

Taikisha Group Mid-Term Business Plan

FY2022 – FY2024



I am Koji Kato, President of Taikisha, Ltd.

Thank you very much for attending Taikisha's earnings briefing today.

I will explain the outline of the new Mid-Term Business Plan we launched in April this year.

I What Taikisha Group is Aiming for

- ① Long-term Vision
- ② Strategies of the Mid-Term Business Plan to Achieve the Long-term Vision

II Mid-Term Business Plan

- ① Review of the Previous Mid-Term Business Plan
- ② Market Environment of Existing Businesses
- ③ Basic Policies
- ④ Initiatives Based on the Basic Policies

III Quantitative Management Targets

- ① Performance Targets
- ② Investment Plan
- ③ Capital Dividend Policy
- ④ Plan to Reduce Cross-Shareholdings
- ⑤ Capital Utilization Plan

Appendix

Materiality of Taikisha Group

This presentation starts with what Taikisha Group is aiming for, gives an overview of the new Mid-Term Business Plan, and then shows quantitative management targets in the Plan.

I What Taikisha Group is Aiming for

- ① Long-term Vision**
- ② Strategies of the Mid-Term Business Plan to Achieve the Long-term Vision**

I will start by explaining the Taikisha Group's long-term vision and strategies of the Mid-Term Business Plan to achieve the long-term vision.

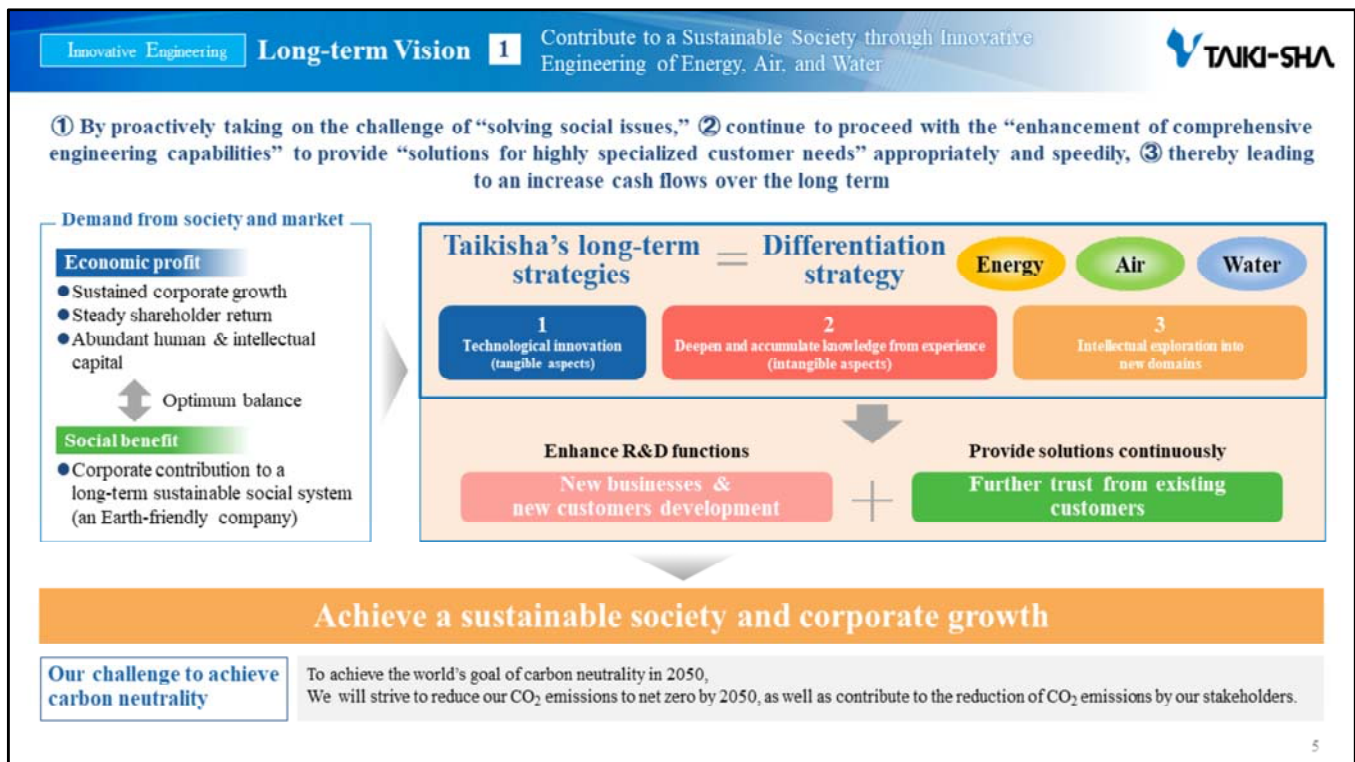


First, please see page 4 of the presentation.

In formulating the new Mid-Term Business Plan, we reviewed our long-term vision. Our corporate philosophy is to establish a company which can continuously grow and contribute to the society and to establish an attractive company.

