

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.