

# Integrated Report 2025

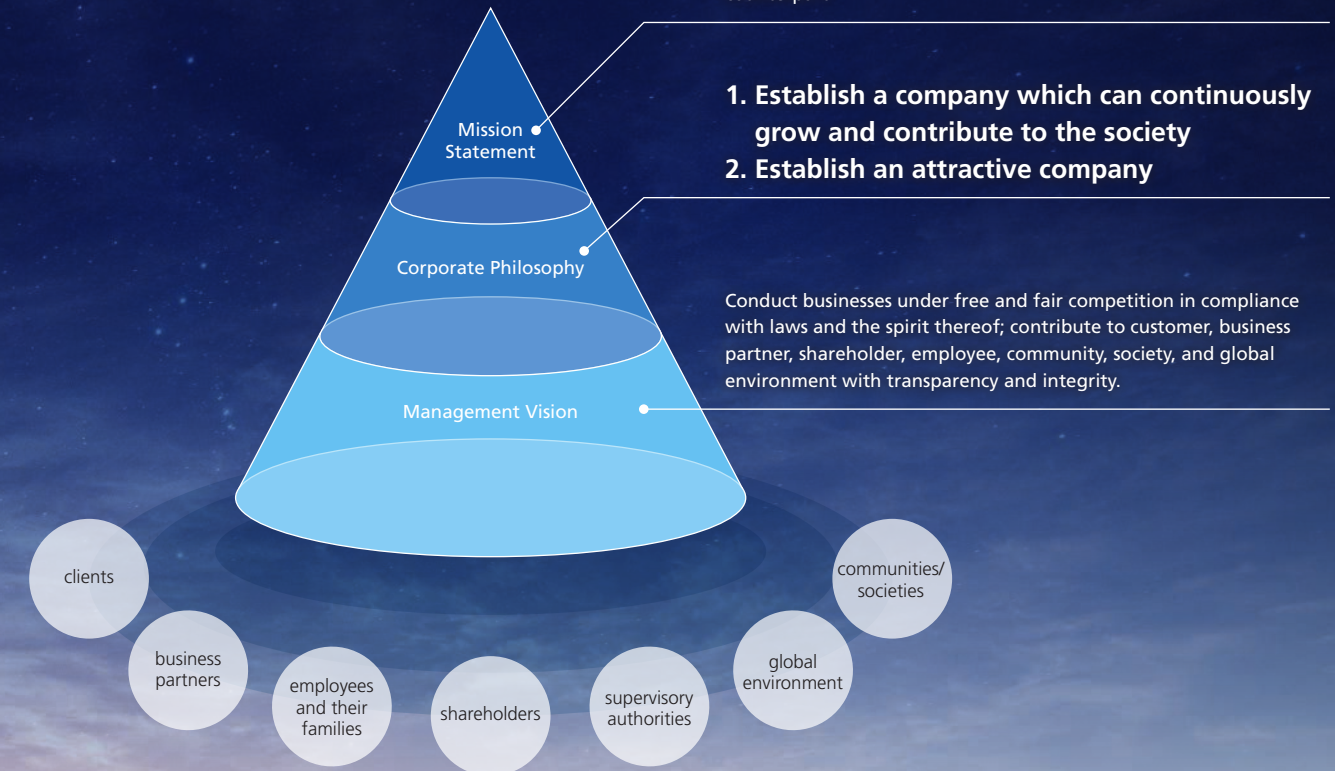


# Protecting the Air of the Future

Considering society in general as *customers*,  
Taikisha is creating a comfortable environment today as always,  
in the hope of bringing happiness to all clients.  
To preserve clean air for the children of the future,  
Taikisha must strive to reduce environmental impacts  
and realize a sustainable society.

## Customers First

*Customers* are broadly interpreted as general society.  
The spirit of “Customers First” is to obtain ceaseless trust from our customers.  
For this purpose, we must conscientiously put forth our best effort in all areas of business, based upon the philosophy that behavior of a person or a company will generate benefits and happiness for one’s counterpart.



111 years since its foundation in 1913, Taikisha Group has evolved into a global company group, employing over 5,000 people. We will keep challenging ourselves while maintaining our global nature and the “Customers First” philosophy inherited since the foundation.

To inherit and further develop this DNA, we have reestablished “open-mindedness, a challenging spirit, and a commitment to quick responses,” our management goal from the 1970s, as our corporate culture in the Long-term Vision. We value a corporate culture that embraces open-mindedness and a willingness to take on challenges, as we expect this mindset to drive the creation of new value across our entire Group.

Explore our  
Long-term Vision





# What We Wish to Convey in Integrated Report 2025

Taikisha has been issuing integrated reports since 2021 to deepen the understanding of shareholders, investors, and a wide range of other stakeholders about the Company's value creation from a medium- to long-term perspective.

In 2025, we have made efforts to convey how we plan to move forward into the future through the newly announced the 10-Year Plan 2035 and the Medium-Term Business Plan. In this Integrated Report, we present examples that illustrate how our goals are being translated into strategy and how our current initiatives are steadily progressing in alignment with future outlooks. Furthermore, with respect to non-financial information, Taikisha has sought to enhance the content so that the central themes of our goals—"Engineering" and "Global"—can be clearly conveyed.

We positioned this report as a communication tool that facilitates constructive dialogue with our stakeholders. The President and Representative Director and other members of the management team actively participated in the production of this report. The officer in charge of sustainability promotion oversees the production process. Taikisha will continue to improve and enhance the Integrated Report through dialogue with stakeholders, and will strive to contribute to society and enhance corporate value.

## President's Message

The President shares his perspective on what we must do to realize Taikisha's goal of "Be Engineering," outlining the long-term direction and sustainable growth strategy.

## Round Table Discussion with Outside Directors and President

With the announcement of the 10-Year Plan 2035, Taikisha has launched a new three-year Medium-Term Business Plan, aiming to further develop by viewing global industrial innovation as a business opportunity. In this roundtable discussion, Outside Directors and the President reflect on the development of the 10-Year Plan to date, and discuss the challenges and initiatives involved in realizing our Long-term Vision.

## 10-Year Plan 2035

Taikisha has set forth its goal for 2035 as "a global engineering company dedicated to social sustainability." To achieve this, we have established two strategic policies, "Innovative Engineering" and "Global Inclusion." We will introduce these strategic policies along with Eight Strategic Focal Points and material issues aimed at achieving double economic value and enhancing social value at the same time.

## Targets under the Medium-Term Business Plan (FY2025–FY2027)

We have divided the 10-Year Plan period into three phases, designating FY2025 to FY2027 as the three-year phase of restructuring for transformation. During this period, we will build foundations for growth strategies through growth investment funded by cash flows from our domestic business. We have also set milestone targets to achieve our financial targets ten years from now, as well as non-financial targets related to CO<sub>2</sub> emission reduction and the number of employees.

## Dialogue Between Chief General Managers of Green Technology System Business and Paint Finishing System Business

Amid rapid changes in the social environment and ongoing technological innovation, along with the changes in the industrial structure, the Green Technology System Division and the Paint Finishing System Division are deepening their partnership while leveraging their strengths built through their respective technologies and past achievements. In this dialogue, Chief General Managers from both divisions reflect on their divisions' uniqueness and history, and share insights on new value to be created through co-creation and future business development under the slogan of "New Growth Strategy."

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## Editing Policy

- Organizations covered by this report  
Taikisha Ltd. and its group companies in Japan and overseas are covered by this report.
- Period covered in this report  
This report mainly covers activities conducted during FY2024 (from April 1, 2024 to March 31, 2025) and also includes some activities carried out before or after the said period.
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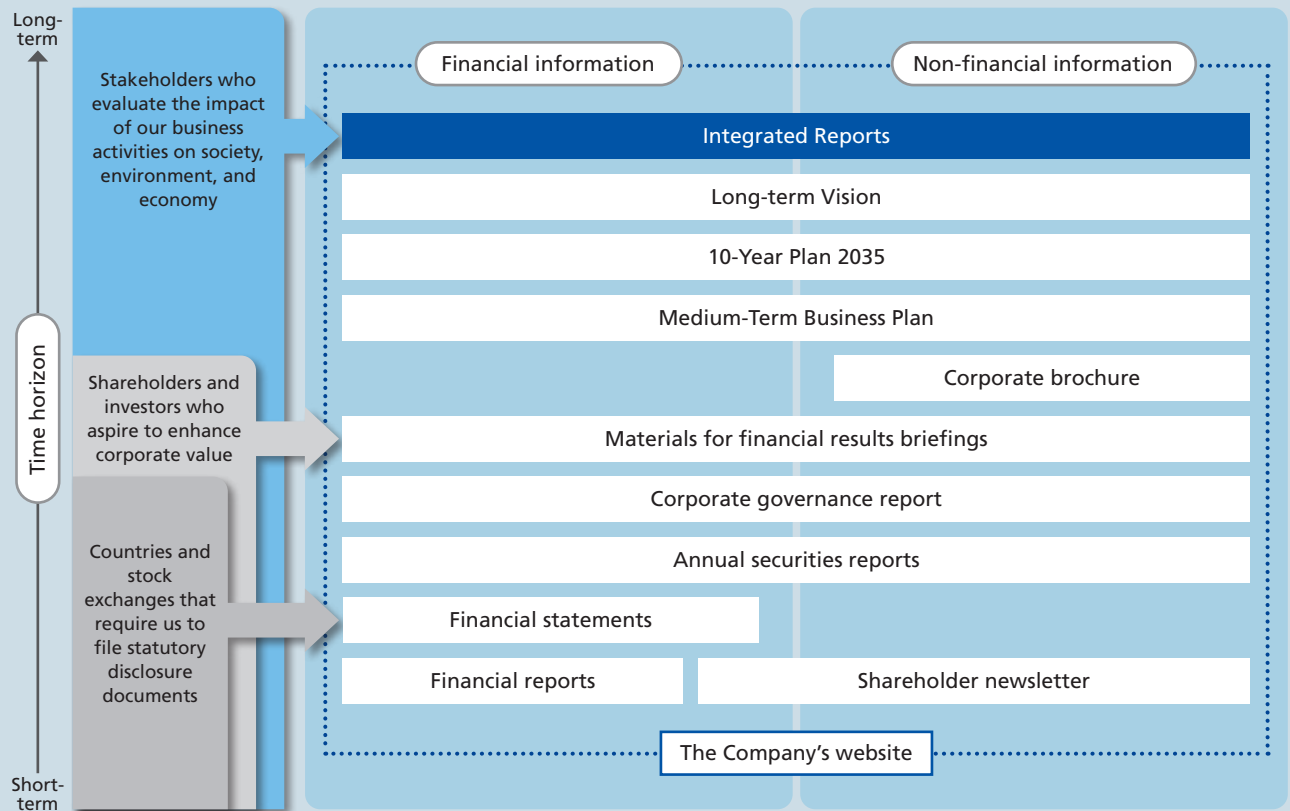
## Cautionary Statement Regarding Forward-Looking Statements

This report contains data, as well as plans, strategies, forecasts, and outlooks regarding future performance, which are based on information available and judgments made at the time of publication. These statements are subject to change due to various factors and do not guarantee the achievement of the stated goals, forecasts, or future performance. The information contained herein may be revised or updated without prior notice.

Accordingly, we ask that readers verify the contents of this report against other sources and exercise their own judgment when using this information.

Taikisha assumes no responsibility whatsoever for any losses or damages arising from the use of this report.

## Disclosure Structure



## Corporate website



## IR website



## Sustainability website





What defines our strengths?

Business Overview 1

Taikisha is conducting business globally as an environment engineering company in two core business fields: the Green Technology System Division (Industrial HVAC and Building HVAC) and the Paint Finishing System Division. Taikisha boasts the high ratio of overseas sales by far in the Japanese construction industry, with 28 overseas consolidated subsidiaries in 19 countries (as of March 31, 2025). Some consolidated subsidiaries have already received orders for many projects from non-Japanese companies because they have promoted activities rooted in the local areas for a long period of time. This robust global network, which enables the flexible utilization of resources across borders, has become a strong advantage for the Taikisha Group.

Business domains through innovative engineering of energy, air, and water

Currently, the Taikisha Group operates in three business fields through creative engineering in energy, air, and water.

Industrial HVAC system

We provide most advanced cleanrooms and air-conditioning systems for production facilities and research facilities that require high levels of cleanliness, such as those for semiconductors and pharmaceuticals. In addition to supporting manufacturing sites, we also actively work to reduce environmental impact through exhaust treatment technologies and other initiatives, contributing to the realization of a sustainable society.

Building HVAC system

We design and install air-conditioning systems for a wide range of facilities—office buildings, data centers, schools, hospitals, hotels, museums, and airport terminals—to create comfortable environments that support people's health and well-being.

Paint finishing system

We design and construct large-scale automobile paint finishing plants for automakers in Japan, the US, Europe, South Korea, China, India, and other markets. Our paint finishing plants combine energy efficiency with advanced environmental technologies and achieve world-class sales performance.



Our competitive advantages and strengths built since our founding

Customer needs

Industrial HVAC field

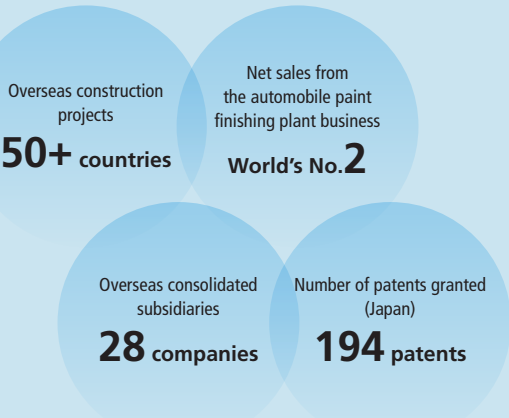
Electrical and electronic components manufacturers  
Require advanced manufacturing technologies, including high-level cleanliness and ultra-precise temperature control.

Pharmaceutical manufacturers  
Require managing numerous manufacturing machines across each process and advanced room-pressure control technologies.

Paint finishing system field

Requires total engineering that enhances automotive productivity and environmentally friendly technologies that address manufacturers' CO<sub>2</sub> reduction needs.

Proven track record and recognized achievements



In FY2024, the domestic market saw continued investment in the semiconductor, automotive, and data center sectors, along with steady demand for urban redevelopment projects in metropolitan areas. Although concerns over a global economic slowdown exist, capital investments by manufacturers in overseas markets remained robust.

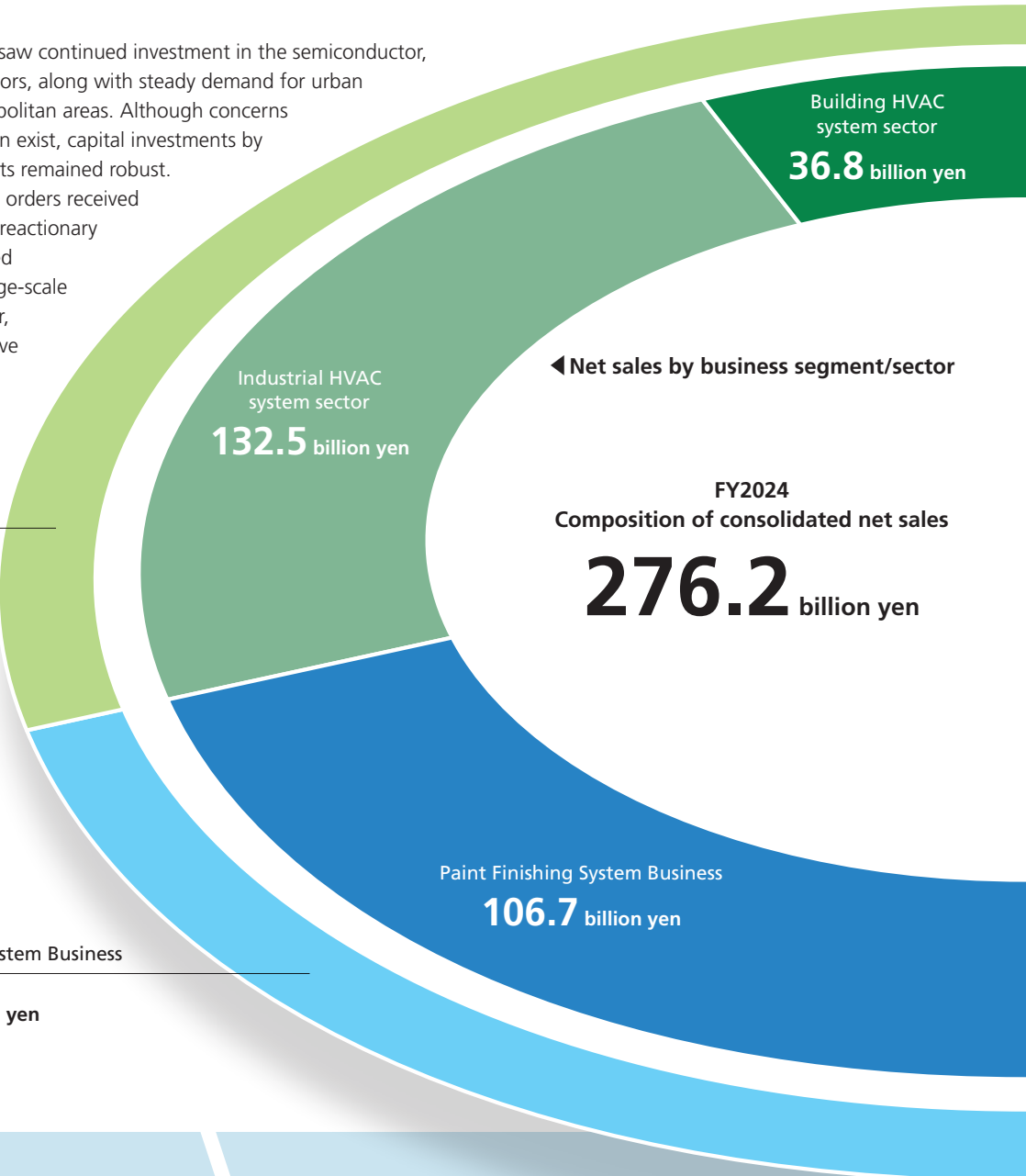
Amid these market conditions, orders received increased. Although there was a reactionary decrease in net sales of completed construction contracts due to large-scale projects in the previous fiscal year, improved project profitability drove record ordinary income.

Green Technology System Business

169.4 billion yen

Paint Finishing System Business

106.7 billion yen

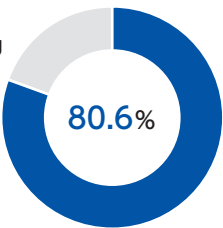


Strength 1 Services for Manufacturers

A leader in system engineering for factories and research facilities for manufacturers and a wide range of other industries

Extensive record of success	Advanced technology/expertise
Excellent customer base	Talented engineers

● Orders received for industrial HVAC system + paint finishing system (FY2024)

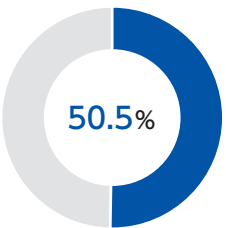


Strength 2 Global Capabilities

A global network deeply rooted in local communities, built through overseas expansion since the 1980s

Global network with close local ties	Global talent
Overseas R&D facilities and laboratories	Proven track record with Japanese and non-Japanese companies

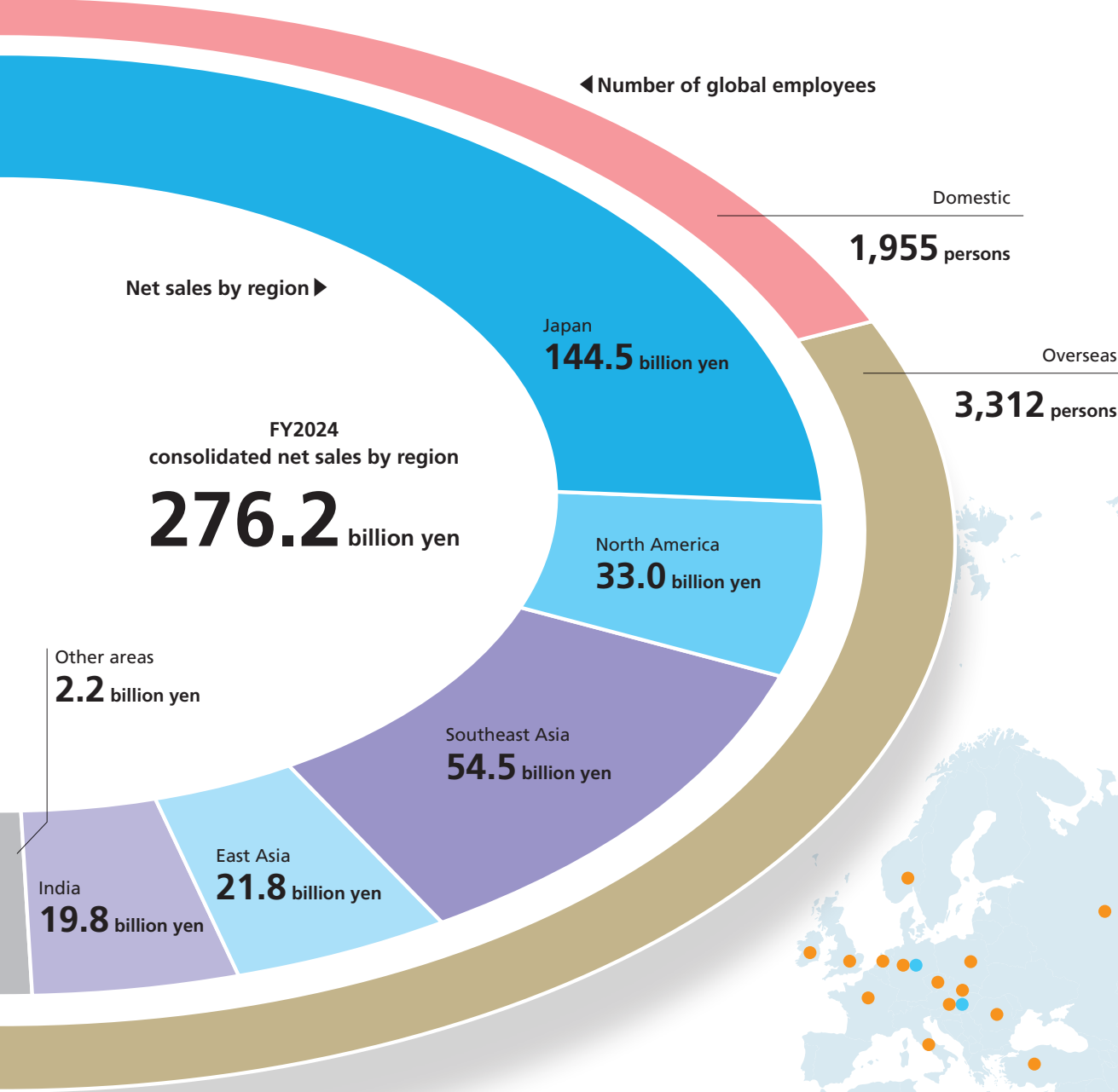
● Percentage of orders received from overseas (FY2024)



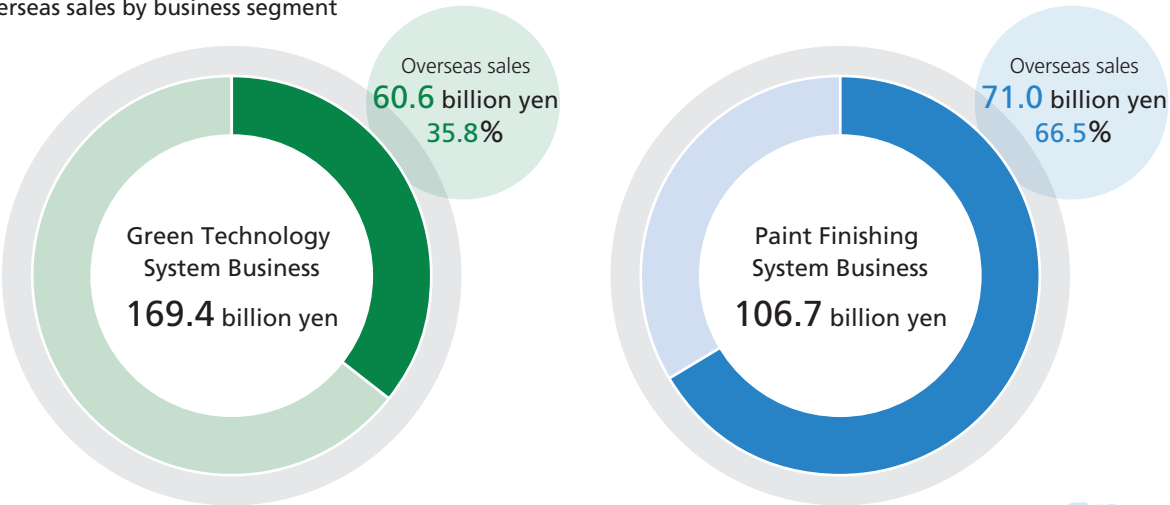


What defines our strengths?

Business Overview 2



Overseas sales by business segment



Group Companies

Japan			Token Interior & Design Co., Ltd.			1986	Thailand
San Esu Industry Co., Ltd.			TKA Co., Ltd.			1991	Thailand
Nippon Noise Control Ltd.			Taikisha Vietnam Engineering Inc.			1998	Vietnam
Tokyo Taikisha Service Ltd.			Taikisha Lao Co., Ltd.			2019	Laos
Vege-Facory Co., Ltd.			Taikisha (Cambodia) Co.,Ltd.			2011	Cambodia
FreDelish Co., Ltd			Taikisha Philippines Inc.			1995	The Philippines
			Taikisha (Singapore) Pte. Ltd.			2004	Singapore
			Taikisha Engineering (M) Sdn. Bhd.			1989	Malaysia
			Makiansia Engineering (M) Sdn. Bhd.			1981	Malaysia
			P.T. Taikisha Indonesia Engineering			1990	Indonesia
			P.T. Taikisha Manufacturing Indonesia			2004	Indonesia
			Taikisha Engineering India Private Ltd.			1995	India
			Nicomac Taikisha Clean Rooms Private Limited			2020	India
Europe			The Americas				
Taikisha Deutschland GmbH	2024	Germany	Taikisha USA, Inc.			1981	The United States
Taikisha Hungary Kft.	2024	Hungary	Encore Automation LLC			2014	The United States
			Taikisha Canada Inc.			1985	Canada
			Taikisha de Mexico, S.A. de C.V.			1990	Mexico
			Taikisha do Brasil Ltda.			1996	Brazil
Asia							
Wuzhou Taikisha Engineering Co., Ltd.	1994	China					
Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd.	2004	China					
Tianjin Taikisha Paint Finishing System Ltd.	2010	China					
Taikisha (Taiwan) Ltd.	1989	Taiwan					
Taikisha Korea Ltd.	1992	Republic of Korea					
Taikisha (Thailand) Co., Ltd.	1971	Thailand					
Taikisha Trading (Thailand) Co., Ltd.	1983	Thailand					
Thaiken Maintenance & Service Co., Ltd.	1990	Thailand					



● Countries where Taikisha has undertaken construction projects

● Countries where Taikisha has offices



## Business Overview 3

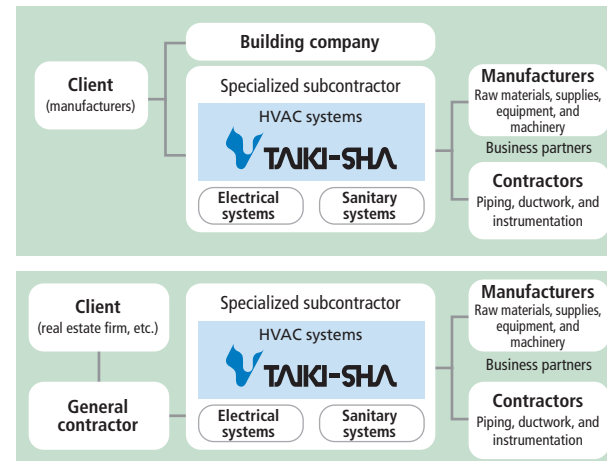
### Green Technology System Business

**We aim to further increase orders by allocating management resources to the prioritized sectors and proactively proposing solutions to customers.**

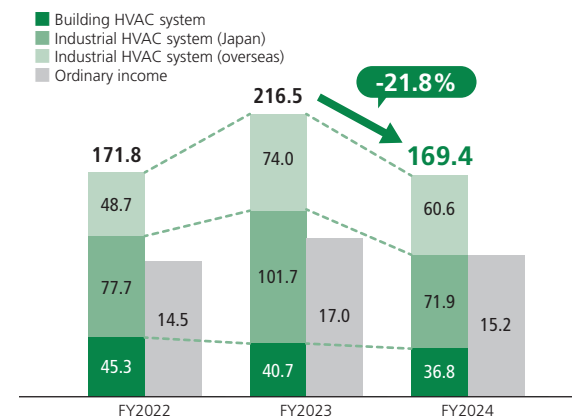
We provide the building HVAC system and industrial HVAC system services in both Japan and overseas to help improve the environmental value of clients. In the industrial HVAC system sector, we undertake the role of optimizing air-conditioning systems for factories and R&D facilities in the electronic parts, pharmaceutical products, biotechnology, and other fields where a very clean environment is essential in the manufacturing process. We also focus on providing environmental protection systems, such as VOC abatement system and antipollution systems. In the building HVAC system sector, we design and construct air-conditioning systems for facilities that provide comfortable spaces for people and environment by conducting new construction and renovation of facilities where many people gather, such as office buildings, schools, hospitals, hotels, museums, and airport terminals.

#### ■ Our position in the industry

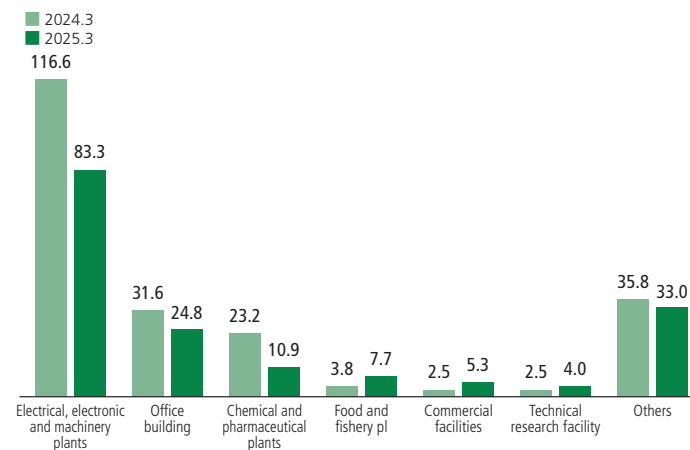
Example: New factory construction for manufacturing industries



#### ■ Sales and Ordinary Income (billion yen)



#### ■ Orders received (billion yen)



#### To further expand business domains



Foundations for growth

Create a path to carbon neutrality through the development of GX engineering technology

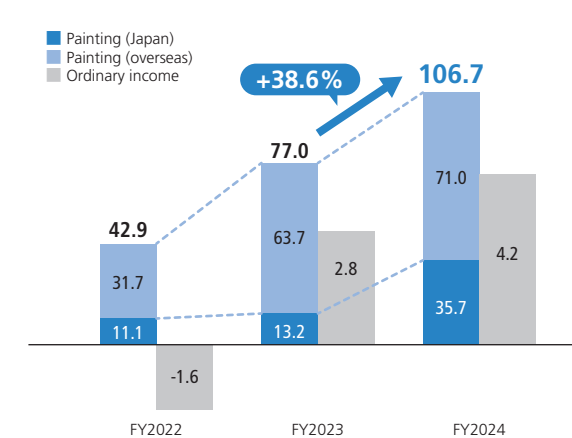
### Paint Finishing System Business

**We aim to further increase orders by allocating management resources to the prioritized sectors and through alliances with overseas affiliates.**

We design and construct automotive paint finishing plants that harmonize high coating quality with energy-saving and advanced environmental technologies based on Taikisha's core technologies cultivated in the HVAC business, such as exhaust treatment and air flow control. We also design and construct paint finishing systems for railway car and aircraft in recent years.

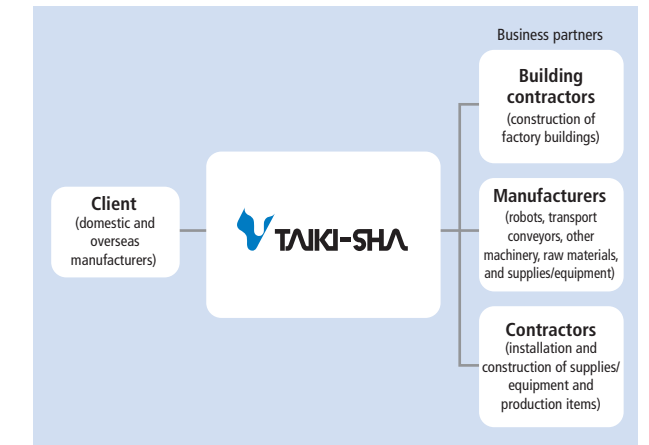
We have received orders for the automobile paint finishing systems of automakers not only in Japan but also globally, including in the US, Europe, South Korea, China, and India, and currently boast the leading market share in the world. Our services range from painting robots, conveyor systems, and paint supply systems, expanding to cover total plant engineering services from design to construction of the whole plant. In recent years, we pursue increasing painting efficiency to 100% and make efforts to minimize the amount of paint used and VOC emissions. In addition, we contribute to the energy management of clients.

#### ■ Sales and Ordinary Income (billion yen)

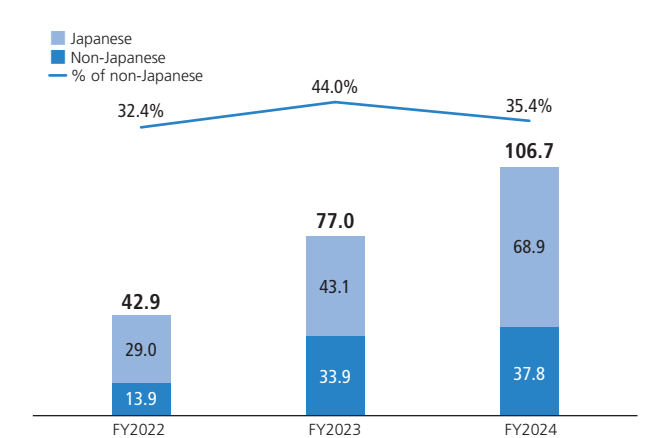


#### ■ Our position in the industry

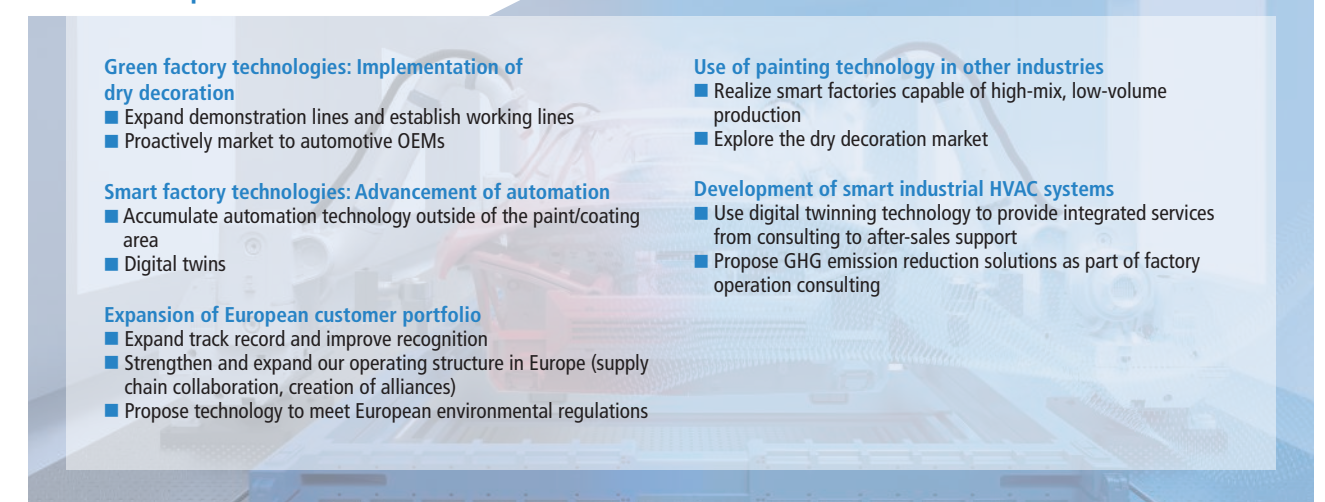
Example: Construction of a new paint finishing plant for an automobile manufacturer



#### ■ Orders received (billion yen)



#### To further expand business domains



Foundations for growth

Maintaining and enhancing our presence in automotive markets  
Creating business opportunities in non-automotive markets (railroads, aircraft, other manufacturing)

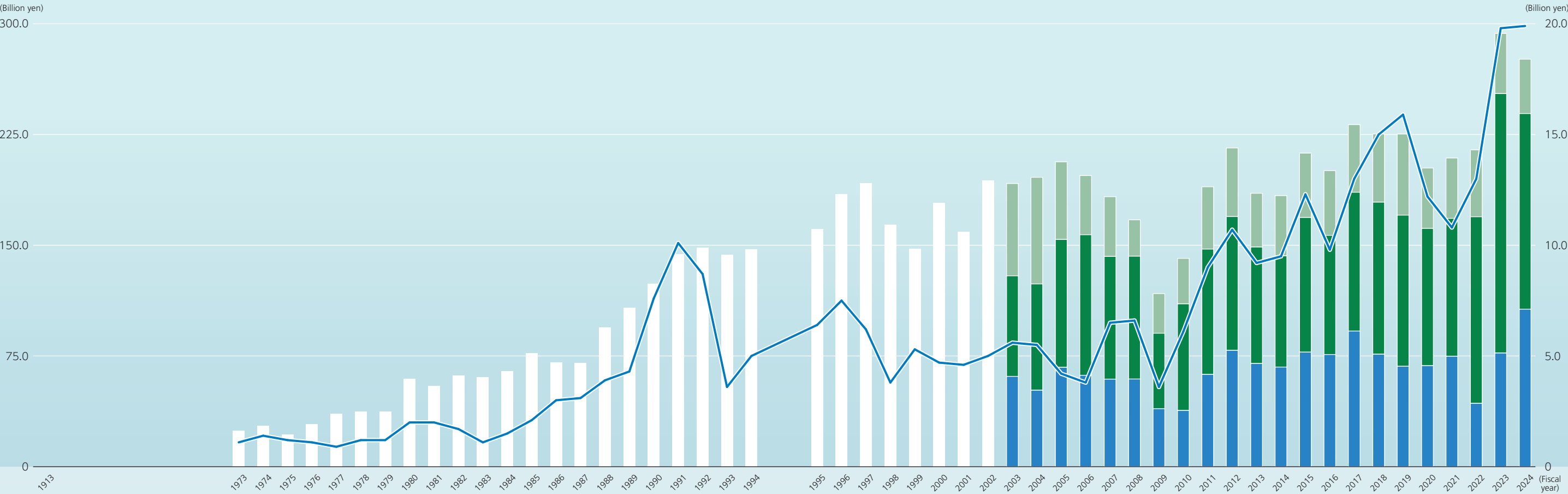


What defines our strengths?

Value Creation History

The Company was founded in 1913 as joint-stock company “Kenzaisha,” an affiliated company of L. Leybold Co. GmbH, a German-based machinery importer. The Company was founded in 1913 as joint-stock company “Kenzaisha,” an affiliated company of L. Leybold Co. GmbH, a German-based machinery importer.

Transition in net sales of completed construction contracts and ordinary income



1913-1948

At the time of its establishment, Kenzaisha’s principal business activities comprised sales and installation services for building materials imported from Germany. The supply of equipment, however, also required construction work, and consequently, the Company invited a heating work engineer from Germany, seeking to introduce the latest heating technologies. Tokio Marine and Fire Insurance Building is Japan’s first modern office building completed in 1918 in Marunouchi, Tokyo. Installing the hot water forced circulation system and wastewater treatment tank for this grand architecture enabled Kenzaisha to establish a solid position in the building equipment industry. Beginning in the 1930s, with the remarkable development of the Japanese spinning mill industry, there was a sharp increase in Kenzaisha’s installation of air-conditioning systems essential to the fine spinning process and the company’s business rapidly expanded.



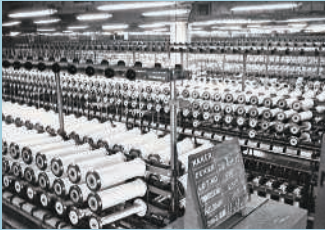
1918 Tokio Marine and Fire Insurance Building

1949-1970

Japan’s manufacturing industries were decimated during World War II. However, in the years after World War II, Japan experienced a flurry of plant constructions for the textile industry and for various other industries such as the camera, film, pharmaceutical and electronics industries. At these plants, HVAC systems that could maintain a high level of air purity were needed to prevent damage to products. In response to such needs, the Company strove to achieve higher technological expertise, delivering precision air-conditioning and cleanroom systems. In 1953, the Company made a full-scale entry into the automobile paint finishing system business, which has since grown into one of the major pillars supporting the Company.



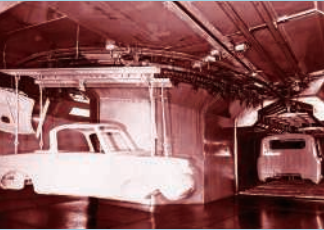
1932 Photo taken in front of the Head Office



1955 Toyo Nylon Plant, South Korea

1971-1989

In 1973, Kenzaisha changed its corporate name to Taikisha, marking a new start for itself. In line with the shift overseas of Japanese corporate clients, Taikisha expanded new affiliates worldwide, starting with an affiliate in Thailand. While accumulating experience in overseas work, Taikisha expanded its customer base to include not only Japanese companies but also local and Western ones. In the 1980s, while dealing with the further expansion of automobile companies into the North American markets, Taikisha received painting plant construction work orders from America’s big three auto manufacturers. Following the 1973 oil crisis, infrastructure investments flourished in the Middle Eastern countries affluent with petrodollars. Taikisha received building systems work orders for plants and hospitals from Iran, Iraq, and the UAE.



1959 Toyo Kogyo Co., Ltd. (now Mazda Motor Corporation) F Plant

1990-2001

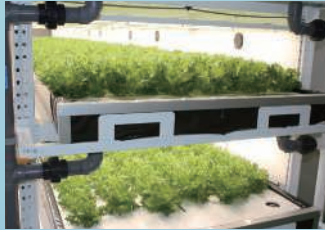
The 1990s was an era characterized by a rapid spread of information technology as consumers began to widely use the Internet and mobile phones. Taikisha, with its leading-edge know-how in cleanroom design and construction, participated in projects to construct manufacturing plants for semiconductors, hard disks and capacitors, a set of devices serving as the backbone of IT hardware. This allowed the Company to gain higher recognition in the electronic components industry. During this period, Taikisha also saw an increase in air-conditioning system projects for buildings that became landmarks such as the Petronas Twin Towers in Malaysia and skyscrapers in Tokyo.



1994 Petronas Twin Towers (Malaysia)

2002-2022

Development of information technology has reduced geographical constraints in terms of information communication and increased the speed of information processing. Driven by the progress of globalization, it has become a norm in many industries to conduct borderless investment and collaboration. The Group has seen an increase in the number of cases where projects are solved comprehensively as groups complement each other in purchasing operations and human resources regularly. As a result, the ratio of overseas net sales of completed construction contracts (consolidated) reached 51.3% in FY2011. It was the first time in the Company’s history that the ratio of overseas net sales of completed construction contracts accounted for more than half of the total.



2018 Established Plant Factory Demonstration and Development Center



2019 Established Technical Center

2023-

Global demand for environmental technologies is rising as the world works toward achieving carbon neutrality by 2050. In response to these changes, Taikisha is establishing R&D satellites and expanding its research and development facilities. In May 2025, the Group formulated its first long-term business plan, the 10-Year Plan 2035. We view globally advancing industrial innovation as a business opportunity and contribute to a sustainable society through *green* and *smart* engineering.



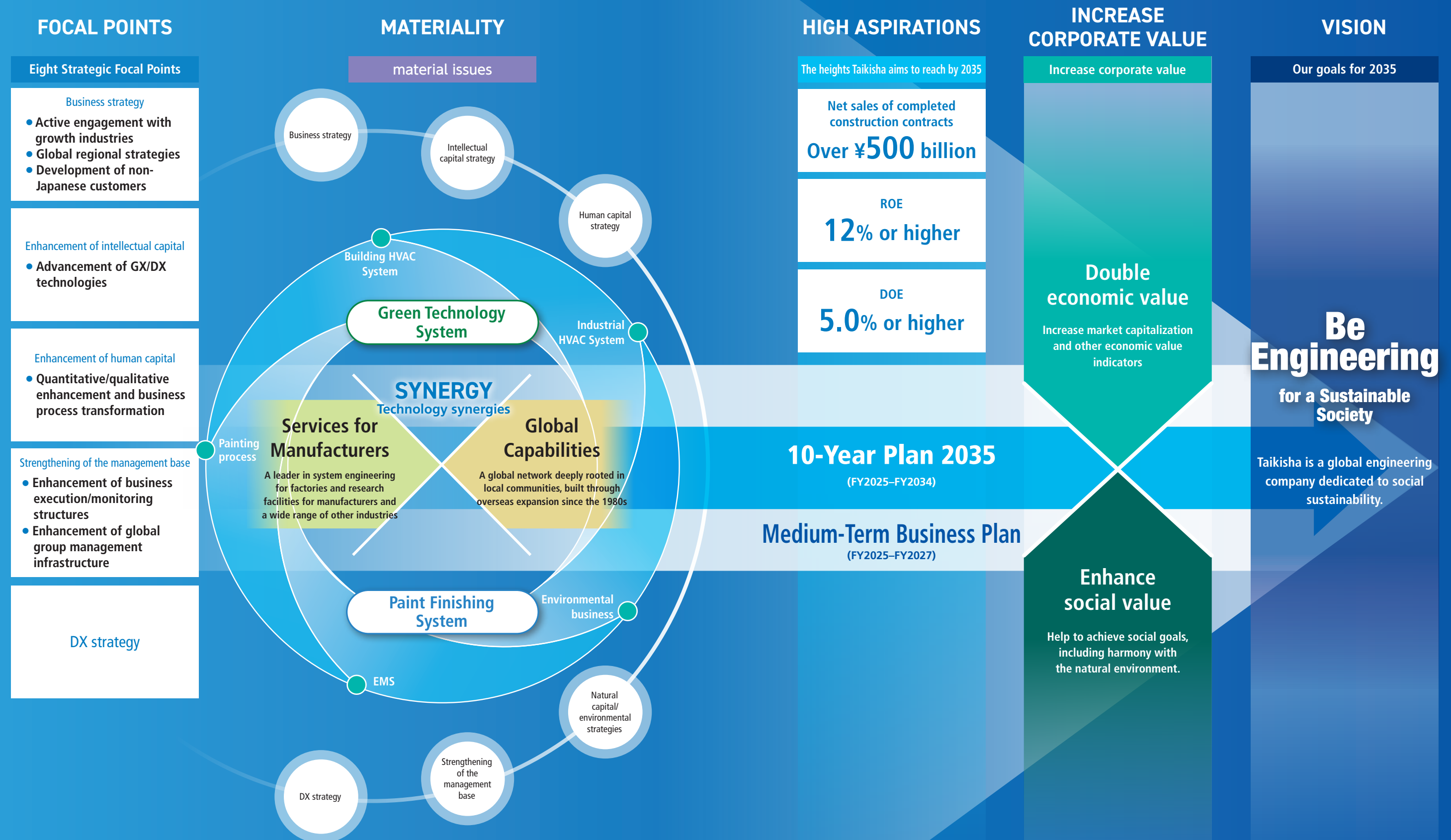
2024 TAIKISHA INNOVATION SITE Aikawa



## Value Creation Process

Taikisha's Mission Statement "Customers First" refers to the spirit of earning the ongoing trust of stakeholders (society in general). This guiding principle has underpinned the ceaseless efforts of Taikisha Group to grasp the change and promptly recognize the environmental and social issues, in order to contribute to the sustainable society through value creation in society, environment and economy. In May 2025, Taikisha formulated the group-wide 10-Year Plan 2035 and the new three-year Medium-Term Business Plan covering the initial phase of the 10-Year Plan. Taikisha has anchored its

business activities on the 10-Year Plan and set a 10-year target, "The heights Taikisha aims to reach," its destination through Eight Strategic Focal Points. Taikisha aims to enhance corporate value by contributing to solving social challenges, achieving our goals, and doubling economic value. Guided by our goals for 2035, "Be Engineering for a Sustainable Society," Taikisha continues its activities to become a global engineering company dedicated to social sustainability.





President's Message

We will drive dramatic growth by enhancing our engineering capabilities and expanding our global presence.



Masashi Osada

President and Representative Director

Reflecting Back on Initiatives and Achievements in FY2024

Two years have passed since I assumed the role of President and Representative Director in April 2023. During this time, the market environment surrounding the facility construction industry has remained strong both in Japan and overseas. Supported by active capital investment from our client industries, the Group has steadily expanded its earnings.

Regarding sales progress in FY2024, we continued to make investments related to semiconductors, automotive manufacturers, and data centers, while demand for redevelopment in urban areas also remained high. Although domestic orders declined due to clients revising the timing of their investments, overseas orders increased as we captured investment from manufacturers in countries such as China, Thailand,

India, and South Korea. As a result, consolidated results exceeded the previous fiscal year, with orders received totaling ¥277.4 billion and net sales of completed construction contracts reaching a similar level. Although there was a reactionary decrease in revenue due to the absence of large-scale projects we delivered in the previous fiscal year, regarding profitability, we achieved a record-high ordinary income of ¥19.9 billion because of improved project profitability.

This was the year we achieved results that exceeded our initial plans through our best efforts, but it would be inaccurate to say that our performance stood out significantly compared to industry peer companies. The construction industry, to which our Group belongs, remains labor intensive, and operating performance is usually determined by the construction capacity. While we recognize that demand has increased, our current capacity to take on projects remains insufficient. Since

capacity expansion cannot be achieved in a short period of time, we are steadily working to enhance the added value of our construction capabilities and expand profitability, while also anticipating the possibility of long-term changes in the supply and demand balance. We recognize this as the reality of our current situation. That said, we understand that such a strategy may not immediately lead to recognition from the stock market, and we feel the pressure to strengthen our construction capabilities.

At the same time, since becoming President, I have made it a priority to visit our sites in Japan and overseas each year to speak directly with employees and engage in discussions. During my first year, both the employees and I were somewhat reserved with one another, but after continuing these visits last year and again this year, a sense of psychological safety has begun to take root, allowing employees to

express their opinions more freely, and two-way communication has become energized. This year, as I have been explaining our newly developed 10-Year Plan 2035, discussions have emerged such as “Let’s take on more challenges” and “What do we need to do to take on those challenges?” and overall, I have been hearing positive opinions. Based on these responses, I believe the spirit of self-reliance has grown at each site rather than being driven by top-down direction.

Over the past five years, our management team has held open discussions twice a year, involving all officers, including Outside Directors. Through these ongoing discussions, a shared understanding emerged from questions such as “What is Taikisha’s competitive advantage?” and “What are our goals?” which led to the development of the 10-Year Plan 2035. In these discussions, the consistent keywords that kept coming up were “Engineering” and “Global.” Overall, we had many in-depth



conversations, especially about how we can further strengthen our commitment to engineering.

As part of our efforts to show our research and development capabilities, we opened a new Research and Development Center for the Green Technology System Business, TAIKISHA INNOVATION SITE Aikawa (TISA), in Aikawa-cho, Aiko-gun, Kanagawa Prefecture, in July 2024. We were able to advance open innovation with customers, universities, academic and research institutions, and startups, and I believe this has been a significant achievement. At TISA, the mindset of employees involved in development has changed, and they now deliver powerful presentations with confidence. Similarly, at our overseas sites, we opened a new R&D facility for the Paint Finishing System Business in India five years ago, and have since established a structure that enables the verification of new painting processes as well as IoT and automation solutions.

By utilizing these facilities, we have made significant progress in initiatives such as having overseas customers evaluate the capabilities of our Group, and promoting not only the technologies of the Paint Finishing System Business but also those of the Green Technology System Business to automotive manufacturers, which has helped deepen their understanding of our Group’s overall technical capabilities. As a result, we have gained greater confidence in our engineering, leading to an increase in orders in the short term.

**Announcement of the 10-Year Plan 2035 and Its Recognition from the Stock Market**

As I explained earlier regarding the market recognition of our Group’s medium- to long-term strategy, our stock price did not rise as expected following the announcement of the 10-Year Plan 2035 and the new Medium-Term Business Plan on May 15. To be honest, I was uncertain whether this was due to a lack of full understanding of the direction our Group is aiming for, the specific contents of the plan, or dissatisfaction with the numerical targets we presented.

However, the contents of the 10-Year Plan 2035 were developed after five years of open discussions, as mentioned earlier, after establishing a clear direction without deviation. With the belief that we boldly communicated which competitive advantages to prioritize and where to place value, we have continued to explain the plan in a way that stakeholders, such as institutional investors and financial institutions, can easily understand through IR activities and media interviews. Recently, we have felt a growing understanding among these stakeholders, and as a result, our stock price has steadily risen, with the P/B ratio reaching around 1.3 as of the end of September.

That said, we do recognize that we still have more work to do to gain recognition, as the stock prices of industry peer companies have also remained strong on the back of solid performance.

Looking ahead, during the three years of the new Medium-Term Business Plan, we expect the market to remain strong and capital investment from client industries to continue. Given this outlook, we



anticipate securing large-scale projects in the Green Technology System Business and the Paint Finishing System Business, and we expect to achieve steady growth in performance, particularly in net sales of completed construction contracts and ordinary income. Still, business performance in the facility construction industry is relatively easy to forecast over a medium-term span. Therefore, we must carefully assess whether achieving these numerical targets truly reflects progress toward our goals as a company.

In that sense, we believe that the commitment to our goals should be maintained, and that a sense of fulfilment in realizing them should come through the achievement of long-term targets. Developed from this perspective, the 10-Year Plan 2035 clearly outlines our Goals for 2035, which the Group aims to achieve, and the process to realize them, serving as a long-term vision communicated to all stakeholders. To align our future corporate value with how we should be viewed by the capital markets, we will continue to carefully communicate the changes our Group will undertake.

**Our Evolution into a Global Engineering Company**

As a premise for realizing our goals ten years from now, a broad view of the unique strengths the Group has built points to two core areas of business development, which are “Services for Manufacturers” and “Global Capabilities.” After the war, as the Japanese economy grew, we enhanced our technical skills, such as providing system engineering for factories and research facilities across a wide range of industries, particularly in manufacturing. From the 1980s, we began leveraging these engineering capabilities to support clients expanding overseas and established a global network grounded with deep local roots. These two achievements represent our unique strengths that set us apart from other

companies in the industry and I believe the competitive advantage we built by empowering our employees around the motto of “open-mindedness, a challenging spirit, and a commitment to quick responses” continues to drive our business growth to this day.

At the same time, our Group operates two distinct businesses: the Paint Finishing System Business has deepened demand through its support for the automotive industry and captured growth opportunities overseas. The Green Technology System Business, with its broad base in industrial HVAC, contributes to sustainability and addresses a wide range of social needs.

We believe that engaging in both of these businesses represents a highly distinctive strength of our Group and opens up significant possibilities for future growth.

We will leverage and develop these strengths and uniqueness as we evolve in seeking further growth. In the 10-Year Plan 2035, we have defined our goal to “Be Engineering for a Sustainable Society,” in other words, a global engineering company dedicated to social sustainability. Going forward, our Group will view global industrial innovation as a business opportunity, achieve growth through green and smart engineering that contributes to a sustainable society, and enhance corporate value. To achieve this, we have established two strategic pillars: “Innovative Engineering” and “Global Inclusion.”

For the “Innovative Engineering” policy, we will propose advanced solutions that respond to the accelerating shift toward carbon neutrality and smart technologies in factories by optimizing both green transformation (GX) and digital transformation (DX) initiatives. Another theme is the pursuit of “Design, Build & Care” to enhance the added value of engineering. One of our Group’s strengths is its ability to handle both design and construction. Particularly in the Japanese market, we also leverage the advantage of having customer service bases across the country. By providing services that span new technology development, design proposal, construction, and after-sales support, we aim to shift toward a business model that delivers new value as a one-stop solution. In order for our customers to recognize the value of our Group’s innovative engineering capabilities, we believe it is essential to make full use of R&D facilities such as the previously mentioned “TISA” and the facility in India, while also investing in human resources.

For the “Global Inclusion” policy, we will further strengthen the global network of 28 affiliates in 19 countries that our Group has built to date and expand our business rooted in local markets. To advance our engineering capabilities, pursue technological innovation, and demonstrate global competitiveness, we will leverage our five global R&D centers to drive technology development. The reasons why we want to expand our global development include factors such as the long-term downward trend in the domestic market and the goal of balancing our regional portfolio for sustainable growth. However, we believe we have a responsibility to meet demand in the regions where we have established operations and to contribute to solving environmental and social challenges by providing the engineering solutions needed in areas where

industry will become more advanced. We will continue this initiative as we aim to become a company that brings prosperity to industry, society, and people around the world.

**Approach and Determination on Setting Numerical Targets**

In the 10-Year Plan 2035, we set the numerical targets for consolidated results in the final year (FY2034) of over ¥500 billion in net sales of completed construction contracts, ROE of 12% or higher, and DOE of 5.0% or higher.

We plan to nearly double our net sales of completed construction contracts over the next ten years, from the current ¥276.2 billion in FY2024. This scale of growth represents a significant stretch target, set not on the basis of a reasonable accumulation of performance forecasts, but on the recognition that a performance level that is simply an extension of past results would not generate sufficient impact or achieve recognition in terms of market presence and social value creation. By contrast, the total number of employees in the Group is expected to increase from the current 5,267 to 7,200, which is limited to a 36.7% increase. This reflects our intention to move away from a labor-intensive approach of doubling the workforce to double net sales of completed construction contracts. Instead, we aim to achieve expansion of our Group by shifting toward a more capital-intensive structure.