To achieve this, we have set a long-term vision with two pillars: “Contribute to a Sustainable Society through Innovative Engineering of Energy, Air, and Water” and “Become an Inclusive Global Company by Leveraging Diverse Human Resources and Knowledge.”

From the next page, I will go through each of them.

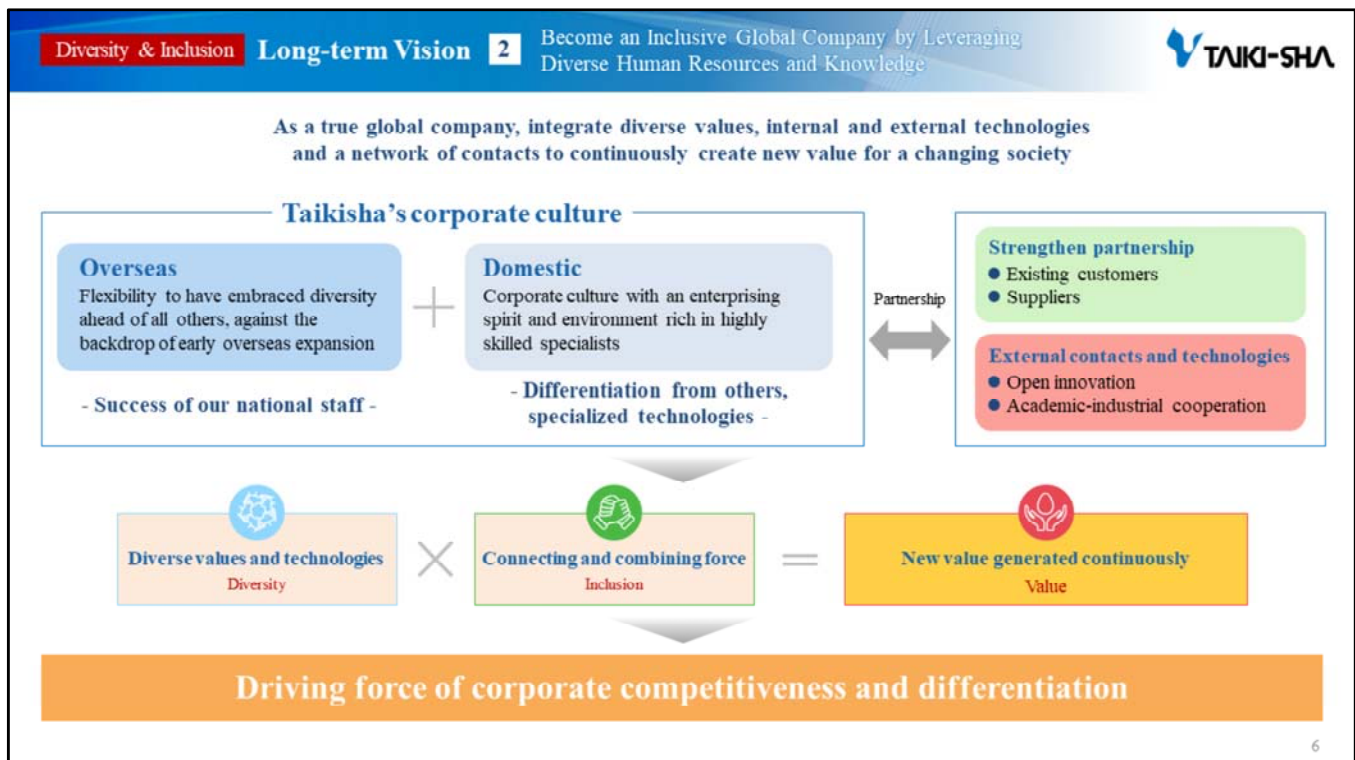


This slide describes the first pillar of the vision, “Contribute to a Sustainable Society through Innovative Engineering of Energy, Air, and Water.”

By taking on the challenge of solving social issues, we will pursue innovation of tangible technologies, accumulation of intangible knowledge from experience, and intellectual exploration into new domains, all in relation to energy, air, and water. We will thereby work to strengthen our comprehensive engineering capabilities. We believe that this leads to developing new businesses and finding new customers, as well as to offering solutions to highly specialized customer needs for existing customers. It is our strategy for differentiation.

Through differentiation, we will not only achieve corporate growth but aim to solve social issues. In other words, we will contribute to the achievement of a sustainable society and, as a specific initiative, work

toward becoming carbon neutrality by 2050.



The next slide describes the second pillar of the vision, “Become an Inclusive Global Company by Leveraging Diverse Human Resources and Knowledge.”

