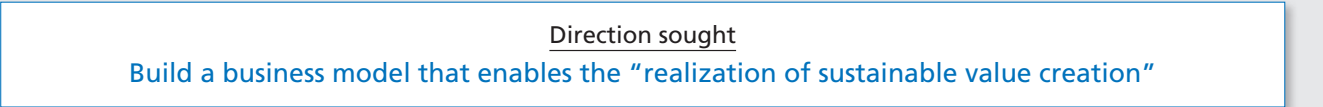


Materiality

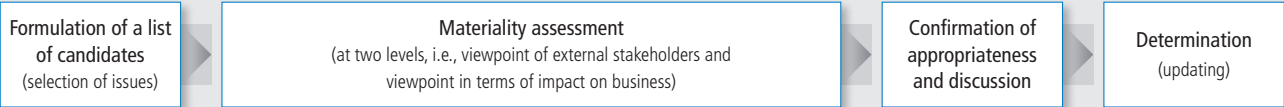
Taikisha identifies material issues as important issues that should be prioritized in its management. Based on the 10-Year Plan 2035, formulated in May 2025, Taikisha has updated material issues mainly by adding topics under the business strategy and DX strategy categories while maintaining the overall 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
	Enhancement of global group management infrastructure	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
DX strategy	Improvement of operational efficiency and development of high-profit structure	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
	Creation and provision of new value	Risk	• Lagging value creation using digital technology
		Opportunity	• Leveraging of data analytics and simulations to create new value
	Global DX infrastructure	Risk	• Stagnant global growth strategy due to the delayed development of global digital governance
		Opportunity	• Accelerated global collaboration and co-creation

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)