For ROE, we plan to increase it by 4.4 percentage points or higher over ten years from the current 7.6%. This target represents a level that cannot be achieved without improving profitability by methods different from those used in the past. Our challenge is to improve profit margins in the overseas business, which are currently lower than those in the domestic business, while strategically expanding our overseas operations. In Japan, we have improved profitability by enhancing added value through attentive customer service, and we plan to apply the same approach overseas.

For DOE, we plan to gradually increase it from the current 3.2%, moving through the 4.0% level set in the policy on shareholder returns of the new Medium-Term Business Plan (FY2025–FY2027), with a target of reaching 5.0% or higher in the tenth year. Under the new Medium-Term Business Plan, we also plan to purchase treasury shares worth ¥5.0 billion annually to enhance shareholder returns. Although we have not announced any plans regarding the purchase of treasury shares beyond FY2028, we aim to continue expanding shareholder returns.

**To Achieve Over ¥500 Billion in Net Sales of Completed Construction Contracts**

Regarding the achievement of ¥500 billion in net sales of completed construction contracts, our growth outlook envisions expanding core businesses from the current ¥231.7 billion (FY2024) to ¥270 billion, growth businesses from ¥44.5 billion to ¥180 billion, and securing ¥50 billion from new businesses that will be developed going forward. Specifically, while



maintaining stable growth in core businesses, we aim to achieve rapid and discontinuous growth in non-core growth businesses and new businesses. Ten years from now, we plan to increase the ratio of non-core businesses in net sales of completed construction contracts to 46%.

Core businesses refer to the areas consisting of industrial HVAC for Japanese customers, along with building HVAC and painting processes, where existing businesses are developed for existing customers. In our growth outlook, we anticipate a relatively modest growth rate of 16.5% over the next ten years. Based on the assumption that capital investment in Japan will continue and automobile shipment volumes will remain stable, we believe the core businesses will maintain a solid foundation.

In contrast, growth businesses refer to the areas where we expand our customer base outside Japan for industrial HVAC and create new value through technological synergies between the two businesses and the automation of the painting business. By leveraging the technologies and expertise from our existing businesses, we aim to deliver value to new customers. We already have tangible results, including participation in the plant construction project in Japan for Taiwan Semiconductor Manufacturing Company, Ltd. (TSMC). Going forward, we will strengthen the Group’s overall mindset of taking on new challenges and aim for further expansion as we continue to build on these achievements.

Lastly, for new businesses, we are taking on the challenge of developing a “third pillar” following the Green Technology System Business and Paint Finishing System Business, by developing new businesses that leverage the dry decoration technology of the Paint Finishing System Business, and achieving growth in related businesses such as facility management and environmental business. Looking ahead to medium- to long-term commercialization, we will strengthen the Business Development Headquarters by establishing an integrated structure that supports the entire process from research and development to sales and business development. As a first step, in the current fiscal year, we established a new structure by transferring part of the R&D function to the Business Development Headquarters.

Growth through Expanding to Non-Japanese Companies and Priority Markets

To double the net sales of completed construction contracts, we recognize that the keys to success will be showcasing our technical capabilities in developing business with non-Japanese companies and leveraging our global network, as well as demonstrating the technology synergies in the Green Technology System Business and the Paint Finishing System Business when expanding into priority markets.

The non-Japanese customers our group aims to win are not local overseas companies, but global companies operating around the world, such as TSMC and European automobile manufacturers. In the US and Singapore, we have been involved in projects for non-Japanese global companies since the 1990s. As these customers expand their production structures across borders, we can leverage the global network we have built by supporting the overseas expansion of our Japanese customers to

provide similar value. We can also connect our R&D facilities around the world, allowing them to evaluate our technological capabilities. Effectively leveraging both our R&D facilities and global network is becoming increasingly important, as it can lead us to strengthen customer relationships, expand the value we deliver, and drive net sales growth.

A specific example of cross-business technology synergies in our expansion into priority markets can be seen in the ongoing initiatives within the automotive battery business. We are applying the Paint Finishing System Business technology, such as conveyance technology using robots, e-coating technology for in-vehicle cases, and airtight and waterproof sealing technology to the production line. Additionally, in battery plants where precise temperature and humidity control are required, we are utilizing the production environment technology of the Green Technology System Business, which has been involved in dry rooms and clean rooms. By combining the engineering capabilities of both businesses, we aim to generate technology synergies across a wide range of industries, especially within priority markets, and drive the expansion of our growth businesses.

Strategic Investment in DX Initiatives and Human Capital

Looking ahead to expanded cash flow expansion over the next ten years, we are planning to make prioritized and strategic investments in both DX initiatives and human capital.

We believe DX initiatives represent a major innovation opportunity for the construction industry. It also gives us an opportunity to shift from a traditional labor-intensive business to a capital-intensive business. Our initial focus will be on improving operational efficiency and productivity through digital technology by advancing the systemization of design and build operations and automation utilizing BIM. We will provide the same detailed support overseas that we offer in Japan. We also view organizing infrastructure and consolidating platforms to enhance added value and improve profitability in the overseas business as part of our efforts to boost productivity through DX. While our ideal is to transform the way we work with DX, such as AI linkage in design and build operations and the use of AI and robotics in engineering, we recognize that these technologies are still developing. Even so, we are committed to actively embracing rapid changes and using new technologies to transform the way we work.

Another key area of investment is human capital. While expanding our engineering workforce to meet growing demand is a top priority, we are currently focusing on the urgent issue of developing executive and management personnel. Currently, we are advancing a succession plan targeting a pool of next-generation management candidates by actively developing future leaders through training programs at domestic and overseas subsidiaries, education through external business schools, and 360-degree evaluations and interviews. As we anticipate greater involvement from local staff overseas in group management, we have introduced the Group Corporate Officer System and started putting it into



practice this fiscal year. Going forward, we will continue to identify and develop executive and management personnel across the group on a consolidated basis.

At the same time, from the perspective of strengthening our engineering capabilities, we see significant potential for growth among our overseas talent. Until now, our organization has expanded globally with Japan as the core, which has resulted in limited horizontal collaboration between overseas affiliates. To change this, we have been encouraging more communication among overseas personnel through initiatives such as the global training program where Japanese employees and members from various overseas affiliates become teams to work on solving issues. Looking ahead, we plan to create a global human capital database to support employees from various countries to succeed and facilitate the global divisions of labor needed to handle increasingly large projects.

Commitment to All Our Stakeholders

We have announced our 10-Year Plan 2035 both internally and externally and actively communicated our strong commitment to take on the

challenge of structurally transforming our existing business model from a long-term perspective while maintaining Taikisha’s strengths. However, we feel that we have not yet gained full confidence from our stakeholders regarding the plan’s feasibility, so we need to continue explaining it carefully.

Until now, as a B2B company, having long been supported by our existing customers, we have, in part, believed that steadily operating our business was sufficient in itself. However, in today’s world, companies must proactively demonstrate their presence and communicate their messages to society. Otherwise, it is difficult to gain understanding or recognition for their business activities.

Top management has the responsibility to increase the company’s value from a medium- to long-term perspective and achieve sustainable growth without being influenced by short-term market fluctuations. In this regard, we must continue to clearly communicate our long-term outlook to all stakeholders who support our Group. Since we have presented the core policies that need to be communicated, we will now focus on developing ways to convey them more clearly.

We would sincerely appreciate your continued support of our Group.





Round Table Discussion with Outside Directors

# Aiming to Build a Sustainable Society Ten Years from Now

Counterclockwise from top right:  
Masashi Osada, Hirokazu Hikosaka,  
Nobuyuki Soda, Suga Soejima,  
Hiramasa Nakata, Tatsuo Yamauchi

Round table discussion held: August 8, 2025

Masashi Osada

President and Representative Director

Joined the Company in 1983. Previously worked as Senior General Manager, Global Business Management Dept., Paint Finishing System Division; Managing Corporate Officer, Chief Executive, Corporate Planning Headquarters; Director, Executive Corporate Officer, Chief General Manager, Green Technology System Division. In his current position since April 2023. Served concurrently as Chief Executive of the Business Development Headquarters since April 2024.

Hirokazu Hikosaka

Outside Director

Mr. Hikosaka had worked as an Audit & Supervisory Board Member since 2015 and was appointed as an Outside Director in 2017. He has abundant experience and a high level of insight regarding internal control and governance, etc., through his long tenure as an attorney. He chairs the Governance Committee.

Nobuyuki Soda

Outside Director

Mr. Soda had worked as an Audit & Supervisory Board Member since 2020 and was appointed as an Outside Director in 2024. He has served as a manager of a leading life insurance company and other organizations for many years, and has abundant knowledge and experience regarding human capital, group governance, and finance and accounting, etc. He chairs the Nomination Advisory Committee.

Suga Soejima

Outside Director

Ms. Soejima was appointed as an Outside Director in 2024. She has abundant experience of auditing the operations of multinational corporations during her tenure at major auditing firms, as well as specialized knowledge regarding finance and accounting, internal control, and governance, etc. She chairs the Sustainability Committee.

Hiramasa Nakata

Outside Director

Mr. Nakata was appointed as an Outside Director in 2025. He has served as an executive at a major business company and has expertise in the IT field along with broad insight. Leveraging this extensive knowledge and experience, he serves as the Chairperson of the Digital Innovation Committee.

(Facilitator)  
Tatsuo Yamauchi

Partner CPA at Deloitte Tohmatsu Risk Advisory LLC

After joining Deloitte Touche Tohmatsu LLC, he was engaged in auditing and IPO support, and in 2012, he was seconded to the Ministry of Economy, Trade and Industry. Currently, he is engaged in consulting services regarding the area of GRC (governance, risk, and compliance).

With the announcement of the 10-Year Plan 2035, Taikisha launched a new three-year Medium-Term Business Plan, under which it will transform itself for further growth and seize globally advancing industrial innovation as a business opportunity. Here, a roundtable discussion with four Outside Directors and President Osada was held to reflect on the discussions surrounding the formulation of the 10-Year Plan this year and to discuss challenges and initiatives toward the realization of the Long-term Vision.

Discussions leading to the announcement of the 10-Year Plan

**Yamauchi:** Until now, Taikisha has implemented Medium-Term Business Plans on a three-year cycle. This time, together with the 10-Year Plan 2035 (the "10-Year Plan"), the Company has formulated and announced a new three-year Medium-Term Business Plan as the first phase of this long-term initiative. During the roundtable last year, it was noted that

discussions were being conducted using a backcasting approach—a method of working backward from the long-term vision to drive new growth. Looking back on the discussions leading to the formulation of this 10-Year Plan and the Medium-Term Business Plan, could you share the points you emphasized and evaluated as Outside Directors?

**Hikosaka:** I became an Outside Audit & Supervisory Board Member for the Company in 2015 and have served as an Outside Director since 2017. At that time, the Medium-Term Business Plan was presented to the Board of Directors with its content largely finalized by the executive side, and discussions proceeded from there. In the construction industry, future outlooks can be established to some extent based on factors like the status of backlog of work scheduled for completion and clients' investment plans, so discussions on the Medium-Term Business Plan were conducted using a bottom-up approach assuming these factors.

However, although the construction market is currently strong and there is a rush of new building starts, because the economy inevitably has cycles and social change is rapid and the outlook is uncertain, we deemed such a bottom-up approach to planning insufficient and arrived at the

recognition that, precisely amid the present positive conditions, it is necessary to formulate a plan for sustainable growth while keeping an eye on a potential winter period as well. This was the key emphasis, looking ahead to 2035 and what must be done over the next three years. We focused our deliberations on this point.

The year 2035 represents a step forward beyond a simple extension of the past, and the plan was formulated by backcasting from there to the present. The basis for such discussions was built up through the open discussions among officers over the past few years. We have been laying the groundwork steadily over several years, and this backcasting mindset did not emerge overnight.

In that process, communication within the company including corporate officers, as well as communication among officers, became more active, and a sense of excitement for the future and a willingness to take on challenges was fostered as a result. I highly evaluate the formulation of the 10-Year Plan and Medium-Term Business Plan as the culmination of robust communication.

**Soda:** Looking back on the discussions accumulated over the past several years centered on open discussions among officers, what I feel as a tangible outcome is that Taikisha's sources of competitiveness cultivated over many years and the recognition of the social mission and purpose toward the future founded on that have been gradually shared and synchronized company-wide and within management. This has been clearly articulated with deep conviction as our goals for 2035, "Be Engineering for a Sustainable Society," and I feel this has great significance.

Envisioning a future society, setting target metrics aligned with our goals, and backcasting to create a plan is challenging due to the characteristics of the industry. In reality, creating a growth strategy roadmap revealed significant gaps between backcasting from the future vision and forecasting from the present, where reconciliation was difficult.





However, rather than retreating, we embraced these gaps as opportunities for growth, and through deep, constructive discussions involving everyone, we forged a robust 10-Year Plan challenging us to transform and create diverse value.

**Soejima:** At Taikisha, our two main pillars are the Green Technology System Business and the Paint Finishing System Business. However, because in both businesses most projects are large-scale and long in duration, even with a three-year Medium-Term Business Plan, there are generally areas that are somewhat predictable for about two years ahead, which differs from other industries. Therefore, the Board discussions and the open discussions among officers about where we should head have often had a long-term perspective, and rather than formulating plans simply because we were announcing this 10-Year Plan, my impression is that, based on the discussions up until now, we clarified the direction to take by analyzing the gaps between targets and the current state and aligning perspectives.

I think we were able to show external stakeholders the direction Taikisha intends to pursue, and for internal employees as well, by making clear the company’s vision ten years from now, it has likely become easier for them to envision their own future.

Expectations for the keyword “Be Engineering”

**Yamauchi:** President Osada, could you comment on what left an impression among the statements made by the Outside Directors when looking back on the long-term discussions of recent years, and what you felt through those discussions?

**Osada:** As Ms. Soejima just mentioned, owing also to the nature of our business, in the past when making plans two or three years out, we had not been familiar with backcasting or thinking with a ten-year horizon. In

that sense, I believe we underwent a significant shift in mindset through the formulation of the 10-Year Plan.

What left the strongest impression on the executive side was the encouragement from the Outside Directors that we should proceed as if in a third founding stage, in other words, with an approach not on a mere extension of the past. Also, personally, since becoming President, I have spoken in various situations about the keywords “engineering” and “global,” and being able to proceed with discussions while having those pillars reinforced by the opinions of the Outside Directors was encouraging for the executive side.

**Yamauchi:** Mr. Nakata, as a newly appointed Outside Director this year, what are your impressions of the 10-Year Plan?

**Nakata:** My initial impression was that Taikisha had a strong commitment to becoming a global engineering company contributing to a sustainable society, with high expectations for the keyword “Be Engineering.” To achieve this, while ambitiously setting numerical targets such as net sales of completed construction contracts and ROE, I sensed the management team’s powerful spirit of challenge in the clear indication of directions such as a full-scale expansion toward non-Japanese clients with the keywords of “global” and “engineering” as two driving forces of its strengths, and implementing highly challenging initiatives through the creation of synergies between businesses. I imagine the formulation of this highly polished 10-Year Plan involved extremely intensive discussions, including the planning stage within the company and on the executive side, as well as deliberations within the Board of Directors, and I also found the unity within management that enabled such discussions to be truly impressive.

Our goals for 2035 and the two strategic policies

**Yamauchi:** The 10-Year Plan sets forth “Be Engineering for a Sustainable Society” as our goals for 2035. How do you view the significance of explicitly stating the purpose as “for a Sustainable Society”?

**Soejima:** Last year, I went to inspect our subsidiaries in Thailand. Established in 1971, it is one of the Group’s most historic local subsidiaries, where I strongly felt the vibrancy of the local staff. Although many competitors have expanded overseas, what Taikisha can take particular pride in is not merely building structures or factories abroad but establishing local subsidiaries, creating employment, nurturing human resources, and transferring technology in the countries we entered. The Company’s longstanding contribution to the economic and industrial development of these countries is a true social contribution, embodying “for a Sustainable Society.”

Under the 10-Year Plan, Taikisha will further develop as a global company, expand businesses rooted in markets worldwide, and integrate them through a global network. I look forward to corporate activities on a global scale that solve environmental and social issues and contribute to sustainability.

**Soda:** I felt the same as Ms. Soejima when I visited subsidiaries in Thailand. I experienced firsthand that Taikisha’s global business still has as its DNA the fundamental idea of taking firm root in a country, contributing to the revitalization of its industry and economy and to the development of communities, and walking together with the country and region. I believe the phrase “for a Sustainable Society” embodies the philosophy of Taikisha’s business activities.

**Yamauchi:** To achieve our goals, we have set two strategic policies: “Innovative Engineering” and “Global Inclusion.” What are your views on the directions indicated by these two strategic policies?

**Nakata:** I am impressed by the ambitious stance of “Innovative Engineering,” which aims to contribute to the development of smart, carbon-neutral industries by combining elemental technologies from various industrial fields to build systems and mechanisms that realize functions.

I understand this as a strategy that focuses on making engineering itself innovative by strengthening the digital domain. While utilizing Taikisha’s global development bases and proactively advancing open innovation, the Group will drive technological innovation under the keyword “Innovative Engineering” so as to embed these initiatives into the corporate culture. That is my understanding.

**Hikosaka:** As for “Global Inclusion,” as mentioned in the earlier discussion about the Thai subsidiary, Taikisha has a long history of early overseas expansion and global operations. We have accumulated technology and know-how in various regions and worked alongside excellent local staff while integrating into local societies and cultures. In future global expansion, building rich communication and sharing technology and know-how across diverse local communities and cultures will be increasingly necessary and a condition for accelerating growth.

Having the two pillars of the Paint Finishing System Business and the Green Technology System Business, along with a global network and R&D structure, is a major strength of Taikisha and leads to advantages through integrated business development of both businesses and the human capital strength of local staff. This time, we have reaffirmed the slogan of “open-mindedness, a challenging spirit, and a commitment to quick responses,” which has historically fostered a bold spirit of taking on challenges within the company, and I want to emphasize on creating new global value through an open mindset.

**Osada:** While the establishment of the Thai subsidiary was more than 50 years ago, our expansion into surrounding Southeast Asian countries during the 1980s and 1990s was a period when these nations were undergoing industrial advancement. We applied the design and construction technologies we had developed and refined since Japan’s era of high economic growth locally, and fostered a sense of unity with local staff and business partners.

I was involved in establishing the Singapore branch in 1985, and at that time, Singapore’s industrial advancement was rapid, and design and



construction technologies were evolving at an accelerated pace. Meanwhile, the United States showed great interest in Japanese methods, and this provided us opportunities to introduce our engineering capabilities while learning advanced construction techniques from America. This open mindset has enabled Taikisha’s survival in local markets and contributions to local communities during global expansion. We aim to leverage this strength to realize the global and local commitment aimed for by “Global Inclusion.”

Targets of the 10-Year Plan from three perspectives

**Yamauchi:** The 10-Year Plan sets targets for consolidated results in the final year (FY2034) of over ¥500 billion in net sales of completed construction contracts, ROE of 12% or higher, and DOE of 5.0% or higher. How are the stock market and employees perceiving these targets that have been set? Could you also tell us the points you emphasized in executing the plan?

**Soda:** In formulating the 10-Year Plan, there are three perspectives that I have consistently valued as an Outside Director. The first is the company-wide perspective that transcends divisional and business-domain boundaries; the second is the external, market-oriented perspective of shareholders, business partners, and society, and the third is the employee perspective as the drivers of plan execution. Setting a clear ten-year time scale and committing to ambitious, truly non-linear “step-change” targets has great significance from all three perspectives and has had a strong impact both internally and externally.

Looking ahead to the execution phase, there are three key points related to all of these three perspectives. The first point is carefully cultivating understanding and shared commitment among all employees responsible for execution, while consistently driving initiatives at various



places and levels to transform each employee's work. The second point is pursuing overall optimization in the specifics of individual strategies and investments, after putting in place company-wide mechanisms to visualize plan progress and implement the PDCA cycle. The third point is providing timely and appropriate progress reviews to external stakeholders, communicating business and IP topics and strategic narratives, and actively and continuously engaging in communication and dialogue about Taikisha's purpose and competence from a branding perspective.

I sincerely hope that through the steady execution of transformation, comprehensive company-wide control, and proactive external communication, Taikisha will meet the expectations and uphold the trust of all stakeholders while significantly enhancing its economic and social value.

**Osada:** Every year, I visit sites in Japan and overseas to engage in dialogue with employees. This fiscal year, I focused on explaining the 10-Year Plan 2035 to promote Group-wide understanding and engagement while listening to the various perspectives shared by employees. My impression is that the 10-Year Plan and the targets set have been generally received positively.

I have often heard opinions from employees that they highly value our being a global company deeply committed to social sustainability and the survival of humanity and the environment. Employees also valued that management transparency regarding the embodiment of the vision, execution of the mission, and achievement of targets is being shown, which has enabled employees to understand the priorities of their work and focus on improving managerial, technical, and human resource capabilities.

Recognition of challenges regarding growth investments in the first three years

**Yamauchi:** To realize non-linear growth not on a mere extension of the past, the 10-Year Plan sets out Eight Strategic Focal Points. Within these points, business strategy themes include active expansion into growth industries, global regional strategies, and expanding our customer base beyond Japanese companies, and the three years of the Medium-Term Business Plan outline the execution of investments that will lay the groundwork for dramatic growth. What challenges do you see regarding these growth investments?

**Soda:** In this Medium-Term Business Plan, a portfolio of ¥38 billion in growth investments over three years based on cash allocation is presented, listing a wide range of investment options from business investment to capital allocation such as M&As and strategic and capital partnership, as well as digital investment and human capital investment. This can be seen as an outcome of the backcasting approach used to formulate this plan, starting from our desired future vision, and it also reflects management's strong commitment to securing the resources necessary for achieving dramatic growth through all available means.



We have created a robust 10-Year Plan through repeated in-depth and constructive discussions—one that challenges us to transform ourselves and create value.

Growth investment requires agile, company-wide governance that balances offense and defense, grounded in effective self-governance within each department. This includes verifying investment returns, managing risks and damage control for each deal such as M&As and optimizing overall investment allocation. At Taikisha, following the establishment of the Governance Committee and Business Development Headquarters, we introduced the Growth Strategy Council this fiscal year, and internal management incorporating ROIC is steadily progressing. I believe effectively coordinating these offensive and defensive structures will be key to firmly advancing future growth investments.

**Hikosaka:** I agree. We also need to consistently act with sustainable growth in focus, with the realization of the 10-Year Plan in mind. The Governance Committee, which I chair, has focused on integrated offensive and defensive governance, and spent over a year researching and developing a business investment manual. Using the *Shinkansen* (bullet train) as an analogy, a robust control system (defense) enables high-speed travel at 300 km/h (offense), so both must be considered simultaneously. The Board of Directors will use this business investment manual as a foundation for the Medium-Term Business Plan and 10-Year Plan, and advance discussions on governance.

As Ms. Soda mentioned, the Growth Strategy Council has been newly established, and I expect that meaningful discussions will also be held there on sound yet ambitious investments. In particular, I think this means considering company-wide optimization of growth investment allocation while detecting multi-faceted risks. Going forward, a mindset of taking on challenges while appropriately taking risks will always be required.

For the ¥22 billion in capital allocation such as M&As and strategic and capital partnerships, regional investment allocations are set. However, regarding the appropriateness of the amounts, decisions must be made

as appropriate while advancing understanding of risks for each deal and the consideration of mitigation measures. We intend to support growth investments through strong collaboration between the Growth Strategy Council and the Governance Committee.

Enhancing technological added value and developing human resources

**Yamauchi:** Next, could we hear your views on technological aspects? The strategic focal point is the advancement of GX & DX technologies, and contributing to industrial innovation through greening and smart transformation. What points are important to link this to enhanced technological added value?

**Nakata:** This plan declares large-scale and continuous growth investments in digital and green technologies. Both are areas with rapid change, which means that making investment decisions while monitoring technological and environmental trends will be extremely important. We intend to manage and supervise effectively so that appropriate decisions can be made regarding cutting-edge initiatives.

**Osada:** Looking back at the history of Taikisha's technology portfolio, it began during the early days of Japan's industrialization, when we contributed to the development of the textile industry by controlling the temperature and humidity required for spinning mills. Subsequently, by handling clean rooms for precision instruments, film, electronic devices, pharmaceuticals, and semiconductor factories, and by being deeply involved in clients' quality maintenance to improve product yields while providing various solutions, we cultivated strengths in services for manufacturers.

Our customers' manufacturing has been changing rapidly recently. For example, in semiconductor production, alongside automation, there is a growing trend toward higher precision through the introduction of



I look forward to global corporate activities that continuously contribute to the economic and industrial development of each country and support sustainability.

mini-environment control technology, which maintains only localized spaces at ultra-high cleanliness levels. As we support our clients' quality improvement through control technology, we must keep pace with these changes and enhance our engineering capabilities. As our customers' manufacturing processes undergo significant digital transformation, we see increasing new opportunities for ourselves, so we have established a policy to actively promote open-mindedness and a challenging spirit, as well as open innovation, while listening closely to customer needs.

**Yamauchi:** I think strengthening human resource development is necessary to capture clients' manufacturing needs and reflect them in the provision of solutions. Could you please share your views on human resource development, including initiatives to cultivate the management talent who will lead future efforts?

**Soejima:** As for Taikisha's current challenges, profitability overseas should be further increased, and to achieve that, I believe we need to provide overseas attentive and value-added services that are accepted by clients in Japan. Regarding serving non-Japanese clients, I have high expectations for developing local staff who understand both local needs and Taikisha's technologies and services. In addition, to provide end-to-end services, it is necessary to build ongoing relationships to be able to approach clients even before a project begins, and I think developing local staff in each country is indispensable in that respect as well.

Taikisha is currently developing a global human resources database, and going forward I would like us to use that to enhance human resource education, build mechanisms that allow each person to thrive in fields that leverage their strengths, and expand Taikisha's unique approach widely across the world without making sales and marketing capabilities dependent on particular individuals. Up until now, the utilization of human resources has been confined within each site, but I expect true global expansion of human capital going forward.

**Soda:** Regarding the development of management talent, as the Chairperson of the Nomination and Compensation Advisory Committee (see page 80 \*1), a key challenge for advancing growth over the 10-year time scale is building a robust and stable management system capable of executing plans while adapting to various changes in the environment. To reliably pass on advanced management execution, forming layers of management human resources for the next and following generations and preparing a thorough succession plan are essential.

Recently, Taikisha has made significant progress in planning a human resource portfolio and strengthening capability development support systems for the targeted human resources, and advanced systems and operations related to human resource development. Alongside developing human resources for engineering and global strategic axes, training Management talent capable of handling business planning and governance from a company-wide perspective is important. To achieve this, strategic human resource management is required, and this involves actively fostering career development that spans multiple business





We will focus on building a corporate culture in which employees can create valuable innovation through the power of digital technologies.

domains, corporate divisions, and overseas affiliates, while simultaneously broadening perspectives through expanded opportunities for dialogue with senior management. This is also essential for the sustainable and effective operation of the Board of Directors.

In 2025, the Nomination Advisory Committee and the Compensation Advisory Committee were integrated to streamline evaluation and appointment processes for executives. This committee intends to further deepen discussions with such issues in mind, and aims to maintain and pass on a management structure that contributes to sustainable growth and governance reinforcement.

Strengthening the management foundation through the establishment of the Growth Strategy Council and committees

**Yamauchi:** Regarding the management base, the policy outlined is to increase the quality and speed of decision-making through the establishment of the Growth Strategy Council and the Digital Innovation Committee, while introducing a global common IT systems infrastructure and strengthening the IT governance structure. The Growth Strategy Council is expected to play a particularly important role. How does President Osada envision the Growth Strategy Council functioning?

**Osada:** As you say, the Growth Strategy Council aims to enhance the feasibility of growth strategies based on the 10-Year Plan, and on the executive side we plan to hold the council four times a year. Up until now, such themes were discussed in open discussions by officers held twice a year, but going forward, subcommittees under the Growth Strategy Council will address various topics, which will be discussed at the Growth Strategy Council, while open discussions by officers will review their appropriateness. This will enable company-wide sharing of progress on the growth strategy based on the 10-Year Plan.

**Yamauchi:** In overseeing the progress of the growth strategy, mechanisms for reaching non-Japanese clients in global expansion are steadily advancing. What are your views on the issues and future initiatives from the standpoint of the governance system for both offense and defense for further global expansion?

**Hikosaka:** Strengthening global governance has been recognized as an issue by both the Board of Directors and the Governance Committee, and we have implemented various measures over the past several years. Specifically, we have reviewed and prepared regulations for overseas companies, increased the number of Directors at overseas affiliated companies, and strengthened communication with headquarters.

The measures set forth in the 10-Year Plan also aim to further reinforce global governance. We intend to carry these measures out reliably and, as mentioned earlier, to aim at integrated and agile governance of both offense and defense on a company-wide basis, and we would like the Directors of our overseas affiliated companies to be mindful of this and conduct proper monitoring.

We are also considering introducing a new Group Corporate Officer system, with the idea that, focusing on the companies where such Group Corporate Officers are appointed, each company would independently achieve a Long-term Vision similar to the 10-Year Plan.

**Yamauchi:** Thank you for sharing your views. Lastly, I would like to ask about the DX strategy. From a strategic perspective, alongside business digitalization, we aim to create new value through energy management and factory automation using BIM, EMS, digital twins, and other technologies. Mr. Nakata, you will be appointed as Chairperson of the Digital Innovation Committee (see page 80 \*2), so could you please share your thoughts on Taikisha’s initiatives in light of current digitalization trends?

**Nakata:** Recently, with the dramatic evolution of generative AI, there are growing concerns that business models leveraging existing technologies may rapidly become obsolete. Against this backdrop, I believe Taikisha must also integrate AI technology into its integrated process of design, construction, and after-sales support to pursue new services aimed at automation and enhancement. At the same time, in addition to globally deploying Japan’s service quality, we need to advance efforts to incorporate cutting-edge technologies from global local companies to Japan. At the Digital Innovation Committee, while ensuring robust governance, we intend to actively support innovative initiatives through communication with external parties.

Toward an era where Taikisha can thrive the most

**Yamauchi:** To conclude, could you share your thoughts on the Board of Directors’ role in overseeing the execution of the 10-Year Plan, and the expectations the Outside Directors have for the executive side?

**Nakata:** This 10-Year Plan is a declaration of Taikisha’s resolve to become a true global engineering company, advancing as one united organization. In pursuit of this, I intend to leverage my strengths in the digital domain to contribute to the initiatives being implemented by the

President and Corporate Officers. As part of this, I am also committed to thoroughly addressing the training of digital talent and strengthening governance, including security, and I will focus on building a corporate culture where all employees can continuously generate valuable innovation through the power of digital technologies.

**Soejima:** As mentioned earlier, the 10-Year Plan has clarified for internal and external stakeholders the direction Taikisha should take and the targets it should aim for. I believe that we have taken a major step toward becoming a global engineering company that contributes to building a sustainable society through partnerships and collaboration across countries and regions.

Currently, although global sustainability initiatives are experiencing fluctuations, with governments either accelerating or slowing down efforts, what Taikisha aims for is not disclosure-driven sustainability but contributing to the building of a sustainable society through corporate activities defined in the 10-Year Plan, and we expect that such efforts will lead to maximizing long-term profits.

**Hikosaka:** We view the 10-Year Plan and the new three-year Medium-Term Business Plan as the integrated outcome of what we have pursued up until now, centered on the open discussions by officers, including creating a business investment manual, enhancing global governance and communication within the Group, and strengthening human resource development. By leveraging these groundwork steps and steadily executing the growth strategy based on the Long-term Vision and the Medium-Term Business Plan, Taikisha should be able to make a major step toward dramatic growth ten years from now.

Through the activities of the Governance Committee, which I serve as the Chairperson of, I hope to support the growth strategy in coordination with the Growth Strategy Council while engaging in active discussion.

**Soda:** While the 10-Year Plan and the Medium-Term Business Plan were forged through a great many discussions by all of us, and I think the roadmap we drew up to achieve our goals is quite substantial, it is from

here on that their true value will be tested and success or failure decided. As we finally enter the execution phase, the Board of Directors will be required to provide appropriate control and oversight of strategy execution, and we should again bear firmly in mind that all employees, as our human capital, are the agents of the crucial plan execution to come, and that the party that ultimately evaluates both the management plan and corporate value lies outside the company—namely, society.

During last year’s Integrated Report roundtable, I expressed my excitement, and this year, moving from formulation to execution, I feel even more excited. Above all, I hope that all Group companies and employees approach this “10-year vision” with open-mindedness, a challenging spirit, and a sense of enthusiasm and excitement. If each individual envisions their own 10-year plan in their work and aligns their growth story with the company’s and make transformative changes in their work it will accelerate plan achievement, and strategic external communication will also significantly enhance market trust and expectations.

I sincerely hope Taikisha will take the present as a new starting point and, guided by its exceptional “Be Engineering” aspiration that surpasses competitors, boldly stride forward to become a global company with a clear mission and overwhelming presence in the society of the future.

**Osada:** I am deeply grateful for the encouragement from the Outside Directors in advancing the 10-Year Plan 2035. As we have entrusted our thoughts to the phrase “Be Engineering for a Sustainable Society,” Taikisha’s engineering begins with control technology, targeting finite resources such as energy, air, and water. Engineering these is environmental technology, essentially GX through DX. This is an era in which Taikisha can truly excel. To live up to that mission and purpose, I believe the Outside Directors have strongly supported our resolve to advance boldly through the methods outlined in the 10-Year Plan. I look forward to your continued support.

**Yamauchi:** Thank you for taking the time today and for sharing your insights.





10-Year Plan 2035: Our Goals for 2035

# Be Engineering

## for a Sustainable Society

Taikisha is a global engineering company dedicated to social sustainability.



Our definition of “engineering” | The integration of core technologies from various fields to create systems capable of providing essential functions, and the use of those functions to solve problems

To achieve our goals for 2035, we have established two strategic policies: “Innovative Engineering” and “Global Inclusion.”

Strategic Policy 1

### Innovative Engineering

By integrating core technologies from various fields, we build dynamic and innovative systems that empower smart, carbon-neutral industries.

Focus on Industry

Taikisha has long provided engineering services for cutting edge industries ranging from electronics and automotive manufacturing to pharmaceuticals and data centers. This experience is the source of our ability to provide unique solutions.

Design, Build & Care

By providing integrated services from design proposals through to construction and after-sales support, we create innovative engineering solutions with enhanced added value.

GX and DX Optimization

We provide solutions by leveraging advanced technology to help our corporate clients accelerate their transformation toward smarter, low-carbon production environments.

The first strategic policy to become a company dedicated to social sustainability is “Innovative Engineering.” In the industries on which we have focused for many years, the trend for carbon neutrality and smart factories will be accelerated going forward. In order to provide optimal solutions for these challenges, we will pursue “Design, Build & Care.”

Strategic Policy 2

### Global Inclusion

We collaborate with local communities and leverage regional expertise to drive sustainable progress worldwide. By uniting global perspectives with local action, we create inclusive solutions that benefit industries, societies, people, and the global environment.

Global Network

The result of evolution spanning over 50 years, Taikisha’s global network today consists of 30 affiliates in 20 countries. Built on a foundation of trusting relationships with industries in Japan and overseas, this network gives Taikisha unique strengths backed by *open-mindedness, a challenging spirit, and a commitment to quick responses.*

Global R&D

By taking up the challenge of technological innovation, our five global R&D centers continually enhance our ability to provide engineering solutions to meet the needs of industries around the world.

Global & Local Commitment

Taikisha has built a strong presence in domestic and overseas markets and contributes to the solution of global environmental and social issues through business operations led by skilled engineers with a deep understanding of market needs.

The second strategic policy is “Global Inclusion.” We will shift from our conventional business model, which primarily focuses on contract work, to one that creates new value by providing integrated services, from new technology development and design proposals to construction and after-sales support. In addition, we will further deepen our global networks, which are among Taikisha’s key strengths, by creating ties with local communities. We will also expand our R&D facilities, the source of our technological capabilities, globally and promote co-creation and visualization of our technology at our worldwide locations.

On this occasion, we have also decided to reaffirm our former corporate slogan, of *open-mindedness, a challenging spirit, and a commitment to quick responses*, which was adopted to achieve our management goals. We want to cherish a corporate culture that embraces everything with an open mind and takes on new challenges. Our aim is to embed this culture throughout the Group and link it to the creation of new value.



# 10-Year Plan 2035: Financial and Non-Financial Targets and Milestones

## Increasing Corporate Value

Doubling economic value and enhancing social value

Along with the development of the post-war Japanese economy, Taikisha has expanded its services primarily for the industrial sector, and honed its engineering capabilities in a wide range of areas, including manufacturing. Moreover, we have developed our global business alongside our clients' overseas expansion, establishing global networks rooted in local communities. These are Taikisha's unique strengths and form the foundation that has supported our business performance to date.

In recent years, as society embraces the trend of sustainability, we see an accelerating shift toward green and smart technologies aimed at decarbonization. We recognize that our business must continue to pursue a sustainable

society. To achieve further dramatic growth, we have set our goals for 2035 as "Be Engineering for a Sustainable Society." To make this long-term vision a reality, we have also developed the 10-Year Plan 2035, which outlines our financial and non-financial targets and the milestones for our Medium-Term Business Plan.

On the financial front, we have set targets of achieving over ¥500 billion in net sales of completed construction contracts, a return on equity (ROE) of 12% or higher, and a dividend on equity ratio (DOE) of 5% or higher by the fiscal year ending March 31, 2035. These goals are not just about scale expansion. They demonstrate our commitment to doubling our economic value and boosting corporate value by

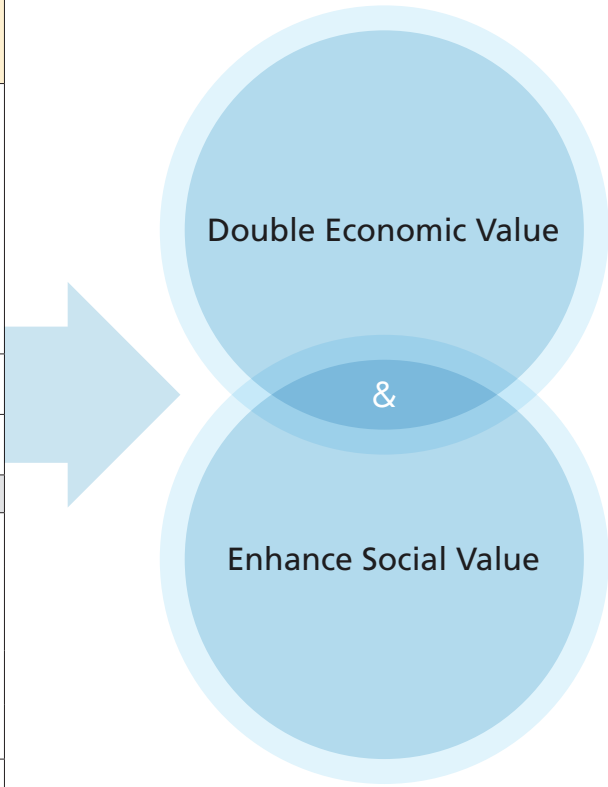
emphasizing a balance between capital efficiency and shareholder returns. While ensuring a stable dividend policy, we will also implement share buybacks and reduce cross-shareholdings in phases so that we can meet the expectations of our stakeholders. In our new Medium-Term Business Plan, our capital measures call for implementing share buybacks with an annual scale of ¥5 billion continuously from 2026 to 2028, totaling ¥15 billion over three years. For DOE, we intend to conduct a phased increase starting from 2026, 2029, and 2032, the first year of each plan period, endeavoring to achieve stable and sustainable shareholder returns. In addition, with regard to the cross-shareholdings, we will continuously work to decrease them, setting a target to bring the ratio against net assets to 15% or less by the fiscal year ending March 31, 2028. As for shareholder returns, demonstrating a 10-year dividend commitment is our unique measure, as no other companies have presented such a commitment.

On the non-financial front, we will continue to reduce CO<sub>2</sub> emissions, as we have done under the previous Medium-Term Business Plan, and focus on enhancing our human capital. Regarding the number of employees, our plan is to expand it from 5,267 as of March 31, 2025 to 7,200 by 2035, a decade from now. The greatest asset of an engineering company such as Taikisha is people. Beyond simply increasing headcount, we aim to create an environment where our employees can actively engage globally, and to strengthen the R&D and technological capabilities of the entire group companies. Investment in human capital is the driving force that continuously creates both economic and social value, and represents a crucial pillar of Taikisha's long-term vision. In this way, by balancing financial growth with the creation of non-financial value, we will "double economic value" and "enhance social value" toward 2035, working to further elevate our corporate value.

10-Year Plan 2035 (FY2025–FY2034)												
Medium-Term Business Plan (FY2025–FY2027)						Medium-Term Business Plan (FY2028–FY2030)						
3-year phase of restructuring for transformation Building foundations for growth strategies through growth investment funded by cash flows from domestic business						3-year phase of full-scale investment toward growth Expansion of markets, business domains, and geographical scope through substantial investment in overseas M&A						
Financial indicators	■Target for net sales of completed construction contracts (end of FY2027)  FY2024 results: ¥57 billion for non-Japanese customers						■Target for net sales of completed construction contracts (end of FY2030)  FY2024 results: ¥57 billion for non-Japanese customers					
	■Core businesses: ¥246 billion ■Growth businesses: ¥88 billion ■New businesses: ¥2 billion (Including ¥113 billion for non-Japanese customers)						■Core businesses: ¥250 billion ■Growth businesses: ¥125 billion ■New businesses: ¥25 billion (Including ¥128 billion for non-Japanese customers)					
	■ROE (end of FY2027) 10%						■ROE (end of FY2030) 11%					
	■Shareholders’ equity ratio: 40% or higher											
	FY2025		FY2026		FY2027		FY2028		FY2029		FY2030	
	■Dividend policy (DOE)  4.0% 4.0% 4.0%						■Dividend policy (DOE)  4.5% 4.5% 4.5%					
	■Share buybacks  ¥5 billion ¥5 billion ¥5 billion											
■Cross-shareholdings 15% or less of net assets												
Non-financial indicators	■CO <sub>2</sub> emissions (end of FY2027)  Scope 1, 2: 26% lower Scope 3: 15% lower (vs. FY2022)						■CO <sub>2</sub> emissions (end of FY2030)  Scope 1, 2: 42% lower Scope 3: 25% lower (vs. FY2022)					

Medium-Term Business Plan (FY2031–FY2034)				
4-year phase of rapid expansion driven by growth strategy realization and continuing investment Optimization of expanded markets, business domains, and geographical scope, leading to sustainable growth				
■Target for net sales of completed construction contracts (end of FY2034)  Core businesses: ¥270 billion Growth businesses: ¥180 billion New businesses ¥50 billion (Including ¥169 billion for non-Japanese customers)				
■ROE (end of FY2034) 12% or higher				
FY2031		FY2032		FY2033
■Dividend policy (DOE)  5.0% 5.0% 5.0% 5.0% or higher				
■CO <sub>2</sub> emissions (end of FY2034)  Scope 1, 2: 53% lower Scope 3: 35% lower (vs. FY2022)				
■Number of employees (end of FY2034) 7,200				

### Increasing Corporate Value





# 10-Year Plan 2035: Financial and Non-Financial Targets and Our Approach to Business Growth

Change the Future with Disruptive Growth  
The new leap forward envisioned by the 10-Year Plan 2035

Director, Executive Vice President Corporate Officer, and Chief Executive,  
Corporate Planning Headquarters, in charge of Sustainability Promotion

Masanori Nakagawa

What the 10-Year plan means

Under the 10-Year Plan 2035, Taikisha is taking on the challenge of increasing corporate value by doubling economic value and enhancing social value. This plan goes beyond short-term profit targets. Taikisha has also set long-term financial and non-financial goals and milestones toward 2035, leveraging our engineering capabilities and global operations to achieve them. The background of this plan lies in open discussions held off-site, in which all members of the Board of Directors participated. This plan is also the result of discussions conducted over the past six years, and we now see ourselves as finally standing at the starting line of the long-term growth strategy.

Going forward, we will further clarify our goals through the Growth Strategy Council, while also recognizing our responsibility to clearly explain the progress of the plan to external stakeholders.

Profitability enhancement, growth investment, and capital strategy

The ROE target of 12% or higher as a financial indicator reflects a clear commitment to measuring the results of efforts to strengthen our business foundation. Additionally, this plan marks the first time we have clearly defined our capital allocation approach, significantly increasing the growth investment budget from ¥20.0 billion to ¥38.0 billion

Regarding shareholder returns, we will gradually raise the DOE to at least 5% and actively implement share buybacks to maintain a high level of shareholder returns, thereby further enhancing capital efficiency and shareholder value.

Overall strategy and management plan

In order for Taikisha to become a “global engineering company dedicated to social sustainability” ten years from

now, we have established eight strategic focal points covering the areas of business, technology, human resources, management base, and DX. On the financial side, we aim to double net sales of completed construction contracts by 2035 as we aim for disruptive growth through a three-layered approach consisting of core businesses, growth businesses, and new businesses.

Additionally, from the perspectives of the technology axis, which identifies useful technologies, the regional axis, which determines the regions to focus on, and the customer axis, which decides the target customers, we have set priority markets that go beyond the traditional divisional structure. We will provide the capabilities developed in our core businesses throughout the entire group, create synergies between the two businesses, and actively expand the business while strongly advancing our DX strategy.

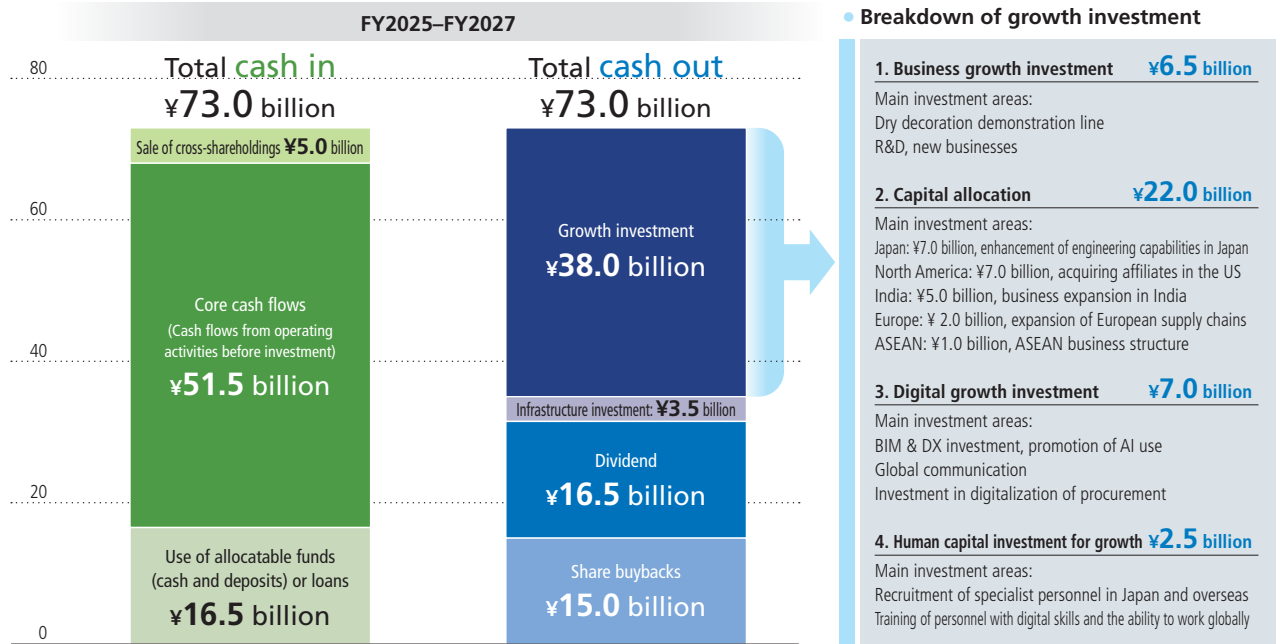
Our commitment towards the future

We are currently promoting the development of a company-wide digital infrastructure on a global scale. By integrating this infrastructure with AI and our intellectual property strategy, we aim to expand the potential of our 10-Year Plan and accelerate its execution. As for this premise, we will leverage our corporate culture, which accepts diversity as a matter of course and has the ability to understand, cooperate, and harmonize with other cultures, as we continue to encourage open and lively discussions.

The 10-Year Plan 2035 is not just about announcing our numerical targets. It is a social commitment formulated under the banner of achieving social goals and the Company's sustainable growth. Taikisha is fully committed to steadily executing the plan while valuing a mindset that embraces challenges without fear of change.

Cash allocation (FY2025–FY2027)

In the first three years of the plan, we will build foundations for rapid growth by combining aggressive growth investment with solid shareholder returns.

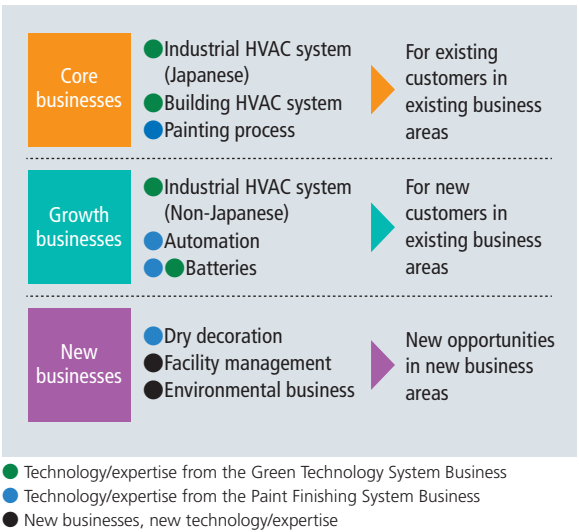


Note: Core cash flows = Profit + Capital expenditures + Depreciation /Amortization of goodwill – Gains on sale of cross-shareholdings

Our approach to business growth

While maintaining steady growth in core businesses , we will pursue rapid and disruptive growth in growth and new businesses.

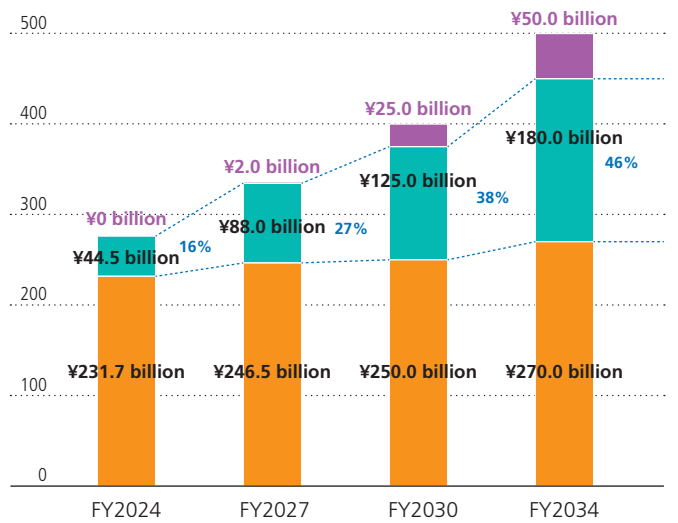
Strategic reclassification of business domains into core, growth, and new areas



Future growth vision (Net sales of completed construction contracts)

Core businesses Growth businesses New businesses

Phased expansion of percentage contributions to sales from growth businesses and new businesses



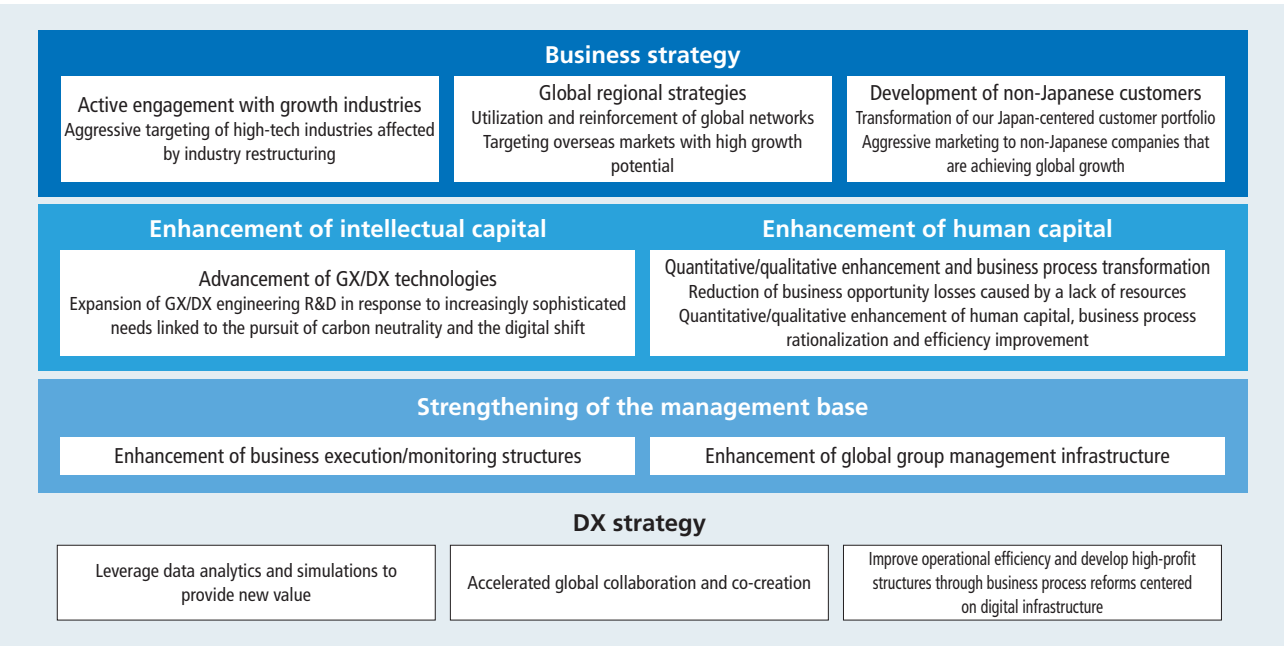


# 10-Year Plan 2035: Eight Strategic Focal Points

## Changing the Future with People and Technology

Eight key focal points for sustainable growth

To realize our goal for 2035, “Be Engineering for a Sustainable Society,” we have established eight strategic focal points: “Active engagement with growth industries,” “Global regional strategies,” “Development of non-Japanese customers,” “Enhancement of intellectual capital and human capital,” “Enhancement of business execution structure and governance,” and “DX promotion.” We aim to achieve a long-term, sustainable enhancement in both economic and social value.



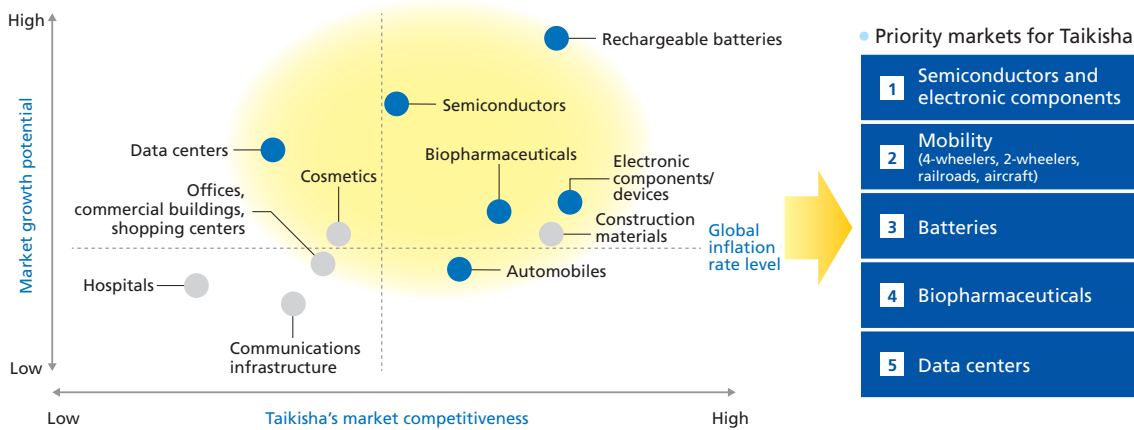
### 10-Year Plan 2035: Business Strategy

#### Capturing growth industries to accelerate sustainable growth

Based on our growth potential and competitive advantages, we have positioned five areas as our priority markets: (1) semiconductors and electronic components, (2) mobility, (3) batteries, (4) biotechnology and pharmaceuticals, and (5) data centers. As we look to address social challenges and anticipate industrial transformation, we will provide optimal solutions that leverage our unique strengths for each market, aiming for sustainable growth.

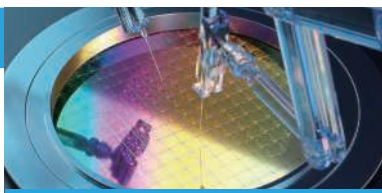
#### Concentrate management resources into global growth industries.

We will target growth industries, such as semiconductors, electronic components, mobility, batteries, biotechnology and pharmaceuticals, and data centers.



### 10-Year Plan 2035: Business Strategy

#### Our Priority Market (1) Semiconductors and Electronic Components

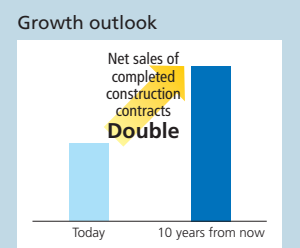
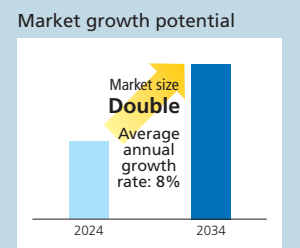


Environmental requirements in production facilities are becoming increasingly sophisticated in step with rising semiconductor demand due to a full-scale shift to the IoT/AI society.