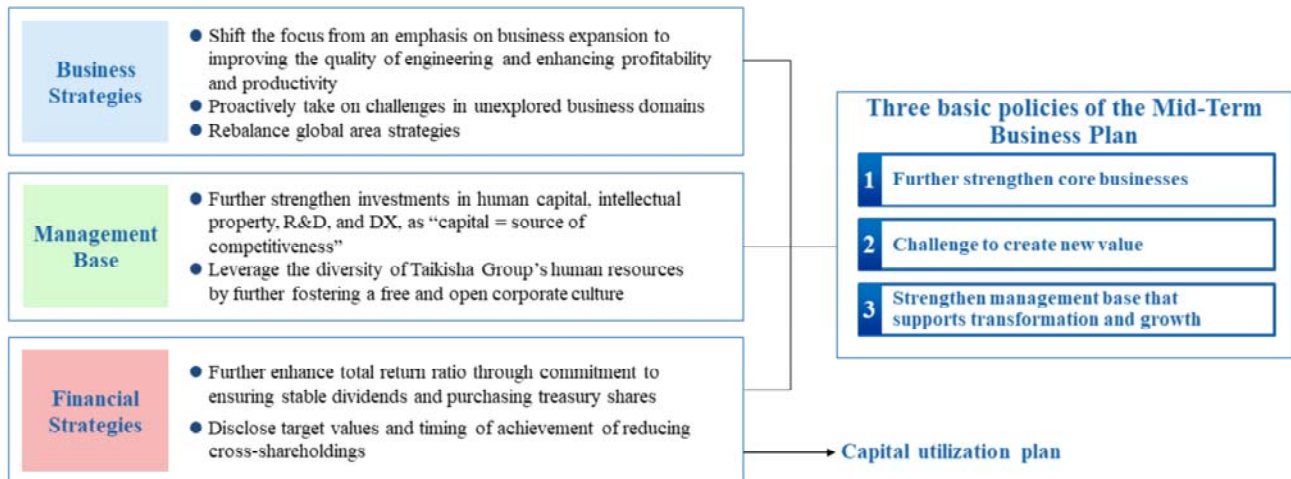
Based on an existing corporate culture, where diversity is embraced, we will create a system that allows each employee to demonstrate their abilities and generate synergy. We thereby aim to be a true global company that can flourish in any country.

In addition, inclusion in Taikisha also means creating new value by integrating diverse internal and external human resources and technologies in business and technology development. We thus aim to be an inclusive company in two senses.

2 Strategies of the Mid-Term Business Plan to Achieve the Long-term Vision



Review the existing business portfolio from the perspectives of “capital efficiency,” “consistency with long-term strategies,” and “affiliated company governance,” to transform into a leaner business structure that can create added value in the long term



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To achieve the long-term vision I have just explained, we will review the existing business portfolio in light of capital efficiency, consistency with long-term strategies, and affiliated company governance. We will transform ourselves into a leaner business structure that can create added value in the long term.

To this end, changes are needed in business strategies, management base, and financial strategies. The basic policies of the new Mid-Term Business Plan are: 1. Further strengthen core businesses, 2. Challenge to create new value, and 3. Strengthen management base that supports transformation and growth. I will explain the details of the basic policies later.

II Mid-Term Business Plan

- ①** Review of the Previous Mid-Term Business Plan
- ②** Market Environment of Existing Businesses
- ③** Basic Policies
- ④** Initiatives based on the Basic Policies

Before going into the new Mid-Term Business Plan, I would like to look back on the previous Mid-Term Business Plan. I will then move on to the market environment for our existing businesses and future initiatives based on the basic policies.

1 Review of the Previous Mid-Term Business Plan (Details of Initiatives)

Three Basic Policies	Major Initiatives	Investment Results
<ol style="list-style-type: none"> 1 Solidify the Company's position in the global market 2 Strengthen initiatives for the future 3 Build an attractive company and establish a solid management base 	<ul style="list-style-type: none"> ● Made Research and Development Center into Demonstration Center ● Expanded Southeast Asia business through establishment of Taikisha Lao Co., Ltd. ● Expanded business domains in the Indian market by investing in Nicomac Clean Rooms Far East LLP ● Expanded automation business through additional investment in Encore Automation LLC ● Expanded plant factory business domain and established our own mass production factory ● Shifted to electronic expense reimbursement ● Formulated and introduced a telework system 	<p>137 hundred million yen</p> <p>※Investment plan: 200 hundred million yen</p>
<ul style="list-style-type: none"> ● We implemented measures to improve our competitiveness and expand business domains ● Through our “building an attractive company” initiative, we have been recognized as a Certified Health & Productivity Management Outstanding Organization for two consecutive years 		

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This slide shows the three basic policies of the previous Mid-Term Business Plan and specific initiatives under each policy.

First, to solidify the Company's position in the global market, we started to conduct demonstrations at the Research and Development Center and expanded business in Southeast Asia by establishing Taikisha Lao Co., Ltd.

Second, to strengthen initiatives for the future, we made a foray into the Indian market by investing in Nicomac Clean Rooms Far East LLP in India and expanded the automation business by making an additional investment in Encore Automation LLC in the United States. We also took measures to enhance competitiveness and expand business domains, such as expanding the plant factory business and establishing our own mass production factory.

Finally, to build an attractive company and establish a solid management base, we endeavored to embrace diverse workstyles such as by shifting to electronic expense reimbursement and formulating and introducing a telework system. As a result, we have been recognized as a Certified Health & Productivity Management Outstanding Organization for two consecutive years as an organization that strategically works on employees' health management from a business management perspective.

