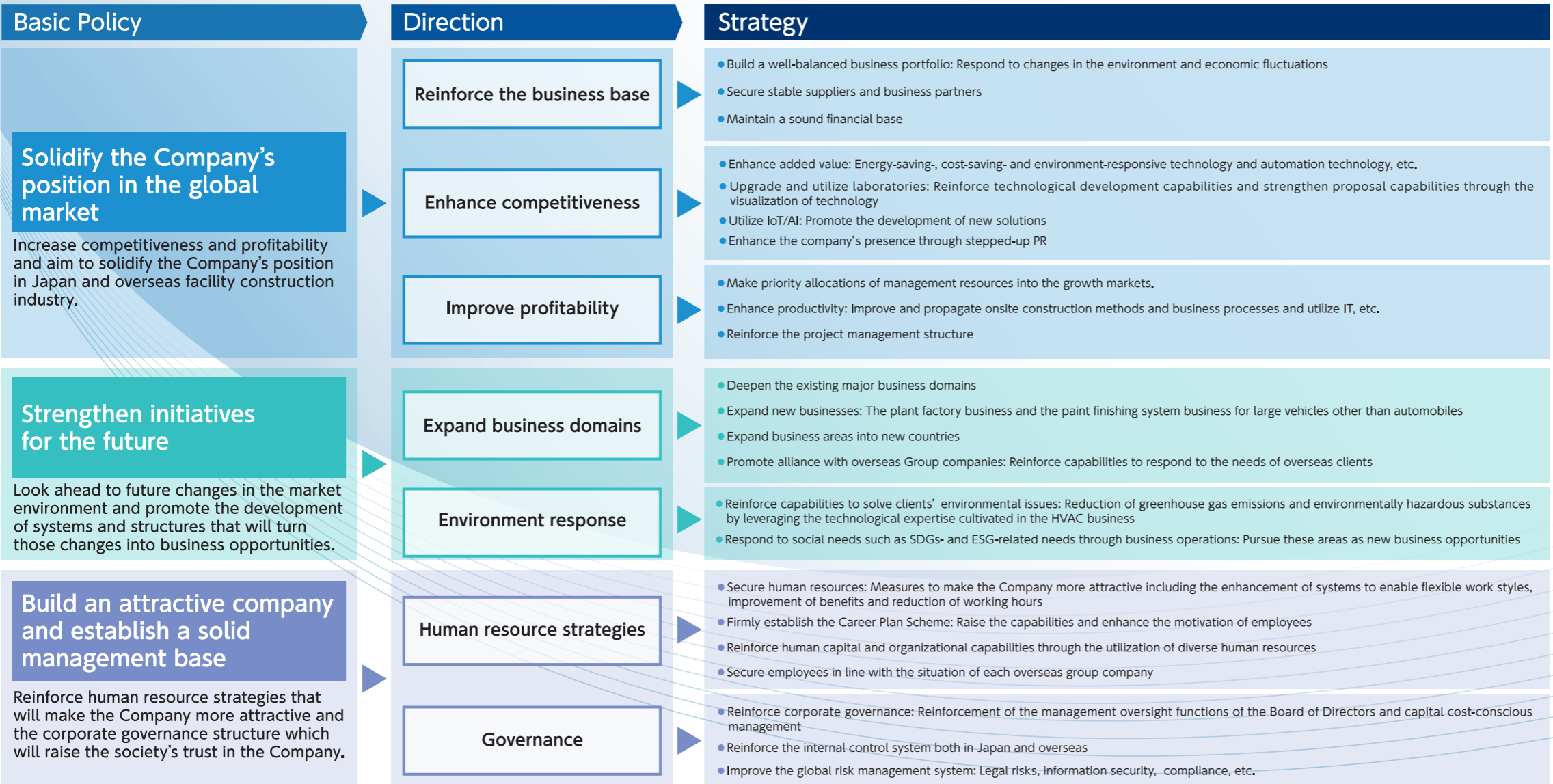
- |                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-----------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>1</b> Establish a company which can continuously grow and contribute to the society</p> | <ol style="list-style-type: none"> <li>① 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.</li> <li>② 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.</li> </ol>                                                                                                                                                                                             |
| <p><b>2</b> Establish an attractive company</p>                                               | <ol style="list-style-type: none"> <li>① We aim to be a motivation-oriented company where the employees can demonstrate creativity and vitality through their work responsibilities.</li> <li>② 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.</li> <li>③ 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.</li> </ol> |

## Long-term Vision

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

<b>Technology</b>	Aim to become an engineering group that meets the diverse needs of clients through energy-, air- and water-based technology.
<b>Environment</b>	Solve the clients' environmental issues with innovative solution technology and contribute to passing on the rich global environment to future generations.
<b>Human Resources</b>	Respect the individual's creativity and diversity, and value the corporate culture which allows employees to experience one's growth and the joy of working.

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



## Quantitative Management Targets

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

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