The semiconductor and electronic component sector has become a growth market with remarkable demand expansion anticipated, driven by the advancement of IoT and AI. Leveraging our long-cultivated expertise in green and smart factory technologies, we will strengthen our integrated technology offerings—from design and construction to after-sales support—to assist cutting-edge manufacturing sites. This will enable Taikisha to achieve sustainable growth and create new business opportunities.

- Basic strategic policy
  - Customer axis:** Capture demand driven by the expansion of investment by global Japanese and non-Japanese companies due to the spread of the IoT and generative AI.
  - Regional axis:** Focus on East Asia, especially Taiwan, as well as expansion into the US and Indian markets, and engagement with the Silicon Island Strategy in Japan.
  - Technology axis:** Provide advanced energy solutions and mini-environments (ultra-precise temperature control). Provide water recycling technology.

Medium-Term Business Plan (FY2025–FY2027)	Medium-Term Business Plan (FY2028–FY2030)	Medium-Term Business Plan (FY2031–FY2034)
■ Strengthening of our business base in Japan ■ Enhancement of capacity to support investment by Japanese global companies ■ Expansion into the manufacturing equipment field	■ Expansion of orders from non-Japanese customers in Taiwan ■ Entry into the US and Indian markets	■ Expansion into the US and Indian markets



#### Our Priority Market (2) Mobility (4-wheelers, 2-wheelers, railroads, aircraft)

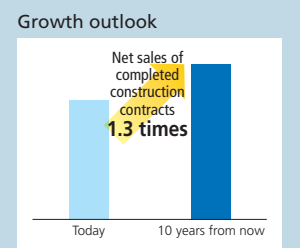
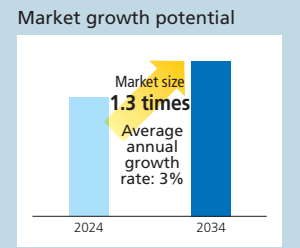


The automotive industry is going through a once-in-century transition. Production is being transformed by the shift to EVs and SDVs, while GX has become an urgent priority.

In the mobility market, rapid transformation is underway across a wide range of areas, driven by the acceleration of electrification and carbon neutrality initiatives. Taikisha makes full use of its paint finishing systems and factory automation expertise to achieve efficient and low-environmental-impact production processes and to support next-generation development. Moreover, we will enhance our global response capabilities to establish a solid position in the international, competitive environment.

- Basic strategic policy
  - Customer axis:** Respond to the production transformation caused by the shift from ICE vehicles to EVs and SDVs.
  - Regional axis:** Take up new challenges in the European market, as well as the US and India.
  - Technology axis:** Focus on GX technology and the impact of dry decoration technology

Medium-Term Business Plan (FY2025–FY2027)	Medium-Term Business Plan (FY2028–FY2030)	Medium-Term Business Plan (FY2031–FY2034)
■ Creation of a dry decoration demonstration line	■ Stable operations in Europe, further expansion in North America and India ■ Customization of dry decoration	■ Expansion of business domains in Europe ■ Introduction of dry decoration in mobility markets other than 4-wheelers





10-Year Plan 2035: Business Strategy

Our Priority Market (3) Batteries

The shift to EVs is an important step toward the decarbonization in the mobility sector. Batteries hold the key to the early adoption of this technology. The evolution of battery technology will create a brighter future for the global environment.



In the battery market, which is essential for realizing a decarbonized society, Taikisha will deploy technologies that support the optimization of manufacturing processes and the improvement of production efficiency, aiming to balance stable supply with technological innovation and promoting the widespread adoption of EVs. We will also respond flexibly to market changes by establishing a system capable of handling next-generation battery manufacturing.

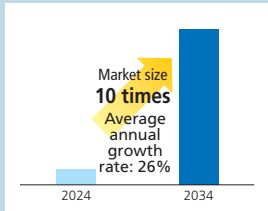
Basic strategic policy

- Customer axis:** Demand for automotive batteries is growing with the shift to EVs.
- Regional axis:** Start through co-creation with Japanese manufacturers in Japan and North America.
- Technology axis:** Apply smart technology on construction sites through new modularization concepts encompassing all aspects from production line equipment and thermal power sources to plant buildings.

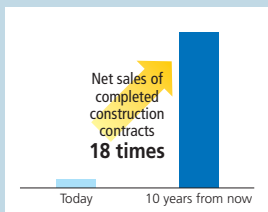
Roadmap for achieving targets

Medium-Term Business Plan (FY2025–FY2027)	Medium-Term Business Plan (FY2028–FY2030)	Medium-Term Business Plan (FY2031–FY2034)
■ Expansion of business domains to include ancillary and heat/power supply engineering for battery plants in North America	■ Expansion into other business domains, such as solvent recovery and dry rooms ■ Battery manufacturing equipment installation contracting	■ Evolution as a one-stop solutions provider producing manufacturing equipment in-house

Market growth potential



Growth outlook



Our Priority Market (4) Biopharmaceuticals

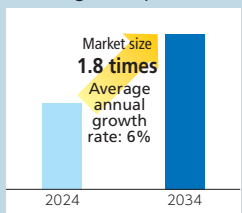
Global engineering support to meet the increasingly sophisticated needs of innovative pharmaceutical manufacturing process.

In the biotechnology and pharmaceuticals sector, Taikisha provides its technologies in air conditioning control and environmental management to establish safe and highly reliable production systems. Looking ahead, we will create an environment where we can accommodate future advances in new drug development.

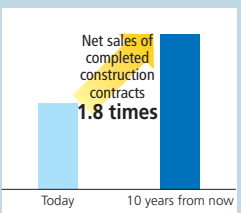
Basic strategic policy

- Customer axis:** Mainly non-Japanese global companies, including American/European companies and local companies in ASEAN
- Regional axis:** Japan, as well as ASEAN, India, and North America
- Technology axis:** Room pressure control technology, decontamination technology, measurement support, GMP/production facility knowledge

Market growth potential



Growth outlook



Our Priority Market (5) Data Centers

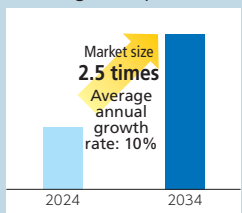
Support for the expansion of data centers in step with the spread of generative AI.

In the data center market, where demand is expanding, we will provide solutions that support efficient and stable operation by means of our air conditioning and energy-saving technologies. Going forward, we will also introduce advanced technologies capable of handling next-generation, large-scale facilities.

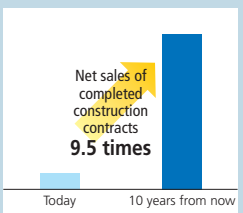
Basic strategic policy

- Customer axis:** Pursuit of globally active customers, approaches to mega-cloud companies
- Regional axis:** Expansion from Japan to ASEAN and India
- Technology axis:** Support for smart facilities through the unitization/modularization of buildings and equipment, development of new cooling methods

Market growth potential



Growth outlook



10-Year Plan 2035: Regional Strategy

Strengthening our domestic foundation and taking a leap forward globally. Opening up markets through co-creation and technology.

While securing stable revenue in the domestic market, Taikisha will pursue expansion in overseas markets with high growth potential. By promoting further business development rooted in local communities and expanding our global R&D center networks, we will enhance

competitiveness through co-creation with clients and the visualization of our technologies. Furthermore, we will establish structures to meet the unique needs of each region, thereby achieving sustainable growth on a global scale.

Domestic markets	Overseas markets		
<b>Strategies for Japan</b> <ul style="list-style-type: none"><li>Semiconductor-related strategy</li><li>Battery market strategy</li><li>Pursuit of new construction methods, profitability enhancement</li></ul> 	<b>Strategies for Asia (East Asia/ASEAN/India)</b> <ul style="list-style-type: none"><li>Leveraging the Taiwan office to capture semiconductor-related demand</li><li>Support for Japanese companies with global operations</li><li>Creation of order processing and construction systems to support non-Japanese companies with global operations</li></ul> 	<b>Strategies for North America</b> <ul style="list-style-type: none"><li>Leveraging existing affiliates to expand into the industrial air conditioning field</li><li>Capture of semiconductor-related investments</li></ul> 	<b>Strategies for Europe</b> <ul style="list-style-type: none"><li>Leveraging quality capabilities refined through projects for Japanese customers to develop European automobile-related customers</li><li>Expansion into industrial air conditioning business</li><li>Capture of advanced environmental technology</li></ul> 

Enhancement of organizational structures to support regional strategies

Establishment of intermediate holding companies and regional headquarters	Introduction of Group Corporate Officer System	Creation of global common IT systems infrastructure
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Topics

East Asia Semiconductor Strategy

East Asia is the world's largest semiconductor production base and a vital market where demand is expected to continue expanding going forward. By strengthening its production systems rooted in local communities and providing advanced technologies such as cleanrooms and energy-saving equipment, Taikisha will enhance the stability and efficiency of semiconductor manufacturing, contributing to the sustainable development of the industry. In addition, we will build trust by flexibly responding to the industrial policies of each government.

Looking ahead 10 years: Our Goals for 2035

- We will evolve as an engineering company capable of supporting capital investment by semiconductor-related companies in Japan and Asia.
- We will build our presence in Taiwan and ASEAN, which have clusters of advanced semiconductor firms.

Strategic policies

- Approach semiconductor-related companies in Japan
- Pursue business with Taiwanese semiconductor firms through our office there
- Provide turnkey solutions, such as design/build proposals and water treatment



\*GMP: Good Manufacturing Practice



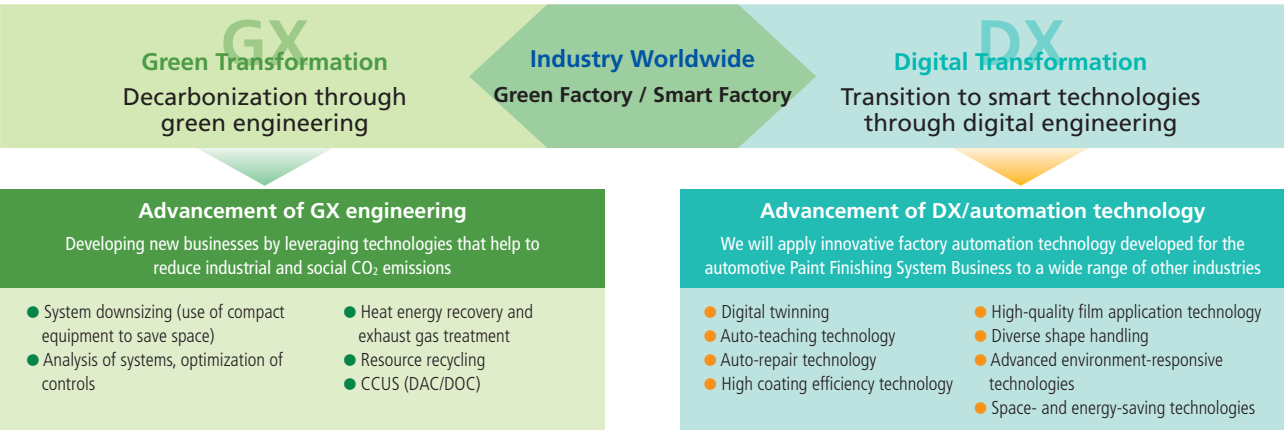
10-Year Plan 2035: Intellectual Property Strategy (Technology Strategy)

Leveraging green and smart technologies (GX and DX)

Engineering solutions for realizing a sustainable production environment

Taikisha will achieve sustainable industrial innovation by driving both GX and DX. In our efforts to strengthen GX, we aim to reduce CO<sub>2</sub> emissions and create new businesses by making systems more compact and optimizing their controls, among other measures. At the same time, we will promote DX and apply innovative factory automation technology we have developed for the automotive paint finishing system business to a wide range of other industries.

Leveraging green and smart technologies to support industrial innovation

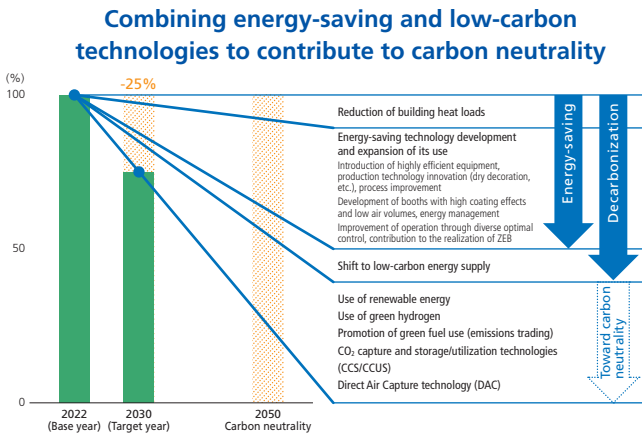


Creating a major decarbonization impact through GX engineering

Taikisha has created a CO<sub>2</sub> emissions reduction roadmap, setting 2022 as the base year and 2030 as the target year. Our medium-term initiatives for energy saving and decarbonization include reducing building heat loads, developing and expanding the use of energy-saving technologies, and shifting to low-carbon energy supply.

Moreover, we have set long-term initiatives to achieve carbon neutrality by 2050, such as using renewable energy and green hydrogen, and improving CO<sub>2</sub> recovery technologies.

Together with these initiatives, we will also pursue supply chain decarbonization, accelerating our environmental efforts to achieve the goals of the roadmap.



Using high-potential seed technologies to create business opportunities

In the Paint Finishing System Business, Taikisha will aim to develop new markets based on two core axes: automation and dry decoration technologies, both of which we have cultivated through our engineering work at automobile plants.

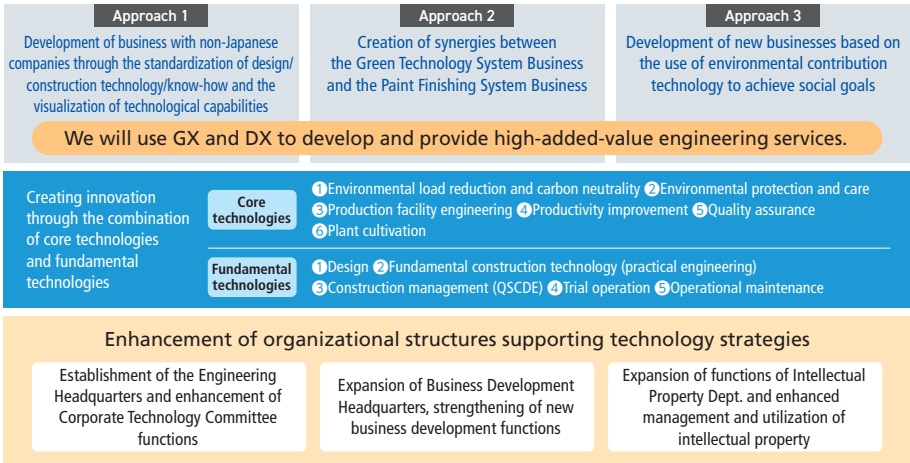
In the automation technology domain, we will promote the smartification of various industries, including the automation of high-mix, low-volume production sites, by utilizing digital twin and auto-teaching technologies, etc. In the dry decoration technology domain, we will begin expanding into other industries and innovating production processes by leveraging our high-quality film application and advanced environmentally friendly technologies.



Towards higher value-added engineering technology: three approaches

Expanding the potential of engineering technology and making advanced use of our cultivated skills

Taikisha will differentiate itself from competitors by standardizing its design and construction technologies and visualizing technical capabilities, thereby developing non-Japanese companies. Moreover, while utilizing the synergies between our Green Technology System and Paint Finishing System businesses, we will create new businesses based on the use of environmental contribution technology to achieve social goals. In each of these initiatives, we will also use GX and DX to develop and provide high-added-value engineering services.



Standardization and visualization of engineering technology

Taikisha is promoting the standardization of its design/construction technology know-how and the visualization of its technological capabilities. To achieve the technology standardization, we will innovate our operational management systems and convert procedures and technical know-how into explicit knowledge by utilizing BIM and digital tools, thereby establishing "Taikisha Standards," our technical standard specifications. We will also leverage our technological capabilities as an organization to pursue open innovation through co-creation with academic institutions and other companies. Moreover, we will open innovation facilities at our bases around the world and, through opportunities to experience our technologies and their visualization, make development themes and needs visible.



Creation of synergies between the Green Technology System Business and the Paint Finishing System Business

By integrating the technologies cultivated in the Green Technology System Business, as represented by energy management, exhaust gas treatment, and CO<sub>2</sub> recovery, with the expertise accumulated in the Paint Finishing System Business, including e-coating technology for in-vehicle cases, airtight and waterproof sealing technology, and high coating efficiency technology, we will provide new value to a wide range of industries.

These technology synergies between our two core businesses will enable the integrated provision of production environment and production line technologies and allow us to offer proposals for smart technology solutions, including optimized automation systems for conveyance, etc., and robotics technology for industrial customers.



Development of new businesses to achieve social goals

We will take up the challenge of developing a third core business alongside the Green Technology System Business and Paint Finishing System Business. In the area of heat energy recovery and exhaust gas treatment, Taikisha will contribute to environmental protection by utilizing untapped heat energy generated in the industrial sector and expanding its exhaust gas treatment technology. In the area of water treatment plants, we will realize practical water treatment and recycling technologies for manufacturing plants, contributing to the circular economy. In the CCUS domain, we will pursue technologies to recover CO<sub>2</sub> from the air and sea, aiming to contribute to carbon negativity.





10-Year Plan 2035: Human Resource Strategy

Global human capital portfolio management system and expanding engineering capabilities

Employees are the ones who will realize the 10-Year Plan. Expanding human capital to become an engineering company that will leap forward globally

Representative Director, Executive Vice President Corporate Officer in charge of Administrative Management Headquarters and Engineering Headquarters

Yasushi Nakajima

■ Establishment of the value creation foundation and the basic philosophy on human capital

Human capital management is understood as valuing employees and managing them by firmly linking the Mission Statement and Corporate Philosophy with the medium- to long-term strategy. Based on this understanding, we first established the value creation foundation and the basic philosophy on human capital to ensure that leveraging human resources as our greatest form of capital leads to the realization of our Mission Statement and Corporate Philosophy.

The value creation foundation defines the basic philosophy, commitments, and guidelines for realization across four themes that serve as the essential premise for continuing our business, which are safety, quality, environment, and human capital. We will share a foundational understanding across all employees, build a common understanding, and aim for further advancement across the entire Group.

In addition, this time we have articulated our approach to human capital, which underpins our management vision and business vision, as a commitment to society and our employees, and codified it as the basic philosophy in relation to human capital. In establishing these principles, we conducted interviews with Executive Directors, including President Osada. As guidelines for implementation, we have established policies for recruitment and development as well as evaluation and compensation in the human resource development field, and DE&I as well as well-being and engagement in the workplace culture development field.

We want our employees to acquire expertise and strengths with a broad perspective to maximize their own and their team's capabilities. Also, we expect that actively taking on challenges will generate innovation and lead to the creation of an exciting corporate culture.

■ Human resource strategy for realizing the Long-term Vision and 10-Year Plan

As for the human resource strategy for realizing the Long-Term Vision and 10-Year Plan, we have prioritized positioning global human capital as a core source of competitiveness and having the human capital portfolio play a core role in qualitatively and quantitatively expanding career professionals who support growth. A major difference from the past human resource strategy is the commitment to the global rollout of human capital portfolio management, considering the linkage with the management strategy.

The target for net sales of completed construction contracts for 2035 set in the 10-Year Plan is about twice the current level, and even considering productivity improvements, including digital transformation, under conventional plans we are far from the desired quality and quantity of human resources. Going forward, we believe the key to expanding

human capital lies not only in increasing recruitment numbers but also in the early development of career builders, encompassing young to mid-career employees. In particular, it is urgent to continuously and systematically produce global leaders who can respond to the ever-changing business environment and lead transformation. We will further develop the executive development program already started in Japan as a Group-wide initiative.

■ Designing the global human capital portfolio

In introducing global human capital portfolio management as a core element of our human resource strategy, we have categorized the human resource profiles that will realize our goals into four groups and defined them as our human capital portfolio (see the diagram in the middle of page 42). To achieve the goals set forth in the 10-Year Plan, we have set specific targets for the required number of employees and quality of human capital by backcasting from 2035.

A key focus in promoting management will be to first classify young to mid-career employees as career building talent. We will divide them into phases such as the accumulation period for knowledge and insight, the practice period, and the establishment period, and develop them accordingly. In addition to providing long-term career support and educational opportunities, we will promote early development through careful attention to changes in the environment, individual growth, and personal values.

Also, raising the engagement level of employees, including local staff, is an important element. To become a global company that integrates diverse talent and where each employee respects one another, we will strengthen our domestic human capital database, establish new platforms overseas, and collaborate with them to build a global human capital database.

Starting this fiscal year, we established the ASEAN Regional Management Department in Singapore as an organization with functions for business divisions, overseas affiliates, and corporate divisions. With this new department at the center, overseas subsidiaries and local staff will communicate with each other to explore effective ways to operate the database.

■ Career development support system

Based on recent issues revealed through internal surveys, such as insufficient career development support systems and a lack of follow-up and educational opportunities for long-term career growth, we are revising our framework to allow employees to proactively declare their desired goals and challenges from a medium- to long-term perspective and share them with the company, creating a work environment where diverse talent can succeed.

In this new system, the first stage covers the first ten years after joining the company, during which employees systematically acquire knowledge, experience, and skills based on a career path model.

In the second stage, employees will set the four professional career profiles as their goals, independently design the knowledge and experience they need, and act proactively.

Furthermore, in the third stage, while achieving growth as a career professional remains the premise, we will allow for flexible adjustments in response to changes in the environment or personal values. We will also strengthen the interview process and support structures at each stage to ensure that every employee can take ownership of their career and grow autonomously.

■ To pass on engineering capabilities

At the Company, the age group of employees with technical expertise is high, and veteran personnel are expected to decline rapidly over the next ten years. The passing on of engineering capabilities and human resource development is an urgent issue for the continuation of our business.

To develop employees with strong engineering capabilities, it is important to learn the theory from design through construction, trial operation, and handover; practice it at actual sites; and gain successful

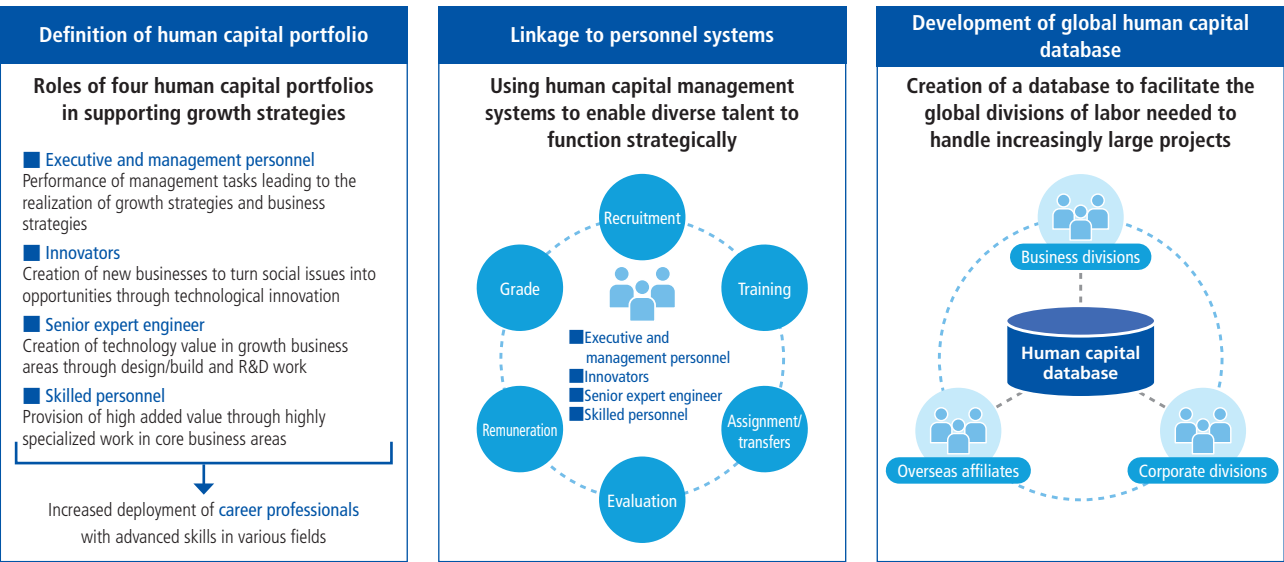
experiences. To achieve this, we will enable employees to track their proficiency based on technology record sheets in which they self-evaluate their knowledge, experience, technical capabilities, and management capabilities, and to execute development plans toward improving the level of proficiency. Furthermore, to cultivate advanced expertise in specific fields or domains, employees must learn knowledge and techniques directly related to production through trial and error, earn the trust of customers, and develop into human resources capable of solving increasingly complex challenges.

On the other hand, regarding the engineering capabilities of innovators and senior expert engineers, we believe it is necessary to visualize the skills possessed by top talent and to implement initiatives such as establishing a new specialized training institute.

Currently, for our overseas local staff, we provide opportunities to study in Japan, targeting management executives and technical professionals. By having these trainees take back and apply the skills and know-how acquired through educational training and on-site experience to their home countries, further accumulation and passing on of engineering capabilities overseas will also become possible. Based on such experience, we expect that in the future local staff will also participate in the management of the Group as Group Corporate Officers.

Introduction of global human capital portfolio management

Position global human capital as a core source of competitiveness and enhance the human resources that support our growth strategies based on human capital portfolio management



Expanding global engineering capabilities

We will expand our engineering and global response capabilities through borderless recruitment and training.

Expanding engineering capabilities			Enhancement of global response capabilities		
<p>■ <b>Enhanced administration of the certification program for leading senior expert engineers</b></p> <p>We will identify and differentiate top technical specialists in each field (persons with exceptional skills and achievements).</p> <p>■ <b>Enhancement of training for end-to-end solutions experts (design-build &amp; after-sales support)</b></p> <p>We will train technical personnel capable of handling all design, building, and after-sales support processes.</p> <p>■ <b>Establishment of new specialized training institute</b></p> <p>We will train specialists in particular fields, such as semiconductors and pharmaceutical manufacturing.</p>			<p>■ <b>Borderless deployment of Japanese personnel</b></p> <p>① Early experience of overseas work, including participation in the overseas trainee system</p> <p>② Experience as overseas affiliate managers</p> <p>③ Candidates for senior management/CEO</p> <p>.....</p> <p>■ <b>Executive training for local staff</b></p> <p>① Early selection</p> <p>② Management participation</p> <p>③ Global experience in Japan/overseas affiliates</p> <p>*Future participation in group management as group corporate officers</p>		
KPI	Career professionals, including senior expert engineers	1,780 by 2035 (1,200 in 2025)	KPI	Global personnel with management experience at overseas affiliates	350 by 2035 (100 in 2025)



10-Year Plan 2035: DX Strategy

Digital shift in Taikisha’s business model

Transitioning from labor-intensive to capital-intensive business

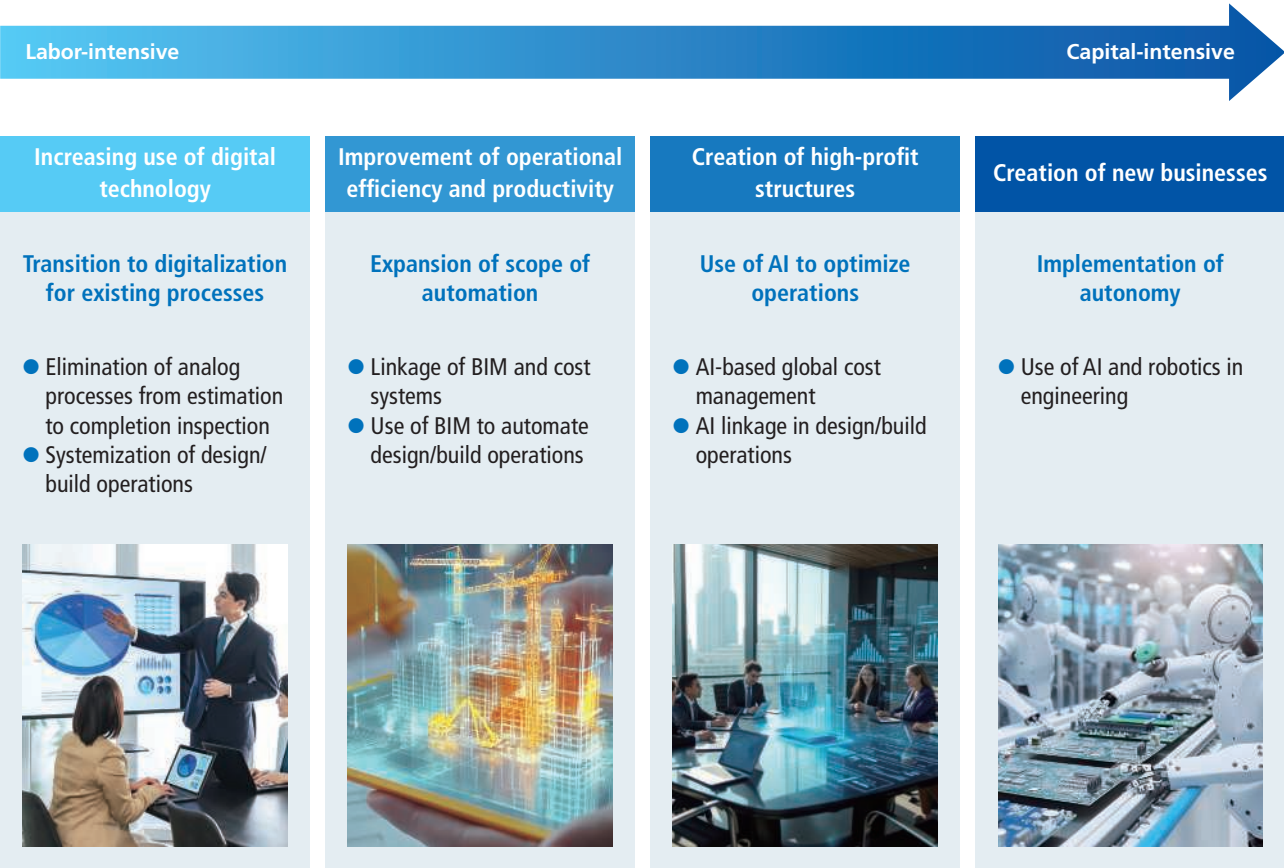
Building BIM-centered DX infrastructure for higher value-added and more creative work

Taikisha aims to transition its business model from a labor-intensive business, where profits are generated by investing a significant amount of human resources and time, to a capital-intensive business that enhances efficiency and profitability through investments mainly in digital infrastructure. We have established the following policies for building DX infrastructure centered on BIM, which is a key element of this process.

First, we will eliminate analog processes from estimation to completion inspections and systematize design/build operations and other existing processes so as to promote company-wide utilization of digital technology. At the same time, by advancing the linkage of BIM and various cost management systems, we will realize the smartification of

design/build operations and expand the scope of automation. This is expected to significantly improve operational efficiency and productivity. Also, by using AI in global cost management and design/build operations, we will be able to reduce conventional costs and create high-profit structures. Additionally, in the engineering field, we will proactively use AI and robotics to introduce and expand systems for autonomy, as well as take on the challenge of creating new businesses.

Through these initiatives, we will achieve sustainable growth and enhanced competitiveness, demonstrating a solid presence even in a rapidly changing market environment.



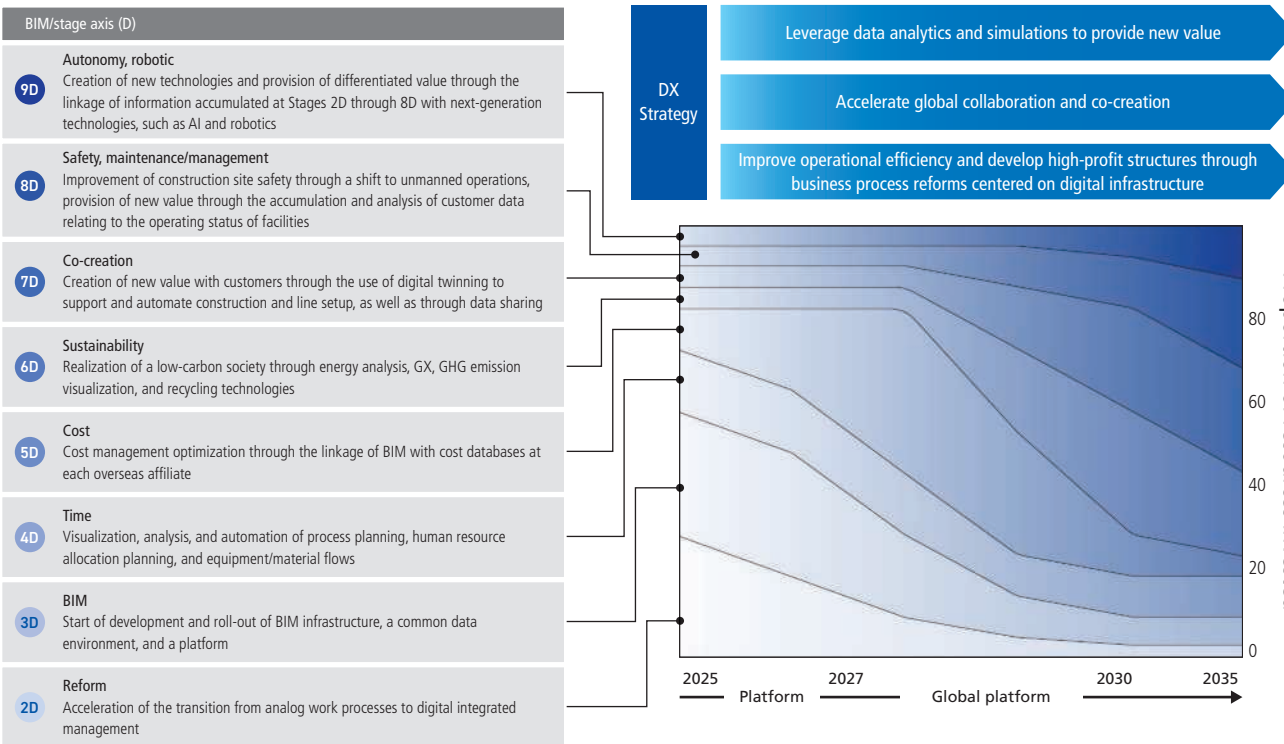
Positioning of DX as the core of our growth strategy—continuous investment of management resources

Accumulating data gathered through BIM on a platform and making advanced use of it for DX

With DX strategy positioned as the core of our growth strategies, we will progressively shift the priority of resource investments from 2025 through 2035.

During the first phase, our plan is to focus on establishing BIM infrastructure and transitioning from analog work processes to digital integrated management. During this period, we will create new value and improve operational efficiency by leveraging data analysis and simulations for process planning, human resource allocation, and material flows. Next, we are planning to simultaneously promote the enhancement of cost management and increase the proportion of resources invested in sustainability. We will also expand the common infrastructure built in Japan to a global platform, promoting collaboration and co-creation among our overseas affiliates. Moreover, towards 2035, our vision is to expand autonomy through AI and robotics, promote co-creation with overseas companies using digital twins, and enhance safety and maintenance/management by shifting to unmanned operations at construction sites. Through these initiatives, we will drive business process reforms centered on our digital infrastructure to achieve sustainable growth and strengthen our competitiveness.

Proportions of management resources used at each BIM/DX stage



Accelerating DX and global collaboration in the Paint Finishing System Business Acquisition of BSI Kitemark™ certification for BMI

In April 2025, Taikisha acquired BSI Kitemark™ certification for BIM<sup>\*1</sup> under ISO 19650-1 and ISO 19650-2, both of which are international information management standards for BIM, for its Paint Finishing System Division projects.

The certification demonstrates that the Company's information management system conforms to international standards related to project management using BIM. The acquisition of this certification will mean a great deal for Taikisha's Paint Finishing System Business in terms of further sophisticating project management on a global scale.

Using BIM can enhance accuracy and speed in information-sharing and consensus-building among stakeholders, and help run projects more sustainably and efficiently, which will, in turn, lead to ensuring consistent good quality from design to construction and operation. It will also make it possible for us to transform the expertise and skills that have been accumulated on an individual basis into formalized, sharable knowledge. This will support the transfer of knowledge to future generations and contribute to enhancing overall productivity.

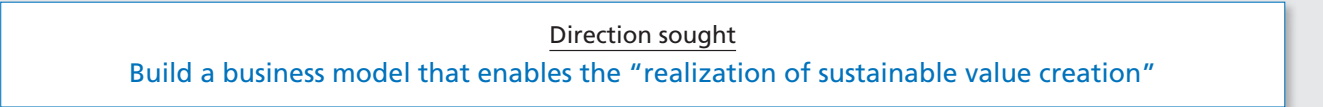
\*1: BIM, which stands for Building Information Modeling, is an information management method that supports all the processes of design, construction, and operation by creating 3D building shape information on a computer and adding information on building attributes, such as the specifications and performance of each part; the names, purposes, and finishing of rooms; and cost information.





Materiality

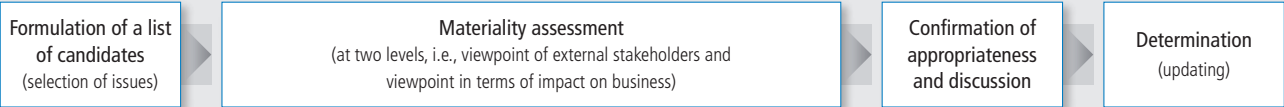
Taikisha identifies material issues as important issues that should be prioritized in its management. Based on the 10-Year Plan 2035, formulated in May 2025, Taikisha has updated material issues mainly by adding topics under the business strategy and DX strategy categories while maintaining the overall framework of the existing materiality system. Going forward, Taikisha will review its material issues on an ongoing basis, taking into account changes in the business environment, the emergence of new risks and opportunities, societal demands, and stakeholder expectations, with the aim of achieving sustainable value creation.



		Risk and opportunity	
Business strategy	Active engagement with growth industries	Risk	• Loss of business opportunities due to low competitiveness in our five priority markets of semiconductors/electronic components, mobility, batteries, biotechnology and pharmaceuticals, and data centers • Change in the outlook for the five priority markets
		Opportunity	• Acquisition of business opportunities in our five priority markets of semiconductors/electronic components, mobility, batteries, biotechnology and pharmaceuticals, and data centers
	Global regional strategies	Risk	• Global change in the industrial structure and supply chain • Country risk (change in political or economic situation)
		Opportunity	• Maintenance and improvement of competitiveness in the Japanese market to secure stable revenue • Based on this, the achievement of dramatic growth in overseas markets with high growth potential, such as Asia, North America, and Europe
	Development of non-Japanese customers	Risk	• Lack of management resources and competitiveness necessary for developing non-Japanese customers (overseas customers)
		Opportunity	• Creation of new business opportunities by developing non-Japanese companies in Asia, North America, and Europe
Intellectual capital strategy	Advancement of GX/DX technologies	Risk	• Delayed advancement of digital GX engineering technologies, leading to the churn of existing customers and fewer opportunities to acquire new customers
		Opportunity	• Creation of business opportunities with excellent GX/DX solutions that meet the needs for introducing <i>green</i> and <i>smart</i> technologies in all industries
Human capital strategy	Quantitative/ qualitative human capital enhancement (recruitment and training) and business process transformation	Risk	• Lack of human resources that support the global strategy • Outflow of human resources due to intensifying competition for talent • Lack of human resources that can create innovation
		Opportunity	• Quantitative/qualitative enhancement of human resources for responding to the expansion of business opportunities • Expansion of human capital by securing and developing talented human resources • Lead to the creation of new businesses and the provision of innovative services
	Creation of a pleasant working environment	Risk	• Outflow of talented human resources due to the effect of the working environment • Stagnation and a decrease in employee engagement, and a decline in labor productivity • Violation of the Agreement 36 as a result of long working hours and the occurrence of health disorders • Occurrence of employee turnover for the reason of nursing care or childcare
		Opportunity	• Creation of exciting working environments that generate innovation • Creation of a working environment where diverse human resources can take on challenges and demonstrate their abilities • Improvement of labor productivity, health and motivation
Natural capital/ Environmental strategies	Climate change mitigation and adaptation	Risk	• Loss of business opportunities due to delays in responding to changes in customer behavior due to climate change • Increased costs and strategic review associated with implementing and changing policies and laws and regulations, including the introduction of a carbon tax
		Opportunity	• Increasing business opportunities due to the growing need for low carbon and decarbonization • Creation of new businesses by contributing to climate change issues
	Adaptation to resource recycling	Risk	• Missed business opportunities due to an insufficient response to social needs, and a higher reputation risk
		Opportunity	• Response to air pollution prevention and environmental impact reduction needs
Strengthening of the management base	Improvement of the Board effectiveness	Risk	• Decline in management quality due to low Board effectiveness (resulting in the occurrence of misconduct; deterioration in the quality of management decisions; loss of trust from shareholders, investors, and other stakeholders; organizational rigidity; and stagnation in transformation, etc.)
		Opportunity	• Sustainable enhancement of corporate value (the strengthening of risk management, qualitative improvement of management decisions, enhancement of the trust relationships between shareholders, investors, and other stakeholders, and flexible and swift corporate management)
	Enhancement of business execution/monitoring structures	Risk	• Lack of continuity of growth strategy and higher corporate risks
		Opportunity	• Realization of our growth strategy by taking risks appropriately
DX strategy	Improvement of operational efficiency and development of high-profit structure	Risk	• Stagnant global growth strategy and a higher risk of affiliated companies
		Opportunity	• Establishment of global management infrastructure and development of systems in overseas markets serving as a medium- to long-term growth driver
	Creation and provision of new value	Risk	• Sluggish productivity and lower profitability due to stagnant business process reforms driven by DX
		Opportunity	• Improvement of operational efficiency and development of high-profit structures through business process reforms centered on digital infrastructure
	Global DX infrastructure	Risk	• Lagging value creation using digital technology
		Opportunity	• Leveraging of data analytics and simulations to create new value

Materiality determination process

Taikisha specified the candidate material issues by broadly taking into consideration the International Integrated Reporting Framework, the viewpoint of Socially Responsible Investment (SRI), global risks, Sustainable Development Goals (SDGs) and other new issues surrounding sustainability, in addition to various conventional frameworks and guidelines related to social responsibility from an all-encompassing viewpoint. Taikisha quantified and visualized weighting from its clients’ perspectives based on material issues of its major clients, in addition to weighting as recognized by society in general based on external frameworks and guidelines in terms of weighting evaluation by external standards.



Vision	Major initiatives
Establish presence in our five priority markets of semiconductors/electronic components, mobility, batteries, biotechnology and pharmaceuticals, and data centers	• Semiconductors and electronic components: Strengthen strategic policies in East Asia with Taiwan as the core, as well as in North America, India, and Japan • Mobility: Provide solutions that follow the trend of CASE (connected, autonomous, shared & service, and electric) • Batteries: Provide solutions that meet demand for automotive batteries following the shift to EVs • Biotechnology and pharmaceuticals: Acquire business opportunities from Japanese companies as well as non-Japanese global companies in Europe, the US, and ASEAN • Data centers: Strengthen sales to mega-cloud companies that meet growing demand against the backdrop of the spread of generative AI
Realize rapid growth in high-growth overseas markets while achieving robust results backed by stable profitability in the Japanese market	• Japan: Strategically invest in rapidly growing semiconductor and battery markets • Asia: Respond to the semiconductor-related demand centered on Taiwan • North America: Create business opportunities in the industrial HVAC system field by leveraging affiliates in North America • Europe: Develop European automobile manufacturers and expand business in the industrial HVAC system field
Strengthen our customer base, targeting global industries (break free of the revenue structure dependent on Japanese companies and a higher ratio of non-Japanese companies in terms of performance)	• Strengthen technological response capabilities that enable centralized management from design to construction management • Globally develop technologies/know-how by standardizing design/construction technologies • Visualize technological capabilities (promote open innovation at research facilities and establish facilities that provide audiovisual experiences of our technology) • Build a global network of affiliates centered on the ASEAN Management Department to develop non-Japanese customers
Evolve into an advanced engineering company that supports the shift to green & smart factories in the global high-tech industries	• Achieve the advancement of GX engineering technologies, such as energy saving of systems, heat energy recovery and exhaust gas treatment, use of recycled resources, and carbon capture, utilization, and storage (CCUS) • Achieve the advancement of DX engineering technologies (factory automation), such as digital twins, auto-teaching technology, auto-repair technology, and high coating efficiency technology
Position human resources that support our growth strategies as a core source of competitiveness and expand and enhance them based on the human capital portfolio management.	• Develop knowledgeable and experienced professionals • Systematically develop human resource value (management and global human resources, and senior expert engineers) • Develop and operate a human capital database for domestic and overseas affiliates • Expand our engineering and global response capabilities through borderless recruitment and training
Continuously create new value through the fusion of diverse human resources and knowledge under the corporate culture of <i>open-mindedness, a challenging spirit, and a commitment to quick responses</i>	• Promote health management • Promote work style reform • Create an organizational culture that fosters innovation • Ensure staff retention through the improvement of loyalty and engagement • Optimize human resources by reviewing the project management structure • Improve the labor environment by promoting equalization of work volume and productivity improvement
To address the challenges of climate change, a global common theme, tackle the provision of solutions from the two points of “mitigation,” to reduce and absorb greenhouse gas emissions, and “adaptation,” to prepare for damage from climate change, thereby enhancing corporate value in both economic and social value	• Develop renewable energy technology and expand use thereof • Realize mini-environmental control (expansion of areas of use for Ultra-precise Temperature Control Chamber) • Realize the linkage of controls to production equipment (minimization of system operation) • Enhance the EMS system (AI utilization, failure prediction) • Use natural energy • Incorporate direct air capture (DAC) technology into air conditioning systems • Contribute to production technology innovations (dry decoration and other technologies) • Develop and examine equipment with low environmental impact, such as the introduction of hydrogen fuel burners
Work to reduce and remove VOCs and other air pollutants and make them harmless by using unique exhaust treatment technology, thereby contributing to resolving the social issue of coexistence with nature to enhance corporate value in both economic and social value	• Enter the water treatment field (for semiconductors and electronic components) • Develop solvent recovery/purification systems (solvents for NMP/solid-state batteries) • Realize non-combustion treatment of exhaust gases (electrification, gas recycling) • Reduce waste in construction sites, and manage chemicals appropriately
Improve the Board effectiveness to achieve both sustainable growth and proper corporate governance	• Increase expectations for Outside Directors and secure diversity • Strengthen the functions of advisory committees • Think out measures to facilitate lively discussion at the Board of Directors meetings (such as prior briefings and enhanced materials)
Enhance organizational structures for promoting strategic measures to achieve targets of long-term strategies and Medium-Term Business Plans, and monitor how it is practiced	• Establish the Growth Strategy Council, an organization to promote the growth strategy for envisioning a specific road map of the 10-Year Plan and realizing it • Establish the organizations for promoting the DX strategy: the Digital Innovation Committee and the Digital Strategy Committee • Introduce the Group Corporate Officer System aimed at the proactive appointment of overseas local staff into management • Introduce a new management accounting system to strengthen business investment management and establish the Business Investment Committee. Extend ROIC management • Establish the Sustainability Committee and the Sustainability Promotion Committee for enhancing the sustainability strategy
Establish global group management infrastructure befitting a true global engineering company	• Introduce global common IT systems infrastructure • Enhance IT governance structures • Establish the ASEAN Regional Management Dept. • Improve the Board effectiveness of affiliated companies • Establish intermediate holding companies and regional HQs in the future
Dramatically improve operational efficiency and realize significantly high-profit structure	• Expand the scope of automation (the linkage of BIM and cost systems and the use of BIM to automate design/build operations) • Optimize operations by using AI (AI-based global cost management and AI linkage in design/build operations)
Provide valuable engineering by strengthening R&D and making full use of advanced digital technologies	• Implement autonomy (use of AI and robotics in engineering) • Make designs in consideration of greenhouse gas (GHG), that is, visualize and assess GHG emissions at the design stage • Engage in the facility management (FM) business to optimize production and maintenance with digital twins and propose appropriate renovation by predictive maintenance • Leverage advanced digital technologies in R&D to maximize the synergetic effect between the two divisions
Develop a global digital governance infrastructure	• Build a global platform (structures that support global cooperation among R&D facilities and project collaboration)



Targets under Medium-Term Business Plan (FY2025–FY2027)

First phase for achieving Our Goals for 2035

A solid outlook for the achievement of targets supported by the megaprojects and steady growth

To achieve the 10-Year Plan 2035, we have formulated the Medium-Term Business Plans by dividing the ten years into three periods. Among them, in the Medium-Term Business Plan in the first phase spanning FY2025 to FY2027, the target for net sales of completed construction contracts for FY2027 is set at ¥336.5 billion, which will be a record high.

We project that orders received will reach a record high since we expect the megaproject for FY2025. Orders received for FY2027 will not reach the forecast figure for FY2025, but are expected to be at the level of ¥300.0 billion due to its steady growth to date.

We expect higher ordinary income and profit due to an increase in net sales of completed construction contracts despite higher fixed costs resulting from the growth investment for achieving the 10-Year Plan. As a result, we are targeting ROE for FY2027 at a level of over 10%, specifically 10.3%.

We have set our equity ratio at a level of less than 50% as we anticipate cash needs for shareholder returns, strengthening of growth investment, advances paid due to sales growth, among others.

We have revised the shareholder return ratio during FY2025. We plan to pay a stable dividend with the DOE of 4.0% (ROE 10% × dividend payout ratio 40%). The annual dividends are expected to increase to ¥94 for FY2025 and ¥103 for FY2027, which incorporate the stock split effective April 1, 2025. We plan to buy back treasury shares of ¥5.0 billion per year.

We have set a target of selling a three-year total of ¥5.0 billion of cross-shareholdings to achieve 15% or less of net assets as of March 31, 2028.

For non-financial targets, we have set the CO<sub>2</sub> emissions reduction target. Compared to FY2022, we aim to reduce Scope 1 and 2 emissions (emitted by the Group) by 26% and Scope 3 emissions (emitted across the entire supply chain) by 15%.

		FY2025 (forecasts)	FY2027 (targets)
Financial indicators	Orders received	¥362.0 billion	¥296.0 billion
	Net sales of completed construction contracts	¥279.0 billion	¥336.5 billion
	Ordinary income	¥18.2 billion	¥22.7 billion
	Profit	¥12.0 billion	¥15.8 billion
	ROE	8.1%	10.3%
	Equity ratio	45% or higher	40% or higher
	Policy on shareholder returns	DOE	4.0% (Aimed ROE level 10% × dividend payout ratio 40%)
Non-financial indicators		Share buybacks	Shares worth ¥5.0 billion per year
	Cross-shareholdings	Ratio to net assets	15–20% 15% or lower
	CO <sub>2</sub> emissions	Scope 1 and 2: 26% reduction Scope 3: 15% reduction (vs. FY2022 levels)	

The Group adopts the strategy of concentrating management resources into global growth industries in view of Taikisha’s market competitiveness and the market growth potential. As our priority markets, we have set five areas: semiconductors/electronic components, batteries, data centers, biotechnology and pharmaceuticals, and mobility (4-wheelers, 2-wheelers, railroads, aircraft).

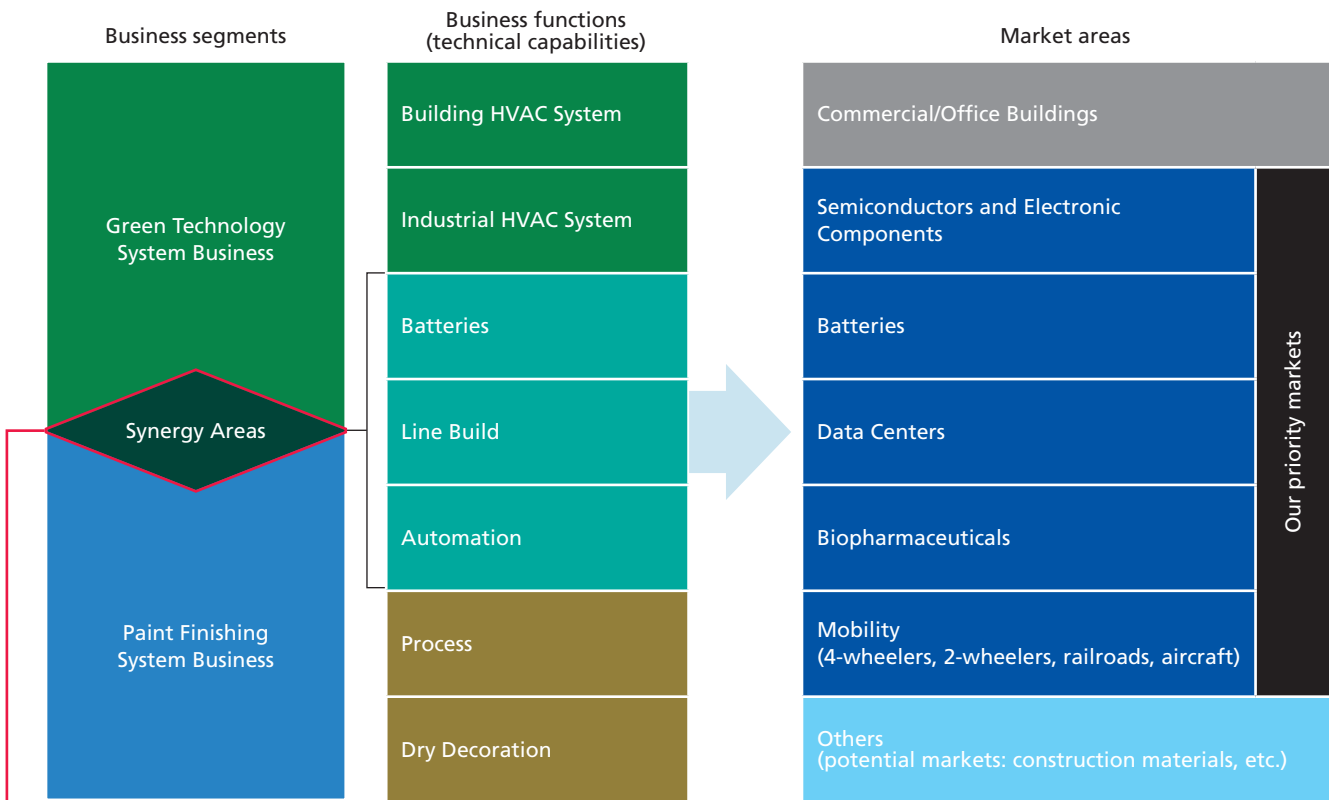
We aim to create growth businesses in our priority markets. To this end, we have upheld the creation of new value and the enhancement of our presence in the priority markets by growing our core Green Technology System Business and Paint Finishing System Business and

expanding the synergy areas where the technologies of both businesses can be combined.

We continue to recognize the domestic market as an important one and will remain committed to strengthening relationships with existing customers and partner companies, responding to emerging needs, and enhancing product quality and services to achieve sustainable growth. Aiming for balanced growth both in Japan and overseas, we will leverage the technologies and expertise cultivated in the domestic market to drive our global expansion, thereby maximizing our corporate value.

We will target priority markets linked to the Green Technology System Business and Paint Finishing System Business.

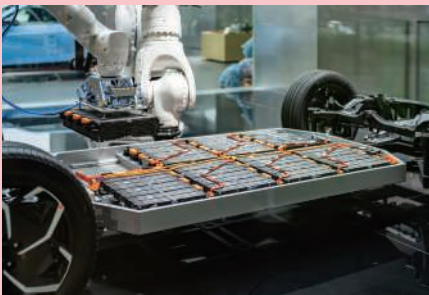
The key to growth will be the leveraging of synergies between these areas to create new businesses.



Proposing a new production line construction method to meet the growing demand for battery plant construction


—Initiative to create synergies between the Green Technology System Business and the Paint Finishing System Business—

- Expansion of support for EV battery plants, primarily through our US affiliates  
We are leveraging experience, know-how, and human resources from our Green Technology System Business in Japan at our affiliates in the US This initiative enables us to expand the scope of contracting activities to encompass heat source supply and our proprietary technologies, including solvent recovery and dry rooms. We are also preparing to grow into a one-stop solution manufacturer.
- Proposal of production line modularization as a method of reducing project timeline and costs  
We will expand into the battery market through the convergence of design/build methods developed by our two business divisions for other industries. We can create mini-environments in special-purpose environmental areas, such as dry rooms, and modularize heat/power supply areas. We aim to shorten the project timeline through the modularization of equipment, including manufacturing and material handling equipment.





# Green Technology System Business

For more information about the strategies and major initiatives of the Green Technology System Business, see pages 11 through 14 from here: 



The Green Technology System Business uses environmental control technology that comprehensively controls energy, air, and water to create an environment that makes people comfortable and to design and install air-conditioning systems that are optimal for manufacturing.

As an engineering company, we will increase the added value of the entire business through improved technological capabilities and the promotion of globalization.

We aim to steadily increase net sales of completed construction contracts and ordinary income over the three years from FY2025 to FY2027.

**Tadashi Sobue**  
Director, Executive Corporate Officer, Chief General Manager,  
Green Technology System Division

Green Technology System Business

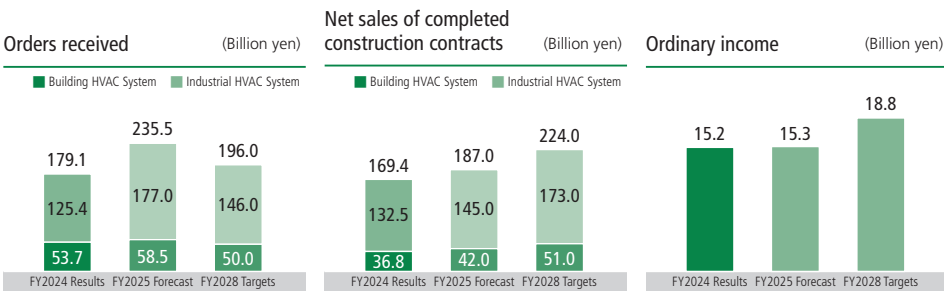
Building HVAC System

Industrial HVAC System

3-year targets (FY2027)

Net sales of completed construction contracts  
¥224.0 billion

Ordinary income  
¥18.8 billion



## Focus for 3-year plan—Building foundations for growth

Market strategy

Maintain and improve our presence in the semiconductor/electronic components markets in Japan and overseas.