The amount of investment totaled 13.7 billion yen over the three years.

2 Market Environment of Existing Businesses



Green Technology System Business

Demand for core businesses remains strong as investment expansion in the semiconductor and data center markets is expected, and plans for ultra large-scale redevelopment projects are expected to continue

Major areas	Market growth potential	Outlook
Electrical and electronic parts factory	↗	Investment expansion will continue due to the global shortage of semiconductors
Chemical and pharmaceuticals and medical equipment manufacturing	↗	Pharmaceuticals manufacturing market will expand against the backdrop of outbreaks of new viral diseases and an increase in elderly population
Data center	↗	Usage will expand due to increased demand for cloud services, etc. and the promotion of DX
Office building (new construction)	→	While there are many ultra large-scale redevelopment projects (until around 2025), the spread of telework will be a headwind in the future
Office building (renewal)	→	Renovation of aging buildings and infrastructure, and building renewal to address infectious disease control and carbon neutrality will increase
Plant factory	→	Will expand moderately due to increased health consciousness, growing commercial needs by restaurants, etc. and expanding demand for fresh vegetables overseas

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Pages 10 and 11 outlines the market environment for our existing businesses that should be taken into account in working on the Mid-Term Business Plan.

The market environment for green technology system business is expected to see robust demand for our core businesses, due to increased investments in the semiconductor and data center markets and ongoing ultra large-scale redevelopment projects.

2 Market Environment of Existing Businesses



Paint Finishing System Business

Demand for core businesses remains strong due to the recovery of the automotive market, which had plunged due to the spread of COVID-19, and investments with an eye on EVs and carbon neutrality

Major areas	Market growth potential	Outlook
Automobile		Production volume in the automotive market as a whole will be on an increasing trend New investments for EVs and additional investments to address carbon neutrality will also increase
Railway and aircraft		Passenger transportation, which has been sluggish due to the impact of COVID-19, is expected to recover
Automation		Automation and control systems will grow steadily due to labor shortages and demand for more sophisticated equipment control

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The market environment for paint finishing system business is also expected to see robust demand for the core businesses. This is because of the recovering automotive, railway, and aircraft markets, which had plunged due to the spread of COVID-19, as well as investments with an eye on EVs and carbon neutrality.

For the outlook for other fields, please see the respective tables for the green technology system business and the paint finishing system business.

1 Further strengthen core businesses

Continuously create added value through pursuit-based problem solving, which is one of our strengths

2 Challenge to create new value

Create innovation and expand business domains by integrating our own technologies with external knowledge

3 Strengthen management base that supports transformation and growth

Undertake initiatives with a focus on human capital, digital strategies, and governance to transform our business structure

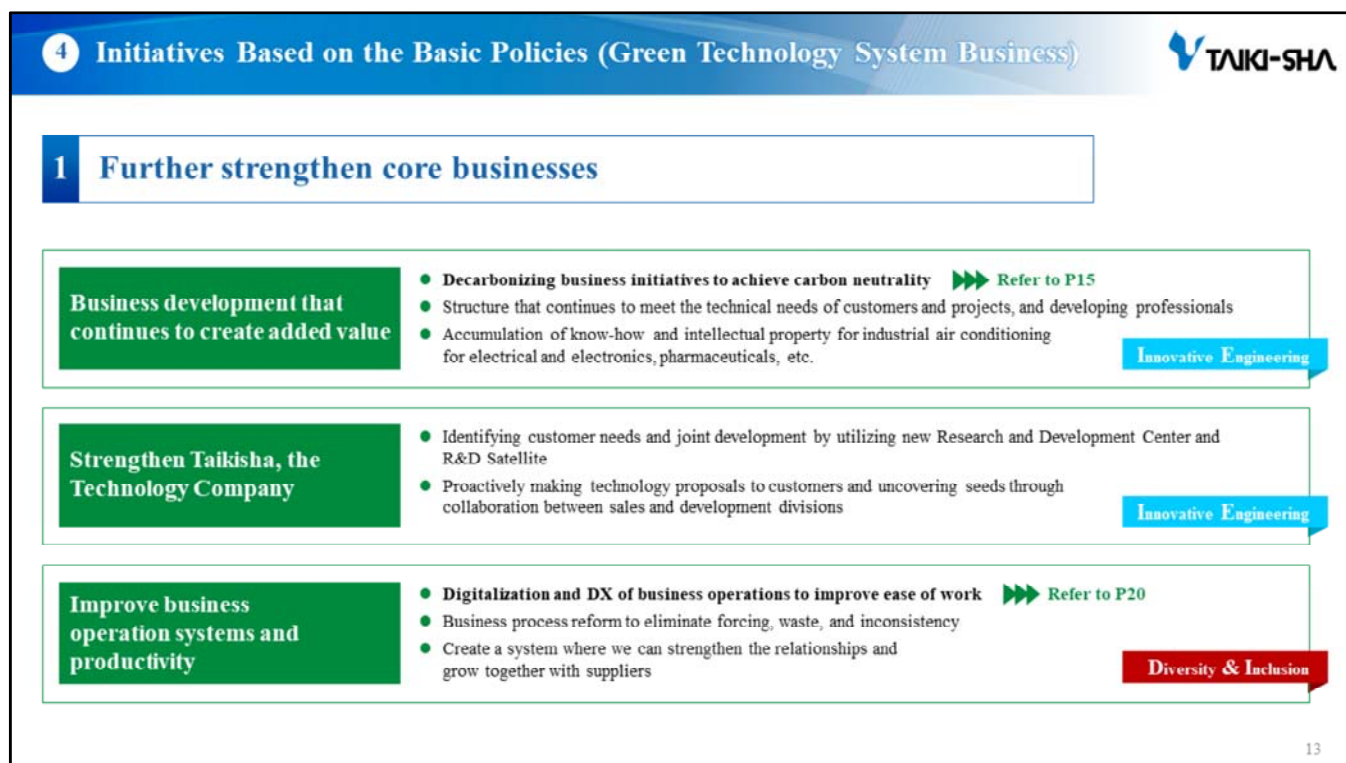
Next, I will go through the basic policies of the Mid-Term Business Plan.

We have been working on initiatives for the future since the period covered by the previous Mid-Term Business Plan, and the market environment suggests buoyant demand for our core businesses. Nevertheless, we believe that further change and growth is necessary to achieve the long-term vision.

We have therefore set out three basic policies of the New Mid-Term Business Plan: 1. Further strengthen core businesses, 2. Challenge to create new value, and 3. Strengthen management base that supports transformation and growth.

Specific initiatives under each policy are described on pages 13

to 20.

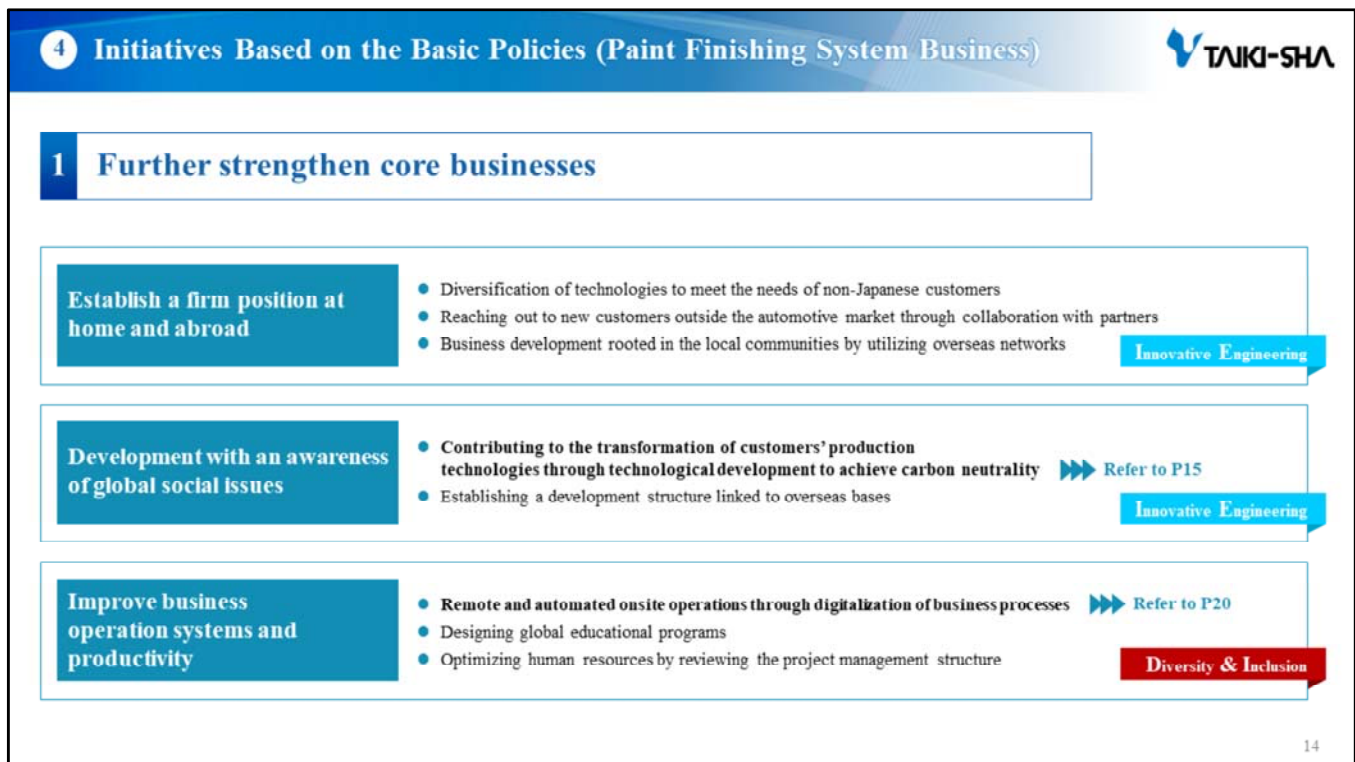


The first basic policy of the Mid-Term Business Plan is to further strengthen core businesses.