Semiconductors: Silicon Island/East Asia strategy

Electronic components: Enhanced support for Japan-based global manufacturers

Regional strategy

Maintain and enhance our presence in priority market areas.

Reinforcement of business base in Japan

Reinforcement of business base in ASEAN

Technology strategy

Contribute to carbon neutrality through the development of GX engineering technology.

Advancement of energy solutions

Enhancement of resource recycling support

Strengthening of compliance with environmental regulations

We aim to increase orders received from ¥179.1 billion in FY2024 to ¥196.0 billion in FY2027, a 9% increase. Additionally, we aim to increase net sales of completed construction contracts from ¥169.4 billion in FY2024 to ¥224.0 billion in FY2027, a 32% increase. Consequently, we have set a target to increase ordinary income from ¥15.2 billion in FY2024 to ¥18.8 billion in FY2027, a 24% increase.


To achieve these targets, we have developed three categories of strategies: market, regional and technology.

Our market strategy aims to maintain and improve our presence in the semiconductor and electronic component markets in Japan and overseas. We will prioritize resources for regions expected to attract intensive semiconductor-related investments, such as Kyushu. We will develop a structure, in collaboration with business partners, capable of handling large projects. Regarding electronic components, we will strengthen our capabilities to serve Japanese global companies, aim to enter the water recycling business by leveraging our wastewater recycling systems, and expand our overseas electrical engineering business. Our regional strategy identifies Japan and ASEAN as priority market areas. In Japan, we will

enhance and optimize human capital and achieve personnel allocation and organizational structures that reflect construction capacity and workloads. We will improve productivity at the design/build stages and also strengthen relationships with business partners. In ASEAN, we will transfer management functions for overseas affiliates from Japan to Singapore to strengthen contact points with global companies. In addition to sharing information, we will develop structures to handle projects based on joint contracting.

Our technology strategy focuses on developing GX engineering technologies. We will enhance energy solutions by broadening the customer base with semiconductor- and battery-related solutions and by enhancing EMS systems with AI. Additionally, we will expand support for resource recycling by entering the water treatment field and developing solvent recovery/purification systems. Furthermore, we will enhance support for environmental compliance through non-combustion treatment of exhaust gases and incorporation of direct air capture (DAC) technology into air conditioning systems.

# Paint Finishing System Business

For more information about the strategies and major initiatives of the Paint Finishing System Business, see pages 16 and 17 from here: 



The Paint Finishing System Business has evolved based on the core technologies cultivated in the HVAC system business, such as exhaust treatment and airflow control.

With over 50 years of track record in the automotive industry, where the highest level of painting quality is required, we hold the top market share in Japan and the second-highest market share globally. In recent years, we have also expanded into the aircraft and railway car industries. Over the three years from FY2025 to FY2027, we aim for further growth through synergies achieved by allocating management resources to the prioritized sectors, collaborating with overseas Group companies, and developing new technologies that stay ahead of changing times.

**Yukinori Hamanaka**  
Director, Executive Corporate Officer, Chief General Manager,  
Paint Finishing System Division

Paint Finishing System Business

Process

Automation

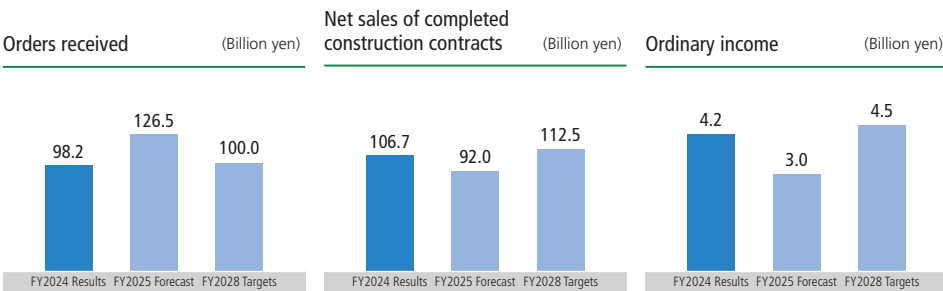
Line build

Dry decoration

3-year targets (FY2027)

Net sales of completed construction contracts  
¥112.5 billion

Ordinary income  
¥4.5 billion



## Focus for 3-year plan—Building foundations for dramatic growth

Market strategy

Maintain and enhance our presence in automotive markets

Green factory technologies: Implementation of dry decoration

Smart factory technologies: Advancement of automation

Expansion of European customer portfolio

Create business opportunities in non-automotive markets

Use of painting technology in other industries

Development of smart industrial HVAC systems

We aim to increase net sales of completed construction contracts from ¥106.7 billion in FY2024 to ¥112.5 billion in FY2027, a 5% increase. Consequently, we have set a target to increase ordinary income from ¥4.2 billion in FY2024 to ¥4.5 billion in FY2027, a 7% increase.

The following summarizes our market strategies to achieve these targets: maintaining and enhancing our presence in automotive markets and creating business opportunities in non-automotive markets.

In automotive markets, we will implement three major initiatives: green factory technologies, smart factory technologies, and the expansion of the European customer portfolio. In terms of green factory technologies, we will verify customers' required specifications in our laboratories and implement production lines capable of extremely high-quality performance. Then, we will establish mass production technology using dry decoration, thereby enabling proactive marketing to automotive OEMs. Regarding smart factory technologies, we will leverage our track record in realizing and evaluating advanced concepts in the paint/coating field to expand our business domains to inspection, polishing, and

material handling. To expand our European customer portfolio, we will create optimal order processing systems across entire supply chains and expand areas in which we have in-house production capabilities.

In non-automotive markets, we will approach not only railway cars and aircraft, but also other manufacturing industries. To enable the use of our painting technology in other industries, we will contribute to smart factory technology for low-volume production and pursue marketing opportunities to leverage our coating and decoration technologies. Furthermore, we will further pursue providing integrated services ranging from environmental technology developed through the HVAC business to consulting and after-sales support. By realizing smart factories across all industries, we aim to expand our market share.



Dialogue between Chief General Managers of Green Technology System Business and Paint Finishing System Business



**Tadashi Sobue**  
Director, Executive Corporate Officer,  
Chief General Manager,  
Green Technology System Division



**Yukinori Hamanaka**  
Director, Executive Corporate Officer,  
Chief General Manager,  
Paint Finishing System Division

Embodying “Be Engineering” through Collaboration and Co-Creation

Amid rapid changes in the social environment and ongoing technological innovation, along with the changes in the industrial structure, the Green Technology System Division and the Paint Finishing System Division are deepening their partnership while leveraging their strengths built through their respective technologies and past achievements. In this dialogue, the two Chief General Managers reflect on their divisions’ uniqueness and history, and share insights on new value to be created through co-creation and future business development under the banner of our “New Growth Strategy.”

After discussing with a view over the next 10 years

**Sobue:** The two of us, together with President Osada and Executive Vice Presidents Nakajima and Nakagawa, launched the Growth Strategy Council this year, comprising five Executive Directors. Through this council, we are discussing Taikisha’s management issues with a view over the next 10 years.

**Hamanaka:** At the Growth Strategy Council, we have exchanged views, raised issues, and engaged in discussions to explore what kind of value we should deliver as the ideal future state of Taikisha, what kind of transformations are required, and how we should implement them. Regarding the theme of this dialogue, co-creation between the Green Technology Systems Division and the Paint Finishing Systems Division, the Growth Strategy Council shares a common understanding of the issues from a long-term perspective. Recognizing that we are seen by customers as a long-term business partner, we view the sharing of resources for future value delivery as a company-wide transformation involving corporate divisions.

**Sobue:** It’s not simply about having the two divisions collaborate. Advancing coordination between the divisions from a company-wide optimization perspective will be key to realizing the 10-year plan. We can now say that the time has come for the five Executive Directors to engage

in discussions on the shared resource portfolio, including R&D, digital, human capital, and capital, cutting across divisional boundaries.

Until now, the Green Technology Systems Division has operated as a contractor, leveraging its technical expertise in design and construction. Especially overseas, there are many opportunities not only to install air conditioning systems alone, but also to take on full projects that include buildings, electrical equipment, and air conditioning systems. Looking ahead to the next ten years, we believe it is essential to offer one-stop solutions that can meet customer needs both in Japan and overseas, covering everything from planning and design to construction and maintenance. At the same time, we aim to build a division capable of providing total solutions.

**Hamanaka:** From the perspective of the Paint Finishing System Business, advancing GX and DX that are the pillars of the 10-year plan will likely depend on the use of technologies such as digital twins, which will be the keyword. For example, in the automobile industry, there is a trend to use digital twins to reduce the development time for new car models from around three years to two or even one and a half years. To keep pace with this accelerating speed, it is essential to offer solutions that allow us to check the quality in advance by using digital twins without actual painting.

On the other hand, when we look at the challenges our customers face, we see a shortage of human resources and an inability to try new

approaches to achieve carbon neutrality even if they want to. We have stepped in as a game changer by investing in development to commercialize dry decoration, a zero CO<sub>2</sub> emission alternative to spray painting, and our efforts have been well received by customers. If there are no restrictions on development costs that create future value and these costs are allocated as long-term strategic investments covered by the corporate side, we can actively promote development exchanges related to customer needs.

As we aim to become a company that can provide value to customers through one-stop solutions, we will continue to hold discussions at the Growth Strategy Council about Taikisha’s evolution across departments.

Background of business collaboration and expectations for synergies

**Hamanaka:** Taikisha’s business development, centered on the two pillars, the Green Technology System Business and the Paint Finishing System Business, is recognized within the industry as a unique strength not seen in other companies. Looking back, Taikisha originally specialized in air conditioning. However, in response to customer requests to apply our air conditioning expertise to automobile paint finishing plants, we began by providing air conditioning systems for those plants. Over time, it

expanded into other equipment used throughout the painting process and grew to the point where we could get orders as a turnkey project. As our paint finishing operations have expanded into the automobile field, opportunities for collaboration with our original air conditioning business became limited. As a result, we have decided to go on a separate path, which led to the Green Technology System Business and the Paint Finishing System Business becoming the two main pillars.

However, while the Green Technology System Business has a broad base across many fields that require air conditioning, the Paint Finishing System Business is primarily centered on paint finishing plants for automobile manufacturers, which limits opportunities for future expansion. Recognizing this issue has led us to a co-creation concept of combining industrial HVAC for manufacturing with the automation technology developed by the Paint Finishing System Business. With this concept, we can provide one-stop solutions to customers and expand the portfolios of both businesses.

**Sobue:** As Mr. Hamanaka mentioned, the Green Technology System Business has a broad scope, covering not only the building HVAC system sector but also a wide range of the industrial HVAC system sector, including semiconductors and electronic components, pharmaceuticals, data centers, and food processing. However, it is quite challenging to pursue deep specialization and fully cultivate opportunities in each of



these sectors; rather, we have focused on broadening our scope and enhancing versatility as an equipment manufacturer. On the other hand, the Paint Finishing System Business has advanced in research for robot and conveyance technologies. By leveraging that specialized expertise, we aim to approach more industrial HVAC customers and further enhance the value Taikisha delivers.

In the Green Technology System Business, even for customers in the industrial HVAC sector, business is generally conducted with facility or maintenance departments. In contrast, in the Paint Finishing System Business, manufacturing departments directly engage with customers. By having the Green Technology System Business provide the facilities that support those manufacturing departments, we can expect to build a stronger relationship between the two businesses.

**Hamanaka:** The Paint Finishing System Division experienced fluctuations in performance due to its heavy reliance on large-scale projects, which became the starting point for recognizing the issues. Operating with a very narrow portfolio focused on the four-wheel sector of Japanese automobile manufacturers, any downturn in the customer industries or market can directly lead to a deterioration in our business performance. This situation forced the division to take a more diversified business approach. As a result, we turned our attention to EV batteries and developed equipment that applies waterproofing and rustproofing to battery cases using our existing paint finishing system technology. This effort resulted in winning orders from Japanese automobile manufacturers.

**Sobue:** Meanwhile, the manufacturing process for EV batteries requires a range of advanced environmental technologies, which fall within the domain of the Green Technology System Business. Stepping aside from the Paint Finishing System Division’s work on equipment for EV battery cases, as Mr. Hamanaka just explained, we have also received orders from the battery industry such as the dry room that enables ultra-low humidity and the recovery system for a special solvent called NMP. In other words, both divisions had been working separately on EV batteries. However, since the end users are automobile manufacturers, we recognized that we need to collaborate with each other to provide one-stop solutions to customers so we can create a pillar that can become a major source of profit. This understanding led us to initiate collaboration with the Paint Finishing System Division.

**Hamanaka:** Until now, collaboration across departments has been

challenging within Taikisha’s recent corporate culture, which represents our divisional structure. However, the EV battery project is progressing smoothly, partly because it arose from a market necessity. President Osada, who has experience in both divisions, is personally taking efforts to break down organizational barriers.

**Sobue:** Additionally, the Digital Strategy Committee, led by the Engineering Headquarters and Information Systems Department, which were newly established this April, is now in full swing with its activities. Currently, we are focused on building a company-wide DX infrastructure that crosses divisional boundaries, as well as accumulating and sharing databases. Moving forward, the key will be on how we can connect these efforts to improve productivity.

**Hamanaka:** That’s true. Since we are aiming to share databases company-wide, we should collaborate toward creating technological innovations and work together to deliver results.

Strengths of business collaboration in priority markets

**Hamanaka:** We believe automobile manufacturers will shift away from outsourcing EV battery production to the battery industry and instead begin producing batteries in-house. In fact, in 2025, a battery plant established by a Japanese automobile manufacturer in North America started operating. When approaching such customers, we have a significant advantage, with a proven track record in both environmental technologies for battery manufacturing processes and battery cases. In addition, the global development of the Paint Finishing System Business and the collaboration structure in North America are strengths that set us apart from other companies.

The global development of the Green Technology System Business has been mainly focused in Southeast Asia, while the Paint Finishing System Business is mainly focused in Europe and North America. When collaborating on activities to get orders for one-stop solutions, we are leveraging the Paint Finishing System Business’s network in Europe and North America to support the global expansion of the Green Technology System Business. This approach can allow us to make proposals not only to Japanese customers but also to non-Japanese customers.

**Sobue:** We are currently exploring ways to achieve more compact and modularized battery plants, aiming to deliver benefits such as reduced

We will share resources from a company-wide optimization perspective to design a sustainable future.

We will drive innovation in GX and DX to take on challenges held by customers and deliver optimal solutions that go beyond business boundaries.



energy consumption, mini-environmental control (formation of a localized clean environment), and shorter delivery times. We are working on this initiative as a collaboration that combines the technologies of both divisions. As the number of battery plants continues to grow rapidly, we plan to develop a package for smart factories based on this initiative and differentiate ourselves from competitors by leveraging the complementary strengths of both divisions.

This kind of coordination in the battery business can be seen as the first step toward realizing “Innovative Engineering,” one of the strategic policies outlined in the 10-year plan.

**Hamanaka:** In Japan’s construction industry, labor is highly specialized. When it comes to buildings, a general contractor constructs the main building, while other contractors build elevators, air conditioning, electrical systems, and more, according to their expertise. This division of labor is mostly done in Japan. If we look globally, providing a one-stop solution is more common. From that perspective, competitors who operate mainly in Japan are dealing with challenges of meeting the needs of overseas customers. However, we’ve developed globally for a long time, so we see this as a key differentiating strength.

The Green Technology System Business has overwhelming strengths in construction capabilities and the construction management structure, which have earned us getting orders repeatedly. However, unless we are an engineering company, we cannot enter the upstream side of our customers. Meanwhile, in the Paint Finishing System Business, all opportunities start with design competitions. Without having strong design capabilities, we cannot beat our competitors. As such, balancing resource allocation between design and construction with limited human resources remains a constant challenge. This structure of collaboration and division of labor that complements both issues is a major strength in realizing our growth strategy, and we believe it will serve as a stepping stone to becoming a global engineering company.

Challenges and outlook for the evolution of the value proposition

**Hamanaka:** The Medium-Term Business Plan lists three business functions (technical capabilities) in the synergy areas between the Paint

Finishing System Business and the Green Technology System Business, which are battery, line build, and automation. Among these, line build comes from the fusion of the specialized environmental technology provided by the Green Technology System Business and the automation technology of the Paint Finishing System Business. Japanese manufacturers tend to handle most of their work in-house, but in Europe and the US, outsourcing is the norm, and strong demand for line builds is expected. It is important to enhance our capabilities so that we can provide line build services not only to automobile manufacturers but also to other industries.

**Sobue:** The management issue I am very conscious of is that we have reached a stage where we must seriously work on expanding our business to non-Japanese manufacturers as we pursue global development. For Japanese manufacturers, the Green Technology System Business has been involved from the planning stage of property design and construction through to after-sales support and maintenance, and this track record has served as a stepping stone to global development. However, with non-Japanese manufacturers, it remains difficult to participate from the planning stage, and there is still a need to improve Taikisha’s recognition and reputation as a company, as well as to build trusting relationships. We aim to overcome this barrier and become an engineering company that can provide all services from design to maintenance. When it comes to strengthening communication, working together with the Paint Finishing System Business is extremely valuable.

**Hamanaka:** By 2035, ten years from now, we want to become an engineering company that can face increasingly complex social and customer challenges and provide optimal solutions. Collaborating between both divisions and sharing resources across departments are means to that end and not the goal itself. We seek to evolve into a corporate group that embodies the vision of “Be Engineering” and to boldly take on ambitious challenges to create new value.

**Sobue:** Exactly. As a comprehensive engineering company, we will work to earn the trust and meet the expectations of our customers globally and contribute to the realization of a sustainable society. To achieve this, all employees of the Group will embody the spirit of “Be Engineering” and embrace challenges without fear of change.



# Strengthening Our Business Base in ASEAN Market

Semiconductor demand continues to grow year after year due to the spread of IoT and generative AI. Under the 10-Year Plan 2035, we have identified the semiconductor and electronic component markets as one of our priority markets. We are advancing initiatives to strengthen our business base, aiming to become an engineering company that supports the capital investment of globally expanding advanced semiconductor firms in the Southeast Asian region.



### Strengthening our business base in ASEAN market

- Establish the ASEAN Management Department in Singapore
- Strengthen cooperative structures across ASEAN affiliates
- Establish bases to visualize our technological capabilities
- Establish global design-build standards



### Establish the ASEAN Management Department in Singapore

Companies that are expanding globally are actively reviewing their supply chains and accelerating their expansion into Southeast Asia in order to establish distributed production bases.

Many of the Group’s overseas affiliates are located in Southeast Asia and surrounding countries. Nearly 2,000 of our employees belong to those in the ASEAN region. To meet the high demand for construction, we established the ASEAN Management Department in Singapore, a hub city of the ASEAN region.

Previously, our management function for overseas affiliates was in Japan because our international projects were primarily for Japanese customers. By transferring this function to the ASEAN Management Department, we will increase touchpoints with non-Japanese customers.

In recent years, it has become increasingly difficult for a single base to manage larger projects. Therefore, we will strengthen cooperation between the head office departments and our overseas affiliates, as well as among our overseas affiliates. This will enable us to build a cooperative framework spanning multiple bases across the entire ASEAN region.

Concurrently, we will collaborate with the ASEAN Regional Management Department, which was established under the Administrative Management Headquarters to strengthen the global corporate function, to develop skill enhancement programs and career plans for local staff in ASEAN, as well as to strengthen the cost management framework.

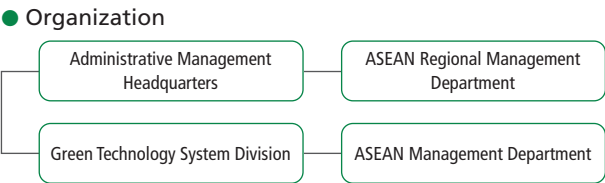


### ASEAN Regional Management Department, Administrative Management Headquarters

Non-Japanese customers often have different business practices from Japanese ones. To ensure smooth project progress and secure profits, we must establish internal structures involved in projects and increase operational efficiency. To this end, we must implement initiatives for human resource development and operational improvement.

The ASEAN Regional Management Department was established as an overseas branch of the Administrative Management Headquarters at the head office to support affiliates in Southeast and South Asia in enhancing operational efficiency.

Going forward, we will develop local staff, plan and formulate personnel initiatives, review operational rules and procedures, support order placement, reception, and contract management, enhance accounting efficiency, and formulate financial strategies.



### Establish bases to visualize our technological capabilities

In April 2023, we opened the TAIKISHA INNOVATION GATE Shinjuku (TIGS), a satellite facility of the TAIKISHA INNOVATION SITE Aikawa (TISA) in Aikawa-cho, Kanagawa Prefecture, at our head office. Serving as a *gate* where visitors can experience our technologies, the facility aims to broaden communication channels, foster the integration of internal and external solutions, and drive the development of the next innovation.

Currently, the INNOVATION GATE is operating only in Tokyo. We are planning to roll out the facility sequentially to our affiliates in Southeast Asia, including Bangkok, Thailand; Hanoi, Vietnam; and Singapore.



### Establish global design-build standards

Many of our overseas affiliates were established to handle specific projects, which resulted in variations in operational quality and rules because they were not standardized. To improve operational quality and productivity within the Group, we are working on standardizing operations, accumulating cases, and disseminating operational rules.

In particular, we will roll out the design/build platform already used in Japan to our ASEAN affiliates in order to achieve operational efficiency and consistent technological quality.

### Messages from the ASEAN Management Department and the ASEAN Regional Management Department



Masaki Yamashita  
Senior General Manager, ASEAN Management Department

We established the ASEAN Management Department in Singapore, a hub city of ASEAN, and transferred our management function for overseas affiliates from Japan to Singapore. Going forward, we will increase touchpoints with not only Japanese customers, but also European and local non-Japanese customers. Along with our nearly 2,000 colleagues in ASEAN, we will strengthen vertical cooperation between the head office departments and overseas affiliates, as well as horizontal cooperation among overseas affiliates, to ensure the reliable progress of recent larger projects. This will contribute to stronger cooperation across all affiliates in the ASEAN region. At the same time, we will collaborate with the ASEAN Regional Management Department to further increase sales and improve profitability, while strengthening risk management, including managing terms of contracts associated with order placement and reception.



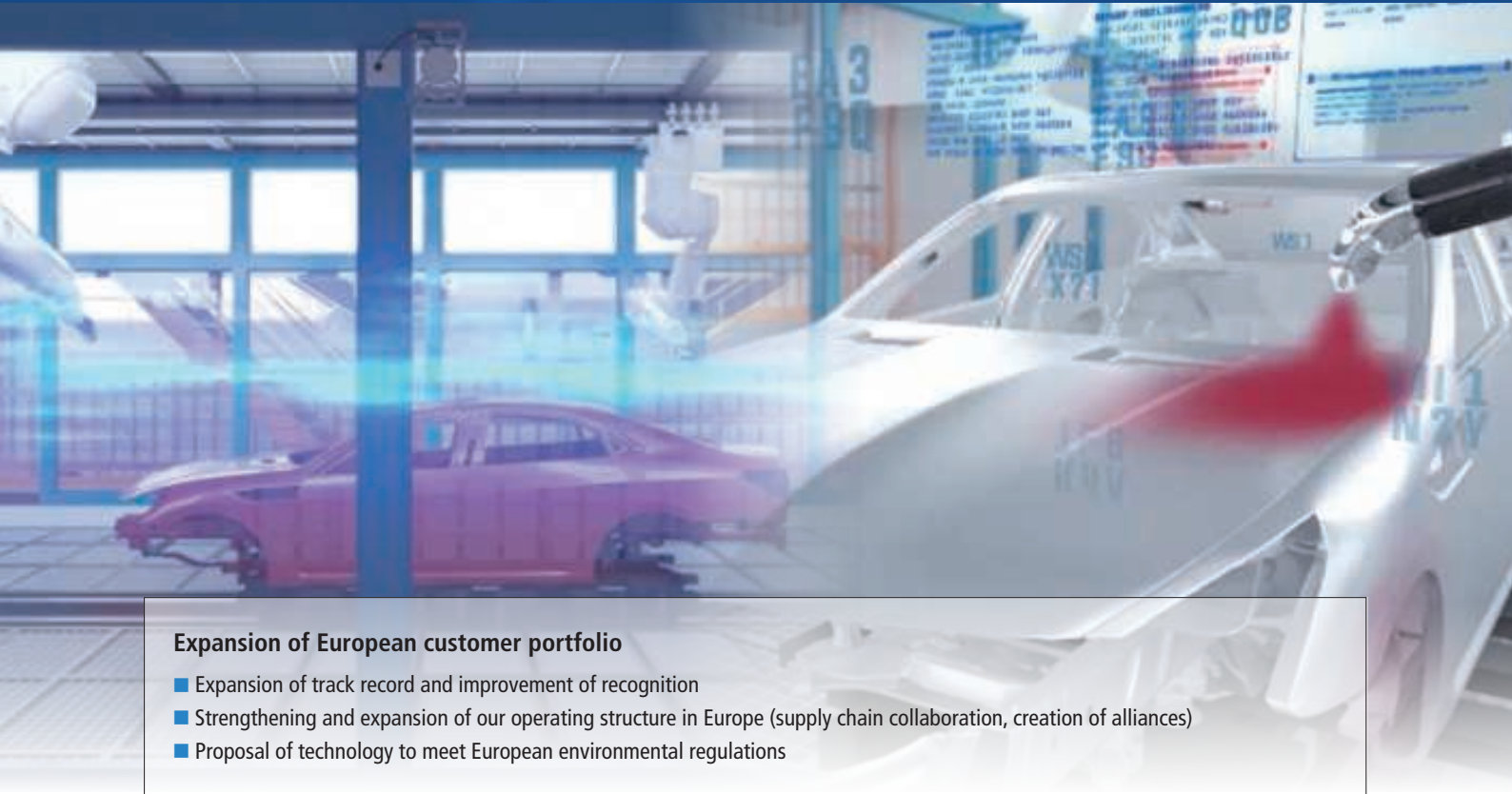
Yoshiaki Ichinomiya  
General Manager, ASEAN Regional Management Department

In response to the high demand for construction in ASEAN, we transferred the global corporate function to Singapore to support the division’s initiatives to increase sales and improve profitability. While strengthening back-office functions deployed across our overseas affiliates, we will establish a system that allows each affiliate to collaborate and cooperate with one another, taking into account the future expansion of business, particularly with European and local clients. This initiative aims to improve the organizational strength of the entire Group.



# Enhancing Our Presence in the European Market

Global automotive markets have recovered to levels before the outbreak of COVID-19. In particular, the European market is expected to maintain consistent demand. To maintain and enhance our presence in automotive markets, we are implementing initiatives to expand our European customer portfolio. We are also expanding our business activities to encompass not only paint finishing systems, but also optimal automation systems and the integrated delivery of both production environment equipment and production line equipment.



### Expansion of European customer portfolio

- Expansion of track record and improvement of recognition
- Strengthening and expansion of our operating structure in Europe (supply chain collaboration, creation of alliances)
- Proposal of technology to meet European environmental regulations

### Why the European market?

The Group recognizes the European market as a strategically critical market.

Many technologies developed and standardized in Europe have been introduced by automotive paint finishing plants. Additionally, Europe leads the world in environmental regulations and has a need for advanced technologies to achieve carbon neutrality. Europe is expected

to continue to lead technical innovation in the automotive industry by delivering innovative technologies that will become global standards.

Given this situation, the Group is advancing initiatives to enhance our presence in the European market in order to provide engineering services worldwide in support of industrial innovation.

### Expansion of track record and improvement of recognition

We have received an order from a European automobile manufacturer for a large-scale full-turnkey project, in which we handle all processes from design to delivery.

The customer highly rated our track record of supplying Japanese automobile manufacturers with paint finishing systems that produce high-quality results, as well as our fundamental technologies and our

operation of quality and environmental management systems. These factors led to our receiving an order for the project.

We expect our participation in this project to substantially enhance our presence in the European market. We will also deepen our understanding

of the specifications and needs of European automobile manufacturers, which will hopefully lead to orders from other automobile manufacturers.

### Strengthening and expansion of our operating structure in Europe

In June 2024, we established Taikisha Deutschland GmbH, a Group company, in Leinfelden-Echterdingen, near Stuttgart, Germany. At Taikisha Deutschland GmbH, national and Japanese staff with expertise in paint finishing systems and knowledge of the local area work together. We are currently strengthening our operational structure to expand the Group's scope of operations while building an optimal framework across the entire supply chain.

Going forward, we plan to establish bases to visualize our technological capabilities. In the long term, we are also considering entering the semiconductor and electronic component markets, as well as the battery market, through synergies with the Green Technology System Business.

### Proposal of technology to meet European environmental regulations

Europe takes the global impact of climate change seriously and is leading the world in taking countermeasures. Since the EU adopted the goal of achieving carbon neutrality by 2050, the European automotive industry has set corresponding targets to reduce volatile organic compound (VOC) emissions, lower energy consumption, and introduce renewable energies.

Currently, the EU requires automotive paint finishing plants to suppress VOC emissions to 45 g/m<sup>2</sup> (automotive surface area). In the future, this regulation is expected to tighten to 30 g/m<sup>2</sup> or even 10–30 g/m<sup>2</sup>. To meet

these stricter requirements, we propose new exhaust treatment systems for paint booths.

To reduce GHG emissions, we are also proposing systems that use electricity as an alternative energy source for gases, as well as our proprietary technologies, i-Dry Scrubber and e-RTO.

By proposing the use of these energy-saving and environmentally friendly technologies that comply with European regulations, we aim to provide solutions that contribute to achieving carbon neutrality.

### Looking ahead

Europe is a market where our competitors, who have the top market share in the automobile painting industry, are headquartered. Taikisha will strengthen its partnerships with major automobile manufacturers in this field and aims to establish itself as a supplier that can provide an integrated service for paint finishing plants by leveraging its automation

technology. At the same time, we will provide solutions that contribute to achieving carbon neutrality by utilizing energy-saving and environmentally friendly technologies that comply with European regulations.

### From Taikisha Deutschland GmbH

Since our founding in 2024, we have been dedicated to establishing a solid foundation. To achieve high standards in business operations, we have obtained certifications for our quality management system (ISO 9001) and environmental management system (ISO 14001). With the addition of new members, our entire team of approximately 20 motivated and experienced individuals is now committed to the success of Taikisha Deutschland GmbH and to growing our business in the European market. Taikisha Deutschland GmbH has developed a structure to capitalize on new opportunities and deliver great impact in this region with its powerful and enthusiastic team.



Mitigation of and Adaptation to Climate Change

Basic Policy

The Group believes that addressing global-scale social issues, such as climate change, is our raison d'être (purpose). In December 2021, we expressed our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and we have been continuously collecting, analyzing, and disclosing the necessary data in accordance with the TCFD framework. In addition, positioning the mitigation of and adaptation to climate change as one of our top management priorities (materiality), we are endeavoring to reduce environmental impacts through our core business of providing air conditioning and sanitation equipment, and painting plants with high energy-saving performance.

Disclosure of climate-related information based on TCFD's recommendations



Disclosure of climate-related information based on TCFD's recommendations



Governance

The Company has established the Sustainable Committee, which is an advisory body of the Board of Directors, with an aim of strengthening our efforts to address social issues, including climate change, from the perspective of the realization of sustainable society and perpetual corporate growth. The Sustainable Committee is chaired by an Outside Director and consists of 9 members, namely 4 Outside Directors including the chairperson and 5 Executive Directors. The Sustainable Committee replies to questions from the Board of Directors, and makes proposals or recommendations to the Board of Directors.

In addition, the Company has established the Sustainable Promotion Committee as an executive body on the executive side that acts on the basis of resolutions, etc. of the Board of Directors. The Sustainable Promotion Committee consists of 5 Executive Directors including the Representative Director, President as chairperson, and responsible person for sales department of each business division, and which discussed and

implements measures for addressing sustainability issues.

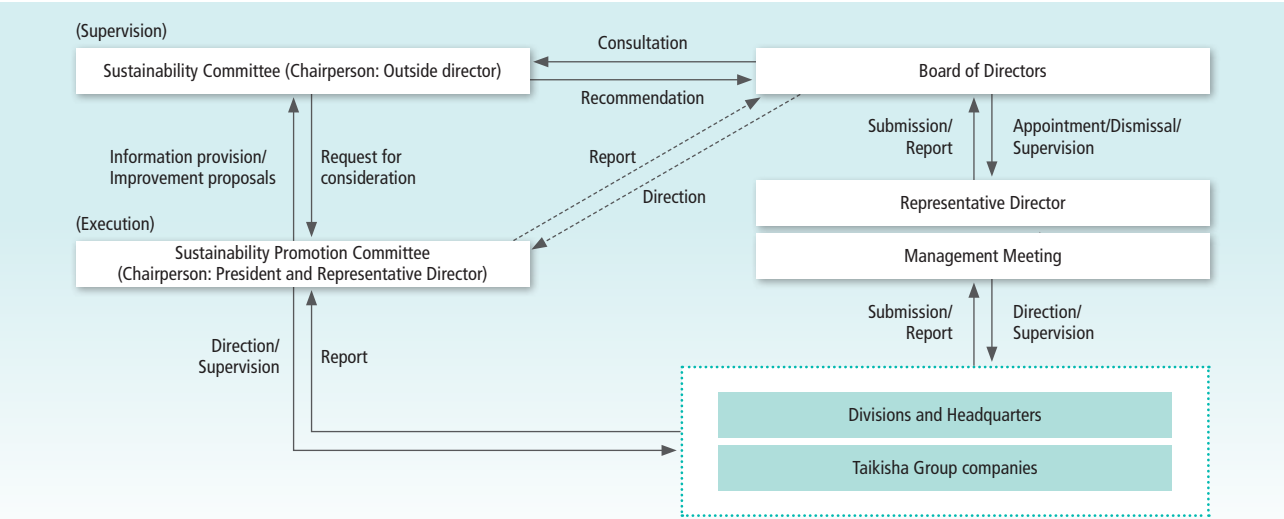
Responsibilities for evaluating and controlling climate-related risks and opportunities are assigned to the President and Representative Director, who chairs the Risk Management Committee. With regard to the linkage with incentives, non-financial indicators are introduced at a specific rate as an evaluation factor to the compensation structure of the Executive Directors, encouraging the strengthening of promotional activities.

Strategies

In order to identify and evaluate climate-related risks and opportunities and to understand their impacts on our businesses, we conducted scenario analyses of the Green Technology System Division and Paint Finishing System Division through the following process.

Specifically, we firstly identified factors of risks and opportunities having a great impact on us. Next we conducted an analysis concerning shifts in policies and market trends, and physical changes attributable to disasters, using each of a less-than-2°C scenario, which assumes that the average temperature rise of the world in 2035 will be kept below 2°C, and a 4°C scenario, which assumes that the average temperature will rise by approximately 4°C. We perceived "carbon taxes," "changes in customer behavior," and "prevalence of energy-saving and renewable energy technologies" as shift factors, and "average temperature rise" as a physical factor, and identified them as important risks and opportunities.

Sustainability Promotion System Diagram



Analysis process

- 1 Evaluation of the degree of the priority of each risk
- Identify the risks and opportunities of climate change that Taikisha Group is currently confronted with and is expected to be confronted with in the future in the Green Technology System Division and Paint Finishing System Division, and evaluate their degree of importance on our future businesses.
- 2 Definition of scenarios
- Select multiple scenarios, and then obtain objective future information on parameters related to risk and opportunity items. Based on this information, categorize global movements around us, including the behavior of future stakeholders in each of the scenarios.
- 3 Evaluation of impacts on businesses
- Based on global movements in each scenario, consider what strategic options we should take, clarify the gap between existing management, business strategies, and plans and them. Then estimate their impacts on businesses.
- 4 Definition of countermeasures
- Based on each scenario and our actions, scrutinize applicable and realistic countermeasures to address the identified risks and opportunities.

4°C scenario
If more powerful countermeasures than the ongoing ones are not taken against global warming, land surface temperature will rise by 2.7 to 5.4°C from the level in the period of the Industrial Revolution.
Less-than-2°C scenario
If strict countermeasures are taken against global warming, land surface temperature will rise by 0.9 to 2.3°C from the level in the period of the Industrial Revolution.

Selected climate change scenarios

With reference to the climate change scenarios published by the International Energy Agency (IEA) and other organizations, we selected the less-than-2°C scenario (transition to low carbon) and the 4°C scenario (no further significant policy measures are taken).

Results of scenario analyses

We perceived "carbon tax," "changes in customer behavior," and "prevalence of energy-saving and renewable energy technologies" as transition factors, and "average temperature rise" as a physical factor, and identified them as material risks and opportunities.

The degrees of the financial impacts on the businesses verified in each scenario are indicated in units of one billion yen using arrows, and a countermeasure against each of the impacts is also described.

Results of scenario analyses

+ 1 billion yen or more ↑ + less than 1 billion yen ↗ ± less than 0.1 billion yen → — less than 1 billion yen ↘ — 1 billion yen or more ↓

Items of material risks and opportunities			Risk	Opportunity	Financial impact in each scenario		Assumed countermeasure
					4°C	Less-than-2°C	
Transition risk, opportunities	Policy/Regulation	Carbon tax	Introduction of carbon taxes (Due to the rises in carbon prices and material costs, the cost will increase by about 300 million yen in the 4°C scenario and by about 9 billion yen in the less-than-2°C scenario.)	Growth of demand for low-carbon buildings (increase in sales) Growth of demand for low-carbon painting plants (increase in sales)	🔻	🔻	<ul style="list-style-type: none"><li>● Setting of GHG emission reduction targets</li><li>● Keeping track of the total amount of GHG emissions, improvement in analysis efficiency</li><li>● Improvement in energy efficiency and introduction of renewable energy by the company</li><li>● Development of low-carbon installation work technologies and systems</li><li>● Participation in the renewable energy industry</li><li>● Development of air conditioning equipment and technologies compatible with environmental countermeasures, policies, and measures taken by each country</li></ul>
	Industry/Technology/Market	Changes in customer behavior, prevalence of energy-saving and renewable energy technologies	Response to requests from customers (rise of operating costs and inadequate responses → decrease in sales), deterioration of competitiveness in the development of energy-saving and renewable energy technologies (decline in sales)	Increase of about 1.1 billion yen in sales in the 4°C scenario and of about 2.2 billion yen in the less-than-2°C scenario as a result of integrating customers' needs for low-carbon buildings and fluctuations in demand for construction works of growing Net Zero Energy Buildings (ZEBs), development of advanced energy-saving and renewable energy technologies (increase in sales)	🔼	🔼	<ul style="list-style-type: none"><li>● Expansion of installation works of energy-saving equipment, such as the transformation of plants into ZEBs</li><li>● Construction of energy circulation systems</li><li>● Provision of energy-saving solutions, such as energy management</li><li>● Development of low-carbon installation work technologies and systems</li><li>● Miniaturization and energy saving of equipment</li><li>● Acquisition of skills that will contribute to the reform of painting processes, and promotion of product development</li><li>● Improvement in high coating efficiency, development of energy-saving technologies</li><li>● Development of CO<sub>2</sub> recovery and recycling technologies, etc., creation of businesses</li><li>● New water treatment, maintenance and effective use of water resources, and generation technologies (MOF, etc.)</li><li>● Digital fusion for research and development and the creation of new businesses</li><li>● Development of automatic work robots and construction work support robots at construction sites</li><li>● Development and verification of equipment that will not produce CO<sub>2</sub>, and equipment capable of recycling CO<sub>2</sub></li></ul>
Physical risks and opportunities	Chronic	Average temperature rise	Deterioration of labor productivity due to an average temperature rise and suspension of construction works due to the increase of extremely hot days (increase of about 400 million yen in operating costs in the 4°C scenario and of about 370 million yen in the less-than-2°C scenario) Revision of labor laws and regulations (decrease in sales)	Growth of demand for air conditioning system technologies (increase in sales) Promotion of the mechanization and automation of installation works (increase in sales) Growth of demand for plant factories (increase in sales)	🔻	🔻	<ul style="list-style-type: none"><li>● Diversified expansion of the plant factory business, energy recycling of plant factories</li><li>● Promotion of the mechanization and automation of installation works</li><li>● Improvement of the working environment, such as good air conditioning and enough rest areas</li><li>● Promotion of countermeasures against heatstroke</li></ul>



Risk Management

The Taikisha Group is endeavoring to reduce material risks, including climate change, and minimize risks that will become apparent. The Risk Management Committee assesses the level of each risk, selects risks we should deal with, and formulates and implements policies, for reducing risks from the overall perspective of the group.

Specifically, we have established the Risk Management Rules and organized the Risk Management Committee based on the rules to conduct centralized, effective, and efficient management of the group’s risks. The Committee, chaired by the President and Representative Director, is held twice a year and whenever necessary, and establishes and thoroughly disseminates basic policies, responsibility systems, and operation for company-wide risk management.

When it comes to material risks, including climate change, each of the departments in charge identifies items and determines the “degree of risk (degree of importance)” with three levels—High, Medium, and Low—taking into account the “impact on management” and the “frequency of occurrence.”

Among them, High items that have a significant impact on our strategies or financial status are selected as risks that should be preferentially dealt with and reported to the Risk Management Committee after formulating priority management policies and targets.

The Risk Management Committee assesses the degree of each risk and discusses the priority management policies and targets from a company-wide, comprehensive perspective, and formulates basic policies. Then, each department in charge monitors the progress of its activity plan and reports the results to the Risk Management Committee.

The Chairperson (President and Representative Director) of the Risk Management Committee scrutinizes the status of company-wide risk management and reports it to the Board of Directors twice a year after discussion by the Internal Control Committee.

In addition, the Management Meeting, which determines important management matters on the whole, discusses the risks and opportunities of climate change, reviews climate change scenarios, and reflects them in long-term strategies. The Management Meeting reports related issues, including the risks of climate change, to the Board of Directors alongside of the reporting from the Risk Management Committee.

Committee/Meeting body	Overview of organization	Overview of activities
Risk Management Committee	Chairperson: President and Representative Director	•Held twice a year •Perceiving and assessing the risks of climate change and confirming the direction of actions against important risks
Internal Control Committee	Chairperson: President and Representative Director	•Held as needed •Discussing the risk management system and the status of risk management
Management Meeting	Chairperson: President and Representative Director	•Held twice a month •Reviewing climate change scenarios and reflecting them in long-term strategies •Discussing the risks and opportunities of climate change •Considering whether the climate-related issues should be reported to the Board of Directors

In order to strengthen risk assessments from a company-wide, comprehensive perspective, the members of the Internal Control Committee conduct additional company-wide assessments and formulate policies.

Indicators and Targets

In order to manage climate-related risks and opportunities, various measures are implemented by setting indicators not only for GHG emissions but also for energy consumption, water usage, and waste emissions.

Reduction target

In order to evaluate and manage the impact of climate change on its operations, the Group has set a GHG emissions reduction target, utilizing CO<sub>2</sub> emissions in business activities as a key indicator.

CO <sub>2</sub> emissions in the business activities
Scope 1 and 2: 42% reduction by 2030 (vs FY2022 levels)
Scope 3: 25% reduction by 2030 (vs FY2022 levels)

In 2024, our GHG emissions reduction target was accredited by the Science-Based Targets initiative (SBTi) as a target aligned with the levels required by the Paris Agreement.

From this point forward, we will develop technologies and proactively promote proposals to our customers to help reduce CO<sub>2</sub> emissions during the operation stage of equipment designed and constructed by our Group. Additionally, we will contribute to the realization of a decarbonized society by introducing renewable energy-based electricity at our domestic and international sites.

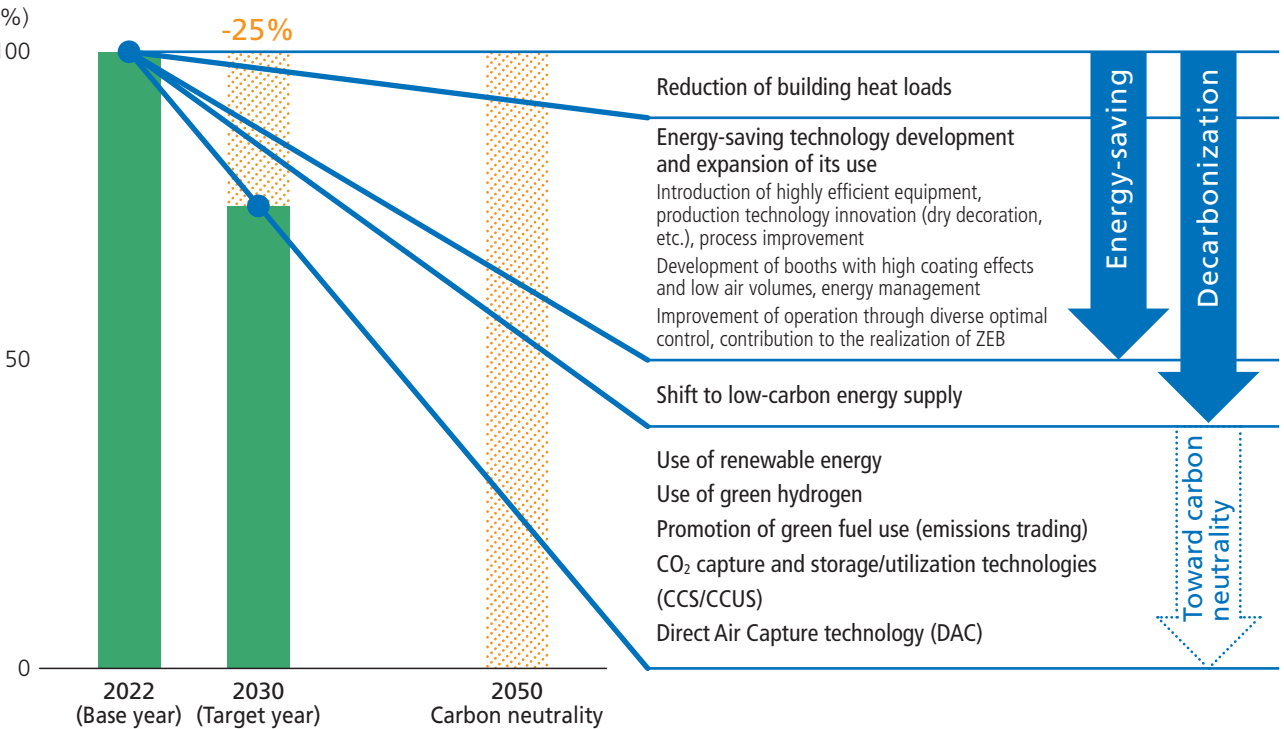


GHG emissions

Scope/Category		Emission amount (t-CO <sub>2</sub> )	
		FY2022	FY2023
Scope 1		26,867	9,068
Scope 2		17,694	14,434
Total of Scope 1 and 2		44,561	23,501
Scope 3		10,813,778	8,302,391
Category 1	Purchased goods and services	638,480	582,853
Category 2	Capital goods	12,228	11,218
Category 3	Fuel- and energy-related activities not included in Scope 1 or 2	8,211	3,251
Category 4	Transportation and delivery (upstream)	60,718	55,983
Category 5	Waste generated in operations	2,773	2,106
Category 6	Business travel	2,999	3,717
Category 7	Employee commuting	1,852	1,938
Category 8	Leased assets (upstream)	—	—
Category 9	Transportation and delivery (downstream)	—	—
Category 10	Processing of sold products	—	—
Category 11	Use of sold products	10,085,014	7,640,004
Category 12	End-of-life treatment of sold products	1,504	1,320
Category 13	Leased assets (downstream)	—	—
Category 14	Franchises	—	—
Category 15	Investments	—	—
Total of Scope 1, 2 and 3		10,858,340	8,325,892

Roadmap for reduction of CO<sub>2</sub> emissions

The Group promotes research and development that contributes to GHG emissions reduction, as well as proposals to our customers, since GHG emissions during the operation stage of the air conditioning and sanitation equipment, and painting plants provided by our Group (Category 11 of Scope 3) account for more than 90% of GHG emissions across the Group’s entire supply chain. We will push forward with the following initiatives to achieve carbon neutrality by 2050.





Initiatives in Each Business

Green Technology System Division:Eco-Friendly Design

The Green Technology System Division promotes initiatives to reduce environmental impact and realize a sustainable future. Particularly, the division contributes to CO<sub>2</sub> emission reductions by increasing the efficiency of clients’ facilities through eco-friendly design with an emphasis on energy saving.

The eco-friendly design starts with an energy-saving diagnosis to grasp the current status. In this diagnosis phase, we analyze the energy usage of clients’ current facilities in detail to identify waste. Based on this as well as clients’ future visions, we propose specific energy-saving measures. This proposal includes the implementation of the Energy Plant Optimal Control System which is based on simulation data and realizes optimal operation control according to external conditions. The system maximizes energy-saving of heat source systems and thus helps reduce CO<sub>2</sub> emissions and running costs.

In the design and installation phase, we incorporate the energy-saving proposals and utilize the latest AI and IoT technologies to improve the efficiency of air conditioning systems in factories and buildings. Specifically, we introduce various energy-saving technologies, including clean room systems that control the air conditioning by tracking the operation status of production equipment, staffing and indoor environment, as well as room pressure control systems and low-dew point systems. This allows the indoor environment to be maintained at optimal conditions while minimizing energy consumption.

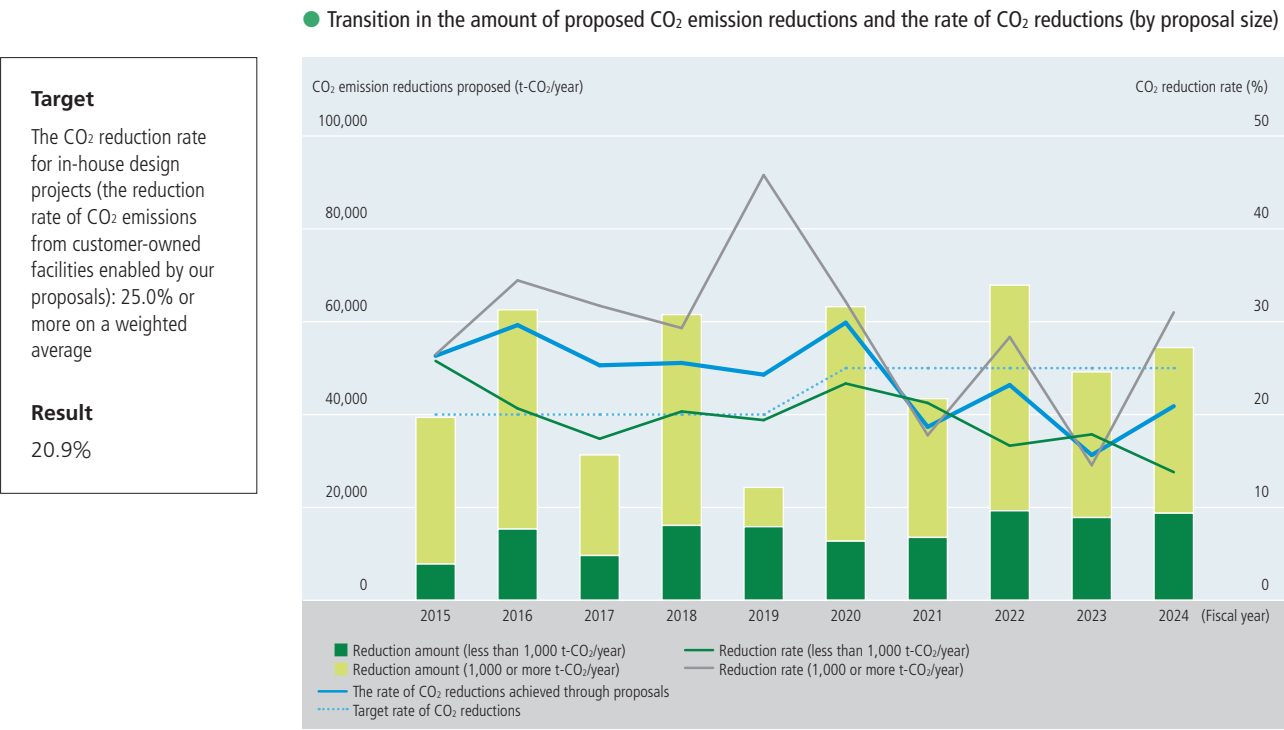
Next, we evaluate the effectiveness of the implemented energy-saving measures to verify the effects in the operation phase. By repeating this cycle, we aim to make continuous improvements and pursue further energy saving.

We are proactively working on the eco-friendly design in overseas projects as well as in domestic ones. Especially in projects where electrical equipment is included in the scope of design and installation, we propose energy-creating solutions such as photovoltaic power generation to promote the use of renewable energy. In this manner, we achieve optimal energy supply in accordance with energy demand in each region, thereby contributing to CO<sub>2</sub> emission reductions worldwide.

We are also striving to improve the accuracy of the CO<sub>2</sub> emission calculation. By understanding the actual reduction effects of each project more precisely, we are able to reflect these results in our future improvement measures.

Along with these efforts, we evaluate the CO<sub>2</sub> reduction rate for each fiscal year, which is the reduction rate of CO<sub>2</sub> emissions from customer-owned facilities enabled by our proposals. In FY2024, the number of proposals was 150, and the amount of proposed CO<sub>2</sub> emission reductions reached 54,438 t-CO<sub>2</sub>/year. We set a CO<sub>2</sub> reduction rate target of 25.0% or more on a weighted average for in-house design projects and achieved 20.9%. The proposed CO<sub>2</sub> reduction amount equivalent to Category 11 of Scope 3 reached approximately 820,000 t-CO<sub>2</sub> (the effect of 15 years of operation).

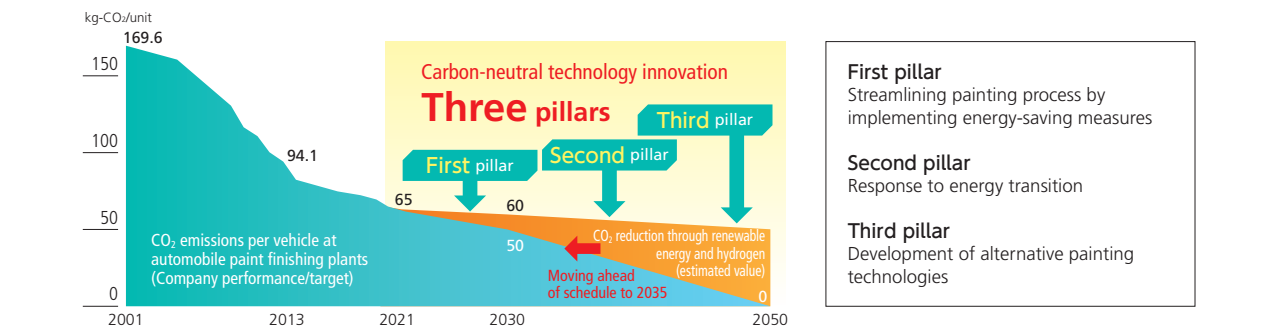
The Green Technology System Division will continue to work on energy-saving and environmental impact reductions of clients’ facilities by promoting eco-friendly design so as to contribute to the realization of a sustainable society.



Paint Finishing System Division : Achievements of the Company’s carbon neutrality initiatives and future targets

In the Paint Finishing System Division, we have been calculating and objectively evaluating the CO<sub>2</sub> emissions per vehicle during the painting process in order to visualize the CO<sub>2</sub> emission reduction effect by the technologies we have proposed. This evaluation is based on the energy estimation model for automobile paint finishing lines.

We have made various technology proposals to help reduce CO<sub>2</sub> emissions, including the introduction of heat pump technology and high-efficiency equipment, and dry-type paint booths. Aiming to achieve carbon neutrality in automobile painting processes, since 2020, we have been developing technology under three pillars that represent our basic policy for technological innovation.



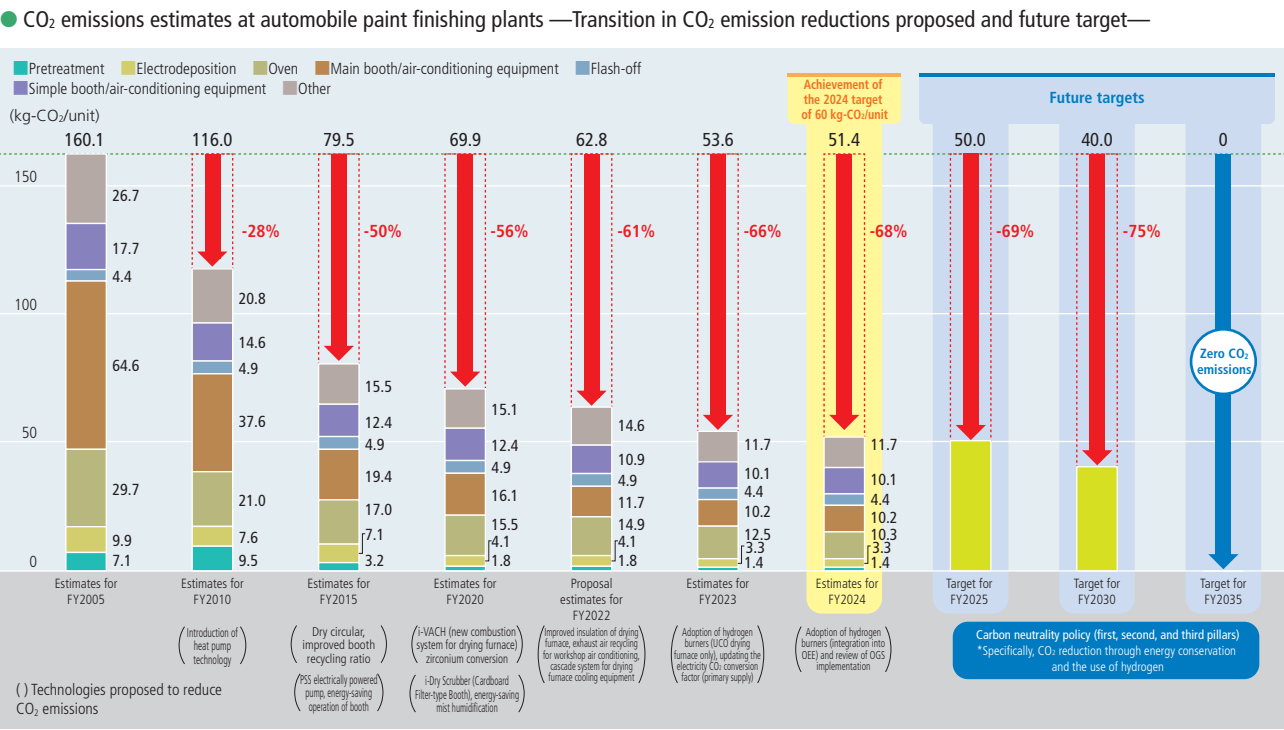
Based on the first pillar, we have proposed increasing paint coating efficiency, lowering the air volume of paint booths, and the development and improvement of indirect furnaces with VOC treatment functions to achieve highly efficient and waste-free production processes. In addition, we have been promoting further CO<sub>2</sub> emission reductions by utilizing AI technology in production analysis systems with a view to minimizing production losses.