The green technology system business aims business development that continues to create added value and promotes business initiatives to decarbonize and achieve carbon neutrality. In addition, we will develop an organizational structure and professionals that continues to meet technological needs, as well as accumulate know-how and intellectual property in the industrial HVAC field.

To strengthen Taikisha, the Technology Company, the new Research and Development Center and R&D Satellite will identify client needs and work on joint development. At the same time, the sales and development divisions will work together to proactively make technology proposals to customers and uncover seeds.

To improve business operation systems and productivity, we will promote digitalization and DX of business operations to improve ease of work; reform of business processes to eliminate forcing, waste, and inconsistency; and creation of a system where we can strengthen the relationships and grow together with our suppliers.



The paint finishing system business aims to establish a firm position at home and abroad. We will diversify our technologies to meet the needs of non-Japanese customers, reach out to new customers outside the automotive market through collaboration with partners, and develop businesses rooted in local communities by utilizing our overseas network.

To develop with an awareness of global social issues, we will help our clients transform their production technologies through technological development. This can contribute to the achievement of carbon neutrality. In addition, we will build a stronger development structure linked to overseas bases.

Finally, to improve business operation systems and productivity, we will digitalize business processes to enable remote and automated onsite operations, design global educational programs, and optimize

human resources by reviewing the project management structure.

Initiatives of Green Technology System Business

Achieve energy savings by **mini-environmental control of HVAC equipment** (small-scale environmental control)



Also applied to the production lines of rechargeable batteries, etc., including semiconductors and all-solid-state batteries

Contribute to a shift to smart factories and smart cities with **energy management technology using ICT** (production follow-up control, predictive maintenance)



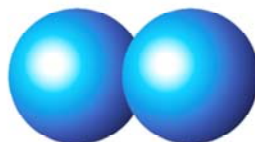
Develop and verify **facilities that do not emit CO₂** and **facilities that can recycle CO₂**

**Initiatives of Paint Finishing System Business**

Downsize facilities through **development of paint finishing machine with high coating efficiency** to achieve energy saving



Develop and verify **equipment with low environmental impact**, such as hydrogen burners



Promote **development of a Paint-free decoration** that emits less CO₂ instead of the conventional Wet coating method



Please see page 15 for examples of initiatives for the achievement of carbon neutrality in core businesses, implemented in the green technology system and paint finishing system businesses respectively.

2 Challenge to create new value

Innovative Engineering



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The second basic policy is to take on the challenge to create new value.

We will formulate and promote management strategies that leverage our own intellectual property and intangible assets. In addition, we will set up R&D Satellites in the Head Office and Branch Offices and identify customer needs, thereby developing from the customers' perspective. Open innovation by sharing knowledge with academic institutions, startups, and other external organizations will facilitate the development of new businesses.

We will create new value by combining and mutually enhancing these elements.

Examples of initiatives
Develop New Businesses

Pursue the potential of establishing businesses in new domains in the future

Recover and utilize CO₂

Direct Air Capture of CO₂ (DAC)
Use in plant growing, etc.

Enrich eating and make eating healthy

Highly functional vegetables
Vegetable-based meat substitutes

Maintain and effectively use water resources

New technology for water treatment and generation (such as MOF)

Solve labor shortages

Fully automated working robots
Construction support robots

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Page 17 illustrates directions of future initiatives in the form of examples of the development of new businesses. We will pursue the potential of establishing businesses in new domains such as CO₂ recovery and utilization, areas related to food, maintenance and effective use of water resources, and solutions of labor shortages.

We are considering and pursuing a variety of other initiatives as well.



The third basic policy is to strengthen management base that supports transformation and growth. To transform the business structure, we will focus on human capital, digital strategies, and strengthening of the governance structure.

Firstly, to develop and secure human capital, we will create an organizational culture that fosters innovation, improve employee engagement, and systematically develop human resources value.

Secondly, to implement digital strategies to provide new value, we will improve productivity through onsite digitalization and DX and establish a global IT and DX structure. In addition, digital technologies will be further integrated into our business to advance R&D and create new businesses.

Lastly, to strengthen the Group governance structure, we will manage business portfolio in light of capital costs and enhance the effectiveness of the board of directors and the auditing functions of our affiliated

companies.

Promote diversity and inclusion to create a structure that brings out and the potential of our “people,” the greatest assets of the Company and facilitates their growth

Create an organizational culture that fosters innovation



- Co-creation by diverse human resources
- Create a workplace that encourages challenge

Improve employee engagement



- Enhance career development system in which employees experience their growth
- Improve the evaluation system and ensure its appropriate operation
- Promote health management

Systematic development of human resource value



- Systematic development of management personnel
- Facilitate increased sophistication of professional personnel
- Activate human resources exchange including overseas

Page 19 illustrates examples of initiatives to develop and secure human capital as mentioned on the previous page. Specifically, we are working to promote diversity and inclusion, bring out the potential of our “people,” the greatest assets of the Company, and facilitate their growth.

Improve productivity through onsite digitalization and DX



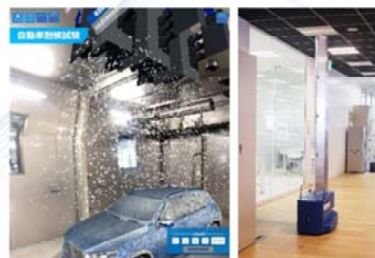
- Apply BIM and various onsite management support tools to practical use
- Build a foundation for utilizing accumulated data

Establish a global IT and DX structure



- Expand onsite digitalization and DX globally from Japan
- Build governance through IT systems

Digital integration for R&D and new business creation



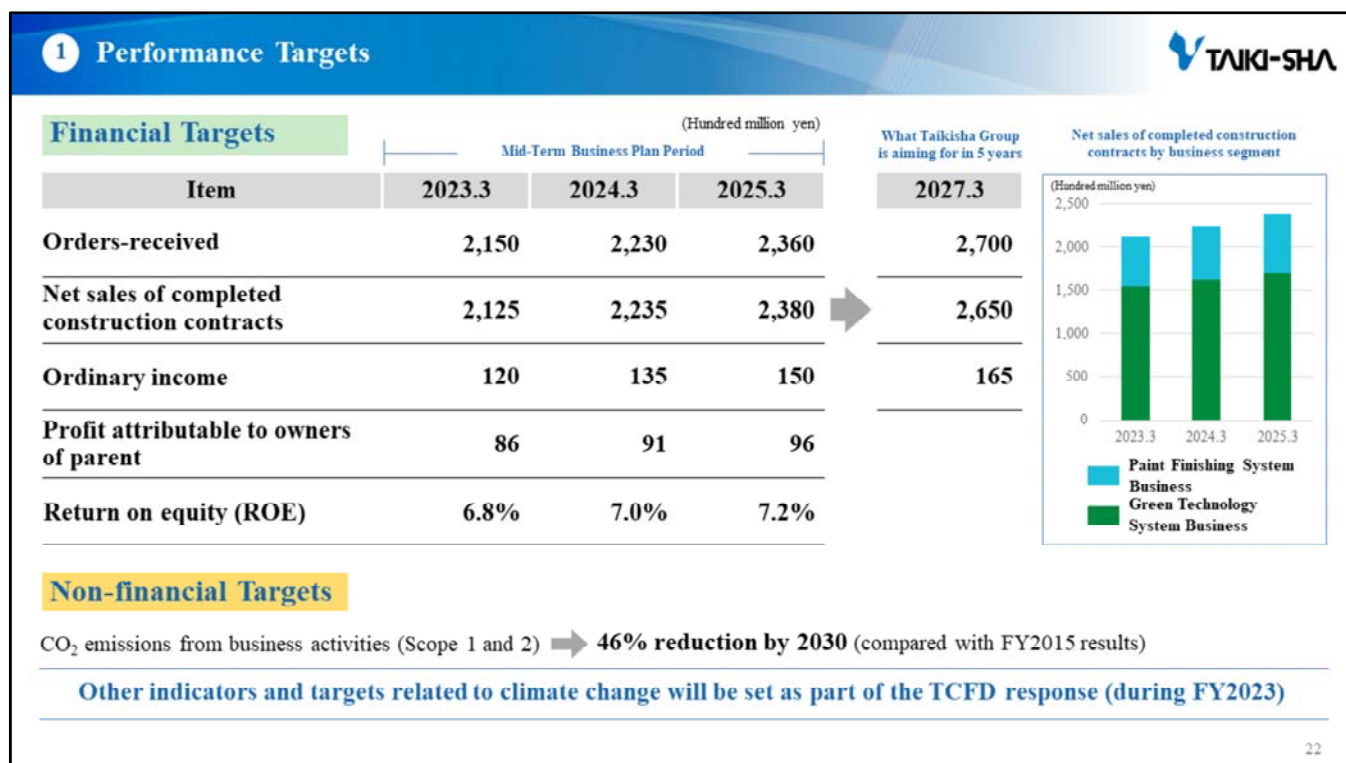
- Speed up and increase sophistication of R&D through robot technology and Digital Twin by also incorporating knowledge from other companies

Please see page 20 for examples of initiatives related to digital strategies to provide new value.

III Quantitative Management Targets

- ① Performance Targets**
- ② Investment Plan**
- ③ Capital Dividend Policy**
- ④ Plan to Reduce Cross-Shareholdings**
- ⑤ Capital Utilization Plan**

From page 21 onward, I will focus on quantitative management targets.



Business performance targets in the new Mid-Term Business Plan are shown on page 22.