As a result of these initiatives, CO<sub>2</sub> emissions based on the estimation model reduced to 51.4 kg-CO<sub>2</sub>/unit in FY2024, in contrast to 160.1 kg-CO<sub>2</sub>/unit in 2005.

As initiatives based on the second pillar, we have driven the use of

electricity from renewable energy sources in painting facilities (all-electric facilities) and the use of hydrogen energy. We have also worked on the development of alternative painting technologies based on the third pillar, including the technological development of film decorating systems.

In advance of the global target of achieving net zero CO<sub>2</sub> emissions by 2050, we have brought forward the target year and aim to achieve net-zero CO<sub>2</sub> emissions by 2035. Our target includes the transition to renewable energy sources for the power supply. By backcasting from 2035, we have set interim goals of achieving 50 kg-CO<sub>2</sub>/unit by 2025 and 40 kg-CO<sub>2</sub>/unit by 2030.





Human Capital

Basic Policy

The Group emphasizes human capital, which is the foundation to realize its Mission Statement “Customers First” and create three values for society, the environment, and the economy through its business activities.

The Group also works on various measures to enhance human capital and promote DE&I, under the Long-term Vision of “Diversity, Equity & Inclusion—Become a Global Company by Combining Diverse Talents and Knowledge, Fostering Mutual Respect.”

Governance

At Taikisha, the Management Meeting discusses matters related to business execution in the Group and makes decisions swiftly. Among these matters, important ones are submitted to the Board of Directors for deliberation. In addition, the Corporate Policy Review Meeting examines and verifies the progress toward achieving each fiscal year’s management policy and reports to the Board of Directors. The Board of Directors then deliberates risks and opportunities related to human capital and monitors the targets and their progress.

Meanwhile, the Nomination and Compensation Advisory Committee, an advisory body to the Board of Directors, strives for consistent human resource development in cooperation with the executive side. To this end, the Committee promotes discussions on introducing the group-wide corporate officer system with a view to recruiting overseas talents and enhancing the monitoring of the succession plan.

Risk Management

When it comes to risks related to human capital, each of the departments in charge identifies items and determines the degree of risk with taking into account the “impact on management” and the “frequency of occurrence.”

● Risk and opportunity

Material Issues	Risk and opportunity	
Quantitative/ qualitative human capital enhancement (recruitment and training) and business process transformation	Risk	<div>• Lack of human resources that support the global strategy</div> <div>• Outflow of human resources due to intensifying competition for talent</div> <div>• Lack of human resources that can create innovation</div>
	Opportunity	<div>• Quantitative/qualitative enhancement of human resources for responding to the expansion of business opportunities</div> <div>• Expansion of human capital by securing and developing talented human resources</div> <div>• Lead to the creation of new businesses and the provision of innovative services</div>
Creation of pleasant working environment	Risk	<div>• Outflow of talented human resources due to the effect of working environment</div> <div>• Stagnation and decrease of employee engagement, and decrease in labor productivity</div> <div>• Violation of the Agreement 36 as a result of long working hours and occurrence of health disorder</div> <div>• Occurrence of employee turnover for the reason of nursing care or childcare</div>
	Opportunity	<div>• Creation of exciting working environments that generate innovation</div> <div>• Creation of working environment where diverse human resources can take on challenges and demonstrate their abilities</div> <div>• Improvement of labor productivity, health and motivation</div>

Among them, items with a high degree of risk and a significant impact on our strategies or financial status are selected as risks that should be preferentially dealt with and reported to the Risk Management Committee after formulating priority management policies and targets.

The Risk Management Committee assesses the degree of each risk and discusses the priority management policies and targets from a company-wide, comprehensive perspective, and formulates basic policies. Then, each department in charge monitors the progress of its activity plan and reports the results to the Committee. The status of risk management is reported to the Board of Directors twice a year after discussing the matter at the Internal Control Committee. In addition, the Management Meeting discusses the risks and opportunities of human capital, reviews human resource strategies, and reflects them in long-term management strategies. Issues related to the risks of human capital are reported to the Board of Directors alongside the reporting from the Risk Management Committee.

The material issues of human capital, which are the basis of our human resource strategies, and risks and opportunities that the Group has recognized and considered are as follows.

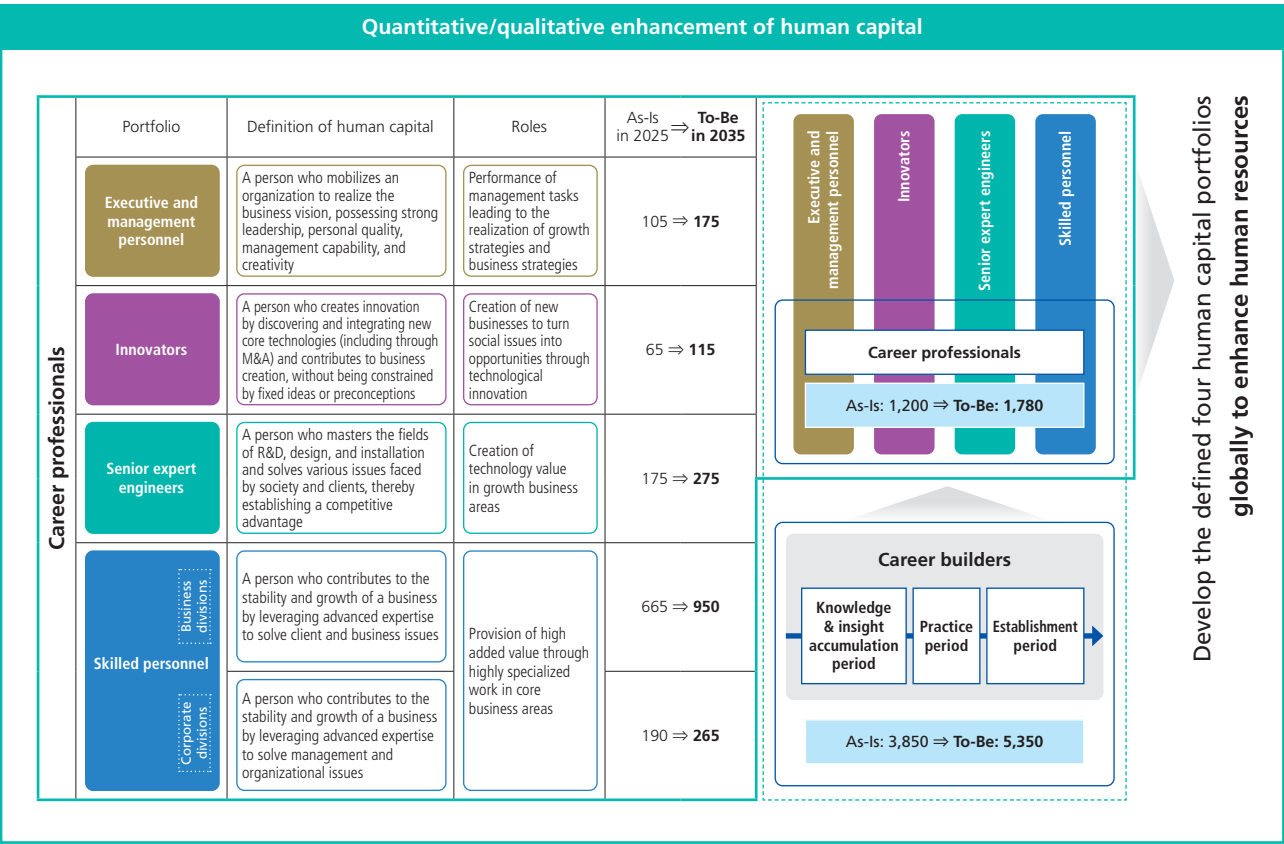
The Enhancement of Human Capital in the Long-term Vision and the 10-Year Plan 2035

In the 10-Year Plan 2035 announced in May 2025, which outlines what we aim to achieve by 2035, we have presented three human resource strategies and two key initiatives. Through these strategies and initiatives, we aim to enhance human capital, which is a focal point for the success of the Group’s growth strategy.

Human Resource Strategy 1 Creation of Global Human Capital Portfolio Management System

We have defined four career professionals who support the Group’s growth strategy and clarified the roles that each career professional is expected to fulfill, as well as the skills and expertise that each professional should possess. Through this, we visualized the “As-Is (current status)” and “To-Be (ideal profile)” of human resources and used them to enhance human capital.

Furthermore, we develop a global human capital database and establish the foundation for managing human capital portfolio and human capital management worldwide in collaboration with the Business divisions, the Corporate divisions, and overseas affiliates.



Human Resource Strategy 2 Recruitment and Training of Necessary Human Capital

We enhance new graduate recruitment by using scholarship programs to facilitate the recruitment of excellent foreign nationals and partnerships with technology-focused universities. Additionally, we pursue effective human resources recruitment and utilization strategies through diverse approaches. These include career recruitment (such as scouting, referrals, and alumni) to enhance immediately effective talent, as well as personnel system reforms (such as internal job rotation, extension of retirement age, and job-based employment).

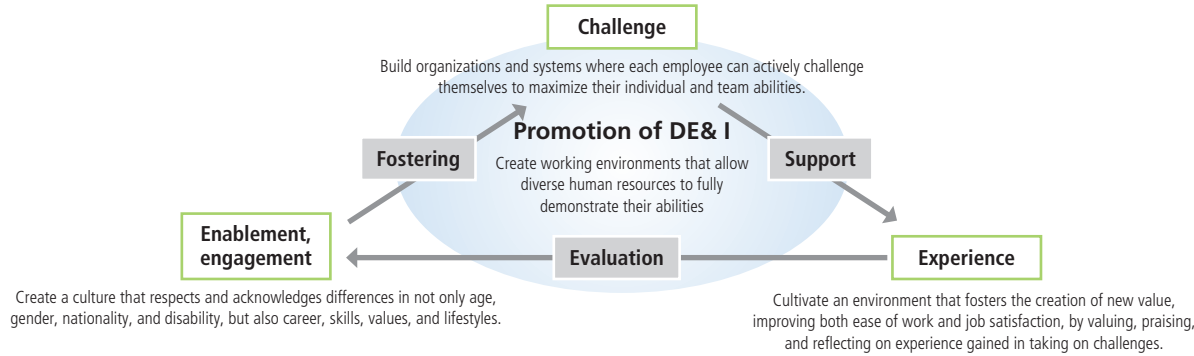
In terms of human resource development, we establish a training system based on the four human capital portfolios to support autonomous career development. In addition to the training, we develop human resources through on-the-job experience. We also work to improve training programs for young employees and identify their potential, aiming to promote early-stage human resource development according to their proficiency level. Furthermore, in response to globalization, the newly established ASEAN Management Division implements early training of local management candidates mainly for Asian markets, and provides human resource training tailored to the specific conditions of each country.



Human Resource Strategy 3

Creation of Working Environments That Generate Innovation and Excitement

We create exciting working environments that generate innovation, where employees find motivation and ease in their work and are encouraged to take on new challenges. To this end, we support each employee in actively taking on challenges and properly evaluating their experiences acquired from such challenges. Along with this, we advance Diversity, Equity & Inclusion (DE&I) by creating working environments that allow diverse human resources to fully demonstrate their abilities.



As measures to respond to globalization, we enhance loyalty and engagement by instilling our core philosophy related to human capital. In addition, we develop and implement effective measures by assessing employee satisfaction and engagement levels and identifying issues.

Key Initiative 1

Expanding Engineering Capabilities

We will strengthen the operation of the highly specialized human resources certification system designed to train talent specialized in technology strategy. We will also enhance engineering capabilities through the training and expansion of “end-to-end solutions experts” capable of handling all design, building, and after-sales support processes. Additionally, we will establish a new specialized training institute to train specialists in particular fields including semiconductors and pharmaceutical manufacturing.

Key Initiative 2

Enhancement of Global Response Capabilities

To Japanese employees, we will provide training steps according to their ages to support them in achieving high performance across borders. These training steps include an overseas trainee system that offers opportunities for early experience of overseas work, as well as experience as an overseas affiliate manager, an appointment as senior management, and training as a CEO candidate. As for local staff, we will appoint talented individuals as local staff executives at an early stage to enable them to participate in management at overseas affiliates. Furthermore, we will develop them by providing global experiences both in Japan and overseas affiliates.

Indicators and Targets

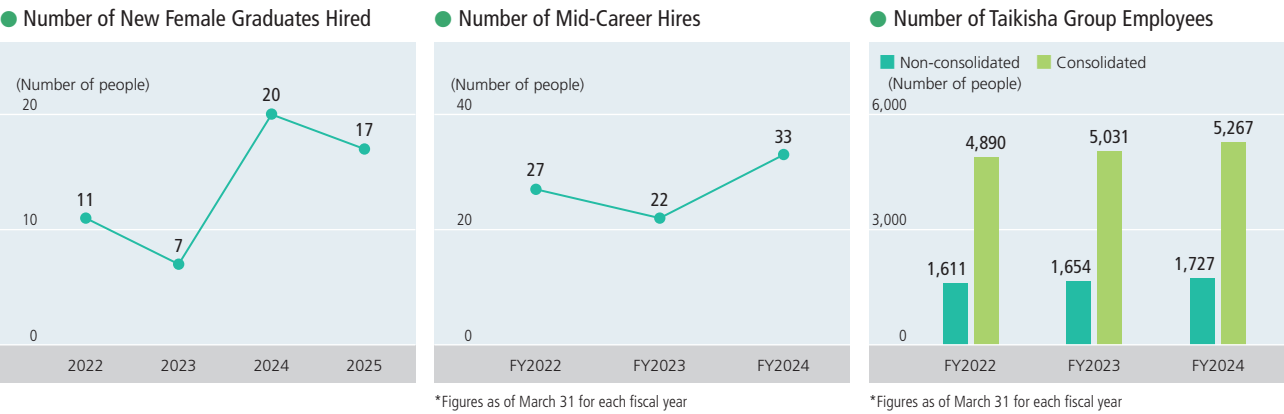
The indicators and targets for the Group’s human capital stated in the enhancement of human capital under the Long-term Vision and the 10-Year Plan 2035 are as follows.

Indicators and targets for human capital (FY2027)			
Creation of Global Human Capital Portfolio Management System Recruitment and Training of Necessary Human Capital		Creation of Working Environments That Generate Innovation and Excitement	
The number of career professionals	1,350 (up 15%)	Curiosity and excitement about work <sup>*2</sup>	60% or higher
•Executive and management personnel	125 (up 20%)	Culture of courageously embracing challenges <sup>*3</sup>	75% or higher
•Innovators	80 (up 20%)	Career development <sup>*4</sup>	50% or higher
•Skilled personnel in the Corporate divisions	210 (up 10%)		
Expanding Engineering Capabilities		Enhancement of Global Response Capabilities	
•Senior expert engineers	205 (up 15%)	Persons with global skills based on management experience at overseas affiliates	160 (up 60%)
•Skilled personnel in the Business divisions	730 (up 10%)		

<sup>\*1</sup> The percentage in the parenthesis indicates the rate of increase compared to the figures as of April 2025.  
<sup>\*2</sup> Calculated based on the percentage of affirmative responses to the question “positive emotions toward work” in the engagement survey conducted by the Company.  
<sup>\*3</sup> Calculated based on the percentage of affirmative responses to the question “voluntary actions” in the engagement survey conducted by the Company.  
<sup>\*4</sup> Calculated based on the percentage of affirmative responses to the question “support for career development” in the engagement survey conducted by the Company.

Recruitment

Taikisha creates recruitment plans based on a long-term business plan and forecasts of employee age demographics, and actively engages in recruitment activities. To minimize talent outflow, we identify and analyze former employees’ working conditions and reasons for leaving, and implement measures to improve the internal environment. To strengthen the response of our domestic organizations to globalization, we facilitate exchanges such as assignments and short-term deployments from overseas sites to Japan, in addition to hiring new graduates and mid-career professionals with a focus on international students in Japan.



Human Resource Development

Basic Policy for Human Resource Development

**As-is:**

One of our top priorities is “securing and developing human capital.” To this end, we are focusing on developing management leaders and professional talent. In our management candidate development program, we aim to improve candidates’ practical decision-making skills by cultivate the management knowledge and strategic thinking that the next generation of leaders require. Moreover, we utilize our highly specialized human resources certification system to promote the development of high-level human resources with specialized knowledge and skills.

**To-be:**

In working to realize our Long-term Vision, we position human capital as a crucial element in our competitive advantage, and we aim to further leverage the diversity of our human resources going forward by fostering a free and open corporate culture. We will enhance workplaces that encourage tackling challenges, promote systems that make growth palpable, and systematically develop management leaders and professional talent. Additionally, we will establish mechanisms that support autonomous learning and growth and thereby increase our corporate value.

Global Human Resource Development

Taikisha currently has 28 overseas consolidated subsidiaries in 19 countries and regions, and overseas consolidated net sales account for 47.7% of the total net sales. As of June 30, 2025, the number of non-consolidated domestic employees stands at 1,727, which is dwarfed by our non-consolidated international workforce of 3,540 employees. Under the circumstances, we are making efforts to promptly address further changes and growth in the global markets. As part of these efforts, we are gradually transitioning to localized management structures, having appointed local officers as the presidents at seven out of 28 overseas consolidated subsidiaries in FY2025. Additionally, we established the ASEAN Regional Management Department in Singapore in March 2025 to reinforce the Group’s global corporate functions. One of the key roles of the ASEAN Regional Management Department is to promote the systematic development and both quantitative and qualitative enhancement of core personnel at our overseas subsidiaries, who support the growth strategy of the Group. We aim to enable local staff to take the initiative in managing their organizations based on business strategies they have developed themselves. We will comprehensively review the training programs that each overseas subsidiary has implemented individually and will organize them into common programs for management and customized programs tailored to each overseas subsidiary and organizational level, in order to promote more effective talent development. We will raise employee awareness and streamline organizational operations by developing and using a global human capital database. This will promote talent development across the entire group and further strengthen collaboration and exchange among overseas subsidiaries.



Global Management Training

Taikisha conducts training programs aimed at developing management personnel who can demonstrate leadership and practical skills from a global perspective. In FY2024, we conducted an approximately one-year-long training program with a total of 15 members, consisting of 9 individuals from overseas sites (including 8 local staff and 1 Japanese employee on overseas secondment), and 6 from Japan.

The trainees covered a wide range of topics and an active exchange of ideas took place. The topics included management concepts for the future, designing business systems that create new value, research on the direction of the national economy and industries, and planning for human resource development and organizational culture reform toward 2030.



Final debriefing for Global management training

Overseas Trainee Development

At our overseas sites, we aim to enable local staff to directly mentor team members. To this end, we invite management executive candidates to Taikisha headquarters for a two-year training program.

The training includes not only language skills but also classroom learning, practical CAD training, and on-site training.

Overseas Trainee System

In FY2024, we introduced our overseas trainee system. Under this system, junior employees are dispatched to overseas sites in order to rapidly develop talent capable of expanding our global business. As part of our initiatives to enhance global response capabilities under the 10-Year Plan 2035, we encourage employees to take on challenges in order to invigorate human resources and the organization.

As the second-term trainee, one employee has been dispatched to India since January 2025. In addition, since June, four employees have been dispatched as the third-term trainee to the Philippines, Malaysia, India, and Vietnam, respectively, where they are participating in approximately 10-month training programs.

VOICE

The First-Term Trainee of the Overseas Trainee System

Yuki Watarai (joined the Company in 2019), dispatched to Taikisha USA, Inc. (the United States)

I participated in board meetings and policy-decision meetings and learned the decision-making process closely from the management. I had a valuable experience as I discussed my analysis of focus markets in the United States with the president. Utilizing my personal contacts and knowledge, I want to continue to identify market opportunities and risks in any country or region and take swift actions.



Discussion with the local president



Accounting training by local staff

Katsuya Yamoto (joined the Company in 2020), dispatched to Taikisha Engineering (M) Sdn. Bhd. (Malaysia)

I had a broad experience, including client visits, participation in various meetings, and visits to sites in neighboring countries. I interacted with many local staff and gained a deep understanding of the local lifestyle and working style. These experiences led to an improvement in my language skills. I want to keep learning and further strengthen my leadership abilities.

Certification of Highly Specialized Human Resources

Amid the rapidly changing business environment, Taikisha believes that it is necessary to differentiate from others by leveraging specialized technologies as strengths and evolving into an enterprise that creates new value. Consequently, we have introduced our “highly specialized human resources certification system,” a framework designed to ensure the perpetual succession of “Taikisha, the Technology Company.”

This system aims to realize our career development policy, which is that “Each employee should be professional and have high market value.” To this end, we have identified the top senior expert engineers (persons with exceptional skills and achievements) in each field to make a differentiation.

The number of certified highly specialized human resources (FY2025)

1. Senior Technical Expert	4
2. Technical Expert	5
3. Senior Technical Specialist	6
4. Technical Specialist	4

Creation of Working Environments That Generate Innovation and Excitement

Basic Policy for Diversity, Equity and Inclusion

As-is:

Under the president’s message of “promoting DE&I to become an organization that fosters innovation by embracing challenges,” we are working to improve our workplace environment while leveraging the unique diversity we have cultivated over 70 years of global operations. In addition, we are undertaking initiatives to improve ease of work and motivation to work by supporting work-life balance through the promotion of active roles for female and senior employees, promoting employment of people with disabilities, and providing support for balancing work with childcare and nursing care.

To-be:

Looking ahead to the next 100 years, we believe that promoting DE&I is essential. In addition to age, gender, nationality, and disability, we respect and acknowledge deep-level diversity attributes that cannot be identified by appearance, such as career, skills, values, and lifestyles. We strongly promote initiatives that leverage the strengths of each individual, aiming to create a culture that fosters innovation and generates new value.

Promoting Women’s Career Advancement

Taikisha is working on measures to promote female employees’ career advancement, including the provision of motivation and job-related education so that they can take managerial positions or positions requiring highly specialized skills. Such measures are being implemented based on our Basic Policy for Diversity, Equity & Inclusion, taking into account individual employees’ needs. In our action plan (April 1, 2025 to March 31, 2028) under the Act on the Promotion of Female Participation and Career Advancement in the Workplace, we have set a target for the ratio of female workers in managerial positions to 6% or more by the end of March 2028. We aim to further raise the ratio to 10% by FY2030.

As part of this initiative, we conducted a career design training program in FY2024 to encourage female employees to aim for higher-level careers in the future. In FY2025, we will conduct training for female managerial candidates, targeting both female employees and their supervisors, to create an environment throughout the company that allows female employees to pursue managerial positions.

In September 2025, we held a dialogue session between Director Soejima and female managers. At the session, Director Soejima shared her experience of balancing work and childcare and sent a message to female managers: “I hope you will build your careers with confidence.”

During the session, they actively exchanged opinions on initiatives and issues related to promoting women’s career advancement.

Aiming to foster an environment that enables female employees to succeed, we will continue to take proactive measures to enhance their motivation and skills. Specifically, we will expand initiatives to minimize stagnation in female employees’ career development, while respecting their intentions and considering their life events.



Dialogue session between Director Soejima and female managers



Systems to Support Work-Childcare Balance

To create a work environment where all employees can balance work and childcare and exhibit their full capabilities, Taikisha promotes the uptake of childcare leave among not only female but also male employees. The ratio of employees who took childcare leave in FY2024 reached 100% among female employees and 71.1% among male employees. In addition, we have set a target of 50% for the ratio of employees who take childcare leave of 14 days or longer with a view to fostering good relationships with partners and improving family well-being. In FY2024, we achieved the target with a ratio of 55.5%. We view these results as an indication of a deeper understanding in working environments about taking childcare leave. We will continue to work on creating and enriching environments where all employees can participate in childcare, while also building workplaces that are easy to work in.



Systems to Support Work-Nursing Care Balance

To help employees strike a balance between work and nursing care, Taikisha has put in place systems that exceed legal requirements. These include a system for compensating approximately 80% of salary of employees taking nursing care leave covered by the nursing care leave compensation insurance whose premium is fully paid by the Company. We also provide a system that allows employees taking nursing care leave to use accrued paid leave from the last ten years for nursing care leave within the limits set by laws and regulations. In addition, company-wide awareness activities are conducted including in-house seminars

explaining the importance of preparing in advance for future caregiving needs and key points for balancing work with caregiving. The results of pulse surveys show that the systems to support work-childcare balance and work-nursing care balance both have challenges in internal communication. Given this, we have shared information through the company newsletter, posted a practical handbook for employees on the corporate intranet, and implemented other means. In this way, we work to ensure each employee can use the systems without concern.

Engagement

Basic Policy on Improving Engagement

As-is:

To create a workplace environment where each employee is healthy and finds fulfilment in their work, we will continue to make use of the pulse surveys introduced this fiscal year. In doing so, we aim to deepen mutual trust among employees and promote the creation of a workplace where each employee can exhibit their full potential. Additionally, as part of our effort to create an organizational culture that fosters innovation, we are implementing a career development system that promotes work-life balance while allowing employees to get a sense of their own growth.

To-be:

Due to the diversification of human resources and changes in values, the relationship between companies and employees is shifting from a mutually binding model (binding and being bound) to a mutually selective model (choosing and being chosen). Consequently, companies must continue to be chosen and fully harness their employees' capabilities. At Taikisha, we are committed to respecting the individuality and values of each employee and creating workplace environments that foster motivation to take on new challenges. By doing so, we aim to further increase employee engagement and thereby improve overall corporate productivity.

Implementing Pulse Surveys

We introduced monthly pulse surveys in 2024 with the aim of improving employee engagement. Previously, we had conducted engagement surveys in the form of stress checks, and shared group analysis results with management to improve workplace environments. However, the

new pulse surveys dive deeper into factors specifically related to engagement. This will help to effect more concrete management changes, and aid in planning and implementing HR initiatives. Company-wide results will be published internally after each pulse survey, helping to invigorate internal communication.

The response rate of surveys exceeds 90% every time. Overall, the results for aspects such as “communication with supervisors and colleagues,” “positive attitude and pride in work” have been favorable. However, it was evident that there may be employees who have concerns about career management for the future. In light of these results, we will intensify our efforts to implement career development initiatives that are satisfactory to employees.

Purpose of surveys

•Improve employee engagement (Understand each employee’s awareness and the current situation in working environments from various angles to identify issues within the organization and workplace)

Envisioned use of survey results

- Promote a cooperative relationship where employees recognize each other’s strengths and complement each other’s weaknesses, regardless of position, age, or role
- In such a workplace culture of open atmosphere, exchange opinions frankly on issues such as long working hours and pleasant working environments and strive for specific improvements to tackle issues, aiming to create a workplace where everyone can work with peace of mind

Result of implementation:

•Average response rate for FY2024 was 91.9%.

KENKO Investment for Health

As human resources supporting the Company’s growth, employees are one of the most important management resources. The Company therefore recognizes maintenance and improvement of mental and physical health of employees as one of the top management issues. Accordingly, the Company announced a KENKO Investment for Health Declaration in 2020, and has been recognized as an Outstanding Organization of KENKO Investment for Health Program (White 500) for four fiscal years in a row since FY2021. In FY2025, the Company has been recognized as an Outstanding Organization of KENKO Investment for Health Programs. To maintain and promote healthy minds and bodies among employees, Taikisha is implementing activities led by the Diversity, Equity & Inclusion Promotion Section and overseen by the Chief Executive of the Administrative Management Headquarters responsible for health management promotion.

To improve employees’ lifestyle habits and health awareness, Taikisha is also working to plan, implement, evaluate, and improve various initiatives, including regularly held smoking cessation support programs and walking events, recognition as the Sports Yell Company, and health seminars.



Promotion of Health Management



Long-Term Strategy Development Project: Next 100th

Led by the president, the long-term strategy development project “Next 100th” was launched to envision how Taikisha should be in 2040 in order to survive for next 100 years. With 2040 as reference point, we began working in FY2023 to envision the ideal state of the Company and formulate the necessary long-term plans.

While Taikisha has a management succession plan in place, we believe that it is necessary to plan one generation ahead in developing human resources capable of viewing the Company with a long-term management perspective. Therefore, mid-career employees in their 30s and 40s, who are likely to be the next generation of major company leaders, are participating in this project.

In discussing long-term strategy, our aim is not only to involve executives but also to incorporate ideas from the next generation. We seek to engage employees who have traditionally not been involved in management to consider from a management perspective what kind of company they want to create.

In the FY2024 project, mid-career employees developed ideas for new businesses in their respective teams and presented them at an open discussion session for executives. At the session, all participants exchanged opinions. These ideas have been adopted as themes to be given priority for consideration by the Business Development Headquarters in FY2025.





# Respect for Human Rights

Taikisha is promoting initiatives toward the respect for human rights of all stakeholders involved in its business activities.

## Basic Policy

For Taikisha, respect for human rights is one of the top priorities as a company operating globally. In line with this policy, the Taikisha Ltd. Code of Conduct stipulates respect for basic human rights and says Taikisha shall not engage in behavior that would undermine individual dignity, such as discriminatory treatment and harassment. Taikisha respects international codes, such as the Universal Declaration of Human Rights, ILO Declaration on Fundamental Principles and Rights at Work, and Guiding Principles on Business and Human Rights. Taikisha promotes business activities with consideration to human rights of all stakeholders, including employees and business partners. Taikisha makes its policy regarding human rights known to all employees. In addition, it makes efforts to grasp conduct that goes against respect for human rights through internal audits and the whistleblowing hotline, and promptly takes appropriate responses.

## Human Rights Policy


In May 2024, we established the Taikisha Group’s Human Rights Policy, which applies to all officers and employees of the Group (all employees engaged in the Group’s operations including contracted, temporary, and seconded employees).


The Group has adopted the Corporate Philosophy of “establishing a company which can continuously grow and contribute to the society” and “establishing an attractive company.” Through our business activities, we aim to contribute to society and create a rewarding work place for our employees by fostering the prosperity of our customers and subcontractors, while enriching the lives of our employees.

In realizing our Corporate Philosophy, we recognize that respecting the human rights of all individuals involved in the business activities of the Group is essential. This policy has been established as a standard for addressing human rights in our business activities, enabling the Group to continue fulfilling its responsibility to respect human rights moving forward.

This policy has been deliberated by the Sustainability Committee, an advisory body, and resolved by the Board of Directors. It will be reviewed as necessary in response to changes in social conditions or business activities.

Moving forward, we will promote awareness of human rights among our officers and employees, while establishing a system for conducting human rights due diligence. We will actively engage in addressing human rights expected of companies, in accordance with international norms.

 **Human Rights Policy**



Key human rights issues (FY2024)	Affected rights holders				Major future responses
	Company employees	Upstream supply chain employees	Downstream supply chain employees	Customers/users/ local residents	
①Child labor and raw material procurement		●			•Formulate a sustainable procurement policy and guidelines •Conduct questionnaire surveys of major suppliers
②Discrimination, gender, and DE&I	●	●	●		•Create a working environment where diverse human resources can demonstrate their abilities •Conduct questionnaire surveys of major suppliers
③Industrial safety and health	●	●	●		•Identify differences in laws, regulations, customs, and actual conditions at overseas affiliates, and consider appropriate responses •Conduct questionnaire surveys of major suppliers
④Working hours	●	●	●		•Thoroughly manage working hours •Assess the impact of current business practices on suppliers’ working hours, and consider necessary improvement measures •Conduct questionnaire surveys of major suppliers
⑤Harassment	●	●	●		•Identify standards, customs, and actual conditions at overseas affiliates, and consider appropriate responses •Conduct questionnaire surveys of major suppliers
⑥Rights of foreign workers			●		•Assess the working environment and management of foreign workers at subcontractors, and consider necessary improvement measures •Conduct questionnaire surveys of major suppliers

## Implementing Human Rights Due Diligence

Since 2024, we have been promoting human rights due diligence initiatives alongside external specialists following the establishment of the Taikisha Group’s Human Rights Policy.

### ● Process for identifying and evaluating human rights issues

- ①Examine international reports to collect initial information about sector risks (related to types of industries and products), regional risks (country risks), and other specific risks associated with the Group and its supply chain.
- ②Conduct interviews, questionnaire surveys, and data collection with the relevant departments of each division and Group companies, including six overseas affiliates, to identify incidents involving human rights risks and determine the status of responses to such risks.
- ③Organize the information obtained from various sources. Then, evaluate the information from two points of view: the seriousness of the potential negative impacts and the likelihood of those impacts occurring. Finally, map the human rights issues.

## Key human rights issues and future response policy (excerpt)

\*As of December 2024

After mapping human rights, we identified the following six key human rights issues. Based on these results, we will work to prevent and alleviate these issues.

# Intellectual Property

We protect inventions and other creations generated through our business and research and development activities as intellectual property, and aim to utilize them in our business.

## Basic Policy

We aim to integrate business strategy, research and development strategy, and intellectual property strategy, promoting intellectual property activities across the entire Group that are directly connected to business management. This will enable us to share the latest technologies globally and provide them to our customers in each region as high-value-added engineering.

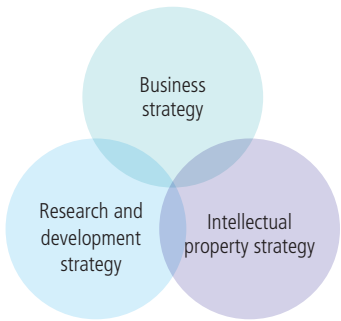
## Promotion of Intellectual Property Activities

Setting forth our goal for 2035 to become a global engineering company dedicated to social sustainability, we aim to drive industrial innovation by leveraging green and smart technologies.

Additionally, we have adopted a technology strategy of creating innovation through the combination of core technologies and foundational technologies.

To realize the 10-Year Plan 2035 and this technology strategy, we need to integrate our business strategy, research and development strategy, and intellectual property strategy.

We will ensure that the outcomes of research and development are protected as intellectual property rights to secure our competitive advantage over other companies. Connecting these outcomes to our business operations will strengthen our sustainable revenue base.



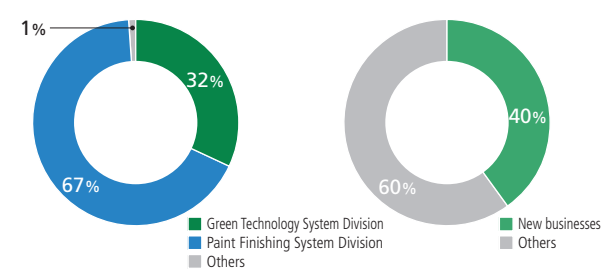
## Protection and Utilization of Intellectual Property

Centered on the Intellectual Property Dept., we recognize “intellectual property rights” related to inventions, designs, and patents; “intellectual property” including brands, trade secrets, and know-how; and intellectual capital including human capital, business principles, customer networks, and skills as our unique intellectual assets. By organically harnessing these assets, we strive to enhance corporate value and strengthen profitability.

Inventions related to our proprietary technologies are incorporated into a patent portfolio as patent to protect our business and are utilized to secure our competitive advantages.

Inventions created through co-creation with third parties through open innovation are incorporated into a jointly developed patent portfolio with those third parties, supporting the creation of new businesses.

### ● Patent portfolio ● New patent application in 2024



Inventions that are difficult to verify are safeguarded as know-how, keeping them confidential to prevent others from following suit and to secure a competitive advantage.

We respect intellectual property of others and strive to reduce intellectual property risks, while preempting infringement and disputes. To achieve this, we monitor and evaluate the intellectual property of others.

## Initiatives Toward the Creation of Innovation

### ■ Employee invention rules and award system

We revised our employee invention rules in 2022, significantly updating the provisions for paying rewards at the time of patent application, rights confirmation, and implementation. Furthermore, we aim to foster employees’ creative motivation by presenting rewards to inventors and awarding certificates from the President during our annual foundation anniversary ceremony.



### ■ Implementation of intellectual property education

We implement intellectual property education for all employees to raise awareness and help them acquire knowledge of intellectual property and patents.

### ■ Handing Down Technology Project

We believe that passing on the technologies and skills to next generation will help differentiate us from competitors and enhance our corporate value. With this in mind, we launched the Handing Down Technology Project in 2023.

One of our initiatives involves compiling the technologies used at sites into video formats and sharing them internally as a method of improving quality and safety, and reducing workload at sites through front-loading. By converting the know-how (tacit knowledge) utilized by veteran employees into explicit knowledge and enhancing our technology platform, we aim to deepen our intellectual property activities.





Communication with Shareholders and Investors

Taikisha is working for the proactive dialogue with shareholders to contribute to the improvement of corporate value well as the appropriate information disclosure.

Basic Policy

Taikisha promptly discloses important information regarding Taikisha based on the transparency, fairness and consistency stated in the Taikisha Management Vision: "Conduct businesses under free and fair competition in compliance with laws and the spirit thereof; contribute to customer/ business partner, shareholder, employee, community/ society and global environment with transparency and integrity." Based on such disclosed information, Taikisha holds constructive dialogues with shareholders, which contribute to sustainable growth and the medium- to long-term improvement of corporate value.

Basic Policy for Shareholder Returns

Based on the basic policy, Taikisha is working to improve corporate value through enhancement of shareholder returns by changing the dividend policy and purchasing treasury shares as stated in the 10-Year Plan 2035

Dividend policy

- We consider the return of profits to shareholders through dividends to be one of our highest priorities, and aim to achieve a dividend on equity ratio (DOE) of 4.0% and stable dividends. (ratio revision effective from FY2025)
- Basic Policy  
DOE4.0%=Aimed ROE level 10%×Dividend payout ratio 40%

DOE  
4.0%

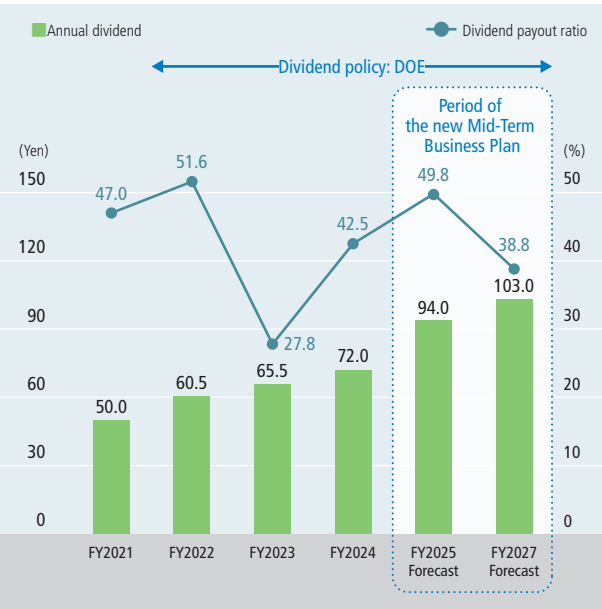
=

Aimed ROE level  
10%

×

Dividend payout ratio  
40%

● Transition in annual dividend and dividend total payout ratio



\*The Company conducted a 2-for-1 split of its common shares, effective April 1, 2025. The annual dividend is calculated assuming that the share split had been conducted at the beginning of FY2021.

and the Medium-Term Business Plan released in May 2025.

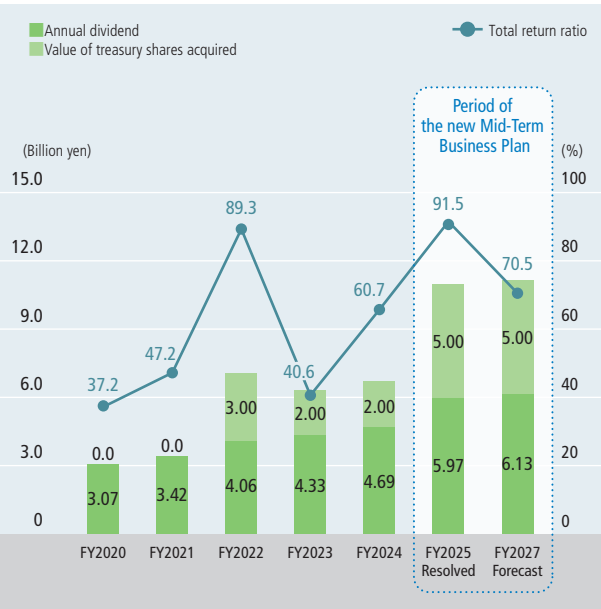
We continuously work to enhance the shareholder returns based on the following policy.

Purchase of treasury shares

- To improve capital efficiency and promptly implement financial policies, we plan to purchase treasury shares in the amount of ¥5 billion per year during the new Medium-Term Business Plan period, which started in FY2025.

We will increase the annual dividend for FY2025 to 94 yen per share.

● Transition in the total shareholder return and total shareholder return ratio

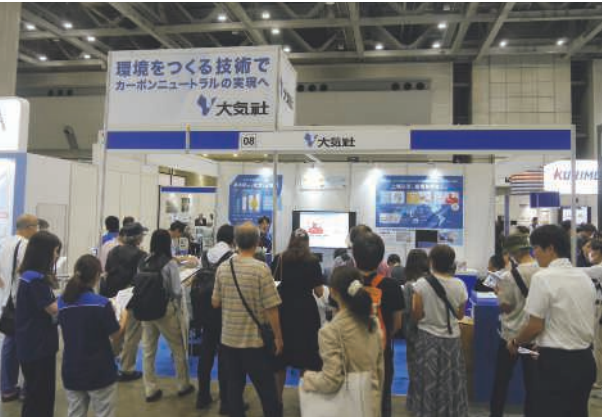


Stakeholder engagement

With regard to the status of dialogue with investors in FY2024, Taikisha held dialogues with a wide range of institutional investors in Japan and overseas, mainly with portfolio managers and analysts from major investment funds. The Company assigned the Director in charge of Corporate Planning Headquarters to control dialogue with investors. In addition to the individual interviews held by departments in charge of IR, the Company held biannual financial results briefing sessions by the Company's management team. Major interests of investors in these dialogues include the overview of operating performance as well as the construction demands in metropolitan area, trend of capital investments related to semiconductors, for data centers, and by automobile manufacturers, carbon neutrality-related technological development and growth strategy, progress of Medium-Term Business Plan, and views on capital policy and shareholder return.

Interests and opinions of investors obtained through dialogue were fed back to the management team in a timely manner by department in charge of IR through reporting and distribution of report at the Management Meeting and the meeting of the Board of Directors to promote sharing and use of information in the Company. In addition to

the dialogues with institutional investors, Taikisha held briefing sessions for individual investors led by the Chief Executive of Corporate Planning Headquarters several times to have opportunities to explain overview and strategy of each business of the Company and views on capital policy and shareholder return. These efforts serve as promoting active dialogue with individual investors.



The Nikkei IR Individual Investor Fair 2024

Selection for the ESG investment index and major external ratings and recognitions

Taikisha has been selected as a constituent of the following ESG investment indices. Taikisha's addition to the constituents of these indices, which place importance on ESG (environment, social and governance) evaluation by research firms, reflects its continuous engagement in ESG efforts.

ESG investment index	Overview of evaluation
MSCI Japan ESG Select Leaders Index	Adopted by GPIF. Index designed to select companies with high evaluation in ESG among the various industries in Japan. Selected for the third consecutive year since 2022.
FTSE Blossom Japan Sector Relative Index	Adopted by GPIF. Index that reflects the performance of Japanese companies that are well prepared for ESG issues. Selected for the third consecutive year since 2022.
S&P/JPX Carbon Efficient Index	Adopted by GPIF. Index that determines the weights of compositions by focusing on the carbon efficiency of companies. Selected for the forth consecutive year since 2021.
Sompo Sustainability Index	Investment product managed by Sompo Asset Management Co., Ltd. The index invests in a wide range of businesses that had been highly evaluated in terms of ESG. Selected for the seventh consecutive year since 2018.
Nikko Investor Relations	The survey on the richness of information disclosure related to all Japanese listed companies' websites. Nikko Investor Relations has set evaluation items from its unique perspective and surveys whether easy-to-understand information is posted, how comprehensive the ESG-related information is, and how well-established the global site is.

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2024 CONSTITUENT MSCI NIHONKABU  
ESG SELECT LEADERS INDEX





Management Structure

Taikisha is continuously working to strengthen corporate governance and build an attractive company to achieve continuous growth and contribute to society.

● Number of years as Director of the Company ○ Number of shares of the Company actually held ⚙ Number of dilutive shares of the Company held  
⌚ Attendance at the Board of Directors Meetings

Directors



Representative Director, President Corporate Officer  
**Masashi Osada**  
● 8 years ○ 11,400 ⚙ 42,510 ⌚ 15/15



Representative Director, Executive Vice President Corporate Officer, in charge of Administrative Management Headquarters and Engineering Headquarters  
**Yasushi Nakajima**  
● 8 years ○ 28,800 ⚙ 51,264 ⌚ 15/15



Director, Executive Vice President Corporate Officer, Chief Executive, Corporate Planning Headquarters, in charge of Sustainability Promotion  
**Masanori Nakagawa**  
● 7 years ○ 26,274 ⚙ 45,550 ⌚ 15/15



Director, Executive Corporate Officer, Chief General Manager, Paint Finishing System Division  
**Yukinori Hamanaka**  
● 5 years ○ 7,746 ⚙ 13,158 ⌚ 15/15



Director, Executive Corporate Officer, Chief General Manager, Green Technology System Division  
**Tadashi Sobue**  
● 2 years ○ 8,800 ⚙ 13,158 ⌚ 15/15



Outside Director  
**Hirokazu Hikosaka**  
● 8 years ○ 5,000 ⚙ 0 ⌚ 15/15



Outside Director  
**Nobuyuki Soda**  
● 1 years ○ 1,600 ⚙ 0 ⌚ 15/15



Outside Director  
**Suga Soejima**  
● 1 years ○ 200 ⚙ 0 ⌚ 12/12



Outside Director  
**Hiramasa Nakata**  
● — ○ 0 ⚙ 0 ⌚ —

Audit & Supervisory Board Members

Full-time Audit & Supervisory Board Member	Outside Full-time Audit & Supervisory Board Member	Full-time Audit & Supervisory Board Member	Outside Audit & Supervisory Board Member	Outside Audit & Supervisory Board Member
Makoto Wakida	Junichi Sakurai	Yasuhiro Sato	Koichi Nagao	Shoko Yamashita

Directors' specialized knowledge and experience

Name	Position	Directors' specialized knowledge and experience							Nomination and Compensation Advisory Committee	Governance Committee	Sustainability Committee	Digital Innovation Committee
		Corporate management	Technological development, IT strategies	Global business	Industrial insights, market awareness	Human resources development, personnel and labor management	Internal control, governance	Laws, finance and accounting				
Masashi Osada	Representative Director, President Corporate Officer	●		●	●		●		●	●	●	●
Yasushi Nakajima	Representative Director, Executive Vice President Corporate Officer, in charge of Administrative Management Headquarters and Engineering Headquarters	●	●	●	●	●	●		●	●	●	●
Masanori Nakagawa	Director, Executive Vice President Corporate Officer, and Chief Executive, Corporate Planning Headquarters, in charge of Sustainability Promotion	●		●		●	●	●		●	●	●
Yukinori Hamanaka	Director, Executive Corporate Officer, Chief General Manager, Paint Finishing System Division	●	●	●	●						●	●
Tadashi Sobue	Director, Executive Corporate Officer, Chief General Manager, Green Technology System Division	●	●	●	●						●	●
Hirokazu Hikosaka	Outside Director						●	●	●	○	●	●
Nobuyuki Soda	Outside Director	●				●		●	○	●	●	●
Suga Soejima	Outside Director						●	●	●	●	○	●
Hiramasa Nakata	Outside Director	●	●						●	●	●	○

(Notes) 1. The table above does not represent all the knowledge and experience possessed by the candidates.  
2. ○ represents chairperson.  
3. The former Nomination Advisory Committee and Compensation Advisory Committee were integrated into the Nomination and Compensation Advisory Committee effective June 26, 2025.  
4. The Digital Innovation Committee was newly established on June 26, 2025.

Reasons for Appointment of New Directors

Hiramasa Nakata has abundant expertise and experience as a manager at a leading business corporation, as well as specialized knowledge and extensive insight regarding the IT sector from his business experience hitherto. He is expected to provide advice and supervision on the management of the Company from an independent and objective standpoint by utilizing his specialized knowledge based on these abundant expertise and experience. The Company judged that he qualified for this position from the viewpoint of ensuring transparent decision making by the Board of Directors and reinforcing the supervisory functions thereon.



Corporate Governance

Taikisha has established a corporate governance system and structure that wins trust from all stakeholders.

Basic Policy

Taikisha has established a basic policy of corporate governance to gain the trust of all stakeholders and aims to become a corporate group that grows and develops in a healthy manner by thoroughly incorporating compliance awareness and realizing fair and highly transparent management. The aim is to achieve its Corporate Philosophy and management vision in accordance with Taikisha's Mission Statement: "Customers First."\*

In conformity with the basic policy and based on the organizational structure of a Company with an Audit & Supervisory Board, Taikisha is continuously working to strengthen the Taikisha Group's governance and reform its management by reinforcing the supervisory function of the Board of Directors through the utilization of Outside Directors and speeding up the decision-making of the Board of Directors through the adoption of the corporate officer system, aiming to further enhance and reinforce the corporate governance of Taikisha.

\*"Customers" is defined as Overall Society in a broad sense. The Spirit of "Customers First" is to win persistent trust from the "Customers."

Initiatives that Support Corporate Governance

As initiatives to support its corporate governance, Taikisha has set up meeting bodies and committees under the Board of Directors, including the Management Meeting, the Internal Control Committee, the Risk Management Committee, the Sustainability Promotion Committee, the Digital Strategy Committee, the Compliance Committee, the Crisis Management Committee, the Growth Strategy Council, and the Corporate Policy Review Meeting with the aim to reinforce its governance through independent activities of and collaboration among them. In addition, the Company established the Nomination and Compensation Advisory Committee<sup>\*1</sup>, the Governance Committee, Sustainability Committee, and

Digital Innovation Committee<sup>\*2</sup>(established in FY2025), which are voluntary advisory bodies to the Board of Directors and mainly consist of Outside Directors, to improve the effectiveness and transparency of decision making and other matters of the Board of Directors.

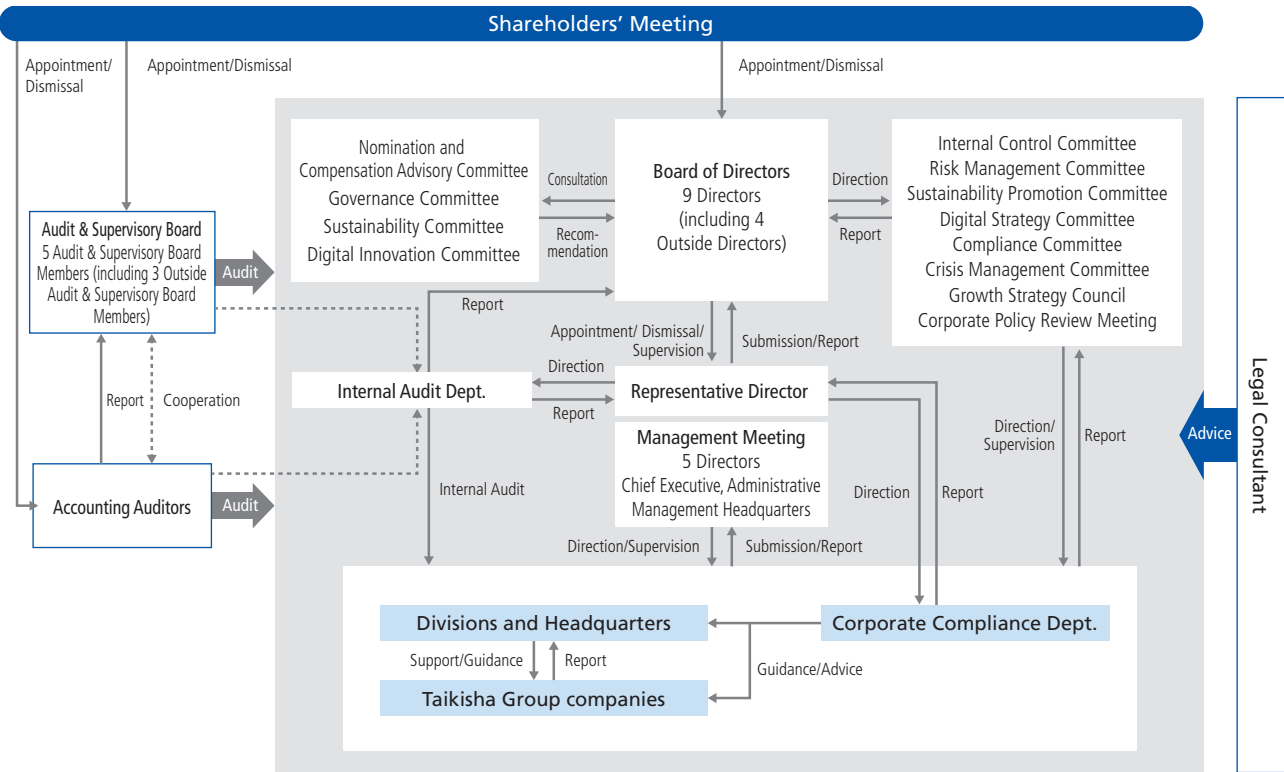
Taikisha monitors the initiatives periodically, and conducts reviews on an ongoing basis.



Corporate Governance Report



Pattern Diagram of Corporate Governance (as of June 27, 2025)



meetings FY2024 results

	Chair	Composition	Content	FY2024: Frequency of meetings
Board of Directors	Outside Director	9 Directors (Inside: 5, Outside: 4) (Male: 8, Female: 1)	The Board of Directors makes decisions regarding the Taikisha Group's management policy, items stipulated in laws and regulations and the Articles of Incorporation, and important management matters, as well as monitors and supervises the execution of duties by each Director and Corporate Officer.	15 times
Audit & Supervisory Board	Audit & Supervisory Board Member	5 Audit & Supervisory Board Members (Inside: 2, Outside: 3) (Male: 4, Female: 1)	The Audit & Supervisory Board mainly deliberates the audit plan, exchanges opinions on audit result reports, etc., and considers matters related to the appointment, dismissal, or non-reappointment of an accounting auditor and matters that require the resolution of the Audit & Supervisory Board, such as consent regarding the compensation to be paid to the accounting auditor.	14 times
	Chair	Composition	Content	FY2024: Frequency of meetings
Nomination Advisory Committee <sup>*1</sup>	Outside Director	6 Directors (Inside: 2, Outside: 4)	The Nomination Advisory Committee was established as an advisory body for the Board of Directors, with the aim of enhancing the independence and objectivity of functions and the accountability of the Board of Directors regarding nomination of CEO and Directors. Based on consultation from the Board of Directors, the Committee carries out deliberations on the process of electing Director candidates and Audit & Supervisory Board Member candidates as well as the planning of the successor to the president.	10 times
Compensation Advisory Committee <sup>*1</sup>	Outside Director	6 Directors (Inside: 2, Outside: 4)	The Compensation Advisory Committee was established as an advisory body for the Board of Directors, with the aim of enhancing the independence and objectivity of functions and the accountability of the Board of Directors regarding compensation of Directors. The Compensation Advisory Committee deliberates on the establishment and revision of compensation and assessment system for Directors and Audit & Supervisory Board Members, the appropriateness of the assessment results and the amounts of fixed compensation and performance-linked compensation.	5 times
Governance Committee	Outside Director	7 Directors (Inside: 3, Outside: 4) 1 Audit & Supervisory Board Member (Inside)	The Governance Committee was established as an advisory body for the Board of Directors concerning internal control, with the aim of improving the governance system of the entire Taikisha Group. The Governance Committee replies to questions from the Board of Directors about the optimization of the Taikisha Group's internal control, and makes proposals or recommendations to the Board of Directors.	7 times
Sustainability Committee	Outside Director	9 Directors (Inside: 5, Outside: 4)	The Sustainability Committee was established as an advisory body for the Board of Directors, with the aim of enhancing initiatives related to social issues, from the perspective of realizing a sustainable society and achieving long-term growth for the company. The Sustainability Committee replies to questions from the Board of Directors about the Group's response to sustainability issues, and makes proposals or recommendations to the Board of Directors.	3 times

\*1: Effective FY2025, the Nomination Advisory Committee and the Compensation Advisory Committee were consolidated into the Nomination and Compensation Advisory Committee.

\*2: To further strengthen our organizational framework, we established the Digital Innovation Committee (governance side) in FY2025, alongside the existing Digital Strategy Committee (executive side).



Evaluation of the Effectiveness of the Board of Directors

Taikisha conducts an analysis and evaluation of the effectiveness of the Board of Directors once a year, deliberates relevant issues and policies for dealing with the same based on the evaluation results at a meeting of the Board of Directors, and discloses a summary of the results thereof in order to increase the effectiveness of the Board of Directors and enhance information provision to external stakeholders.

Evaluation period and scope	Meetings of the Board of Directors held from April 2023 to March 2024 (including the Nomination Advisory Committee, Compensation Advisory Committee, Governance Committee, and Sustainability Committee)
Evaluation items	<ul style="list-style-type: none"><li>• The Board of Directors’ response to issues in FY2022</li><li>• Roles the Board of Directors should fulfil, and the items to be considered in fulfilling those roles</li><li>• Key discussion themes for realizing the long-term vision</li></ul>
Evaluation method	Survey responses from all Directors and Audit & Supervisory Board Members were compiled. Based on objective analysis results provided by external advisors, the responses were reported and deliberated upon at meetings of the Board of Directors.

Overview of the Results of Analysis and Evaluation for FY2024

Led by the Chairman of the Board of Directors, issues recognized by the Board of Directors were shared and response policies, etc. were discussed. In FY2024, the Board of Directors held active discussions, including off-site discussions focused on the theme of global growth strategy, to formulate the new 10-Year Plan 2035 and the Medium-Term Business Plan starting FY2025.

Taking these initiatives into account, the effectiveness analysis and evaluation for FY2024 assessed the status of addressing the issues identified in the effectiveness analysis and evaluation for FY2023. It also reviewed the discussions held during the formulation of the new 10-Year Plan 2035 and the new Medium-Term Business Plan.

As a result, the evaluation confirmed that the Board effectiveness is being appropriately ensured.

Internal Audit

he Internal Audit Department (with 12 members), an independent department directly under the President and Representative Director, conducts audits in accordance with the Internal Audit Rules.

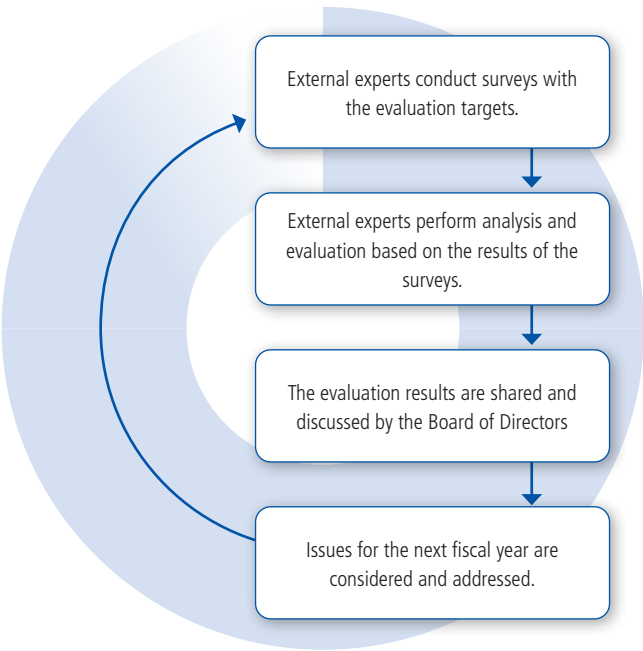
The Internal Audit Department audits the effectiveness and efficiency of the Group’s overall business activities and reports the audit results to the President and Representative Director and also directly to the Board of Directors, the Audit & Supervisory Board, and the Accounting Auditor.

In addition, matters that need to be improved are communicated to the audited departments and follow-up audits are conducted.

The Internal Audit Department also evaluates the internal control over the Group’s financial reporting.

Supporting System for Outside Directors and Audit & Supervisory Board Members

For Outside Directors, the Legal Dept., Administrative Management Headquarters and the Corporate Planning Dept., Corporate Planning



Headquarters mainly support as an executive office of the Board of Directors by distributing materials for the Board of Directors in advance, explaining the main issues of the bills in advance, and providing various relevant information as and when needed.

For Outside Audit & Supervisory Board Members, the Corporate Auditor Office, established as a secretariat for the Audit & Supervisory Board, supports by distributing materials for the Audit & Supervisory Board and the Board of Directors in advance, explaining the main issues of the bills in advance, and providing various relevant information as and when needed.

Appointment of Directors and Audit & Supervisory Board Members

In light of the business environment surrounding Taikisha, the Company maintains the diversity and the appropriate size of the Board of Directors (the number of Board members) to ensure that the decision-making and management supervisory function of the Board of Directors will work most effectively and efficiently. In order to ensure the diversity of the Board of Directors and increase the effectiveness of supervision, the Company selects candidates for Inside Directors in view of their expertise and performance from each business area within the Company in a balanced manner. In addition, the Company selects candidates for Outside Directors who have deep insight and experience in various business areas.

With regard to the composition of the Audit & Supervisory Board, one or more Audit & Supervisory Board Members who have expertise in finance and accounting shall be appointed in light of its roles and responsibilities of auditing the execution of duties by Directors and execution of the authority relative to the appointment and dismissal of external Accounting Auditors and audit fee.

The candidates for Audit & Supervisory Board Members are selected among persons who are considered to have the abilities necessary for performing their duties set forth in the Standards for Audit by Audit & Supervisory Board Members.

Training for Directors and Audit & Supervisory Board Members

For Directors and Audit & Supervisory Board Members including Outside Directors and Outside Audit & Supervisory Board Members to fully perform their management supervision and auditing functions, the Company continuously provides trainings, etc. aimed at helping them acquire the necessary knowledge about the Company’s management issues, finance, compliance with laws and regulations, etc. In addition,

the Company will help them find external education and training, as necessary, and bear the costs.

In addition to the above, the Company provides training (including visits to each facility, construction sites, affiliated companies, etc.) aimed at deepening the understanding of the Group’s Corporate Philosophy, corporate management, business activities, organization, etc. to Outside Directors and Outside Audit & Supervisory Board Members and also provides information about these, as necessary.

Issues in FY2023

- Establish an open discussion forum aimed at formulating the Long-Term Business Plan, along with discussions on management resource allocation for the realization of business portfolio management, including the development of new businesses
- Deepen discussions on global strategy, in line with the new Long-Term Business Plan, and concretize an action plan in the formulation of the new Medium-Term Business Plan
- Supervise activities by the executive side, such as “calculation and reduction of greenhouse gas (GHG) emissions,” “responses to human rights due diligence,” and “further enhancement of human capital” by the Sustainability Committee
- Monitor the introduction of digital tools for enhancing global communication, human resource initiatives for creating opportunities for local staff, and the formulation of Diversity, Equity and Inclusion (DE&I) initiatives
- Continue supervision by the Board of Directors on discussions within the Digital Strategy Committee regarding the promotion of digital technology usage to improve productivity and reform work style, considering the application of overtime regulations in the construction industry
- Revisit the roadmap concerning the significance of cross-shareholdings

Discussion themes and improvement measures in FY2024

- Under the theme of global growth strategies, deepened discussions of the reorganization of the business portfolio beyond the framework of existing business units
- Discussed and deliberated regional strategies across Japan, North America, India, ASEAN, and Europe
- Discussed the enhancement of human capital investment
- The supervisory Sustainability Committee, oversaw the deliberations of the Sustainability Promotion Committee on matters such as GHG emissions calculation and reduction, and human rights due diligence. The Committee examined the direction to be taken in sustainability efforts.
- To improve productivity through onsite DX, monitored the formation of the desired state and action plans for BIM and DX strategies linked to medium- to long-term strategies through reports from the Digital Strategy Committee
- Supervised and provided guidance on quality, safety, and environmental improvement activities conducted by newly established executive bodies such as the Technical Committee
- To enhance the Board effectiveness at affiliated companies, strengthened oversight by second-line departments such as administrative divisions through effectiveness evaluations of those Boards and the implementation of shareholder briefing sessions

Issues for enhancing effectiveness in FY2025

- Monitor the discussions held by the newly established “Growth Strategy Council” while conducting deliberations on “transformation of the business portfolio” with a view toward 2035 from a long-term standpoint.
- Through responses to sustainability issues associated with the new 10-Year Plan, oversee the activities of the Sustainability Promotion Committee to enhance the Company’s ability to generate long-term and sustainable growth resources (earning power), foster innovation, and create new business opportunities.
- Establish a new Digital Innovation Committee chaired by an Outside Director. Appropriately and timely monitor the activities of the executive-side Digital Strategy Committee and continue discussions on leveraging digital technologies that contributes to added-value enhancement and differentiation strategy formulation in alignment with the Company’s long-term growth strategy.
- Based on the new 10-Year Plan, enhance discussions on the allocation of Group human resources, including visualization of a dynamic human resources portfolio, and the development of system infrastructure to support such allocation.
- To execute the global growth strategies, monitor the progress of marketing function enhancement before M&As and the rebuilding and strengthening of the PMI framework after the M&As.



Compensation to Directors and Audit & Supervisory Board Members

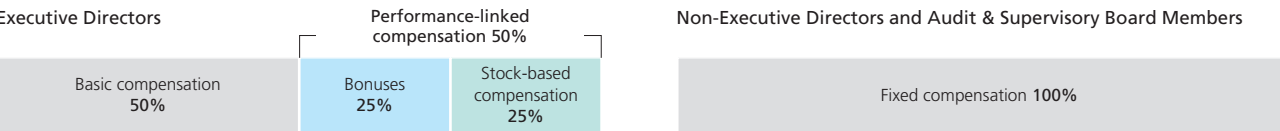
(1) Basic views on the system of compensation

The compensation to Executive Directors is composed of basic compensation, which is fixed compensation, and bonus and stock-based compensation, which are performance-linked compensation. The amount of bonus and stock-based compensation fluctuates in close correlation with the evaluation of financial indicators (company's consolidated ordinary income) and non-financial indicators (initiatives for long-term strategy and enhancement of governance) to serve as an incentive for achieving their performance goals. Compensation to Non-Executive Directors and Audit & Supervisory Board Members is limited to basic compensation.

(2) Compensation structure

Classification	Contents of compensation
Executive Directors	Basic compensation (fixed compensation), and bonus and stock-based compensation (performance-linked compensation) <ul style="list-style-type: none"><li>The ratio of basic compensation to performance-linked compensation is approximately 5:5 on a standard payment basis, and it fluctuates according to the “(3) Performance-linked compensation scheme.”</li><li>The bonus is paid in cash after the company's operating performance is finalized. For stock-based compensation, points are granted after the company's operating performance is finalized. (The points granted will be provided at the time of the retirement in the form of the company's shares or cash equivalent to the fair value thereof, in principle.)</li></ul>
Non-Executive Directors and Audit & Supervisory Board Members	Basic compensation

Ratio of basic compensation to performance-linked compensation



Total amount of compensation, etc. to Directors and Audit & Supervisory Board Members

Classification	Total amount of compensation, etc.	Total amount of compensation, etc. by type			Number of persons
		Fixed compensation	Performance-linked compensation		
		Basic compensation	Bonuses	Stock-based compensation	
Directors (excluding Outside Directors)	546 million yen	208 million yen	169 million yen	169 million yen	5
Outside Directors	57 million yen	57 million yen	—	—	5
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	47 million yen	47 million yen	—	—	2
Outside Audit & Supervisory Board Members	40 million yen	40 million yen	—	—	5

(3) Performance-linked compensation scheme

Performance-linked compensation is composed of bonus and stock-based compensation, with an amount equal to 50% of the total amount paid as bonus and the remaining 50% as stock-based compensation. For performance-linked compensation, evaluation is made based on financial indicators and non-financial indicators. The evaluation ratio is 70% for financial indicators and 30% for non-financial indicators. In addition, as for the 30% portion related to non-financial indicators, the actual payment ratio fluctuates between 70% and 130%, depending on the target achievement level.

(4) Level of compensation

The Nomination and Compensation Advisory Committee verifies the level of compensation by analyzing and comparing compensation data of industry peer companies from survey data compiled by a third-party organization.

Methods for decisions on compensation and policy

•Compensation

Delegated by the Board of Directors, the President and Representative Director newly determines the compensation upon consultation with the Nomination and Compensation Advisory Committee. The compensation details thus determined are reported to the Nomination and Compensation Advisory Committee. In this manner, the Company improves the objectivity and transparency of the process for determining compensation.

•Policy

The policy for compensation, etc. of Directors and Audit & Supervisory Board Members is determined by the Board of Directors upon consultation with the Nomination and Compensation Advisory Committee.

Risk Management

Taikisha endeavors to thoroughly manage, avoid and reduce risks on an organizational level.

Basic Policy

Taikisha has upheld the Corporate Philosophy of “Establish a company which can continuously grow and contribute to society.” Guided by this philosophy, Taikisha is working to reduce material risks and minimize risks before they materialize, in order to continue with businesses and achieve their sustainable development. From the Taikisha Group’s integrated perspective, the Risk Management Committee performs such tasks as assessing the risk level (degree of importance) of each risk, selecting risks that need to be addressed, and formulating a policy to reduce risks. In addition, to prepare for the occurrence of a crisis such as a disaster, an accident or an incident, Taikisha has established a crisis management system and formulated a Business Continuity Plan (BCP).

Risk Management System

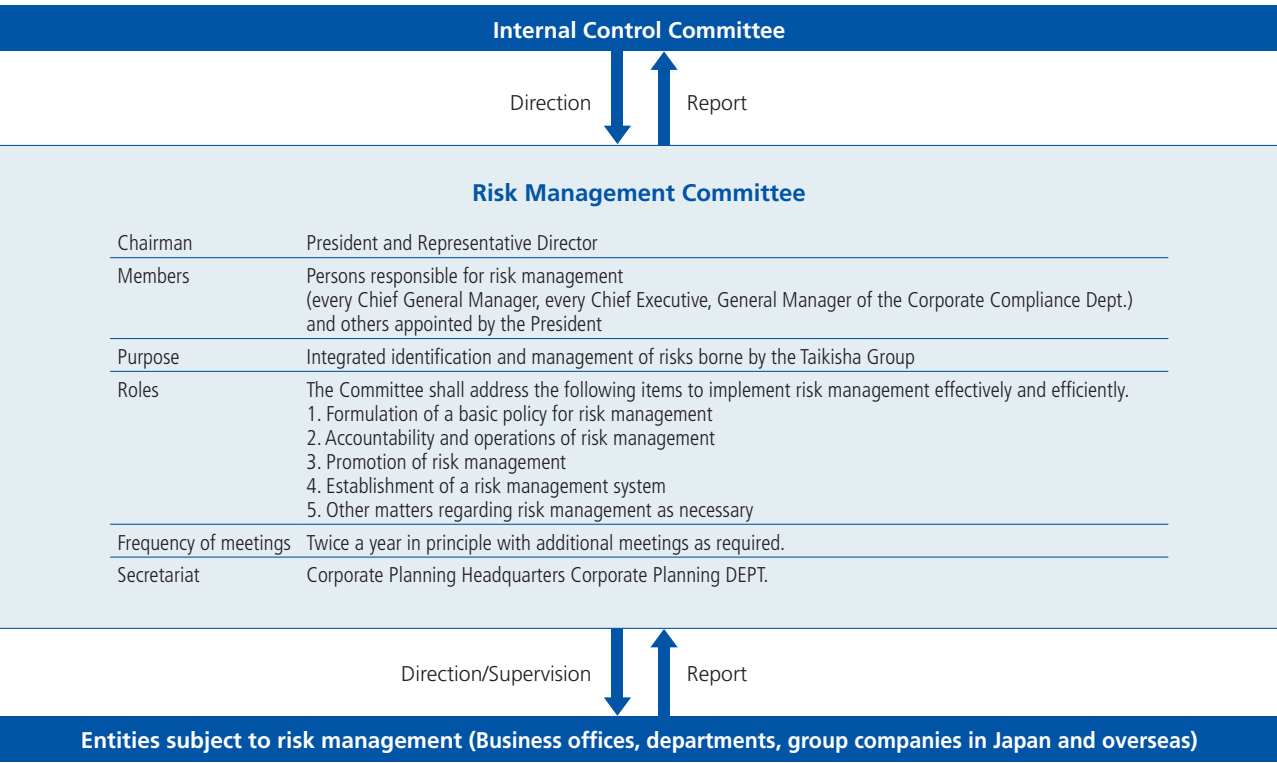
Taikisha, in accordance with the Risk Management Rules that have been in place, has established the Risk Management Committee, chaired by the President and Representative Director to implement effective, efficient and integrated risk management in the Taikisha Group. The Risk Management Committee meets twice a year and as needed to establish and ensure awareness and compliance with the Company’s basic policies, responsibility structure, and operations for group-wide risk management.

Regarding risks associated with operations assigned to each department, such as quality control, safety control, compliance, and finance, each responsible department extracts risks, selects risks that need to be addressed on a priority basis after determining the risk level (degree of importance) in consideration of “impact on management” and “frequency of occurrence,” and then develops priority management

policies and goals to be reported to the Risk Management Committee. The Risk Management Committee discusses the risk level assessment and priority management policies and goals of each risk from a group-wide and integrated perspective, and formulates the basic policy. Each responsible department monitors the status of execution of action plans and reports the results to the Risk Management Committee. The Chairman of the Risk Management Committee puts together the status of group-wide risk management and reports it to the Board of Directors twice a year after discussing the matter at the Internal Control Committee.

In FY2024, the Risk Management Committee held comprehensive discussions on company-wide risks, including those related to human resources supporting the global growth strategy and strategic investments.

Risk Management Structure





● Major Risks and countermeasures

Risk	Content	Remedial Policy and countermeasures
Risk of fluctuations in private-sector capital investment	Decrease in orders received due to deterioration of environment for receiving orders, fall in capital investment by clients and change in investment fields	<ul style="list-style-type: none"><li>● Broaden the client base by enhancing sales system</li><li>● Accelerate the development of technologies that will change customers' production facilities</li><li>● Tap new markets and new clients in painting field based on automation technology</li></ul>
Risk associated with large-scale natural disasters	Losses, direct physical and human damage, and impact on customers' business activities and economic conditions caused by natural disasters such as earthquakes, tsunamis, storms and flooding, and global epidemics of infectious diseases, etc.	<ul style="list-style-type: none"><li>● Establish basic policies for crisis management and develop a crisis management system</li><li>● In the event of a crisis, implement crisis response measures according to the level of impact (classified into three levels)</li></ul>
Risk related to management and control of overseas businesses and overseas affiliates	Deterioration in business performance due to overseas affiliates' failure to fulfill business plan and risk of uncollectibility of receivables attributable to unexpected amendment of local laws and regulations, political instability, etc.	<ul style="list-style-type: none"><li>● Proactively collect information on political, economic, legal and regulatory information at overseas sites</li><li>● Reduce risks through hedging based on forward exchange contracts, etc.</li><li>● Strengthen credit management through screening before accepting orders</li><li>● Make overseas affiliates' governance system more sophisticated</li></ul>
Risk concerning technological development	Inability to differentiate from other companies in terms of technology, resulting in loss of sales opportunities and a decline in customer confidence and corporate reputation	<ul style="list-style-type: none"><li>● Solve social issues through the development and demonstration of environmental impact reduction and automation technologies</li><li>● Expand the breadth of communication by utilizing the Research and Development Center and the R&amp;D satellite facility</li><li>● Strengthen Group-wide activities through the use of digital technologies</li><li>● Promotion of innovative technology development through integration with academic institutions/start-up companies</li></ul>
Human resource-related risks in project execution	Delays in the development of engineers, shortage of skilled and experienced engineers, decrease in the total working hours of engineering employees due to the application of regulations for upper limits on overtime work in the construction industry effective from April 2024, and stagnation in securing and training key human resources for overseas business development	<ul style="list-style-type: none"><li>● Streamline on-site work and level the workload by promoting front-loading of on-site operations</li><li>● Improve basic technological capabilities through training and promote on-site practical education</li><li>● Create an appealing workplace and secure human resources by conducting work style reform and taking measures against long working hours</li><li>● Introduce global human resource system, secure and train key human resources and promote localization at overseas sites</li><li>● Clearly indicate the health management promotion system to maintain and promote mental and physical health of employees, and plan and implement health measures</li></ul>
Risk concerning legal compliance	Violation of Antimonopoly Act, violation of Construction Business Act, violation of Labor Standards Act, etc.	<ul style="list-style-type: none"><li>● Conduct compliance education programs on an ongoing basis as well as follow-up activities</li><li>● Develop a culture and mechanism that prevent rules from being violated</li></ul>
Risk of serious accident or defects, etc. due to poor quality	Accident in construction stage, loss of social credibility due to quality defects, etc., claims for damages including lawsuits from customers, etc.	<ul style="list-style-type: none"><li>● Enhance safety management system</li><li>● Conduct a review on construction management system and promote application of IT</li><li>● Establish the Engineering Headquarters to strengthen systems and activities ensuring technical and quality standards across the company</li></ul>
Risk of fluctuations in material prices and unit labor costs	Rising procurement prices for construction materials and rising unit labor costs due to low birthrate, aging population, and shortage of workers	<ul style="list-style-type: none"><li>● Reflect appropriate costs by region into the contract amount at the time of receiving an order</li><li>● Hedge risk against price fluctuations in contracts</li></ul>
Risk of confidential information leakage	Leakage of confidential information such as personal information and customer information through cyberattacks and data exfiltration	<ul style="list-style-type: none"><li>● Develop and implement a roadmap for risk mitigation measures based on the results of IT security diagnostics</li><li>● Establish an IT Governance and Information Security Subcommittee within the Digital Strategy Committee</li><li>● Establish a response system for IT incidents (Taikisha's version of Computer Security Incident Response Team, or CSIRT) and promote employee education</li></ul>
Risk concerning climate change	Loss of customers due to inability to adapt to customer needs, a decline in competitiveness due to delays in the development of technologies, cost increases due to the introduction of carbon taxes, lower labor productivity due to a rise in average temperature, etc.	<ul style="list-style-type: none"><li>● Develop low-carbon construction technologies and systems</li><li>● Expand the construction of energy saving-equipment</li><li>● Promote mechanization and automation</li></ul>
Risk concerning human rights	Additional costs arising for corrective measures and remedies, a decline in social credibility, and the resulting stagnation in business activities, in cases where negative impacts on human rights occur in business activities, or situations that promote such impacts	<ul style="list-style-type: none"><li>● Establish the Taikisha Group's Human Rights Policy as a standard for human rights</li><li>● Implement human rights due diligence</li><li>● Conduct educational and awareness-raising activities for officers and employees</li></ul>

Information Security

In order to protect customer, business partner, and personal information from leaks and other risks, we are working to strengthen our information security measures.

■ Management system

We are strengthening the information management system across the entire Taikisha Group by establishing the Information Security Rules, which include detailed rules for all employees and persons in charge of IT system/facility development respectively, as well as guidelines and other rules based on the privacy policy.

To minimize the spread of damage in the event of an IT incident, we have formulated the IT Incident Response Policy and established a response system in the event of an IT incident (Taikisha's version of CSIRT), enabling swift and appropriate responses.

■ Measures

To address the cybersecurity threats that are becoming more diversified and sophisticated on a daily basis, we review the information security risks and conduct initiatives aimed at risk mitigation based on the zero trust approach.

■ Education

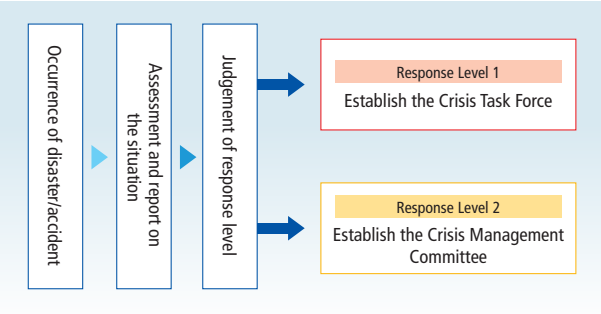
We are working to raise awareness of information security among Group employees by regularly implementing e-learning programs and training against targeted phishing email attacks.

Crisis Management System

Taikisha has established the Basic Policy for Crisis Management and built the crisis management system to prepare for the occurrence of unforeseen disasters, accidents and incidents in Japan and overseas.

In the event of a crisis, Taikisha classifies crises into three response levels depending on the severity of impact on human lives and business continuity, and implements crisis response measures according to each response level. The Chief Executive of the Administrative Management Headquarters assumes the position of Chairman of the Crisis Management Committee. If it is decided that a particularly serious crisis has occurred, the President and Representative Director takes command as the Head of the Crisis Task Force.

● Diagram of Crisis Management System



For employees deployed overseas and those on overseas business travel to be able to engage in business activities without concern, we have formulated the Overseas Security Response Manual to help employees prevent and avoid risks of crimes and terrorism, and the Overseas Crisis Management Guidelines (main vol.).

Business Continuity Plan (BCP)

To ensure the safety of human life and implement necessary measures for business continuity during emergencies such as large-scale natural disasters, terrorism, civil unrest, war, kidnapping, or threats, each Group company has developed a business continuity plan (BCP) based on the Basic Policy for Business Continuity Planning.

At domestic business offices, Taikisha conducts training, such as training on wireless phone communication, taking inventories and checking expiration dates on emergency food stocks. In addition, Taikisha carries out training on how to handle the safety confirmation system. With regard to the safety of employees, Taikisha has organized a company-wide self-defense firefighter team and conducts training activities. In addition to evacuation drills and training sessions provided by the self-defense firefighter team, Taikisha holds training sessions on AED and first-aid rescue to train employees.

In addition, based on the Pandemic Preparedness Business Plan formulated from experience in responding to COVID-19, the Company is establishing a system to respond accurately and promptly in order to take the utmost care for respecting human life and continue our business while placing the highest priority on securing safety even in the event of a pandemic.



AED and first-aid rescue training session



Taishisha is working to prevent compliance violations by raising awareness of compliance through a variety of activities

To thoroughly enforce compliance for fulfilling its Corporate Philosophy, Taikisha has established Taikisha Ltd. Code of Conduct, clarifying its objective to become a company that contributes to all stakeholders by realizing fair and highly transparent management while not only complying with laws and regulations but also observing ethics and common sense. Taikisha believes that raising awareness in this context and putting it into practice means fulfilling the social responsibility it is expected to uphold, leading to the prevention of compliance violations.

To raise the awareness of corporate ethics and compliance among all officers and employees and to enhance compliance management, Taikisha has established the Compliance Committee and the Corporate Compliance Department. Taikisha has also assigned Compliance Officers and established a Whistle-blowing Contact Window. The Corporate Policy Review Meeting is held to examine the annual policy and plan for compliance activities and to validate the implementation status thereof.

The Compliance Committee is composed of Executive Directors, the General Manager of the Corporate Compliance Department, and the General Manager of the Internal Audit Department, chaired by the President and Representative Director, and holds monthly meetings. The Compliance Committee examines and responds to issues regarding compliance in the overall business operations of the Company and validates the status of compliance with laws and regulations. In the event of significant compliance events or signs of possible occurrence, the Company shall convene the Compliance Committee, attended by all officers, to deal with the events.

The Corporate Compliance Department, an independent department under the direct control of the President and Representative Director, implements compliance education, monitors status of compliance with laws and regulations, provides guidance on improvement, disseminates information via the corporate intranet, and makes the Whistle-blowing System well known on an ongoing basis based on the annual policy and plan for compliance activities. In addition, the department reports on the status of its activities to the Compliance Committee.

Compliance Officers, who engage in activities in collaboration with the Corporate Compliance Department, are assigned to each division and each branch/affiliate in Japan and overseas. The Corporate Compliance Department monitors the status of compliance with laws and regulations at the Group, and provides a feedback on the result to the Officers. The Officers implement necessary improvement measures within their respective organizations based on the feedback, and the Corporate Compliance Department follows up on the implementation status to build a system for the entire Group to continuously make improvements.

Taikisha works to maintain and enhance tax compliance and properly pays taxes in accordance with applicable tax-related laws and regulations of each country and region and international rules.

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graph TD
    CC["Compliance Committee  
(Chairman: President and Representative Director)"]
    BD["Board of Directors"]
    PRD["President and Representative Director"]
    CCDC["Divisions and each branch/affiliate in Japan and overseas"]
    CO["Compliance Officer"]
    E["Employees"]
    CCD["Corporate Compliance Dept."]

    CC -- "Direction" --> BD
    BD -- "Report" --> CC
    PRD -- "Report" --> BD
    BD -- "Supervision" --> PRD
    PRD -- "Direction/Supervision" --> CC
    CC -- "Report" --> PRD
    PRD -- "Report" --> CCD
    CCD -- "Direction" --> PRD
    CCD -- "Collaboration" --> CO
    CO -- "Guidance/Advice" --> CCD
    CO -- "Report/Consultation" --> E
    E -- "Awareness-Raising/Education" --> CO
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Taikisha distributes the Compliance Manual that summarizes the standards of practice for compliance to all employees, in an effort to familiarize them with compliance and thoroughly enforce compliance among them. Having designated October of each year as the Compliance Promotion Month, Taikisha strives to spread and instill compliance awareness by holding read-through sessions of the Compliance Manual targeting all employees, asking employees to sign a pledge, and calling for entries of compliance slogans internally. The entries involve inviting Taikisha Group's employees broadly to display the best slogans in Japan and overseas, respectively, in the form of awareness-raising posters in the corporate offices and on-site offices.

As part of efforts to instill its Corporate Philosophy and Taikisha's Code of Conduct, as well as to implement compliance education, we conduct e-learning, targeting all employees of the Group. In the e-learning program, themes are selected from items that all Group employees should understand, such as prevention of bid rigging, prevention of improper handling of construction costs, prevention of harassment, proper management of overtime hours, and the Whistle-blowing System. Additionally, we conduct training programs aimed at reducing the risk of compliance violations by familiarizing employees with important laws, regulations, and internal rules that are deemed to have a huge impact if violated.

Date	Number of participants	Question theme
First session: May 2024	1,796 (100% attendance)	Importance of compliance Prevention of kickbacks
Second session: October 2024	2,161 (100% attendance)	Whistle-blowing system Importance of rule compliance
Third session: January 2025	2,283 (100% attendance)	Prevention of bid rigging Importance of rule compliance

Date	Number of participants	Question theme
First session: July 2024	2,937 (96.0% attendance)	Importance of compliance Whistle-blowing system
Second session: November 2024	2,947 (94.0% attendance)	Importance of rule compliance Prevention of kickbacks

To confirm the degree of compliance awareness, we conducted compliance awareness surveys targeting all Group employees in FY2024. The survey results are shared with Compliance Officers and utilized to improve the workplace environment and enhance compliance activities, thereby continuing efforts to deepen awareness.

Survey period	July 1 to 19, 2024
Number of survey participants	4,830 (including 22 overseas and 4 domestic affiliated companies)
Number of respondents	4,467 (response rate: 92.5%)

The Corporate Compliance Department regularly monitors the status of compliance of laws and regulations at the Group through the Compliance Awareness Survey, interviews, field visit, etc. Through compliance activities, the Corporate Compliance Department works to continuously improve the issues identified through the monitoring.

Additionally, we conduct surveys with subcontractors in Japan to confirm whether they have experienced any inappropriate requests from our employees. We also work to raise awareness about our Whistle-blowing Contact Window.

Taikisha has the Whistle-blowing System in place to identify at an early stage and resolve compliance violations, and has a Whistle-blowing Contact Window in the Corporate Compliance Department and a law firm. The hotline is also available to the employees and officers of affiliates and business partners as well as to the employees and officers of the Company. In case of receiving the reports related to or suspected to be related to the Company's Executive Directors, Taikisha addresses the case in consultation with the Audit & Supervisory Board Members. This process ensures that we can respond to the issue independently of executives.

In operating the Whistle-blowing System, Taikisha ensures that whistleblowers are protected by stipulating in its internal rules that information on whistleblowers shall be kept confidential and that dismissal and other disadvantageous treatment of whistleblowers on the grounds of their whistle-blowing is prohibited.

In FY2024, the Company's' Whistle-blowing Contact Window received 17 cases and took appropriate actions upon prompt investigation of each of these cases.

The diagram illustrates the Whistle-blowing Mechanism in India. At the top, a box labeled 'Whistleblower' is connected to a central dashed box labeled '[Whistle-blowing hotline]' by two vertical arrows: one pointing down labeled 'Whistleblowing' and one pointing up labeled 'Notification of investigation results, etc.'. The '[Whistle-blowing hotline]' box contains two sub-boxes: 'Internal hotline (Corporate Compliance Dept.)' and 'External hotline (Law firm)'. To the left of the hotline, a box labeled 'A person being reported and relevant departments/ sections' has an arrow pointing to the 'Internal hotline'. Below the hotline, three boxes represent the recipients of reports: 'Audit & Supervisory Board Members', 'President and Representative Director', and 'Compliance Committee'. Arrows point from the 'Internal hotline' to each of these three boxes, labeled 'Report'. Additionally, an arrow points from the 'Internal hotline' to the 'Audit & Supervisory Board Members' box, labeled 'Consultation (in case of reports related to Executive Directors)'. An arrow points from the 'Internal hotline' to the 'President and Representative Director' box, labeled 'Direction'. An arrow points from the 'External hotline' to the 'Compliance Committee' box, labeled 'Report'. A final arrow points from the 'Compliance Committee' box back to the 'Whistleblower' box, labeled 'Investigation and resolution'.



Financial Data for 11 Years

Financial items

\*Thousands of US dollars

	Unit	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2024
Orders received	Million yen	187,311	221,764	218,323	219,844	241,889	226,909	200,469	232,120	288,670	263,549	277,403	1,855,168
Ratio of overseas orders received	%	49.8	54.3	50.4	46.2	46.3	45.1	44.1	38.2	47.1	43.7	50.6	50.6
Net sales	Million yen	183,648	212,424	200,604	231,898	225,402	225,378	202,548	209,261	214,793	293,556	276,212	1,847,208
Green Technology System	Million yen	116,150	134,824	124,565	139,948	149,164	157,378	134,058	134,399	171,868	216,535	169,443	1,133,176
Paint Finishing System	Million yen	67,614	77,735	76,085	92,029	76,245	68,006	68,497	74,882	42,960	77,041	106,956	715,282
Ratio of overseas sales	%	55.2	55.5	49.3	50.1	47.1	41.3	45.8	48.5	37.5	46.9	47.7	47.7
Operating income	Million yen	8,669	12,734	8,473	12,180	14,035	15,439	11,690	9,428	11,556	18,270	17,971	120,188
Ratio of operating income to net sales	%	4.7	6.0	4.2	5.3	6.2	6.9	5.8	4.5	5.4	6.2	6.5	6.5
Ordinary income	Million yen	9,579	12,343	9,842	13,082	15,085	15,991	12,287	10,818	13,001	19,852	19,938	133,339
Green Technology System	Million yen	5,991	8,950	9,981	11,885	13,567	13,893	11,192	9,302	14,599	17,027	15,299	102,318
Paint Finishing System	Million yen	3,260	3,524	(115)	1,160	1,676	2,814	911	667	(1,606)	2,804	4,256	28,465
Ratio of ordinary income to net sales	%	5.2	5.8	4.9	5.6	6.7	7.1	6.1	5.2	6.1	6.8	7.2	7.2
Profit attributable to owners of parent	Million yen	6,084	7,084	6,305	7,254	8,841	9,132	8,279	7,248	7,917	15,602	11,026	73,742
Return on equity (ROE)	%	6.9	7.6	6.8	7.2	8.3	8.4	7.2	5.9	6.3	11.6	7.6	7.6
Total assets	Million yen	188,283	189,566	199,024	215,392	223,080	215,389	228,855	228,159	237,105	266,494	268,448	1,795,285
Net assets	Million yen	99,669	95,921	100,184	110,650	113,649	112,843	126,311	130,788	131,992	151,562	156,486	1,046,524
Equity ratio	%	50.4	48.0	48.1	48.8	48.8	50.2	52.9	54.7	53.1	54.0	55.2	55.2
Cash flows from operating activities	Million yen	1,401	7,301	6,679	9,337	9,159	21,386	973	(8,544)	4,806	20,738	(21,219)	(141,908)
Cash flows from investing activities	Million yen	(3,900)	(328)	(6,505)	1,390	(2,830)	(877)	(6,913)	(1,071)	(1,748)	2,148	(4,982)	(33,318)
Cash flows from financing activities	Million yen	1,264	(7,409)	(5,286)	(885)	2,396	(11,475)	(1,435)	6,000	(9,822)	(5,545)	1,907	12,756
Research and development expenses	Million yen	822	889	946	1,024	1,084	1,105	1,122	1,106	1,149	1,166	1,312	8,775
Depreciation	Million yen	1,257	1,348	1,290	1,398	2,030	2,167	2,362	2,496	2,000	1,469	1,850	12,373
Purchase of property, plant and equipment and intangible assets	Million yen	(1,247)	(1,941)	(1,807)	(3,832)	(4,140)	(2,086)	(2,270)	(2,314)	(2,176)	(3,885)	(3,953)	26,437

Per share data:													*US dollars
Profit attributable to owners of parent	Yen	86.32	102.17	91.58	106.20	129.76	134.03	121.51	106.35	117.31	235.97	169.44	1.13
Net assets	Yen	1,345.38	1,316.80	1,399.65	1,543.75	1,596.59	1,588.13	1,776.35	1,829.27	1,894.37	2,194.04	2,282.91	15.27
Annual dividend	Yen	26.0	33.5	35.0	37.5	45.5	50.0	45.0	50.0	60.5	65.5	72	0.48
Dividend payout ratio	%	30.1	32.8	38.2	35.3	35.1	37.3	37.0	47.0	51.6	27.8	42.5	42.5
Total return ratio	%	30.2	63.8	54.0	42.2	35.1	37.5	37.2	47.2	89.3	40.6	60.7	60.7

\*The US dollar amounts are translated on the basis of nearly 149.53 yen to 1 dollar, the rate of exchange prevailing at March 31, 2025.

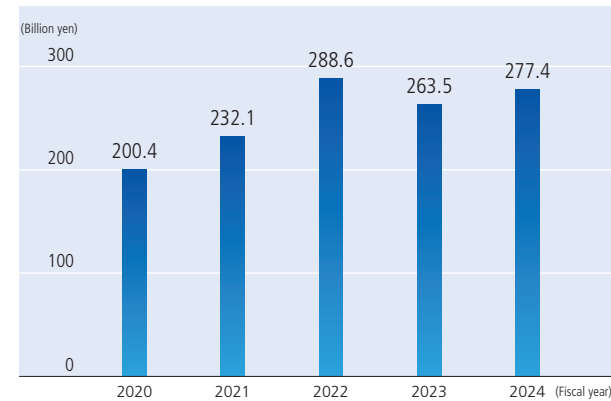
\* As the Company has been applying the Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan (ASBJ) Statement No.28, February 16, 2018) since FY2018, the consolidated financial position of FY2017 is calculated after retrospectively applying the said accounting standard, etc. Therefore, the indicators and others for FY2017 reflect those retrospective adjustments.

\*The Company conducted a 2-for-1 split of its common shares, effective April 1, 2025. The per share data are calculated assuming that the share split had been conducted at the beginning of FY2014.



## Financial Highlight

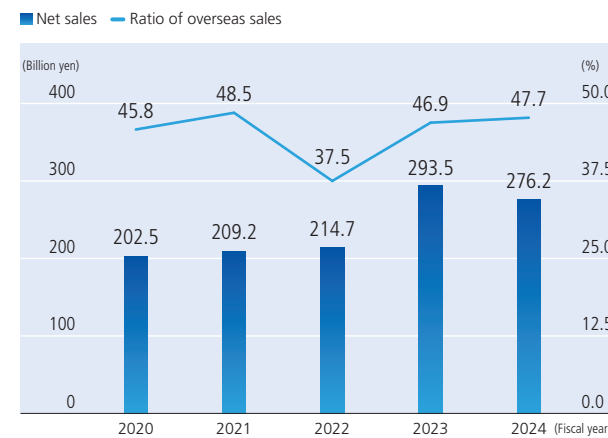
Orders received

**277.4** billion yen


Net sales

**276.2** billion yen

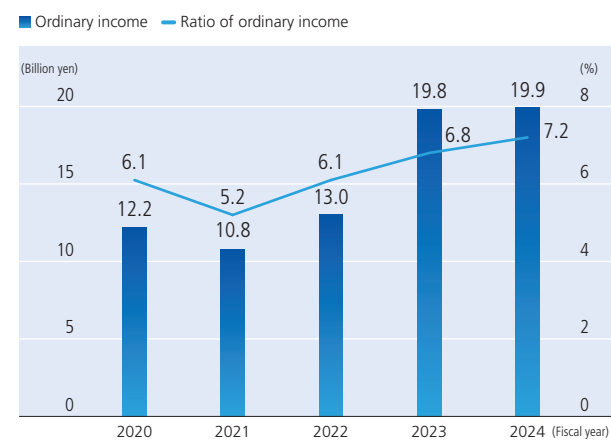
Ratio of overseas sales

**47.7** %


Ordinary income

**19.9** billion yen

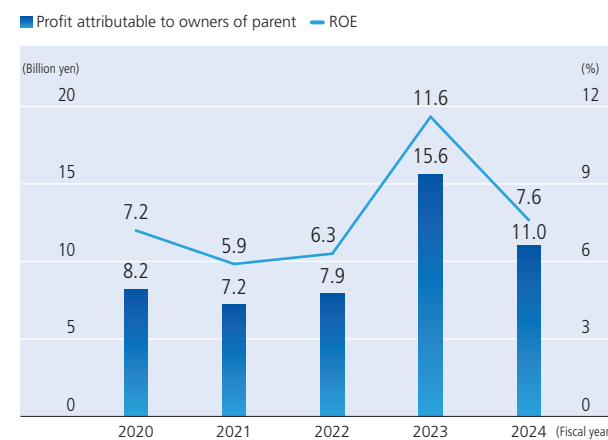
Ratio of ordinary income

**7.2** %


Profit attributable to owners of parent

**11.0** billion yen

ROE

**7.6** %


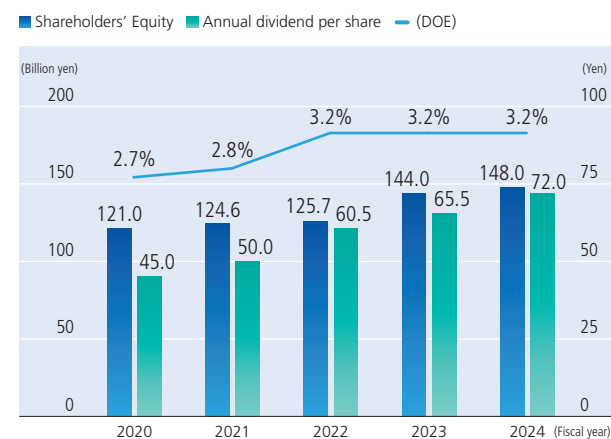
Shareholders' Equity

**148.0** billion yen

DOE

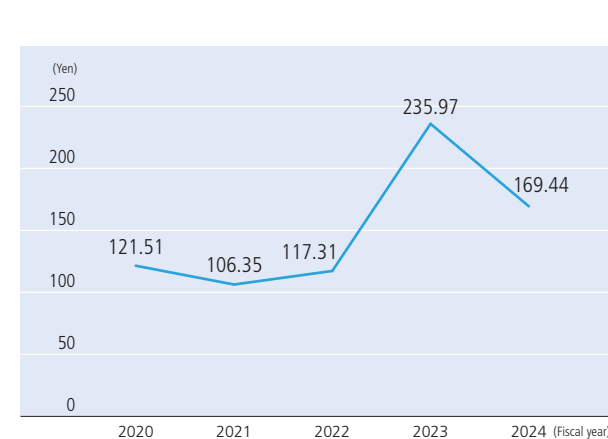
**3.2** %

Annual dividend per share

**72.0** yen


\*The Company conducted a 2-for-1 split of its common shares, effective April 1, 2025. The annual dividend per share is calculated assuming that the share split had been conducted at the beginning of FY2020.

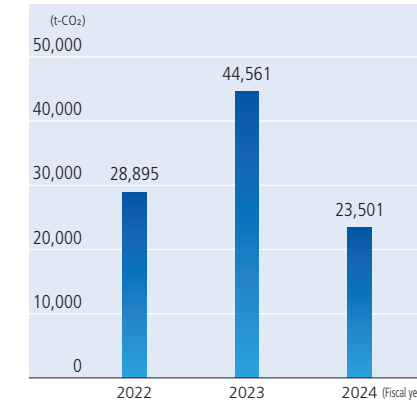
Earnings per share (EPS)

**169.44** yen


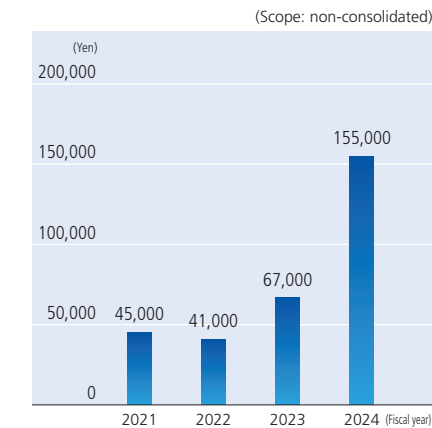
\*The Company conducted a 2-for-1 split of its common shares, effective April 1, 2025. The earnings per share is calculated assuming that the share split had been conducted at the beginning of FY2020.

## ESG Highlight

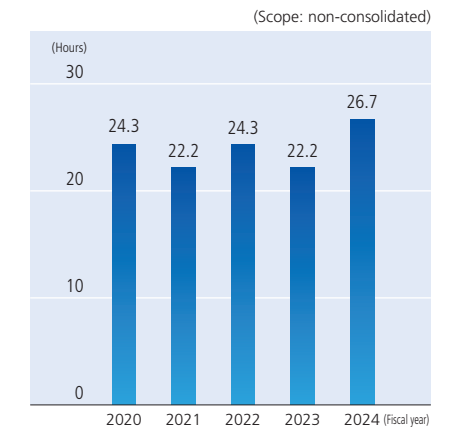
Scope1+2

**23,501** t-CO<sub>2</sub>


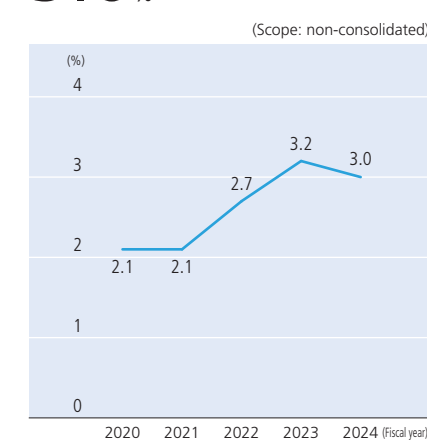
Training expenses per person

**155,000** yen


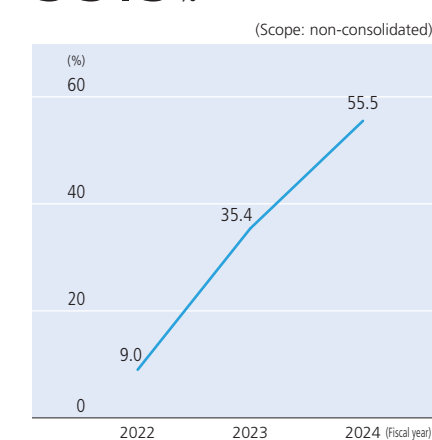
Average overtime work per month/em

**26.7** hours


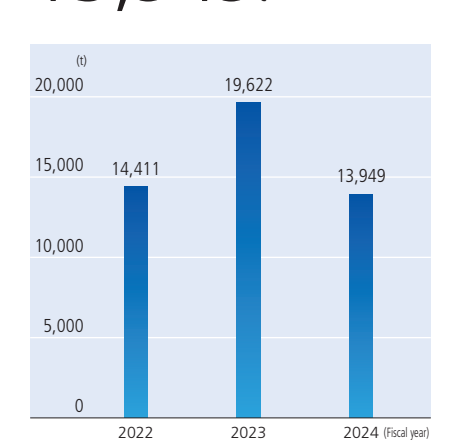
Ratio of female managers

**3.0** %


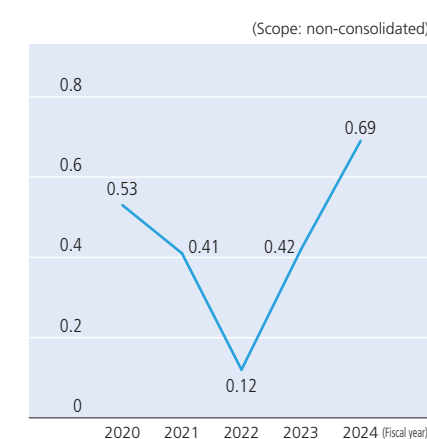
Ratio of male employees who took 14 or more days of childcare leave

**55.5** %


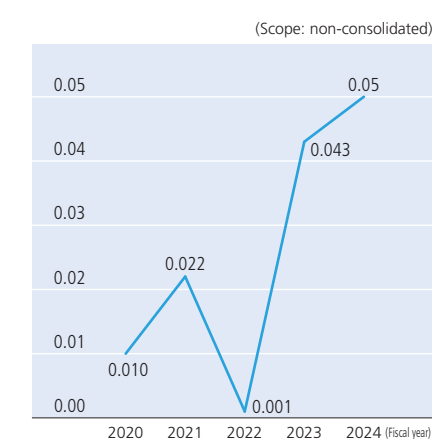
Amount of waste discharged

**13,949** t


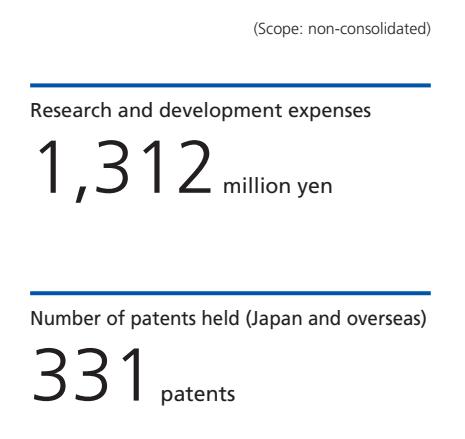
Frequency rate

**0.69**


Severity rate

**0.05**


Monthly net sales per employee

**6,978** thousand yen


Research and development expenses

**1,312** million yen

Number of patents held (Japan and overseas)

**331** patents



RESULTS OF OPERATIONS (OVERVIEW)

The results for the fiscal year ended March 31, 2025  
Accounting estimates and underlying assumptions

The consolidated financial statements of the Taikisha Group are prepared in accordance with accounting standards generally accepted in Japan. In preparing the consolidated financial statements, some accounting estimates that affect the amounts of assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period are made in accordance with the accounting standards.

Please refer to “NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, 2. Summary of significant accounting policies, (12) Significant accounting estimates” for important items of accounting estimates and underlying assumptions.

Due to the uncertain nature of estimates, actual results may change from these estimates.

Earnings Overview

In this fiscal year, the global economy remained unstable due to prolonged geopolitical risks in regions including Eastern Europe and the Middle East, as well as the continued high energy prices and the sense of caution against the tariff policies of the new Trump administration. In the U.S., key interest rate remained high despite the reduction and inflation rates also remained high. On the other hand, the economy remained strong due to the increase in personal consumption against a backdrop of the favorable employment and income conditions. In China, the economy slowed down due to sluggish domestic and foreign demand, particularly in the real estate market. In Southeast Asia, the economy remained strong as domestic and foreign demand were recovering with the background of capital investments shifting from China and improvement in labor markets. The Japanese economy mildly recovered along with strong personal consumption and inbound demand, despite the ongoing concerns about downward pressures on the economy, such as financial policies and geopolitical risks overseas.

Among the market environments of the Taikisha Group, in overseas markets, capital investment by various manufacturers continued to be steady, despite concerns about slowdowns in the global economy.

On the other hand, in the domestic market, investments by semiconductor-related and automobile manufacturers, as well as those related to data centers continued, and the demand for the renovations in the metropolitan area was steady.

Under such circumstances, in order to achieve medium- to long-term growth, the Taikisha Group promotes the following initiatives.

Firstly, as an initiative to “improve business operation systems and productivity,” which is stated by the Green Technology System Business in the Mid-Term Business Plan, the Company established the Product Management Dept. in fiscal 2024. This department is promoting the transformation of business processes of onsite operations through front-loading, BIM, human resource development, and expansion of business support.

By actively participating in drawing work and construction planning of large projects from the early design and construction stages, and utilizing highly accurate BIM models, this department examines construction procedures, costs, and staffing in advance, reflects the plans to actual construction processes, and makes decisions on facilities and specification ahead of time. In addition to reducing on-site workload and improving the accuracy of estimates, these efforts will make it possible to discuss the equipment layout and routing, as well as making proposals on construction in units and design of passage and racks. The Company manages projects from the front-loading perspective, which focuses on such consideration

and coordination in the upstream processes to improve the overall quality and efficiency of the project.

As a scrum-based organization, the Product Management Dept. provides prompt responses and improvements for diverse tasks, such as BIM, front-loading, and business support in collaboration with related departments, drives new business processes, and develops human resources with a new digital operations-oriented mindset.

Secondly, as an initiative under the Paint Finishing System Business to “establish a firm position in Japan and abroad,” the Company established Taikisha Deutschland GmbH in Germany in June 2024, aiming for business expansion in the European market. As the global automobile markets have recovered to the pre-COVID-19 level and stable demand is expected to continue in the future, the Company positions the European market, which plays a pivotal role in driving technological innovation in the automobile industry, as a strategically important market.

Europe is a market where competitors with leading global market shares in the automobile paint finishing sector have their headquarters. In such a field, the Company will strengthen partnerships with key automobile manufacturers and utilize automation technologies to establish a firm position as a supplier that can provide the full range of services related to paint finishing plants. At the same time, the Company will provide solutions that will contribute to achieving carbon neutrality, by utilizing energy-saving technologies and environmental load reduction technologies that comply with European regulations.

Currently, the Company is pursuing an order for a large-scale project from a European automobile manufacturer. Through participation in this construction, the Company aims to deepen its understanding of specifications and needs of European manufacturers, so that it will contribute to receiving orders from other automobile manufacturers. Moreover, the Company intends to expand into aircraft and other diverse industries, by enhancing its automation business. With active participation of local staff members who are well-versed in local affairs, the Company will enhance its presence in the European market, continue providing solutions to social issues and clients’ issues, and further accelerate its growth in the European market.

Given such circumstances, consolidated orders received increased 5.3% year-on-year to ¥277,403 million, due to an increase overseas, although domestic orders decreased due to the impact of clients’ reconsideration of investment timing. This includes orders received overseas, which increased 21.7% year-on-year to ¥140,143 million.

Consolidated net sales of completed construction contracts decreased 5.9% year-on-year to ¥276,212 million, decreasing both in Japan and overseas, mainly due to the reactionary decline of large-scale projects in the previous fiscal year. This includes net sales of completed construction contracts overseas, which decreased 4.5% year-on-year to ¥131,635 million.

In regard to profits, gross profit on completed construction contracts increased ¥1,693 million year-on-year to ¥45,005 million, operating income decreased ¥298 million year-on-year to ¥17,971 million, ordinary income increased ¥85 million year-on-year to ¥19,938 million, and profit attributable to owners of parent decreased ¥4,575 million year-on-year to ¥11,026 million.

Earnings by reportable segment (including intersegment transactions) are as follows.

Green Technology System

Consolidated orders received increased compared to the previous fiscal year, as orders increased in the building HVAC sector, China, Thailand, and other countries, despite a decline in the industrial HVAC sector in Japan. The consolidated net sales of completed

construction contracts decreased compared to the previous fiscal year, mainly due to a reactionary decline from the significant contribution of large-scale projects in the previous fiscal year in the Japanese industrial HVAC sector and Taiwan.

As a result, consolidated orders received increased 4.2% year-on-year to ¥179,197 million. The breakdown is orders received for building HVAC of ¥53,795 million which increased 48.6% year-on-year and orders received for industrial HVAC of ¥125,402 million which decreased 7.6% year-on-year. Consolidated net sales of completed construction contracts decreased 21.7% year-on-year to ¥169,443 million. The breakdown is sales for building HVAC of ¥36,839 million which decreased 9.6% year-on-year and sales for industrial HVAC of ¥132,603 million which decreased 24.6% year-on-year. Segment profit (ordinary income) decreased ¥1,728 million year-on-year to ¥15,299 million.

Paint Finishing System

Consolidated orders received increased compared to the previous fiscal year, due to increases in India, Korea, and other regions. The consolidated net sales of completed construction contracts increased compared to the previous fiscal year, due to increases in regions such as Japan and North America.

As a result, consolidated orders received increased 7.2% year-on-year to ¥98,205 million and consolidated net sales of completed construction contracts increased 38.8% year-on-year to ¥106,956 million. Segment profit (ordinary income) increased ¥1,451 million year-on-year to ¥4,256 million.

Financial Condition

Assets

As of March 31, 2025, current assets increased 3.7% year-on-year to ¥210,935 million. This is mainly due to increase in notes receivable, accounts receivable from completed construction contracts and other of ¥26,542 million, despite decrease in securities of ¥9,000 million and cash and deposits of ¥7,906 million.

Non-current assets decreased 8.9% year-on-year to ¥57,513 million. This is mainly due to decrease in investment securities of ¥4,555 million and goodwill of ¥2,813 million, despite increase in buildings and structures of ¥4,193 million.

As a result, total assets increased 0.7% year-on-year to ¥268,448 million.

Assets by reportable segment are as follows.

Green Technology System

As of March 31, 2025, current assets decreased 1.3% year-on-year to ¥104,406 million. This is mainly due to decrease in costs on uncompleted construction contracts of ¥930 million.

Non-current assets decreased 18.1% year-on-year to ¥30,537 million. This is mainly due to decrease in goodwill of ¥2,819 million and investment securities of ¥4,812 million.

As a result, total assets decreased 5.7% year-on-year to ¥134,943 million.

Paint Finishing System

As of March 31, 2025, current assets increased 47.5% year-on-year to ¥86,772 million. This is mainly due to increase in notes receivable, accounts receivable from completed construction contracts and other of ¥26,237 million and cash and deposits of ¥1,817 million.

Non-current assets increased 6.3% year-on-year to ¥11,314 million. This is mainly due to increase in machinery, vehicles, tools, furniture and fixtures of ¥434 million.

As a result, total assets increased 41.2% year-on-year to ¥98,086 million.

Liabilities

As of March 31, 2025, current liabilities decreased 2.4% year-on-year to ¥101,030 million. This is mainly due to decrease in notes payable, accounts payable for construction contracts and other of ¥15,277 million and income taxes payable of ¥2,580 million despite increase in short-term loans payable of ¥9,452 million and advances received on uncompleted construction contracts of ¥5,769 million.

Non-current liabilities decreased 4.3% year-on-year to ¥10,931 million. This is mainly due to decrease in deferred tax liabilities of ¥746 million.

As a result, total liabilities decreased 2.6% year-on-year to ¥111,962 million.

Net assets

As of March 31, 2025, total net assets increased 3.2% year-on-year to ¥156,486 million. This is mainly due to increase in retained earnings of ¥6,401 million and foreign currency translation adjustment of ¥2,626 million despite decrease in valuation difference on available-for-sale securities of ¥2,684 million and acquisition and disposal of treasury shares of ¥2,000 million.

Cash flows

Cash and cash equivalents (collectively, “Cash”) as of March 31, 2024 and 2025 were ¥63,265 million and ¥42,013 million respectively. Compared to the previous year, it decreased ¥21,252 million.

Cash flows from operating activities

Cash provided by operating activities for the year ended March 31, 2024 was ¥20,738 million, and cash used in operating activities for the year ended March 31 2025 was ¥21,219 million. Cash decreased mainly due to increase in notes and accounts receivable-trade and decrease in notes and accounts payable-trade, although increased mainly due to increase in the recording of profit before income taxes.

Cash flows from investing activities

Cash provided by investing activities for the year ended March 31, 2024 was ¥2,148 million, and cash used in investing activities for the year ended March 31, 2025 was ¥4,982 million. Cash decreased mainly due to payments into time deposits and purchase of property, plant and equipment and intangible assets, although increased mainly due to proceeds from sales of investment securities and proceeds from withdrawal of time deposits.

Cash flows from financing activities

Cash used in financing activities for the year ended March 31, 2024 was ¥5,545 million, and cash provided by financing activities for the year ended March 31, 2025 was ¥1,907 million. Cash increased mainly due to proceeds from short-term loans payable outweighed repayment of short-term loans payable, although decreased mainly due to cash dividends paid and net increase in treasury shares.

Business and Other Risks

Major risk factors that may significantly affect the financial condition, business performance and cash flows of the Taikisha Group, as recognized by senior management, are noted below.

Forward-looking statements in this section are based on judgments made by the Taikisha Group as of March 31, 2025.



Risk of Changes in Private Capital Investment

Changes in the environment for orders may significantly affect sales and profit in the Taikisha Group’s businesses. In the Green Technology System Division, this may be caused by reduction in overseas investment by Japanese companies. In the Paint Finishing System Division, this may be caused by continued shrinkage of domestic manufacturing by Japanese automobile manufacturers, or reduction in new capital investment due to sluggish worldwide car sales. The Taikisha Group’s business performance and other results may be affected by a decrease in the amount of orders received due to these factors. In addition, if the Taikisha Group fails to keep up with the change of production facility of automobile manufacturers that contributes to realization of carbon neutrality, the Taikisha Group may lose customers and the business performance and other results may also be affected.

In response, Green Technology System Division will work overseas to strengthen its sales structure targeting local companies, and promote initiatives to increase orders from Japanese manufacturers in collaboration with sales team in Japan. Paint Finishing System Division will accelerate the development of the Company’s technology that introduces change the production facility of customers that contributes to realization of carbon neutrality, and will aim to expand automation business from the conventional 4-wheel and 2-wheel vehicle markets to other industries by the Company’s automation technology.

Risk Associated with Large-Scale Disasters

The Taikisha Group’s business performance and other results may be affected by losses sustained due to natural disasters, such as earthquakes, tsunamis, wind or water damage, or a global spread of infections and other diseases in regions where the Taikisha Group does business. Furthermore, in the case of large-scale, widespread natural disasters, the Taikisha Group’s business performance and other results may be affected not only by the direct damage to property and people, but also by the long-term impact on customers’ business activities and the larger economic climate.

In order to prepare for the possible occurrence of unforeseen disasters, accidents or events in Japan or overseas, the Taikisha Group has established a basic policy for crisis management and constructed a crisis management system. Should a crisis occur, it will be classified into one of three levels depending on its impact on personal safety and business continuity. Crisis countermeasures will be implemented based on these levels.

Risk Associated with Overseas Business and the Management and Control of Overseas Subsidiaries and Associates

Unforeseen changes in laws and regulations, political instability and other factors in the overseas regions where the Taikisha Group operates could affect its business results. The Taikisha Group may sustain losses due to fluctuations in exchange rates pertaining to the payments and collections for foreign currency construction contracts. In addition, exchange rates could affect the Taikisha Group’s business performance and other results because the financial statements of overseas subsidiaries and associates are translated into Japanese yen in preparing the consolidated financial statements. Furthermore, the Taikisha Group’s business performance and other results may be affected by a deterioration in the results of overseas subsidiaries and associates, such as the failure to achieve business plan targets, due to bad debt because of bankruptcy of customers, the occurrence of problems that could not be predicted, or for which risk countermeasures that could not be implemented and so on.

In response, the Taikisha Group collects information on political, economic and statutory changes in the overseas regions in which it operates, and strives to control country risks and overseas legal and regulatory risks. The Taikisha Group implements forward exchange contracts and other instruments to hedge currency risks arising from payments and collections for foreign currency construction contracts, strengthens credit control before receiving orders to reduce the risk of receivables to become uncollectible, and avoids such kinds of risks as much as possible. It will also continue to enhance the governance structure of its overseas subsidiaries and associates.

Risk Associated with Technological Development

Should the Taikisha Group experience delays in the development of systems to meet increasing customer needs, such as carbon neutrality, energy saving, enhanced environmental measures and automation, its technological differentiation with competitors cannot be generated, and its business performance and other results may be affected by the resulting loss of opportunities to receive orders, as well as deterioration in customer trust and corporate reputation.

In response, the Taikisha Group endeavors to solve social issues through the development and demonstration of technologies aimed at reducing environmental impact to deal with decarbonization business in order to realize carbon neutrality, as well as automation technologies which is the strength technology of the Company. To this end, the Company will utilize the Technology Development Center and R&D satellite facility “TAIKISHA INNOVATION GATE Shinjuku” at the head office of Shinjuku, so that it expands communication, integrates solution inside and outside the company, and excavates innovation, and at the same time, by leveraging digital technologies, strengthening initiatives across the Group, and promoting development of innovative technologies by collaborating with academic institutions and start-up companies, the Taikisha Group will engage in themes that anticipate social needs.

Risk Associated with Human Resources to Execute Projects

Construction and equipment installation work, the Taikisha Group’s business field, is heavily reliant on human resources. In Japan, the Taikisha Group’s business results may be affected by inability to build the operational structures required to achieve medium- to long-term plans, with the concern of shortage in skilled and experienced engineers due to the aging population and delays in personnel development, as well as reduction of total working hours of engineering employees are expected due to the limitation of overtime work which has been applied also in construction industry from April 2024. Overseas, long-term business development may also be affected if the core human resources necessary to guide the localization of the Taikisha Group’s businesses cannot be secured, due to factors such as delays in the development of local staff and employee turnover.

In response, the Taikisha Group will work to enhance employees’ technical skills and develop human resources, by improving their basic technical capabilities through training, as well as on-site practical instruction. At the same time, it will endeavor to secure human resources, leveraging digital technology to increase productivity, promote work style reforms, and create attractive workplaces.

Overseas, the Taikisha Group will strive to secure and develop core human resources, and promote localization, through the introduction of a global personnel system.

In addition, in order to sustain and promote employees’ healthy mind and body, the Company announced “Health management declaration” in 2020, and clarified health management promotion

system with President and Representative Director to become the supervisor of health control.

Legal and Regulatory Compliance Risk

The Taikisha Group’s business fields are subject to a range of legal restrictions, including the Construction Business Act, the Antimonopoly Act, and the Labor Standards Act. The Taikisha Group’s business performance and other results may be affected by restrictions placed upon its business activities, if any of these laws and regulations are violated by the actions of its officers or employees.

In response, the Taikisha Group will endeavor to create a corporate culture and mechanisms to prevent rule violations. It will engage in continuing implementation and follow-up of its compliance education program such as e-learning, as well as conducting survey of compliance attitude which leads to inspect the effectiveness of compliance activities and reflect to improvement process, in order to maintain and increase employee awareness of legal and regulatory compliance.

Risk of Serious Accidents and Quality Defects

In the event of accidents during construction, or contract nonconformity due to such as critical quality defects, the Taikisha Group’s business results may be affected due to the damage of social credit, and damage claims from customers including lawsuits. The Taikisha Group takes contract conformity responsibility with customers guaranteeing construction against defects for fixed period of time after completion of construction. The Taikisha Group allocates a provision for warranties for completed construction to cover repair costs based on previous warranty experience. However, Taikisha Group’s business performance and other results might be affected should the costs exceed the balance of the provision.

In response, the Taikisha Group mitigates construction risk related to safety and quality by reducing on-site construction work using ICT and digital technologies related to safety and improving the ratio of factory-processed products. In addition, the Taikisha Group instructs and monitors partner companies to create detailed work procedure diagrams, enhance safety awareness among employees and suppliers, strengthen safety management systems, and implements comprehensive measures for safety and health management at construction sites. Moreover, with the establishment of a new technical department to review the construction management system, digitize construction management, share information about quality, and consider preventive measures against defects, the Taikisha Group will strengthen the framework and activities for ensuring safety and technical quality across the entire group. Furthermore, in preparation for any potential lawsuits, the Taikisha Group is establishing a system to respond appropriately in coordination with lawyers.

Risk of Changes in Material Prices and Unit Labor Costs

Sharp rises in material prices due to the rise of fuel prices and so on, and sharp rises in unit labor costs due to declining birthrate and aging population as well as lack of successors, could affect the Taikisha Group’s business performance and other results if the Taikisha Group is unable to reflect them to contract prices.

In response, the Taikisha Group endeavors to control the risk of changes in material prices and unit labor costs through measures such as identifying reasonable costs for each region when it receives orders, and hedging the risk of price fluctuations in contracts.

Risk Associated with the Leakage of Confidential Information

Cyber-attacks are becoming increasingly sophisticated, diverse, and devious each year. If confidential information, such as personal information or customer information, is leaked through these cyber-attacks, the intentional, dishonest actions of an employee, or other means, the Taikisha Group’s business performance and other results may be affected by the results of this leak, such as loss of credit and liability for compensation payments.

In response, the Taikisha Group formulates a roadmap for risk mitigation measures based on the results of the Group’s IT security assessment. In addition, as the Taikisha Group develops digital technology activities from now on, and the risk of leakage of confidential information will increase due to the integration of data platforms, the Taikisha Group has established a subcommittee on IT governance and information security within the Digital Strategy Committee to advance its initiative. Furthermore, in the effort to prevent the leakage of confidential information, the Company has established an IT incident response system (Taikisha version of CSIRT) and has been promoting education for all employees, including IT security e-learning and targeted attack e-mail training.

Risk Associated with the Climate Change

In the transition of society toward decarbonization, policies, laws, technologies, and markets change, and these may affect companies’ finance and reputation in various ways. Also for the Taikisha Group, there are risks that its earnings, etc. may be affected by transitional and physical risks, such as loss of customers due to failing to adapt successfully to customers’ climate change correspondence, deterioration of competitiveness due to the delay of development of carbon neutral correspondence technologies, cost increase due to introduction of carbon tax, decline in labor productivity due to the rise in the average temperature, and project cancellation due to the increase of heat days, etc.

In response, the Taikisha Group will work on development of low carbon construction technology and system such as downsizing of facilities and saving energy, expanding construction of saving energy facilities such as net zero energy building of factories, promoting mechanization and automating constructions, and so on.

Risk Associated with the Human Rights

If the Taikisha Group’s business activities cause or encourage negative impacts on human rights, the Taikisha Group’s operating results may be affected by additional costs related to corrective or remedial measures, or stagnation of business activities due to a loss of public trust.

As a company with global operations, the Taikisha Group recognizes respect for human rights as one of the most important matters, and has established the Taikisha Group Human Rights Policy as a code of conduct for human rights in the Taikisha Group’s business activities. Under the policy, the Group is committed to reducing and preventing human rights risks by promoting initiatives to respect human rights, including compliance with governance, implementation of human rights due diligence throughout the supply chain, and education and awareness-raising activities for officers and employees.

Subsidiaries and associates

Taikisha Group consists of Taikisha Ltd., 32 subsidiaries, and 3 associates. Taikisha Ltd., 4 subsidiaries and 1 associate are domiciled in Japan, and 28 subsidiaries and 2 associates are domiciled overseas.



**Taikisha Ltd. and its Consolidated Subsidiaries**  
As of March 31, 2024 and 2025

The accompanying notes are an integral part of these financial statements.

The accompanying notes are an integral part of these financial statements.



# CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Taikisha Ltd. and its Consolidated Subsidiaries  
For the years ended March 31, 2024 and 2025

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
<b>Consolidated Statements of Income</b>			
Net sales of completed construction contracts (Note 4(1))	¥293,556	¥276,212	\$1,847,208
Cost of sales of completed construction contracts (Note 4(6))	250,244	231,207	1,546,226
Gross profit on completed construction contracts	43,312	45,005	300,982
<b>Selling, general and administrative expenses:</b>			
Directors' compensations	886	922	6,168
Employees' salaries and allowances	10,449	10,885	72,800
Provision for directors' bonuses	173	174	1,169
Retirement benefit expenses	294	208	1,392
Provision for directors' retirement benefits	10	9	64
Provision for share awards for directors	171	169	1,130
Provision for share awards	30	30	202
Correspondence and transportation expenses	1,375	1,599	10,694
Provision of allowance for doubtful accounts	587	(0)	(5)
Rents	1,289	1,380	9,234
Depreciation	1,098	1,365	9,130
Amortization of goodwill	484	503	3,367
Other	8,189	9,786	65,449
<b>Total selling, general and administrative expenses (Note 4(2))</b>	<b>25,041</b>	<b>27,034</b>	<b>180,794</b>
<b>Operating income</b>	<b>18,270</b>	<b>17,971</b>	<b>120,188</b>
<b>Non-operating income:</b>			
Interest income	897	781	5,228
Dividend income	681	677	4,529
Dividend income of insurance	188	191	1,283
Real estate rent	113	151	1,012
Foreign exchange gains	—	201	1,345
Share of profit of entities accounted for using equity method	22	3	24
Other	283	464	3,105
<b>Total non-operating income</b>	<b>2,186</b>	<b>2,471</b>	<b>16,526</b>
<b>Non-operating expenses:</b>			
Interest expenses	240	301	2,017
Rent expenses on real estates	15	16	108
Foreign exchange losses	274	—	—
Provision of allowance for doubtful accounts	0	1	10
Other	72	185	1,240
<b>Total non-operating expenses</b>	<b>604</b>	<b>504</b>	<b>3,375</b>
<b>Ordinary income</b>	<b>19,852</b>	<b>19,938</b>	<b>133,339</b>
<b>Extraordinary income:</b>			
Gain on disposal of non-current assets (Note 4(3))	13	42	286
Gain on sales of investment securities	3,167	2,388	15,975
<b>Total extraordinary income</b>	<b>3,180</b>	<b>2,431</b>	<b>16,261</b>
<b>Extraordinary losses:</b>			
Loss on disposal of non-current assets (Note 4(4))	31	8	55
Impairment loss (Note 4(5))	0	3,339	22,331
Loss on valuation of investment securities	0	—	—
Loss on liquidation of subsidiaries and associates	—	2	15
<b>Total extraordinary losses</b>	<b>31</b>	<b>3,349</b>	<b>22,401</b>
<b>Profit before income taxes</b>	<b>23,001</b>	<b>19,020</b>	<b>127,199</b>
Income taxes-current	6,733	6,003	40,148
Income taxes-deferred	(491)	504	3,372
<b>Total income taxes</b>	<b>6,242</b>	<b>6,507</b>	<b>43,520</b>
<b>Profit</b>	<b>16,759</b>	<b>12,512</b>	<b>83,679</b>
<b>Profit attributable to non-controlling interests</b>	<b>1,156</b>	<b>1,485</b>	<b>9,937</b>
<b>Profit attributable to owners of parent</b>	<b>¥15,602</b>	<b>¥11,026</b>	<b>\$73,742</b>

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Consolidated Statements of Comprehensive Income			
Profit	¥16,759	¥12,512	\$83,679
Other comprehensive income:			
Valuation difference on available-for-sale securities	3,837	(2,684)	(17,955)
Deferred gains or losses on hedges	5	52	349
Foreign currency translation adjustment	3,382	2,951	19,736
Remeasurements of defined benefit plans	1,583	(499)	(3,341)
Share of other comprehensive income of entities accounted for using equity method	28	55	374
Total other comprehensive income (Note 5(1))	8,838	(125)	(837)
Comprehensive income	¥25,597	¥12,387	\$82,842
Comprehensive income attributable to :			
Owners of parent	¥23,999	¥10,496	\$70,197
Non-controlling interests	1,597	1,890	12,645
	Yen	U.S. dollars	
Per share data:			
Profit attributable to owners of parent	¥235.97	¥169.44	\$1.13
Cash dividends	¥131.00	¥144.00	\$0.96

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
<b>Basis of calculation</b>			
Profit attributable to owners of parent	¥15,602	¥11,026	\$73,742
Profit attributable to owners of parent for common shares	15,602	11,026	73,742
<b>Average number of common shares (thousands of shares)</b>	<b>66,120</b>	<b>65,076</b>	<b>65,076</b>

The accompanying notes are an integral part of these financial statements.

On April 1, 2025, the 2-for-1 share split of common shares was executed. Profit attributable to owners of parent per share presented above are calculated on the assumption that the share split was executed at the beginning of previous fiscal year. Cash dividends per share presented above are based on the figure prior to the share split.



CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Taikisha Ltd. and its Consolidated Subsidiaries

For the year ended March 31, 2024

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	¥6,455	¥3,540	¥100,296	¥(1,158)	¥109,133	¥10,535	¥(63)	¥4,779	¥1,405	¥16,657	¥6,201	¥131,992
Changes of items during the period												
Dividends of surplus			(4,029)		(4,029)							(4,029)
Profit attributable to owners of parent			15,602		15,602							15,602
Purchase of treasury shares				(2,201)	(2,201)							(2,201)
Disposal of treasury shares		79		390	470							470
Purchase of shares of consolidated subsidiaries												
Net changes of items other than shareholders' equity						3,837	5	2,977	1,576	8,397	1,330	9,727
Total changes of items during the period	—	79	11,572	(1,810)	9,841	3,837	5	2,977	1,576	8,397	1,330	19,569
Balance at the end of current period	¥6,455	¥3,620	¥111,869	¥(2,969)	¥118,974	¥14,373	¥(57)	¥7,757	¥2,981	¥25,054	¥7,532	¥151,562

For the year ended March 31, 2025

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	¥6,455	¥3,620	¥111,869	¥(2,969)	¥118,974	¥14,373	¥(57)	¥7,757	¥2,981	¥25,054	¥7,532	¥151,562
Changes of items during the period												
Dividends of surplus			(4,625)		(4,625)							(4,625)
Profit attributable to owners of parent			11,026		11,026							11,026
Purchase of treasury shares				(2,000)	(2,000)							(2,000)
Disposal of treasury shares				0	0							0
Purchase of shares of consolidated subsidiaries		152			152							152
Net changes of items other than shareholders' equity						(2,684)	52	2,626	(523)	(530)	901	370
Total changes of items during the period	—	152	6,401	(2,000)	4,553	(2,684)	52	2,626	(523)	(530)	901	4,924
Balance at the end of current period	¥6,455	¥3,772	¥118,270	¥(4,969)	¥123,528	¥11,688	¥(5)	¥10,383	¥2,458	¥24,524	¥8,433	¥156,486

For the year ended March 31, 2025

	Thousands of U.S. dollars											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	\$43,170	\$24,210	\$748,139	\$(19,859)	\$795,660	\$96,122	\$(387)	\$51,878	\$19,942	\$167,555	\$50,374	\$1,013,589
Changes of items during the period												
Dividends of surplus			(30,932)		(30,932)							(30,932)
Profit attributable to owners of parent			73,742		73,742							73,742
Purchase of treasury shares				(13,380)	(13,380)							(13,380)
Disposal of treasury shares				2	2							2
Purchase of shares of consolidated subsidiaries		1,021			1,021							1,021
Net changes of items other than shareholders' equity						(17,955)	349	17,563	(3,502)	(3,545)	6,027	2,482
Total changes of items during the period	—	1,021	42,810	(13,378)	30,453	(17,955)	349	17,563	(3,502)	(3,545)	6,027	32,935
Balance at the end of current period	\$43,170	\$25,231	\$790,949	\$(33,237)	\$826,113	\$78,167	\$(38)	\$69,441	\$16,440	\$164,010	\$56,401	\$1,046,524

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Taikisha Ltd. and its Consolidated Subsidiaries

For the years ended March 31, 2024 and 2025

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Cash flows from operating activities:			
Profit before income taxes	¥23,001	¥19,020	\$127,199
Depreciation and amortization	1,469	1,850	12,373
Impairment losses	0	3,339	22,331
Amortization of goodwill	484	503	3,367
Increase (decrease) in allowance for doubtful accounts	484	(540)	(3,611)
Increase (decrease) in provision for warranties for completed construction	49	(48)	(324)
Increase (decrease) in provision for loss on construction contracts	55	(15)	(106)
Increase (decrease) in provision for directors' retirement benefits	(16)	3	21
Increase (decrease) in provision for share awards	30	24	162
Increase (decrease) in provision for share awards for directors	58	169	1,130
Increase (decrease) in net defined benefit liability	(782)	(994)	(6,652)
Interest and dividend income	(1,578)	(1,458)	(9,757)
Interest expenses	240	301	2,017
Share of (profit) loss of entities accounted for using equity method	(22)	(3)	(24)
Loss (gain) on disposal of non-current assets	18	(34)	(232)
Loss (gain) on sales of investment securities	(3,167)	(2,388)	(15,975)
Loss (gain) on valuation of investment securities	0	—	—
Decrease (increase) in notes and accounts receivable-trade	1,159	(22,905)	(153,181)
Decrease (increase) in inventories	(10)	74	497
Decrease (increase) in accounts receivable-other	181	(48)	(327)
Increase (decrease) in notes and accounts payable-trade	8,182	(17,345)	(115,998)
Increase (decrease) in advances received on uncompleted construction contracts	(10,381)	4,683	31,321
Increase (decrease) in accrued consumption taxes	(437)	21	147
Increase (decrease) in deposits received	(485)	217	1,455
Increase (decrease) in accrued expenses	767	(527)	(3,527)
Other, net	4,039	1,943	12,999
Subtotal	23,342	(14,159)	(94,695)
Interest and dividend income received	1,578	1,459	9,762
Interest expenses paid	(240)	(303)	(2,030)
Income taxes paid	(3,941)	(8,215)	(54,945)
Net cash provided by (used in) operating activities	20,738	(21,219)	(141,908)
Cash flows from investing activities:			
Payments into time deposits	(7,956)	(5,624)	(37,612)
Proceeds from withdrawal of time deposits	9,996	1,560	10,436
Purchase of securities	(3,000)	(1,500)	(10,031)
Proceeds from redemption of securities	3,000	1,500	10,031
Purchase of property, plant and equipment and intangible assets	(3,885)	(3,953)	(26,437)
Proceeds from sales of property, plant and equipment and intangible assets	24	129	864
Purchase of investment securities	(1)	(1)	(9)
Proceeds from sales of investment securities	4,224	3,350	22,405
Payments of long-term loans receivable	(74)	(95)	(637)
Collection of long-term loans receivable	195	73	495
Purchase of insurance funds	(0)	(0)	(3)
Proceeds from maturity of insurance funds	1	—	—
Purchase of long-term prepaid expenses	(474)	(434)	(2,906)
Other, net	98	12	86
Net cash provided by (used in) investing activities	2,148	(4,982)	(33,318)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	532	9,424	63,029
Proceeds from long-term loans payable	205	125	838
Repayments of long-term loans payable	(139)	(138)	(929)
Repayments of lease obligations	(117)	(129)	(867)
Net decrease (increase) in treasury shares	(1,731)	(2,000)	(13,378)
Cash dividends paid	(4,030)	(4,624)	(30,926)
Cash dividends paid to non-controlling interests.	(264)	(631)	(4,222)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(117)	(789)
Net cash provided by (used in) financing activities	(5,545)	1,907	12,756
Effect of exchange rate change on cash and cash equivalents	1,977	3,042	20,343
Net increase (decrease) in cash and cash equivalents	19,319	(21,252)	(142,127)
Cash and cash equivalents at beginning of period	43,946	63,265	423,099
Cash and cash equivalents at end of period (Note 7(1))	¥63,265	¥42,013	\$280,972

The accompanying notes are an integral part of these financial statements.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Taikisha Ltd. and its Consolidated Subsidiaries  
For the years ended March 31, 2024 and 2025

## 1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements are prepared based on the accounts maintained by Taikisha Ltd. (the “Company”) and its consolidated subsidiaries (collectively, the “Companies”) in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan. Certain amounts in the prior fiscal year’s financial statements are reclassified to conform to the changes made for the latest fiscal year.

The accounts of the consolidated financial statements presented herein are expressed in Japanese yen by rounding down to the nearest million. The U.S. dollar amounts shown in the accompanying consolidated financial statements and notes thereto are translated from the original Japanese yen into U.S. dollars on the basis of ¥149.53 to US\$1, the rate of exchange prevailing at March 31, 2025, and are then rounded to the nearest thousand. These U.S. dollar amounts are not intended to imply that the Japanese yen amounts are or can be converted, realized or settled in U.S. dollars at this or any other rate.

## 2. Summary of significant accounting policies

### (1) Scope of consolidation

During the consolidated fiscal year ended March 31, 2025, Taikisha Deutschland GmbH had been included in the scope of consolidation following its establishment, and Token Myanmar Co., Ltd. had been excluded from the scope of consolidation upon completion of it’s liquidation. The consolidated financial statements include the accounts of the Company and all significant subsidiaries listed below as of March 31, 2025:

#### Domestic subsidiaries

San Esu Industry Co., Ltd.  
Nippon Noise Control Ltd.  
Tokyo Taikisha Service Ltd.  
Vege-factory Co., Ltd.

#### Overseas subsidiaries

Taikisha USA, Inc.  
Encore Automation LLC (subsidiary of Taikisha USA, Inc.)  
Taikisha Canada Inc. (subsidiary of Taikisha USA, Inc.)  
Taikisha de Mexico, S.A. de C.V. (subsidiary of Taikisha USA, Inc.)  
Taikisha do Brasil Ltda.  
Taikisha (Singapore) Pte. Ltd.  
Taikisha (Thailand) Co., Ltd.  
Taikisha Trading (Thailand) Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)  
Thaiken Maintenance & Service Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)  
Token Interior & Design Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)  
TKA Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)  
Taikisha Engineering (M) Sdn. Bhd.  
P.T. Taikisha Indonesia Engineering

P.T. Taikisha Manufacturing Indonesia  
Taikisha Philippines Inc.  
Taikisha Vietnam Engineering Inc.  
Taikisha (Cambodia) Co., Ltd.  
Taikisha Myanmar Co., Ltd.  
Taikisha Lao Co., Ltd.  
Wuzhou Taikisha Engineering Co., Ltd.  
Tianjin Taikisha Paint Finishing System Ltd.  
Taikisha Hong Kong Limited  
Taikisha (Taiwan) Ltd.  
Taikisha Korea Ltd.  
Taikisha Engineering India Private Ltd.  
Nicomac Taikisha Clean Rooms Private Limited  
Taikisha Hungary Kft.  
Taikisha Deutschland GmbH

### (2) Application of the equity method

#### Name of associates subject to the equity method

FreDelish Co., Ltd.  
Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd.

#### Name of associates not subject to the equity method

The associate not subject to the equity method is excluded from the scope of application of the equity method because even if it is excluded from the scope of application of the equity method, it has minor impact on net income (proportionate to equity holdings), retained earnings (proportionate to equity holdings), etc., in the consolidated financial statements.  
Makiansia Engineering (M) Sdn. Bhd.

### (3) Fiscal year for consolidated subsidiaries

The balance sheet date of all domestic consolidated subsidiaries as well as Taikisha Engineering India Private Ltd., Nicomac Taikisha Clean Rooms Private Limited, and Taikisha Myanmar Co., Ltd. is March 31, which coincides with that of the Company. The balance sheet date of the other overseas consolidated subsidiaries is December 31.

The consolidated financial statements are prepared based on each subsidiary’s financial statements as of December 31 for those consolidated subsidiaries whose fiscal year-end is December 31.

For the subsidiaries with the balance sheet date of December 31, certain adjustments are made, where appropriate, in preparing the consolidated financial statements to reflect material transactions during the period from their fiscal year end to March 31.

### (4) Valuation of significant assets

#### Held-to-maturity debt securities

Held-to-maturity debt securities are determined by the amortized cost method. Discounts and premiums are amortized by the straight-line method.

#### Shares of associates

Shares of associates are stated at cost, determined by the moving average method.

#### Available-for-sale securities

Available-for-sale securities with fair value are stated at fair value based on the market prices at the end of fiscal year. Valuation difference is reported as a separate item in net assets at net-of-tax amount. The cost of securities sold is stated at cost, determined by the moving average method.

Available-for-sale securities without fair value are stated at cost using the moving average method.

#### Derivatives

Derivative instruments are recognized as either assets or liabilities at their respective fair values at the date of contract, and gains and losses arising from changes in fair value are recognized in earnings in the corresponding fiscal period. If certain hedging criteria are met, such gains and losses are deferred and accounted for as assets or liabilities.

#### Inventories

Costs on uncompleted construction contracts are stated at cost using specific identification method. Raw materials and supplies are stated at cost determined by the moving average method. The cost method (the amounts stated in the balance sheets are calculated by writing down the book value based on the decline in profitability) is used as a valuation standard.

### (5) Depreciation method for principal depreciable assets

#### Property, plant and equipment (excluding leased assets)

The Companies mainly calculate depreciation by the declining-balance method, while the straight-line method is applied to buildings, excluding facilities attached to buildings, acquired on or after April 1, 1998, and is applied to facilities attached to buildings and structures, acquired on or after April 1, 2016. Certain overseas consolidated subsidiaries apply the straight-line method. The useful lives and residual values of depreciable assets are estimated in accordance with the Corporate Tax Act.

#### Intangible assets (excluding leased assets)

Intangible assets are amortized by the straight-line method. However, computer software for internal use is amortized by the straight-line method over the estimated useful life of 5 years. Customer-related assets are amortized by the straight-line method over the effective period of 10 years.

#### Leased assets

Leased assets under finance leases that do not transfer ownership of the leased assets to the lessee are depreciated by the straight-line method over the lease period with a residual value of zero.



(6) Standards of accounting for principal allowance and provisions

Allowance for doubtful accounts

In order to prepare for losses due to bad debts such as accounts receivable from completed construction contracts and other, the allowance for doubtful accounts is provided at the estimated amount of uncollectable debt. For receivables classified as “normal”, it is provided based on a historical default ratio. For receivables classified as “doubtful” etc., it is provided based on individual assessment on the probability of collection.

Provision for warranties for completed construction

In order to prepare for the costs of repairs for damages related to completed construction work for which the Companies are responsible, the provision is provided based on past warranty experience.

Provision for loss on construction contracts

In order to prepare for future losses related to the construction contracts in process, the provision is provided based on estimated amount which will probably be incurred and which can be reasonably estimated.

Provision for directors’ bonuses

In order to prepare for directors’ bonuses, the provision is provided based on the estimated payment of the fiscal year.

Provision for directors’ retirement benefits

In order to prepare for directors’ retirement benefits, domestic consolidated subsidiaries recognize the provision for accrued retirement benefits to directors at 100 percent of the amount required by their internal policies for retirement benefits.

Provision for share awards

In order to prepare for shared-based remuneration to corporate officers upon their retirements, the estimated amount of provision for share-based obligation as of the fiscal year end is provided based on the Corporate Officer Share-based Benefit Rules.

Provision for share awards for directors

In order to prepare for share-based remuneration to executive directors upon their retirements, the estimated amount of provision for share-based obligation as of the fiscal year end is provided based on the regulation of share-based remuneration for directors.

(7) Retirement and pension plans

(Method of attributing the projected benefit obligations to periods of service)

In calculating the retirement benefit obligations, the benefit formula basis is used to allocate the projected retirement benefits to the years of service up to the end of the fiscal year.

(Actuarial differences)

Actuarial differences are amortized using the straight-line method over a certain period of time (10 years) within the average remaining service period of employees from the following fiscal year of accrual.

(Prior service costs)

Prior service costs are amortized using the straight-line method over a certain period of time (10 years) within the average remaining service period of employees from the fiscal year of accrual.

(Simplified method for small companies)

Certain overseas consolidated subsidiaries apply the simplified method to calculate net defined benefit liability and retirement benefit expenses, where retirement benefit obligations are assumed to be equal to the benefits payable of the fiscal year.

(8) Revenue and cost recognition

The details of the main performance obligations in the major businesses related to revenue from contracts with the Taikisha Group’s customers and the timing at which the Company typically satisfies these performance obligations (when it typically recognizes revenue) are as follows.

Construction contracts, and so on

In the Green Technology System business and the Paint Finishing System business, performance obligations for construction contracts, etc. mainly involving design, supervision, and installation are deemed to be satisfied over time, and revenue is recognized based on progress toward complete satisfaction of a performance obligation.

The progress of satisfaction of performance obligations in revenue recognition over time is measured by the ratio of incurred costs to estimated total costs (input methods). In addition, revenue is recognized by cost recovery method in case incurred costs are expected to be recoverable though the progress of satisfaction of performance obligations cannot be reasonably measured.

Sales of equipment and materials

In the Green Technology System business and the Paint Finishing system business, performance obligations for sales of equipment and materials are deemed to be satisfied at a point in time, and revenue is recognized when products are delivered.

(9) Hedge accounting

Method of hedge accounting

Hedging instruments are valued at fair value and accounted for using the deferral method of accounting.

As permitted under the accounting principles generally accepted in Japan, when forward foreign exchange contracts meet certain conditions for hedge accounting, accounts receivable and payable covered by these contracts are translated using the contract rates of these forward foreign exchange contracts. The unrealized gains or losses on the accounts receivable and payable resulting from the difference between the spot foreign exchange rate and contract rate are deferred and amortized over the term of the contract.

Hedging instruments and hedged items

Hedging instruments: Forward exchange contracts, non-deliverable forwards (NDF),

Hedged items: Foreign currency receivables, foreign currency payables, future transactions in foreign currency

Hedging policy

The Companies use forward exchange contracts not for the purpose of speculation but for hedging future risks of fluctuation of foreign currency exchange rates.

Assessment of hedge effectiveness

As forward exchange contracts in the same currency are used for forward exchange transactions, the correlation to subsequent exchange rate fluctuations is completely ensured. Accordingly, evaluation of hedge effectiveness is omitted.

(10) Scope of cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash in hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less and which are easily convertible into cash and represent a minor risk of fluctuation in value.

(11) Amortization method and period for goodwill

Goodwill is amortized by the straight-line method over the effective period within 20 years. However, an immaterial goodwill is recognized as expenses in the fiscal year of accrual.

(12) Significant accounting estimates

Estimates of percentage of completion in construction contracts, etc. in which revenue is recognized over time

(1) Amounts recorded in the consolidated financial statements

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Net sales of completed construction contracts	¥271,781	¥249,920	\$1,671,371

(2) Contents of the significant accounting estimates

In the Taikisha Group, of the construction contracts as of the consolidated fiscal year-end, if the percentage of completion can be reasonably estimated for specific construction contracts, etc. in which revenue is recognized over time, revenue is recorded according to the said percentage of completion.

The percentage of completion is measured by the ratio of cost incurred as of the fiscal year-end to estimated total costs based on the working budget for the construction contract (input methods).

Regarding the total estimated cost for the construction contract until its completion, as changes may occur in line with the progress, etc. of the construction contract, the Taikisha Group shall continuously review the said estimates and assumptions.

The total estimated cost is calculated based on various types of information, including the details of the said construction contract, etc., the specifications, and the actual cost incurred in similar contracts in the past, for each contract. In particular, regarding projects undertaken by the Taikisha Group, specifications of the contract and details of the work are determined based on the customer’s requests, and the details of each contract differ greatly from other contracts. If hindrances to the project’s progress that were not foreseen at the initial stage of the contract occur, additional assessments and estimates may be required regarding the altered conditions and the extent of each component in the emergency response.

In addition, the total estimated cost may increase due to factors such as soaring prices of equipment and materials as a result of global circumstances.

As the predictions of such assumptions come with a high level of uncertainty depending on changes in each individual project’s conditions, if there is an impact on the total estimated cost and as a result the actual figure differs greatly from the estimate, there may be a material impact on the amount of future income on the consolidated financial statements.

Valuation of goodwill and intangible assets

(1) Amounts recorded in the consolidated financial statements

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Goodwill	¥3,528	¥715	\$4,782
Customer-related assets	1,146	—	—
Impairment losses	¥—	¥3,337	\$22,319

(2) Contents of the significant accounting estimates

The Taikisha Group judges the necessity of the recognition and measurement of an impairment regarding goodwill and customer-related assets as of the consolidated fiscal year-end by verifying whether there is indication of the impairment or not.

For performing the recognition and measurement of impairment, assumptions are set regarding future cash flows and discount rate based on the business plan.

These assumptions are determined at the discretion of management based on the best estimates. However, as they may be affected by the results of fluctuations of uncertain economic conditions in the future and so on, if they are necessary to be reviewed, there may be a material impact on the consolidated financial statements.



(13) Accounting standards issued but not yet adopted

“Accounting Standard for Leases” (ASBJ Statement No. 34, September 13, 2024)  
“Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33, September 13, 2024)  
In addition, the revisions to related corporate accounting standards, corporate accounting application guidelines, practical response reports, and transferred guidelines.  
(Overview)  
In line with international accounting standards, this standard requires lessees to recognize assets and liabilities for all lease transactions.  
(Application date)  
Scheduled to be applied from the beginning of the fiscal year beginning on April 1, 2027.  
(Impact of the application of the accounting standards)  
The impact of applying the standard and guidance is currently under assessment.

(14) Changes in presentations

(Consolidated statements of cash flows)  
“Impairment losses” which was previously included in “Other, net” under Cash flows from operating activities until the previous fiscal year has been presented separately from the fiscal year since the importance has increased significantly. “Impairment losses” that was included in “Other, net” of the previous fiscal year was 0 million yen.

(15) Additional information

**Introduction of the Board Benefit Trust (BBT)**  
The Company has introduced the “Board Benefit Trust (BBT)” as its performance-linked and share-based compensation plan (hereinafter referred to as the “Plan”) for the Company’s Board Members, pursuant to the resolution of the 74th Ordinary General Shareholders’ Meeting held on June 27, 2019.  
Additionally, at its Board of Directors Meeting held on March 30, 2023, it was resolved to establish the Corporate Officer Share-based Benefit Rules, effective as of April 1, 2023, and to include corporate officers (excluding non-residents of Japan; hereinafter, together with Board Members, referred to as “Board Members, etc.”) as eligible recipients of share-based compensation under the Plan.  
The purpose of the Plan is to promote the motivation of Board Members, etc. to contribute to the improvement of business performance and corporate value over the medium to long term by making the linkage between their compensation and the Company’s business performance and shareholder value even clearer and having Board Members, etc. share not only the benefits from higher stock prices, but also the risk of a drop in stock prices, with shareholders.  
The gross method has been used for the accounting treatment under the Plan in accordance with “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc., through Trusts” (Practical Issues Task Force No. 30 of March 26, 2015).  
(1) Overview of transactions  
The Plan is a scheme whereby money contributed by the Company is used as financial resources to acquire the Company’s shares through a trust (the trust established under the Plan shall be hereinafter referred to as the “Trust”), and the Company’s shares and money in the amount of monetary equivalence of the Company’s shares measured at fair value (hereinafter referred to as “the Company’s Shares, etc.”) are provided to Board Members, etc. through the Trust in accordance with the “Share-based Benefit Regulations for Directors” and the “Share-based Benefit Regulations for Corporate Officers” stipulated by the Company.  
The time when the Company’s Shares, etc. are provided to Board Members, etc. shall be, in principle, the date of the retirement from the Company.  
(2) The Company’s own shares remaining in the Trust  
The Company recognizes its own shares remaining in the Trust as treasury shares under the category of net assets, using the carrying amount in the Trust (excluding the amount of ancillary expenses). The carrying amount of such treasury shares is ¥511 million for the previous fiscal year and ¥510 million (US\$3,417 thousand) for the current fiscal year, and the number of such shares is 149,500 for the previous fiscal year and 149,400 for the current fiscal year.

3. Notes of consolidated balance sheets

(1) Notes receivable, accounts receivable from completed construction contracts and other, arising from contracts with customers, such as accounts receivable and contract assets are as follows.

As of March 31, 2024 and 2025	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Notes receivable - trade	¥5,518	¥4,308	\$28,816
Accounts receivable from completed construction contracts	60,243	71,946	481,151
Contract assets	¥59,596	¥75,644	\$505,884

(2) The information of associates

As of March 31, 2024 and 2025	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Investment securities	¥645	¥704	\$4,713

(3) Pledged assets

Assets pledged as collateral for loans payable of subsidiaries and associates

As of March 31, 2024	Millions of yen			
	Book value	Liabilities covered by pledged assets		
Pledged assets				
Cash and deposits	¥329			¥225
Machinery, vehicles, tools, furniture and fixtures	¥12			¥7

As of March 31, 2025	Millions of yen		Thousands of U.S. dollars	
	Book value	Liabilities covered by pledged assets	Book value	Liabilities covered by pledged assets
Pledged assets				
Cash and deposits	¥335	¥157	\$2,243	\$1,053
Machinery, vehicles, tools, furniture and fixtures	¥33	¥24	\$222	\$166

Assets pledged as collateral for security deposits at subsidiaries and associates

As of March 31, 2024 and 2025	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Cash and deposits	¥65	¥66	\$442

Assets pledged as collateral for overdraft facilities of subsidiaries and associates

As of March 31, 2024 and 2025	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Cash and deposits	¥20	¥23	\$155

Assets pledged as collateral for bank guarantee of subsidiaries and associates

As of March 31, 2024 and 2025	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Buildings and structures	¥—	¥56	\$378
Land	¥—	¥33	\$226

(4) Guarantee obligations

As of March 31, 2024 and 2025	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd.	¥305	¥240	\$1,607



(5) Commitment lines

For efficient procurement of the operating funds, the Company has lending commitment contracts with four dealing banks. Lending commitment amounts are as follows:

As of March 31, 2024 and 2025	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Total amount of lending commitment	¥5,000	¥5,000	\$33,438
Borrowing execution balance	—	—	—
Net	¥5,000	¥5,000	\$33,438

(6) Endorsed notes

As of March 31, 2024 and 2025	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Endorsed notes	¥0	¥—	\$—

(7) Outstanding notes receivable and notes payable which maturity dates are same date as balance sheet date

Notes receivable and notes payable are settled as of the date of bank clearing. However, as the balance sheet date of previous fiscal year was a bank holiday, the following notes are included in the balance as of previous fiscal year end.

For the years ended March 31, 2024 and 2025	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Notes receivable-trade			
Endorsed notes	¥17	¥—	\$—
Electronically recorded monetary claims-operating	797	—	—
Notes payable-trade	183	—	—
Electronically recorded obligations-operating	¥4,909	¥—	\$—

4. Notes of consolidated statements of income

(1) Revenue from contracts with customers

Revenue from completed construction contracts is not separately stated from revenue from contracts with customers and other revenue. The amount of revenue from contracts with customers is stated in “Notes to Consolidated Financial Statements (Revenue Recognition) (1) Disaggregation of revenues from contracts with customers”.

(2) Research and development expenses

Research and development expenses included in selling, general and administrative expenses are as follows.

For the years ended March 31, 2024 and 2025	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
General and administrative expenses	¥1,166	¥1,312	\$8,775

(3) Gain on disposal of non-current assets

For the years ended March 31, 2024 and 2025	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Machinery, vehicles, tools, furniture and fixtures	¥13	¥4	\$32
Land	—	35	236
Leasehold and guarantee deposits	—	2	18
Total	¥13	¥42	\$286

(4) Loss on disposal of non-current assets

For the years ended March 31, 2024 and 2025	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Buildings and structures	¥4	¥0	\$0
Machinery, vehicles, tools, furniture and fixtures	26	7	51
Leasehold and guarantee deposits	—	0	4
Software	0	0	0
Total	¥31	¥8	\$55

(5) Impairment loss

For the year ended March 31, 2024  
The item is omitted because the impact is immaterial.

For the year ended March 31, 2025  
In the consolidated fiscal year, the Group recognized impairment loss for the following asset groups.

(1) Overview of the asset of which recognized impairment loss

Location	Usage	Classification of asset	Millions of yen
			Impairment loss
India	Other	Goodwill	2,372
		Customer-related assets	964

(2) Method and background of grouping of asset

The Group principally groups assets at the level of companies or business units. In addition, idle assets that are not expected to be used in future are grouped on an individual asset basis.

The Group recognized goodwill and customer-related assets for the subsidiary Nicomac Taikisha Clean Rooms Private Limited, based on the assumption of premium at the time of acquisition. However, since the actual performance has fallen short of the initial business plan, the Group has revised the business plan considering the current economic environment, resulting in the recognition of impairment loss as the initial premium is no longer expected.

(3) Calculation method of recoverable amount

The recoverable amount in measuring impairment loss is determined based on value in use, which is calculated by discounting future cash flows at 15.7%.

(6) Provision for loss on construction contracts

Provision for loss on construction contracts included in cost of sales of completed construction contracts are as follows.

For the years ended March 31, 2024 and 2025	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Provision for loss on construction contracts	¥314	¥112	\$754



5. Notes of consolidated statements of comprehensive income

(1) Reclassification adjustments and tax effects for other comprehensive income

For the years ended March 31, 2024 and 2025	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Valuation difference on available-for-sale securities			
Net gains (losses) arising during the period	¥8,563	¥(1,265)	\$(8,465)
Reclassification adjustments	(3,167)	(2,388)	(15,975)
Before tax effects	5,396	(3,654)	(24,440)
Tax effects	(1,559)	969	6,485
Valuation difference on available-for-sale securities	3,837	(2,684)	(17,955)
Deferred gains or losses on hedges			
Net gains (losses) arising during the period	8	65	438
Reclassification adjustments	—	—	—
Before tax effects	8	65	438
Tax effects	(2)	(13)	(89)
Deferred gains or losses on hedges	5	52	349
Foreign currency translation adjustment			
Net gains (losses) arising during the period	3,382	2,951	19,736
Foreign currency translation adjustment	3,382	2,951	19,736
Remeasurements of defined benefit plans			
Net gains (losses) arising during the period	2,704	(147)	(987)
Reclassification adjustments	(421)	(579)	(3,875)
Before tax effects	2,282	(727)	(4,862)
Tax effects	(699)	227	1,521
Remeasurements of defined benefit plans	1,583	(499)	(3,341)
Share of other comprehensive income of entities accounted for using equity method			
Net gains (losses) arising during the period	28	55	374
Other comprehensive income	¥8,838	¥(125)	\$(837)

6. Notes of consolidated statements of changes in net assets

(1) The number of issued shares

For the year ended March 31, 2024	Beginning Balance	Increase	Decrease	Ending Balance
Common shares	33,582,009	—	—	33,582,009
For the year ended March 31, 2025	Beginning Balance	Increase	Decrease	Ending Balance
Common shares	33,582,009	—	—	33,582,009

(Note) On April 1, 2025, the 2-for-1 share split of common share was executed, but the number of shares shown above is presented in the figure before the share split.

(2) The number of treasury shares

For the year ended March 31, 2024	Beginning Balance	Increase	Decrease	Ending Balance
Common shares	380,689	507,735	129,300	759,124
(Note1) The number of treasury shares increased by 453,100 shares because of the approval of Board of directors, by 435 shares because of purchase of shares less than one unit (*), and by 54,200 shares acquired by Custody Bank of Japan, Ltd. (Trust E account) for Board Benefit Trust (BBT). The number decreased by 103,900 shares because of disposal of treasury shares for Custody Bank of Japan, Ltd. (Trust E account) and by 25,400 shares because of benefit for Board Benefit Trust (BBT).				
(Note2) The number of treasury shares as of the fiscal year end includes 149,500 shares owned by Custody Bank of Japan, Ltd. (Trust E account) as trust assets of the Board Benefit Trust (BBT).				
(*) The unit share is a specified number of shares which are treated as one purchasing lot and entitled to one voting right. One unit share consists of 100 shares.				

For the year ended March 31, 2025	Beginning Balance	Increase	Decrease	Ending Balance
Common shares	759,124	396,616	100	1,155,640
(Note1) The number of treasury shares increased by 396,400 shares because of the approval of Board of directors, by 216 shares because of purchase of shares less than one unit (*). The number decreased by 100 shares because of benefit for Board Benefit Trust (BBT).				
(Note2) The number of treasury shares as of the fiscal year end includes 149,400 shares owned by Custody Bank of Japan, Ltd. (Trust E account) as trust assets of the Board Benefit Trust (BBT).				
(Note3) On April 1, 2025, the 2-for-1 share split of common share was executed, but the number of shares shown above is presented in the figure before the share split.				
(*) The unit share is a specified number of shares which are treated as one purchasing lot and entitled to one voting right. One unit share consists of 100 shares.				

(3) Dividends  
Dividends paid

For the year ended March 31, 2024		Amount		Amount per share	Shareholders' cut-off date	Effective date
Resolution approved by	Type of shares	Millions of yen	Thousands of U.S. dollars	Yen		
Annual general meeting of shareholders (June 29, 2023)	Common shares	¥2,365		¥71.00	March 31, 2023	June 30, 2023
Board of directors (November 13, 2023)	Common shares	¥1,664		¥50.00	September 30, 2023	November 30, 2023
(Note1) Dividends on June 29, 2023 includes dividends of ¥8 million for treasury shares owned by Custody Bank of Japan, Ltd. (Trust E account) as trust assets for Board Benefit Trust (BBT).						
(Note2) Dividends on November 13, 2023 includes dividends of ¥7 million for treasury shares owned by Custody Bank of Japan, Ltd. (Trust E account) as trust assets for Board Benefit Trust (BBT).						

For the year ended March 31, 2025		Amount		Amount per share		Shareholders' cut-off date	Effective date
Resolution approved by	Type of shares	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Annual general meeting of shareholders (June 27, 2024)	Common shares	¥2,670	\$17,861	¥81.00	\$0.54	March 31, 2024	June 28, 2024
Board of directors (November 11, 2024)	Common shares	¥1,954	\$13,071	¥60.00	\$0.40	September 30, 2024	November 29, 2024
(Note1) Dividends on June 27, 2024 includes dividends of ¥12 million (US\$81 thousand) for treasury shares owned by Custody Bank of Japan, Ltd. (Trust E account) as trust assets for Board Benefit Trust (BBT).							
(Note2) Dividends on November 11, 2024 includes dividends of ¥8 million (US\$60 thousand) for treasury shares owned by Custody Bank of Japan, Ltd. (Trust E account) as trust assets for Board Benefit Trust (BBT).							



Dividends with a shareholders’ cut-off date during the fiscal year but an effective date subsequent to the fiscal year

For the year ended March 31, 2024			Amount	Amount per share	Shareholders’ cut-off date	Effective date
Resolution approved by	Type of shares	Paid from	Millions of yen	Yen		
Annual general meeting of shareholders (June 27, 2024)	Common shares	Retained earnings	¥2,670	¥81.00	March 31, 2024	June 28, 2024

(Note) Dividends total includes dividends of ¥12 million for treasury shares owned by Custody Bank of Japan, Ltd. (Trust E account) as trust assets for Board Benefit Trust (BBT).

For the year ended March 31, 2025			Amount		Amount per share		Shareholders’ cut-off date	Effective date
Resolution approved by	Type of shares	Paid from	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Annual general meeting of shareholders (June 26, 2025)	Common shares	Retained earnings	¥2,736	\$18,300	¥84.00	\$0.56	March 31, 2025	June 27, 2025

(Note 1) Dividends total includes dividends of ¥12 million (US\$84 thousand) for treasury shares owned by Custody Bank of Japan, Ltd. (Trust E account) as trust assets for Board Benefit Trust (BBT).

(Note 2) On April 1, 2025, the 2-for-1 share split of common shares was executed. Amount per share presented above are based on the figure prior to the share split.

7. Notes of consolidated statements of cash flows

(1) Cash and cash equivalents

The reconciliation between amounts of cash and cash equivalents reported in the consolidated statement of cash flows and amounts of cash and deposits reported in the consolidated balance sheet are as follows:

For the years ended March 31, 2024 and 2025	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Cash and deposits	¥55,462	¥47,556	\$318,038
Securities	9,000	—	—
Sub total	64,462	47,556	318,038
Time deposits over three months	(1,196)	(5,542)	(37,066)
Cash and cash equivalents	¥63,265	¥42,013	\$280,972

(2) Details of major non-cash transactions

Not applicable.

8. Lease transaction

(1) Finance lease transaction

As lessee

Details of leased assets

The leased assets are mainly production equipment and vehicles in Japan and office, office equipment and vehicles overseas. The account titles which the Companies use are “Buildings and Structures” and “Machinery, vehicles, tools, furniture and fixtures” respectively.

Depreciation method

Depreciation is calculated by the straight-line method over the lease period with a residual value of zero.

Impairment loss

There is no impairment loss allocated to the leased assets.

(2) Operating lease transaction

As lessee

The amounts of outstanding future lease payments under non-cancelable operating leases are as follows:

As of March 31, 2024 and 2025	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Due within one year	¥438	¥448	\$3,000
Due over one year	984	818	5,471
Total	¥1,422	¥1,266	\$8,471

9. Financial instruments

(1) Status of financial instruments

Policies on financial instruments

The Companies invest its temporary surplus funds in financial assets that are highly secure and procure its short-term working capital in the form of borrowings from banks. The Companies utilize derivatives only to hedge their exposure to the risks as described below and do not enter into such transactions for speculative purposes.

Description of financial instruments, related risks and risk management system

Notes receivable, accounts receivable from completed construction contracts and other, which are trade receivables, are exposed to the credit risk of the respective customers. As for the credit risk of customers, the Companies’ management system allows us to monitor the credit standing of major customers on a timely basis based on the maturity and balance control by customer. Meanwhile, trade receivables denominated in foreign currencies, which originate from global business operations, are exposed to the risk of exchange rate fluctuations and are partly hedged by utilizing forward exchange contracts.

Although being exposed to the risk of fluctuations in market price, stocks included in the category of investment securities are those of companies with which the Companies have business relations and are continuously monitored through regular checks of their fair value and financial positions of the issuers.

Notes payable, accounts payable for construction contracts and other, which are trade payables, generally mature within one year. While some of them are denominated in foreign currencies for the purpose of importing equipment and raw materials, etc. and are exposed to the risk of exchange rate fluctuations, the amounts of those items are invariably less than the balance of accounts receivable from completed construction contracts, which are similarly denominated in foreign currencies.

Income taxes payable are imposed on the taxable income of the Companies for the fiscal year, and they all mature within one year.

Both short-term and long-term loans payable are fund-raising means associated with business transactions. Short-term loans payable with variable interest rates are exposed to the risk of interest-rate fluctuations. However, long-term loans payable, which are procured at fixed interest rates, in principle, are hedged against interest-rate fluctuation risk.

Derivative transactions consist of forward exchange contracts and NDFs aimed at hedging the risk of fluctuations in exchange rates for exports and imports in the course of ordinary business operations, as well as interest rate swaps aimed at hedging the risk of fluctuations in the interest rates for loans payable. Forward exchange contracts and NDFs are executed and managed in accordance with the relevant guideline regarding foreign exchange control issued by the Chief Executive of the Administrative Management Headquarters. This guideline clearly stipulates regulations for the management policies on derivative transactions, the regulating division and department in charge of risk management, purposes of use, scope of utilization and reporting system. As for interest rate swaps, only those that meet the requirements for the application of special treatment are executed. Derivative transactions are executed only with financial institutions with high credit ratings to reduce the credit risk.

Although trade payables and loans payable are exposed to liquidity risk, the Companies strive to control the liquidity risk such as by having each Group company prepare a monthly cash management plan.

Supplementary explanation of fair values of financial instruments

Derivative transactions in “(2) Fair value of financial instruments” below are not indicative of the actual market risk involved in derivative transactions but nominal contract amounts or estimated amounts based on certain assumptions.



(2) Fair value of financial instruments

The following table shows the book values and fair values of financial instruments and any differences.

As of March 31, 2024	Millions of yen		
	Book value	Fair value	Difference
Notes receivable, accounts receivable from completed construction contracts and other	¥125,357		
Allowance for doubtful accounts (*2)	(770)		
	124,586	124,414	(172)
Investment securities (*3)	38,776	38,776	—
Total Assets	163,363	163,191	(172)
Notes payable, accounts payable for construction contracts and other	64,867	64,841	(26)
Short-term loans payable	3,747	3,747	—
Long-term loans payable	143	143	(0)
Total Liabilities	68,758	68,732	(26)
Derivatives	¥(90)	¥(90)	¥—

(\*1) Cash and deposits and income taxes payable are not stated because they are settled in a short period of time and their fair value approximates their book value.

(\*2) "Allowance for doubtful accounts" separately included in "notes receivable, accounts receivable from completed construction contracts and other" is deducted.

(\*3) Stocks and other securities without market prices are not included (see Note 1 below).

As of March 31, 2025	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Notes receivable, accounts receivable from completed construction contracts and other	¥151,900			\$1,015,852		
Allowance for doubtful accounts (*2)	(1,224)			(8,192)		
	150,675	150,488	(186)	1,007,660	1,006,410	(1,250)
Investment securities (*3)	25,162	25,162	—	168,275	168,275	—
Total Assets	175,837	175,650	(186)	1,175,935	1,174,685	(1,250)
Notes payable, accounts payable for construction contracts and other	49,590	49,548	(41)	331,641	331,363	(278)
Short-term loans payable	13,200	13,200	—	88,278	88,278	—
Long-term loans payable	116	119	2	776	796	20
Total Liabilities	62,906	62,867	(38)	420,695	420,437	(258)
Derivatives	¥(51)	¥(51)	¥—	\$(341)	\$(341)	\$—

(\*1) Cash and deposits and income taxes payable are not stated because they are settled in a short period of time and their fair value approximates their book value.

(\*2) "Allowance for doubtful accounts" separately included in "notes receivable, accounts receivable from completed construction contracts and other" is deducted.

(\*3) Stocks and other securities without market prices are not included (see Note 1 below).

(Note 1)

As of March 31, 2024 and 2025	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Available-for-sale securities			
Non-listed stocks	¥1,097	¥1,156	\$7,736
Non-listed foreign bonds	¥5	¥5	\$34

(Note 2) Redemption schedule for monetary receivables and securities with maturities

As of March 31, 2024	Millions of yen			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and deposits	¥55,462	¥—	¥—	¥—
Notes receivable, accounts receivable from completed construction contracts and other	115,597	9,618	141	—
Securities and Investment securities				
Available-for-sale securities with maturity date (Money trusts, etc.)	9,000	—	—	—
Available-for-sale securities with maturity date (Non-listed foreign bonds)	—	5	—	—
Total	¥180,060	¥9,624	¥141	¥—

As of March 31, 2025	Millions of yen			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and deposits	¥47,556	¥—	¥—	¥—
Notes receivable, accounts receivable from completed construction contracts and other	142,452	9,447	—	—
Investment securities				
Available-for-sale securities with maturity date (Non-listed foreign bonds)	—	5	—	—
Total	¥190,009	¥9,452	¥—	¥—

As of March 31, 2025	Thousands of U.S. dollars			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and deposits	\$318,038	\$—	\$—	\$—
Notes receivable, accounts receivable from completed construction contracts and other	952,670	63,182	—	—
Investment securities				
Available-for-sale securities with maturity date (Non-listed foreign bonds)	—	33	—	—
Total	\$1,270,708	\$63,215	\$—	\$—



(Note 3) Redemption schedule for long-term loans payable, lease obligations and other interest-bearing debts

As of March 31, 2024	Millions of yen					
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term loans payable	¥3,619	¥—	¥—	¥—	¥—	¥—
Long-term loans payable	127	101	41	0	—	—
Lease obligations	100	75	36	26	9	0
Total	¥3,848	¥177	¥78	¥27	¥9	¥0

As of March 31, 2025	Millions of yen					
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term loans payable	¥13,059	¥—	¥—	¥—	¥—	¥—
Long-term loans payable	140	81	34	0	—	—
Lease obligations	101	51	31	13	1	—
Total	¥13,301	¥132	¥66	¥13	¥1	¥—

As of March 31, 2025	Thousands of U.S. dollars					
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term loans payable	\$87,336	\$—	\$—	\$—	\$—	\$—
Long-term loans payable	942	544	231	1	—	—
Lease obligations	676	342	210	91	9	—
Total	\$88,954	\$886	\$441	\$92	\$9	\$—

(3) Breakdown of the fair value of financial instruments by level, and so on

The fair values of financial instruments are classified into the following three levels based on the observability and materiality of the inputs used to measure fair value.

Level 1: Fair values measured using quoted prices in active markets with respect to identical assets or liabilities

Level 2: Fair values measured using inputs other than quoted prices that are observable, either directly or indirectly

Level 3: Fair values measured using inputs not based on observable market data

If multiple inputs that have significant impacts on the measurement of fair value are used, fair values are classified to the level with the lowest priority in the measurement of fair value among the levels to which each of those inputs belongs.

Financial instruments recorded on the consolidated balance sheet at fair value

As of March 31, 2024	Millions of yen			
	Level 1	Level 2	Level 3	Total
Securities and Investment securities				
Available-for-sale securities				
Stocks	¥29,776	¥—	¥—	¥29,776
Total Assets	29,776	—	—	29,776
Derivative transactions	¥—	¥(90)	¥—	¥(90)

As of March 31, 2025	Millions of yen			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Stocks	¥25,162	¥—	¥—	¥25,162
Total Assets	25,162	—	—	25,162
Derivative transactions	¥—	¥(51)	¥—	¥(51)

As of March 31, 2025	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Stocks	\$168,275	\$—	\$—	\$168,275
Total Assets	168,275	—	—	168,275
Derivative transactions	\$—	\$(341)	\$—	\$(341)



Financial instruments other than financial instruments recorded on the consolidated balance sheet at fair value

As of March 31, 2024	Millions of yen			
	Level 1	Level 2	Level 3	Total
Notes receivable, accounts receivable from completed construction contracts and other	¥—	¥124,414	¥—	¥124,414
Securities and Investment securities				
Money trusts	—	9,000	—	9,000
Total Assets	—	133,414	—	133,414
Notes payable, accounts payable for construction contracts and other	—	64,841	—	64,841
Short-term loans payable	—	3,747	—	3,747
Long-term loans payable	—	143	—	143
Total Liabilities	¥—	¥68,732	¥—	¥68,732

As of March 31, 2025	Millions of yen			
	Level 1	Level 2	Level 3	Total
Notes receivable, accounts receivable from completed construction contracts and other	¥—	¥150,488	¥—	¥150,488
Total Assets	—	150,488	—	150,488
Notes payable, accounts payable for construction contracts and other	—	49,548	—	49,548
Short-term loans payable	—	13,200	—	13,200
Long-term loans payable	—	119	—	119
Total Liabilities	¥—	¥62,867	¥—	¥62,867

As of March 31, 2025	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Notes receivable, accounts receivable from completed construction contracts and other	\$—	\$1,006,410	\$—	\$1,006,410
Total Assets	—	1,006,410	—	1,006,410
Notes payable, accounts payable for construction contracts and other	—	331,363	—	331,363
Short-term loans payable	—	88,278	—	88,278
Long-term loans payable	—	796	—	796
Total Liabilities	\$—	\$420,437	\$—	\$420,437

(Note) Explanation of valuation method used in the measurement of fair value and inputs related to the measurement of fair value

- Assets
- Notes receivable, accounts receivable from completed construction contracts and other
- These fair values are classified into level 2 because these fair values are calculated based on the discount rate that takes into account the period until these maturities and credit risks for each receivables classified by a certain period of time.
- Securities and investment securities
- These fair values of these listed stocks are evaluated using quoted market prices. These fair values are classified into level 1 because these listed stocks are treated in active markets. In addition, money trusts are classified into level 2 because they are settled in a short period of time and their fair value approximates their book value.
- Liabilities
- Notes payable, accounts payable for construction contracts and other and short-term loans payable
- These fair values of these payables or loans are classified into level 2 because these fair values are calculated by discounting by the discount rate that takes into account the period until these payment or repayment and interest rate that takes credit risk into account.
- Long-term loans payable
- Fair values of long-term loans with floating interest rates are classified into level 2 because these fair values are deemed to approximate the book values and the floating interest rates reflect the market interest rates and these credit statuses are not significantly different from those when the loans are executed. Fair values of long-term loans with fixed interest rates are classified into level 2 because the total amount of principal and interest of the long-term loans divided by a certain period of time are calculated fair value by discounting by the interest rate assumed when a new similar loans are executed.
- Derivative transactions
- These fair values are classified into level 2 because these fair values are based on the prices provided by the financial institutions with which the Company has transactions.



10. Securities

(1) Held-to-maturity debt securities

As of March 31, 2024  
Not applicable.

As of March 31, 2025  
Not applicable.

(2) Available-for-sale securities

As of March 31, 2024

	Millions of yen		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost			
Stocks	¥29,776	¥9,206	¥20,570
Securities whose book value does not exceed their acquisition cost			
Money trusts	9,000	9,000	—
Total	¥38,776	¥18,206	¥20,570

As of March 31, 2025

	Millions of yen		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost			
Stocks	¥25,162	¥8,246	¥16,916
Total	¥25,162	¥8,246	¥16,916

As of March 31, 2025

	Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost			
Stocks	\$168,275	\$55,147	\$113,128
Total	\$168,275	\$55,147	\$113,128

(3) Available-for-sale securities sold

For the year ended March 31, 2024

	Millions of yen		
	Sales amount	Total gain on sales	Total loss on sales
Stocks	¥4,224	¥3,167	¥—
Total	¥4,224	¥3,167	¥—

For the year ended March 31, 2025

	Millions of yen		
	Sales amount	Total gain on sales	Total loss on sales
Stocks	¥3,350	¥2,388	¥—
Total	¥3,350	¥2,388	¥—

For the year ended March 31, 2025

	Thousands of U.S. dollars		
	Sales amount	Total gain on sales	Total loss on sales
Stocks	\$22,405	\$15,975	\$—
Total	\$22,405	\$15,975	\$—

(4) Securities with impairment loss

For the year ended March 31, 2024

Impairment loss of ¥0 million is recognized on Investment securities (Available-for-sale of securities) in the fiscal year. The Companies recognize an impairment loss when the fair value of stocks falls 50% or more compared with the acquisition cost and there is no evidence to indicate that the fair value will recover to the book value within one year. When the fair value falls by 30% or more but less than 50% compared with the acquisition cost, the Companies recognize a necessary amount of impairment loss after considering the market prices in the past year and the possibility of recovery.

For the year ended March 31, 2025

Not applicable. The Companies recognize an impairment loss when the fair value of stocks falls 50% or more compared with the acquisition cost and there is no evidence to indicate that the fair value will recover to the book value within one year. When the fair value falls by 30% or more but less than 50% compared with the acquisition cost, the Companies recognize a necessary amount of impairment loss after considering the market prices in the past year and the possibility of recovery.

11. Derivative transactions

(1) Derivative transactions to which the hedge accounting method is not applied  
Currency-related transactions

As of March 31, 2024

Category	Transaction type	Millions of yen			
		Contract amount	Over one year	Fair value	Unrealized gain (loss)
Non-market transactions	Forward exchange contracts:				
	Buy				
	Yen	¥138	¥—	¥(5)	¥(5)
	U.S. dollars	18	—	(0)	(0)
	Chinese Yuan	108	—	(2)	(1)
	Sell				
	U.S. dollars	31	—	0	0
Total		¥297	¥—	¥(7)	¥(7)

(Note) Estimated fair value is provided by financial institutions.

As of March 31, 2025

Category	Transaction type	Millions of yen			
		Contract amount	Over one year	Fair value	Unrealized gain (loss)
Non-market transactions	Forward exchange contracts:				
	Buy				
	Yen	¥138	¥—	¥(10)	¥(9)
	U.S. dollars	32	—	(0)	(0)
	Chinese Yuan	0	—	(0)	(0)
Total		¥172	¥—	¥(11)	¥(10)

(Note) Estimated fair value is provided by financial institutions.

As of March 31, 2025

Category	Transaction type	Thousands of U.S. dollars			
		Contract amount	Over one year	Fair value	Unrealized gain (loss)
Non-market transactions	Forward exchange contracts:				
	Buy				
	Yen	\$928	\$—	\$(70)	\$(64)
	U.S. dollars	217	—	(5)	(5)
	Chinese Yuan	6	—	(0)	(0)
Total		\$1,151	\$—	\$(75)	\$(69)



(2) Derivative transactions to which the hedge accounting method is applied  
Currency-related transactions

As of March 31, 2024			Millions of yen		
Hedging method	Transaction type	Main hedged items	Contract amount	Over one year	Fair value
Method in principle	Forward exchange contracts				
	Buy				
		Chinese Yuan Accounts payable for construction contracts (forecast)	¥584	¥—	¥8
	Sell				
		Euros Accounts receivable from completed construction contracts (forecast)	474	236	(16)
		Malaysia ringgit Accounts receivable from completed construction contracts (forecast)	381	114	(58)
		Chinese Yuan Accounts receivable from completed construction contracts (forecast)	415	59	(16)
Total			¥1,855	¥410	¥(83)

(Note) Calculation method of the fair value: Based on the prices and other data submitted by counterparty financial institutions.

As of March 31, 2025			Millions of yen		
Hedging method	Transaction type	Main hedged items	Contract amount	Over one year	Fair value
Method in principle	Forward exchange contracts				
	Buy				
		Baht Accounts payable for construction contracts (forecast)	¥509	¥—	¥(0)
		Euros Accounts payable for construction contracts (forecast)	35	—	(0)
		Chinese Yuan Accounts payable for construction contracts (forecast)	377	—	(17)
		indian rupee Accounts payable for construction contracts (forecast)	19	—	(1)
	Sell				
		indian rupee Accounts receivable from completed construction contracts (forecast)	104	—	(3)
		Won Accounts receivable from completed construction contracts (forecast)	48	8	4
		Euros Accounts receivable from completed construction contracts (forecast)	496	—	(14)
		Malaysia ringgit Accounts receivable from completed construction contracts (forecast)	18	—	(4)
		Chinese Yuan Accounts receivable from completed construction contracts (forecast)	38	—	0
		Brazilian Real Short-term loans receivable (forecast)	5	—	(0)
Total			¥1,655	¥8	¥(39)

(Note) Calculation method of the fair value: Based on the prices and other data submitted by counterparty financial institutions.

As of March 31, 2025			Thousands of U.S. dollars		
Hedging method	Transaction type	Main hedged items	Contract amount	Over one year	Fair value
Method in principle	Forward exchange contracts				
	Buy				
		Baht Accounts payable for construction contracts (forecast)	\$3,407	\$—	\$(6)
		Euros Accounts payable for construction contracts (forecast)	237	—	(6)
		Chinese Yuan Accounts payable for construction contracts (forecast)	2,526	—	(119)
		indian rupee Accounts payable for construction contracts (forecast)	133	—	(9)
	Sell				
		indian rupee Accounts receivable from completed construction contracts (forecast)	699	—	(25)
		Won Accounts receivable from completed construction contracts (forecast)	326	57	29
		Euros Accounts receivable from completed construction contracts (forecast)	3,319	—	(99)
		Malaysia ringgit Accounts receivable from completed construction contracts (forecast)	127	—	(29)
		Chinese Yuan Accounts receivable from completed construction contracts (forecast)	255	—	2
		Brazilian Real Short-term loans receivable (forecast)	40	—	(4)
Total			\$11,069	\$57	\$(266)

12. Retirement and pension plans

(1) Overview

The Company and its domestic consolidated subsidiaries apply defined benefit plans and defined contribution plans.  
The overseas consolidated subsidiaries, which apply retirement benefit plan, apply defined benefit or defined contribution plans.  
The defined benefit plans consist of outside funded defined benefit pension plans and lump-sum retirement payment plans. A retirement benefit trust is set up in certain outside funded defined benefit pension plan.  
Certain overseas consolidated subsidiaries, which apply lump-sum retirement payment plans, apply simplified method for calculating projected benefit obligations.

(2) Defined benefit plan (except simplified method)

Reconciliation of beginning and ending balances for projected benefit obligations

For the years ended March 31, 2024 and 2025	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Projected benefit obligations at the beginning of current period	¥18,003	¥17,319	\$115,825
Service costs	1,251	1,163	7,780
Interest costs	94	186	1,250
Actuarial differences accrued in the current period	(917)	(1,031)	(6,899)
Benefits paid	(1,096)	(805)	(5,387)
Past service costs accrued in the current period	(124)	(23)	(157)
Foreign currency translation	109	157	1,052
Projected benefit obligations at the end of current period	¥17,319	¥16,966	\$113,464

Reconciliation of beginning and ending balances for pension assets

For the years ended March 31, 2024 and 2025	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Pension assets at the beginning of current period	¥25,339	¥27,619	\$184,711
Expected return on pension assets	538	590	3,951
Actuarial differences accrued in the current period	1,662	(1,201)	(8,033)
Contributions from employers	1,051	1,004	6,717
Benefits paid	(992)	(647)	(4,330)
Foreign currency translation	20	30	204
Pension assets at the end of current period	¥27,619	¥27,396	\$183,220

Reconciliation of projected benefit obligations, pension assets, net defined benefit liability, and net defined benefit asset in the consolidated balance sheets

As of March 31, 2024 and 2025	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Funded projected benefit obligations	¥16,284	¥15,834	\$105,898
Pension assets	(27,619)	(27,396)	(183,220)
Sub total	(11,334)	(11,561)	(77,322)
Unfunded projected benefit obligations	1,034	1,131	7,566
Net amount of liabilities and assets in the consolidated balance sheets	(10,300)	(10,430)	(69,756)
Net defined benefit liability	1,277	1,355	9,068
Net defined benefit asset	11,578	11,786	78,824
Net amount of liabilities and assets in the consolidated balance sheets	¥(10,300)	¥(10,430)	\$(69,756)



Retirement benefit expenses

For the years ended March 31, 2024 and 2025

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Service costs	¥1,251	¥1,163	\$7,780
Interest costs	94	186	1,250
Expected return on pension assets	(538)	(590)	(3,952)
Amortization of actuarial differences	(443)	(585)	(3,913)
Amortization of past service costs	(0)	(23)	(156)
Retirement benefit expenses of defined benefit plans	¥363	¥150	\$1,009

Remeasurements of defined benefit plans

Details of remeasurements of defined benefit plans before tax effect adjustments are as follows.

For the years ended March 31, 2024 and 2025

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Past service costs	¥118	¥(9)	\$(60)
Actuarial differences	2,164	(717)	(4,802)
Total	¥2,282	¥(727)	\$(4,862)

Accumulated remeasurements of defined benefit plans

Details of accumulated remeasurements of defined benefit plans before tax effect adjustments are as follows.

As of March 31, 2024 and 2025

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Unrecognized past service costs	¥44	¥35	\$240
Unrecognized actuarial differences	4,247	3,529	23,605
Total	¥4,292	¥3,565	\$23,845

Pension assets

Composition ratio of pension assets is as follows.

As of March 31, 2024 and 2025

	2024	2025
Debt securities	24%	27%
Stocks	42	38
Cash and deposits	4	5
General account of life insurance	21	22
Other	9	8
Total	100%	100%

(Note) For the previous fiscal year, 14% of total pension assets are attributed to the employee retirement benefit trust for benefit pension plan. For this fiscal year, 13% of total pension assets are attributed to the employee retirement benefit trust for benefit pension plan.

Expected long-term return rate on pension asset is determined by considering current and anticipated future portfolio of pension assets, and current and anticipated future long-term performance of individual asset classes that comprise the funds’ asset mix.

Assumptions and policies used to calculate projected benefit obligations

As of March 31, 2024 and 2025

	2024	2025
Discount rates (weighted average)	1.1%	1.7%
Expected long-term return rates on pension assets (weighted average)	2.5%	2.5%

(3) Defined benefit plan calculated by simplified method

Reconciliation of beginning and ending balances for net defined benefit liability by the simplified method

For the years ended March 31, 2024 and 2025

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Net defined benefit liability at the beginning of current period	¥83	¥96	\$643
Retirement benefit expenses	23	20	136
Benefits paid	—	(2)	(15)
Contributions to the plan	(14)	(9)	(65)
Foreign currency translation	3	6	47
Net defined benefit liability at the end of current period	¥96	¥111	\$746

Reconciliation of projected benefit obligations, pension assets and net defined benefit liability in the consolidated balance sheets

As of March 31, 2024 and 2025

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Funded projected benefit obligations	¥104	¥108	\$727
Pension assets	(107)	(114)	(764)
Sub total	(3)	(5)	(37)
Unfunded projected benefit obligations	99	117	783
Net amount of liabilities and assets in the consolidated balance sheets	96	111	746
Net defined benefit liability	96	111	746
Net amount of liabilities and assets in the consolidated balance sheets	¥96	¥111	\$746

Retirement benefit expenses

Retirement benefit expenses calculated by the simplified method are ¥23 million for the previous fiscal year and ¥20 million (US\$136 thousand) for this fiscal year.

(4) Defined contribution plans

Required contribution amount for defined contribution plans is ¥292 million for the previous fiscal year and ¥303 million (US\$2,028 thousand) for this fiscal year.



13. Tax effect accounting

(1) Significant components of deferred tax assets and liabilities

As of March 31, 2024 and 2025	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Deferred tax assets			
Allowance for doubtful accounts	¥301	¥261	\$1,751
Provision for warranties for completed construction	150	146	977
Provision for loss on construction contracts	119	116	782
Net defined benefit liability	224	240	1,607
Employees' pension trust, investment securities	368	397	2,659
Provision for directors' retirement benefits	13	14	99
Accrued enterprise tax etc.	268	163	1,093
Accrued bonuses	2,435	2,419	16,183
Loss on valuation of investment securities	110	113	761
Loss on valuation of golf club membership	56	57	383
Foreign tax credit carried forward	224	250	1,676
Tax loss carried forward (Note2)	686	812	5,432
Other	1,469	1,653	11,059
Subtotal	6,429	6,648	44,462
Valuation allowance for tax loss carried forward (Note2)	(667)	(812)	(5,432)
Valuation allowance for total of deductible temporary differences, etc.	(1,051)	(1,080)	(7,227)
Subtotal (Note1)	(1,719)	(1,892)	(12,659)
Total deferred tax assets	4,710	4,755	31,803
Deferred tax liabilities			
Net defined benefit assets	(3,528)	(3,642)	(24,363)
Valuation difference on available-for-sale securities	(6,197)	(5,227)	(34,961)
Retained earnings of consolidated overseas subsidiaries	(2,479)	(2,645)	(17,694)
Other	(711)	(713)	(4,770)
Total deferred tax liabilities	(12,916)	(12,229)	(81,788)
Net deferred tax assets liabilities	¥(8,206)	¥(7,474)	\$(49,985)

(Note1) Valuation allowance increased by ¥173 million (US\$1,163 thousand). This increase is mainly due to increases in valuation allowances for tax loss carryforwards of ¥66 million and ¥76 million in Taikisha USA, Inc. and Taikisha Korea Ltd., which are consolidated subsidiaries of the Company, respectively.

(Note2) Total of tax loss carried forward and its deferred tax assets, by carryforward expiration date.

As of March 31, 2024	Millions of yen						
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Tax loss carried forward (a)	¥9	¥12	¥—	¥—	¥—	¥664	¥686
Valuation allowance	(7)	(5)	—	—	—	(654)	(667)
Deferred tax assets	¥2	¥6	¥—	¥—	¥—	¥10	¥19

(a) The sum for tax loss carried forward is the result of multiplication by the effective statutory tax rate for each tax-paying entity.

As of March 31, 2025	Millions of yen						
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Tax loss carried forward (a)	¥5	¥—	¥3	¥—	¥—	¥803	¥812
Valuation allowance	(5)	—	(3)	—	—	(803)	(812)
Deferred tax assets	¥—	¥—	¥—	¥—	¥—	¥—	¥—

(a) The sum for tax loss carried forward is the result of multiplication by the effective statutory tax rate for each tax-paying entity.

	Thousands of U.S. dollars						
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Tax loss carried forward	\$35	\$—	\$23	\$—	\$—	\$5,374	\$5,432
Valuation allowance	(35)	—	(23)	—	—	(5,374)	(5,432)
Deferred tax assets	\$—	\$—	\$—	\$—	\$—	\$—	\$—

(2) The reconciliation between the effective statutory tax rate and the actual tax rate after the application of tax effect accounting

As of March 31, 2024 and 2025	2024	2025
Effective statutory tax rate	30.62%	30.62%
Adjustment		
Expenses not deductible permanently	1.20	1.80
Income not taxable permanently	(0.73)	(0.87)
Inhabitant tax on per capita basis, etc.	0.36	0.45
Increase (Decrease) in valuation allowance	(1.35)	0.65
Difference in effective statutory tax rate between the Company and consolidated subsidiaries	(2.38)	(2.15)
Special tax deductions	(3.84)	(4.57)
Retained earnings of consolidated overseas subsidiaries	1.47	0.87
Withholding tax on dividends from overseas related companies	0.89	2.05
Amortization of goodwill	0.64	0.81
Impairment loss of goodwill	—	3.82
Other	0.26	0.73
Actual tax rate after the application of tax effect accounting	27.14%	34.21%

**(3) Adjustment of the amounts of deferred tax assets and deferred tax liabilities due to changes in corporate tax rate**  
The “Act for Partial Revision of the Income Tax Act, etc.” (Act No.13, 2025) was enacted by the Diet on March 31, 2025, and the “Defense Special Corporation Tax” will be imposed from the fiscal year beginning on or after April 1, 2026.  
As a result, the statutory effective tax rate for deferred tax assets and deferred tax liabilities related to temporary differences that are expected to be reversed in and after the fiscal year beginning April 1, 2026, has been changed from 30.62% to 31.52%.  
The impact of this tax rate change is immaterial.



14. Asset retirement obligations

The Companies are under the term of rental agreements for head offices etc. and have obligations for restitution on their leaving. The obligations are recognized by way of decreasing deposits.

15. Revenue recognition

(1) Disaggregation of revenues from contracts with customers

For the year ended March 31, 2024	Millions of yen		
	Green Technology System Division	Paint Finishing System Division	Total
By region			
Japan	¥142,494	¥13,270	¥155,764
Overseas	74,025	63,766	137,792
Revenues from contracts with customers	216,519	77,036	293,556
Other revenues	—	—	—
Revenues to external customers	¥216,519	¥77,036	¥293,556

For the year ended March 31, 2025	Millions of yen		
	Green Technology System Division	Paint Finishing System Division	Total
By region			
Japan	¥108,789	¥35,787	¥144,577
Overseas	60,630	71,004	131,635
Revenues from contracts with customers	169,420	106,792	276,212
Other revenues	—	—	—
Revenues to external customers	¥169,420	¥106,792	¥276,212

For the year ended March 31, 2025	Thousands of U.S. dollars		
	Green Technology System Division	Paint Finishing System Division	Total
By region			
Japan	\$727,546	\$239,334	\$966,880
Overseas	405,476	474,852	880,328
Revenues from contracts with customers	1,133,022	714,186	1,847,208
Other revenues	—	—	—
Revenues to external customers	\$1,133,022	\$714,186	\$1,847,208

(2) Information that is the basis for understanding the revenues from contracts with customers

Taikisha Group is engaged in construction contracts and so on and sales of equipment and materials for design, supervision, and construction work in the Green Technology System business and Paint Finishing System business.

Construction contracts and so on

Taikisha Group’s performances of construction contracts or other contracts results in arising or increasing in value of an assets, along with these assets increase, the Company considers that it has transferred control of the assets to the customers over a certain period of time. Therefore, revenue is recognized based on progress toward complete satisfaction of performance obligations as of the closing date.

Progress is measured as the ratio of the costs incurred to the total estimated costs (input method), because it is possible to make reasonable estimates of the total estimated costs based on the budgets. In addition, revenue is recognized by cost recovery method in case incurred costs are expected to be recoverable though the progress of satisfaction of performance obligations cannot be reasonably measured.

Sales of equipment and materials

Regarding Taikisha Group’s sales of equipment and materials, as a result of consideration of indicators related to the transfer of control, such as physical possession of the equipment and materials, significant risks associated with ownership and the transfer of economic value to the customer, Taikisha Group has determined that control over the equipment and materials are transferred to the customers and the performance of obligation is satisfied at the time of delivery of equipment and materials. In this reason, revenue is recognized when equipment and materials are delivered.

For these performance obligations, Taikisha Group provides guarantees such as free repair for contractual non-conformities that occur within a certain period of time after handover or delivery. It provides assurance to the customer that the products will function as intended and in accordance with the specifications agreed upon with the customers. Expected future expenditures are estimated by taking into account historical warranty rates and are recognized as a provision for warranties for completed construction.

Also, these terms of payments for these performance obligations are common and do not include significant financial elements.

(3) Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized from contracts with customers that existed at the end of the current consolidated fiscal year and are expected to be recognized in the following consolidated fiscal year or later

Balances of contract assets and liabilities

As of March 31, 2024 and 2025	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Receivables arising from contracts with customers (Beginning balance)	¥48,339	¥60,243	\$402,884
Receivables arising from contracts with customers (Ending balance)	¥60,243	¥71,946	\$481,151
Contract assets (Beginning balance)	¥66,224	¥59,596	\$398,556
Contract assets (Ending balance)	¥59,596	¥75,644	\$505,884
Contract liabilities (Beginning balance)	¥23,306	¥13,899	\$92,951
Contract liabilities (Ending balance)	¥13,899	¥19,668	\$131,533

In the consolidated balance sheets, accounts receivable for completed construction contracts and contract assets arising from contracts with customers are included in notes receivable, accounts receivable from completed construction contracts and other while contract liabilities are presented as advances received on uncompleted construction contracts.

The amounts of revenue recognized in the previous fiscal year and the current fiscal year that were included in the balance of contract liabilities at the beginning of each period are ¥23,657 million for the previous fiscal year and ¥13,675 million (US\$91,455 thousand) for the current fiscal year. The amount of revenue recognized in the previous fiscal year and the current fiscal year from performance obligations that were satisfied (or partially satisfied) in the previous fiscal years are not material.

Transaction price allocated to the remaining performance obligations

The aggregate transaction prices allocated to unsatisfied performance obligations and the period over which revenues are expected to be recognized are as follows.

For the year ended March 31, 2024	Millions of yen		
	Green Technology System Division	Paint Finishing System Division	Total
By region			
Japan	¥100,830	¥35,687	¥136,517
Overseas	40,573	56,476	97,049
Total	¥141,403	¥92,163	¥233,567

The transaction prices allocated to unsatisfied performance obligations in the “Green Technology System business” and “Paint Finishing System business” are expected to be recognized as construction revenue within two years, primarily based on the progress of construction.

For the year ended March 31, 2025	Millions of yen		
	Green Technology System Division	Paint Finishing System Division	Total
By region			
Japan	¥110,851	¥18,347	¥129,199
Overseas	42,371	68,300	110,671
Total	¥153,223	¥86,648	¥239,871

For the year ended March 31, 2025	Thousands of U.S. dollars		
	Green Technology System Division	Paint Finishing System Division	Total
By region			
Japan	\$741,335	\$122,704	\$864,039
Overseas	283,364	456,765	740,129
Total	\$1,024,699	\$579,469	\$1,604,168

The transaction prices allocated to unsatisfied performance obligations in the “Green Technology System business” and “Paint Finishing System business” are expected to be recognized as construction revenue within two years, primarily based on the progress of construction.



16. Segment information

(1) Overview of reportable segment

The reportable segment of the Companies is components for which discrete financial information is available and whose operating results are regularly reviewed by the board of directors to make decisions about resource allocation and to assess performance.

The Companies establish their divisions for types of construction equipment and each division plans the comprehensive domestic and foreign strategies and do business based on the strategies. Therefore, the Companies are composed of segment for types of construction equipment based on the divisions. The Companies have two reportable segments “Green Technology System Division” and “Paint Finishing System Division”.

“Green Technology System Division” mainly designs, manages and constructs building HVAC for office buildings, and industrial HVAC for manufacturing facilities and laboratories. This division also produces and sells related equipment.

“Paint Finishing System Division” mainly designs, manages and constructs automobile paint plants and sells related equipment.

(2) Calculation method of sales and profits or losses, assets or liabilities and others

The accounting treatment of reportable segment is almost the same as the one disclosed in “2. Summary of significant accounting policies”.

The profit of reportable segment is the amount on the basis of ordinary income. Internal profits and transfer amounts between the segments are calculated based on the market price.

(3) Sales and profits or losses, assets or liabilities and others by reportable segment

For the year ended March 31, 2024

	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Adjustments	Amount recorded in the consolidated financial statements
Sales					
Sales to customers	¥216,519	¥77,036	¥293,556	¥—	¥293,556
Intersegment	15	4	20	(20)	—
Total	216,535	77,041	293,577	(20)	293,556
Segment profit	17,027	2,804	19,832	19	19,852
Segment assets	143,027	69,474	212,501	53,992	266,494
Other items					
Depreciation and amortization	914	737	1,651	(181)	1,469
Amortization of goodwill	417	66	484	—	484
Interest income	352	541	894	2	897
Interest expenses	5	213	219	21	240
Share of profit (loss) of entities accounted for using equity method	—	22	22	—	22
Investments in associates accounted for using equity method	—	642	642	—	642
Increase in property, plant and equipment, intangible assets	¥3,339	¥583	¥3,923	¥351	¥4,274

(Note 1) The amounts of Adjustments are as follows.

Adjustments of Segment profit of ¥19 million include non-allocatable common profits of ¥20 million and other adjustment of minus ¥1 million. Non-allocatable common profits are mainly general and administrative expenses, dividend income, etc., which are not attributed to any reportable segment.

Adjustments of Segment assets of ¥53,992 million are elimination of receivable and payable etc., of minus ¥4,265 million and non-allocatable common assets which are not allocated to any reportable segments of ¥58,258 million. Non-allocatable common assets are mainly cash and deposits, securities, property, plant and equipment, intangible assets, and net defined benefit asset, etc., which are not attributed to any reportable segment.

Adjustments of Increase in property, plant and equipment, intangible assets of ¥351 million are buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures and software, etc., which are not attributed to any reportable segment.

The allocation method of assets for reportable segment is different from that of related income and expenses.

(Note 2) Segment profit is adjusted to the ordinary income of the consolidated statement of income.

For the year ended March 31, 2025

	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Adjustments	Amount recorded in the consolidated financial statements
Sales					
Sales to customers	¥169,420	¥106,792	¥276,212	¥—	¥276,212
Intersegment	23	163	186	(186)	—
Total	169,443	106,956	276,399	(186)	276,212
Segment profit	15,299	4,256	19,555	382	19,938
Segment assets	134,943	98,086	233,029	35,418	268,448
Other items					
Depreciation and amortization	1,266	853	2,119	(269)	1,850
Amortization of goodwill	431	72	503	—	503
Interest income	366	407	773	8	781
Interest expenses	31	219	250	51	301
Share of profit (loss) of entities accounted for using equity method	—	3	3	—	3
Investments in associates accounted for using equity method	—	701	701	—	701
Increase in property, plant and equipment, intangible assets	¥2,395	¥913	¥3,308	¥391	¥3,700

(Note 1) The amounts of Adjustments are as follows.

Adjustments of Segment profit of ¥382 million (US\$2,556 thousand) include non-allocatable common profits of ¥408 million (US\$2,732 thousand) and other adjustment of minus ¥26 million (minus US\$176 thousand). Non-allocatable common profits are mainly general and administrative expenses, dividend income, etc., which are not attributed to any reportable segment.

Adjustments of Segment assets of ¥35,418 million (US\$236,869 thousand) are elimination of receivable and payable etc., of minus ¥3,807 million (minus US\$25,461 thousand) and non-allocatable common assets which are not allocated to any reportable segments of ¥39,226 million (US\$262,330 thousand). Non-allocatable common assets are mainly cash and deposits, securities, property, plant and equipment, intangible assets, and net defined benefit asset, etc., which are not attributed to any reportable segment.

Adjustments of Increase in property, plant and equipment, intangible assets of ¥391 million (US\$2,620 thousand) are buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures and software, etc., which are not attributed to any reportable segment.

The allocation method of assets for reportable segment is different from that of related income and expenses.

(Note 2) Segment profit is adjusted to the ordinary income of the consolidated statement of income.

For the year ended March 31, 2025

	Thousands of U.S. dollars				
	Green Technology System Division	Paint Finishing System Division	Total	Adjustments	Amount recorded in the consolidated financial statements
Sales					
Sales to customers	\$1,133,022	\$714,186	\$1,847,208	\$—	\$1,847,208
Intersegment	154	1,096	1,250	(1,250)	—
Total	1,133,176	715,282	1,848,458	(1,250)	1,847,208
Segment profit	102,318	28,465	130,783	2,556	133,339
Segment assets	902,450	655,966	1,558,416	236,869	1,795,285
Other items					
Depreciation and amortization	8,469	5,709	14,178	(1,805)	12,373
Amortization of goodwill	2,885	482	3,367	—	3,367
Interest income	2,449	2,724	5,173	55	5,228
Interest expenses	208	1,466	1,674	343	2,017
Share of profit (loss) of entities accounted for using equity method	—	24	24	—	24
Investments in associates accounted for using equity method	—	4,694	4,694	—	4,694
Increase in property, plant and equipment, intangible assets	\$16,017	\$6,110	\$22,127	\$2,620	\$24,747



17. Related information in regard to segment information

(1) Information by product and service

For the year ended March 31, 2024  
This item is omitted because similar information is disclosed in “16. Segment information”

For the year ended March 31, 2025  
This item is omitted because similar information is disclosed in “16. Segment information”

(2) Sales by region

For the year ended March 31, 2024								
Japan	North America	Southeast Asia		East Asia		India	Other	Total
		Thailand	Other Southeast Asia	China	Other East Asia			
¥155,764	¥20,613	¥20,596	¥32,515	¥27,415	¥18,293	¥17,779	¥578	¥293,556

(Note) Sales are classified to the countries or regions based on their customers’ location.

For the year ended March 31, 2025								
Japan	North America	Southeast Asia		East Asia		India	Other	Total
		Thailand	Other Southeast Asia	China	Other East Asia			
¥144,577	¥33,052	¥19,224	¥35,343	¥17,566	¥4,302	¥19,888	¥2,257	¥276,212

(Note) Sales are classified to the countries or regions based on their customers’ location.

For the year ended March 31, 2025								
Japan	North America	Southeast Asia		East Asia		India	Other	Total
		Thailand	Other Southeast Asia	China	Other East Asia			
\$966,880	\$221,040	\$128,565	\$236,367	\$117,481	\$28,773	\$133,005	\$15,097	\$1,847,208

(3) Property, plant and equipment by region

For the year ended March 31, 2024						
Japan	Thailand	Indonesia	China		India	Other
¥6,594	¥386	¥245	¥645	¥3,233	¥588	¥11,694

For the year ended March 31, 2025						
Japan	Thailand	Indonesia	China		India	Other
¥7,626	¥393	¥269	¥653	¥4,159	¥640	¥13,742

For the year ended March 31, 2025						
Japan	Thailand	Indonesia	China		India	Other
\$51,004	\$2,631	\$1,800	\$4,369	\$27,817	\$4,286	\$91,907

(4) Sales information by main customer

For the year ended March 31, 2024  
The item is omitted because there are no sales to external customers which represented 10% or more of sales of the consolidated statement of income.

For the year ended March 31, 2025  
The item is omitted because there are no sales to external customers which represented 10% or more of sales of the consolidated statement of income.

18. Impairment loss by reportable segment

Impairment loss of the non-current assets by reportable segment

For the year ended March 31, 2024					
	Green Technology System Division	Paint Finishing System Division	Millions of yen Total	Eliminations/Corporate (Note)	Total
Impairment loss	¥—	¥—	¥—	¥0	¥0

(Note) Eliminations/Corporate is generated from impairment loss of idle assets.

For the year ended March 31, 2025					
	Green Technology System Division	Paint Finishing System Division	Millions of yen Total	Eliminations/Corporate (Note)	Total
Impairment loss	¥3,339	¥—	¥3,339	¥0	¥3,339

(Note) Eliminations/Corporate is generated from impairment loss of idle assets.

For the year ended March 31, 2025					
	Green Technology System Division	Paint Finishing System Division	Thousands of U.S. dollars Total	Eliminations/Corporate	Total
Impairment loss	\$22,331	\$—	\$22,331	\$0	\$22,331

19. Amortization and balance of goodwill

(1) Amortization and balance of goodwill by reportable segment

For the year ended March 31, 2024					
	Green Technology System Division	Paint Finishing System Division	Millions of yen Total	Eliminations/Corporate	Total
Balance of goodwill	¥2,819	¥708	¥3,528	¥—	¥3,528

(Note) Amortization of goodwill is omitted because it is already disclosed in the “16. Segment information”.

For the year ended March 31, 2025					
	Green Technology System Division	Paint Finishing System Division	Millions of yen Total	Eliminations/Corporate	Total
Balance of goodwill	¥—	¥715	¥715	¥—	¥715

(Note) Amortization of goodwill is omitted because it is already disclosed in the “16. Segment information”.

For the year ended March 31, 2025					
	Green Technology System Division	Paint Finishing System Division	Thousands of U.S. dollars Total	Eliminations/Corporate	Total
Balance of goodwill	\$—	\$4,782	\$4,782	\$—	\$4,782

(2) Gain on negative goodwill by reportable segment

For the year ended March 31, 2024  
Not applicable.

For the year ended March 31, 2025  
Not applicable.

20. Related party transactions

For the year ended March 31, 2024  
Not applicable.

For the year ended March 31, 2025  
Not applicable.



21. Details of bonds

No applicable.

22. Details of loans

As of March 31, 2025	Millions of yen		Thousands of U.S. dollars	Average interest rate (%)	Maturity
	Beginning balance	Ending balance	Ending balance		
Short-term loans payable	¥3,619	¥13,059	\$87,336	1.983	—
Current portion of long-term loans payable	127	140	942	1.293	—
Current portion of lease obligations	100	101	676	—	—
Long-term loans payable (excluding current portion)	143	116	776	2.037	October 2027 to April 2028
Lease obligations (excluding current portion)	148	97	652	—	February 2026 to November 2029
Total	¥4,140	¥13,514	\$90,382	—	—

(Note 1) The “Average interest rate” is the weighted average interest rate for the ending balance of loans etc.  
(Note 2) The average interest rates on lease obligations are not presented because interest equivalents in the total lease obligation are allocated to expenses every year by the straight-line method.  
(Note 3) The annual repayment schedules of long-term loans payable and lease obligations (excluding current portion) subsequent to March 31, 2025 are as follows.

	Millions of yen			
	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years
Long-term loans payable	¥81	¥34	¥0	¥—
Lease obligations	¥51	¥31	¥13	¥1

	Thousands of U.S. dollars			
	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years
Long-term loans payable	\$544	\$231	\$1	\$—
Lease obligations	\$342	\$210	\$91	\$9

23. Details of asset retirement obligations

This item is omitted because asset retirement obligations represented less than 1% of total assets at the beginning of this fiscal year and at the end of this fiscal year, respectively.

24. Significant subsequent events

(Share split and corresponding partial amendment to the Articles of Incorporation)  
The Company resolved at a meeting of its Board of Directors held on February 10, 2025 to implement a share split and corresponding partial amendment to the Articles of Incorporation.

1. Purpose of the share split  
By implementing the share split, the Company aims to reduce the minimum investment price for the Company’s shares, to increase the liquidity of the shares, and to further expand the investor base.

2. Overview of the share split  
(1) Split method  
The Company will split common shares owned by all recorded shareholders as of March 31, 2025, in the proportion of 1 share into 2 shares.

(2) Number of shares increased through share split	
Total number of shares issued before share split	33,582,009 shares
Number of shares increased through share split	33,582,009 shares
Total number of shares issued after share split	67,164,018 shares
Total number of shares authorized after share split	200,000,000 shares

(3) Schedule	
Date of public notice of record date	March 14, 2025
Record date	March 31, 2025
Effective date	April 1, 2025

(4) Effect on per share information  
The impact on per share information is presented in the relevant section.

3. Partial Amendment to the Articles of Incorporation  
(1) Reason for the amendment  
In accordance with the provisions of Article 184, Paragraph 2 of the Companies Act, the Company will amend the total number of shares authorized stipulated in Article 6 of the Articles of Incorporation as of April 1, 2025, in response to the implementation of the share split.


(2) Details of amendment	
(Amended parts are underlined)	
Current Articles of Incorporation (Total Number of Shares Authorized) Article 6 The total number of shares the Company is authorized to issue shall be <u>one hundred million</u> (100,000,000) shares.	Amendments (Total Number of Shares Authorized) Article 6 The total number of shares the Company is authorized to issue shall be <u>two hundred million</u> (200,000,000) shares.

(3) Schedule	
Effective date of amendment of the Articles of Incorporation	April 1, 2025

4. Other  
(1) Change in share capital  
The above share split shall not change the Company’s share capital.  
(2) Dividends  
As the effective date of the share split is April 1, 2025, year-end dividends for the fiscal year ended March 2025, to all shareholders of record as of March 31, 2025, will be distributed based on the number of shares issued prior to the share split.



Report of Independent Auditors



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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of Taikisha Ltd.,

**Opinion**  
We have audited the consolidated financial statements of Taikisha Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2025, and the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese Yen.  
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

**Basis for Opinion**  
We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**  
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Reasonableness of estimates regarding percentage of completion in construction contracts for which revenue is recognized over time.	
Description of Key Audit Matter	Auditor's Response
As described in Note 2. "Summary of significant accounting policies", (8) "Revenue and cost recognition", in the Green Technology System business and the Paint Finishing System business, performance obligations for construction contracts, etc. mainly involving design, supervision, and installation are deemed to be satisfied over time, and revenue is recognized based on progress toward complete satisfaction of a performance obligation. As stated in note (12) "Significant accounting estimates" under the section "Estimates of percentage of completion in construction contracts, etc. in which revenue is recognized over time", the percentage of completion is measured based on the ratio of costs incurred as of the fiscal year-end to estimated total costs	To evaluate the reasonableness of the estimates of percentage of completion in construction contracts and others under which revenue is recognized over time, we performed the following audit procedures, among others:  (1) Evaluation of internal controls We evaluated the design and operating effectiveness of internal controls relating to the estimation of percentage of completion in construction contracts. In performing this evaluation, we placed particular focus on the controls over preparing initial working budgets, reflecting changes in circumstances after commencement, and allocating incurred costs to appropriate contracts.

based on the working budget for the construction contract (input method). The Group recorded net sales of completed construction contracts ¥ 249,920 million on a consolidated basis for the fiscal year under this method. The estimated total cost is prepared based on working budgets for each construction contract, which may fluctuate after commencement due to changes in site conditions, modifications in the scope of work, price negotiations with subcontractors, and fluctuations in material and equipment prices. In addition, the accuracy of cost aggregation for individual projects has a significant impact on the estimation of percentage of completion. Therefore, as such estimate involves a high degree of uncertainty, we determined the estimation of the percentage of completion of construction contracts with revenue recognized over time to be a key audit matter.	(2) Examination of working budgets We identified the construction contracts with relatively high uncertainty in working budgets, such as those with large contract amounts and unusually high or low profit margins, or those showing anomalies in the correlation between contract amounts and working budgets. For the identified construction contracts, we compared the latest working budgets as of the fiscal year end with the original ones. For material fluctuations, we examined the reasonableness of management's working budget estimates through inquiries of construction managers and inspection of relevant documents such as quotations and purchase orders.  (3) Examination of actual costs incurred For contracts that, in our judgment, based on factors such as contract size, profit margins, and procedures to identify anomalies in the year-end percentage of completion, required careful consideration of the appropriateness of cost aggregation, we performed procedures including reconciling incurred costs to supporting documents such as invoices, conducting inquiries of construction managers, and reviewing relevant documents, including construction schedules and planned cost lists. Where considered necessary, we also visited construction sites to assess whether the reported progress was consistent with the actual conditions on site.
2. Recognition of impairment losses on goodwill and customer-related assets related to Nicomac Taikisha Clean Rooms Private Limited	
Description of Key Audit Matter	Auditor's Response
As described in Note 2. "Summary of significant accounting policies", (12) "Significant accounting estimates", under the section "Valuation of goodwill and intangible assets" and Note 4. "Notes of consolidated statements of income", (5) "Impairment loss", the Group recognized impairment loss of ¥3,377 million on goodwill and customer-related assets related to Nicomac Taikisha Clean Rooms Private Limited (hereinafter "NTC") during the current consolidated fiscal year. The Company had recognized goodwill and customer-related assets in connection with NTC at the time of its acquisition, based on the assumption of excess profitability. However, as actual results up to the current consolidated fiscal year have fallen short of the business plan	With respect to the recognition of impairment losses on goodwill and customer-related assets related to NTC, we mainly performed the following audit procedures:  (1) Evaluation of internal controls We evaluated the design and operating effectiveness of internal controls relating to the valuation of goodwill and customer-related assets.  (2) Evaluation of the reasonableness of the recoverable amount • We evaluated the consistency of the business plans on which the value in use calculations of the cash-generating units were based with



<p>initially projected at the time of acquisition, the business plan was revised in light of the current economic environment. As a result, the originally expected excess profitability is no longer considered achievable, and impairment losses have been recognized.</p> <p>In measuring impairment loss, the recoverable amount of the cash-generating units are determined based on its value in use. The calculation of value in use incorporates key assumptions made by management, such as revenues (demand forecasts, unit prices, production volumes, and sales growth rates), cost of sales (raw material costs, labor costs, and depreciation), selling, general and administrative expenses (personnel expenses and other expenses) in the business plan, and the discount rate. These assumptions are subject to the impact of future changes in uncertain economic conditions.</p> <p>Accordingly, as the recognition of impairment losses on goodwill and customer-related assets related to NTC involves a high degree of uncertainty, we determined this matter to be a key audit matter.</p>	<p>budget materials approved by management committees.</p> <ul style="list-style-type: none"><li>• We examined whether the revised business plans were reasonably prepared, reflecting the results of variance analyses between actual performance for the current consolidated fiscal year and the original plans.</li><li>• We evaluated the reasonableness of key assumptions in the business plans—including revenue (demand forecasts, unit prices, production volumes, and sales growth rates), cost of sales (raw material costs, labor costs, and depreciation), and selling, general and administrative expenses (personnel expenses and other expenses)—by making inquiries of management and comparing them with historical performance data and external supporting information.</li><li>• We evaluated whether the discount rate used in the calculation of value in use was reasonably determined based on the company’s hurdle rates applied in similar capital investment decisions and the divisional cost of capital.</li></ul>
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Other Information

The other information comprises the information included in the integrated report, but does not include the consolidated financial statements and our auditor’s report hereon. Management is responsible for the other information. In addition, those charged with governance are responsible for overseeing the Group’s reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, including whether the use of the disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board is responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit & supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit & supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Corporate and Stock Information (as of March 31, 2025)

Corporate Information

Corporate name: Taikisha Ltd.  
Founded: April 10, 1913  
Established: July 7, 1949  
Capital stock: 6,455 million yen  
Number of employees: 1,727 (non-consolidated)  
5,267 (consolidated)  
Web Site: <https://www.taikisha-group.com/>



[Group Companies]

<https://www.taikisha-group.com/corporate/information/group/>  
Top page > Corporate Information > Group Companies

[Directors and Audit & Supervisory Board Members]

<https://www.taikisha-group.com/corporate/information/officer/>  
Top page > Corporate Information > About Taikisha > Board of Directors

[Stock Information]

<https://www.taikisha-group.com/ir/stock/info/>  
Top page > Investor Relations > Stock Overview > Stock Information

Shareholders' Information

Securities code: 1979  
Financial year: From April 1 of every year to March 31 of the following year  
Annual Shareholders' Meeting: June every year  
Record date: Annual Shareholders' Meeting/Year-end dividend March 31  
Interim dividend September 30  
When necessary, information other than the above will be announced by public notice in advance.  
One unit of shares: 100  
Administrator of shareholder registry/specified account management institution: Mizuho Trust & Banking Co., Ltd.  
1-3-3, Marunouchi, Chiyoda-ku, Tokyo  
Administration office: Mizuho Trust & Banking Co., Ltd.  
Stock Transfer Agency Department, Head office  
1-3-3, Marunouchi, Chiyoda-ku, Tokyo  
Mailing address: Mizuho Trust & Banking Co., Ltd.  
Stock Transfer Agency Department  
2-8-4, Izumi, Suginami-ku, Tokyo, Japan 168-8507  
Tel: 0120-288-324 (Toll-free in Japan only)  
Method of public notice: Electronic public notice (Posted on the Company website)  
In case electronic posting of public notice is not possible, public notice is posted on Nihon Keizai Shimbun.

From the matters communicated with the audit & supervisory board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company and its consolidated subsidiaries which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.

Hiroaki Kagami

Hiroaki Kagami  
Designated Engagement Partner  
Certified Public Accountant

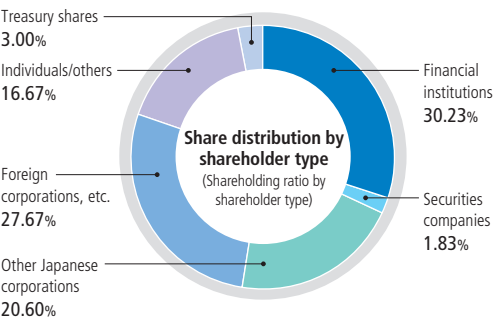
Kenji Oka

Kenji Oka  
Designated Engagement Partner  
Certified Public Accountant

A&A Partners  
Tokyo, Japan  
December 9, 2025

Status of Shares

Number of shares authorized: 100 million (100,000,000)  
Number of shares issued: 33,582,009  
Number of shareholders: 4,737



Major shareholders (Top 10 shareholders by number of shares held)

Name of shareholders	Number of shares held (in thousands)	Ratio of shareholding voting rights (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,333	13.30
Custody Bank of Japan, Ltd. (Trust Account)	1,822	5.60
Kenzaisha Ltd.	1,730	5.31
Taikisha Employees Shareholding Association	1,244	3.82
State Street Bank and Trust Company 505001	1,142	3.51
Sumitomo Realty & Development Co., Ltd.	1,134	3.48
Luft Zwei Co., Ltd.	1,000	3.07
Taikisha Business Partners Shareholding Association	975	2.99
Nippon Life Insurance Company	866	2.66
Mizuho Bank, Ltd.	659	2.02

(Notes) 1. Taikisha holds 1,006,240 treasury shares, which are excluded from the major shareholders listed above.  
2. "Ratio of shareholding voting rights" is calculated by deducting treasury shares.  
3. "Number of shares held" is presented by rounding down to the nearest 1,000 shares.



# Third-Party Opinion



**Keisuke Takegahara,**  
Professor,  
National Graduate Institute for  
Policy Studies

The Integrated Report 2025 takes the newly formulated 10-Year Plan 2035 (the “10-Year Plan”) as its main theme and employs various innovations to enhance its narrative and messaging.

The first notable aspect is the revision of Business Overview at the beginning. It is an excellent introduction that compactly states your company’s characteristics, such as its business activities, industry position, and comparative advantages. The world map plotting global locations and project achievements is a commendable effort that makes a visual appeal for your company’s global presence.

The President’s Message compellingly encapsulates the report’s entire content. The 10-Year Plan, as a culmination of open discussions among all officers, establishes a long-term vision of your goals while defining the significance of providing clear direction for pursuing medium-term performance, and it is effectively conveyed that this vision is underpinned by the consistently emphasized strengths of engineering and global capabilities. The strategic shift from a labor-intensive to a capital-intensive business model, along with the role of digital transformation and human capital investment, is presented with vivid clarity, offering an outstanding message with a vivid sense of immediacy, that includes the future direction.

The Round Table Discussion with Outside Directors is a hallmark of your company’s reports. It focuses on diverse discussions surrounding the 10-Year Plan this time. In light of the industry characteristic that, precisely because there is abundant data for medium-term forecasting, setting a distant future vision and backcasting are difficult, President Osada describes the decision to tackle challenges head-on and establish a new planning framework as a mind reset. This is a testament to the effective incorporation of the perspectives of Outside Directors. In discussions on future prospects—including the allocation of growth investments, human capital, and the management foundation—the emphasis on both “offensive” and “defensive” governance, represented by forums such as the Growth Strategy Council, demonstrates that the Company places strong importance on the effectiveness of its corporate governance throughout the report.

Structuring a detailed description of the 10-Year Plan after this foundation effectively deepens reader comprehension. The Eight Strategic Focal Points are substantiated by systematic and abundant information and are persuasive. The structure that runs this essence through the entire document and reconfirms it at various points, is likely the most significant feature of this edition. The dialogue between the Chief General Managers of the Green Technology System Division and the Paint Finishing System Division symbolizes this, and as indicated by the title “Collaboration and Co-Creation,” it raises the resolution of the goals through each division’s strengths and the expectations for synergy. Specific achievements, such as strengthening the business foundation in the ASEAN market and increasing presence in the European automotive market, provide strong reinforcement. The reports on results in each section, including the revision of the CO<sub>2</sub> roadmap and the establishment of a Human Rights Policy, demonstrate steady progress, and the 10-Year Plan further clarifies their positioning within the broader picture.

This report reaffirms the inseparability of economic value and social value in your company’s business model. As succinctly indicated by the concept of engineering that contributes to building a sustainable society, and given your company’s characteristic of the two values being inherently intertwined, it would seem worthwhile to reconsider the appropriateness of presentations that place the two values in opposition, such as the value creation process diagram and the setting of non-financial indicators on pages 31–32. I look forward to further evolution.

## In Response to the Third-Party Opinion



**Masanori Nakagawa,**  
Director, Executive Vice President  
Corporate Officer in charge of  
Sustainability Promotion

I am deeply grateful to Mr. Takegahara for the insightful opinions and warm encouragement he offers each time.

This fifth edition of our Integrated Report strives to clearly convey, in a compelling and coherent narrative, how our aspirations for the future set in the Long-term Vision are being systematically developed and organically integrated within the 10-Year Plan and Medium-Term Business Plan formulated in May this year. Furthermore, setting “Engineering” and “Global,” the keywords of our goals, as major themes, and incorporating the real voices of top management and employees, we present how the Company is progressing toward its targets.

Going forward, under the banner of our strong belief that economic value and social value are inseparable in our business model, we will continue to refine our efforts to clearly demonstrate the path to the milestones set in the 10-Year Plan.

We would like to ask you to continue giving us candid advice and opinions.





**Taikisha Ltd.**

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160-6129, Japan

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