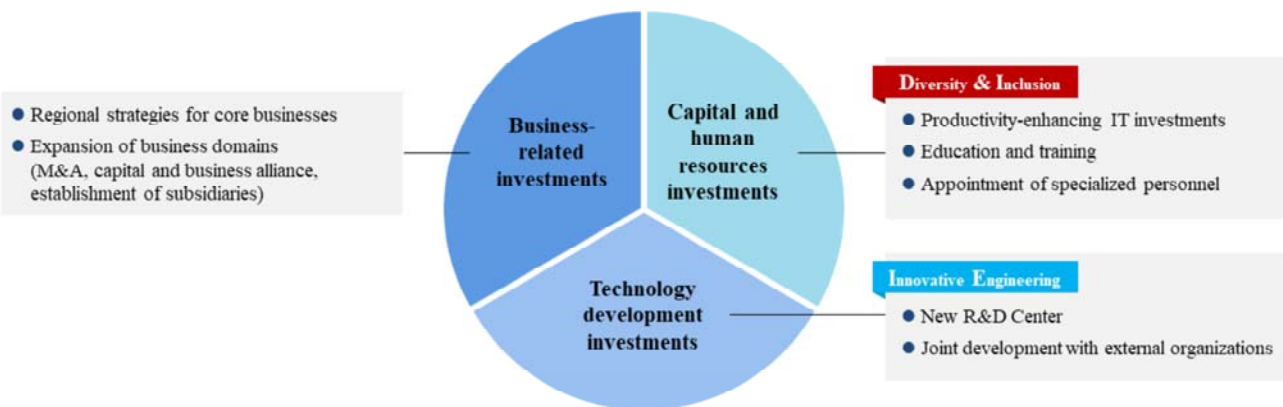
For the fiscal year ending March 31, 2025, the final year of the Plan, we aim to achieve orders-received of 236 billion yen, net sales of completed construction contracts of 238 billion yen, ordinary income of 15 billion yen, and profit attributable to owners of parent of 9.6 billion yen. As for ROE, we aim for 7.2% or higher through capital cost-conscious management.

Please see the bar graphs for net sales of completed construction contracts by business segment for the period covered by the new Mid-Term Business Plan.

For the fiscal year ending March 31, 2027, five years from now, we aim to achieve record high figures for all items. Specific targets are orders-received of 270 billion yen, net sales of completed construction contracts of 265 billion yen, and ordinary income of 16.5 billion yen.

We have also set CO₂ emission reduction targets as non-financial targets. While the targets are only set for Scope 1 and 2 at the moment, we plan to set other indicators and targets as part of the TCFD response during fiscal year 2023.

**Growth investment in the Mid-Term Business Plan period:
200 hundred million yen**



Page 23 outlines our investment plan.

The new Mid-Term Business Plan includes investment in the themes shown in this slide. The amount of investment for growth is expected to be 20 billion yen over the three years.

The three main themes of investment will be business-related, capital and human resources, and technology development.

3 Capital Dividend Policy

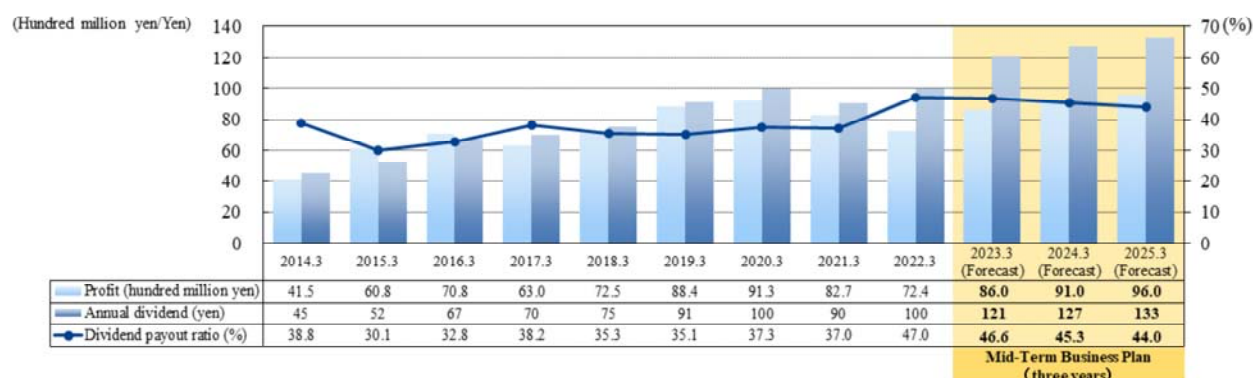


Dividend policy

- We will implement steady dividends targeting a consolidated dividend on equity ratio (DOE) of 3.2%, with profit return to shareholders through dividends as one of our most important measures
- [Basic concept]
DOE 3.2% = Aimed ROE level 8.0% × dividend payout ratio 40%

Purchase of treasury shares

- We will flexibly purchase and retire treasury shares in order to **improve capital efficiency and promptly implement financial policies**. (Aim for roughly 20 hundred million yen per year)



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Page 24 outlines our capital dividend policy.

Our basic dividend policy is to aim for a consolidated dividend on equity ratio (DOE) of 3.2% and pay out steady dividends. While we have not changed the policy of paying out steady dividends, we have introduced the DOE target for steadier dividend payouts.

Equity increases as profit targets for each fiscal year are achieved. The introduction of DOE target is therefore expected to increase the annual dividend per share to 121 yen for the fiscal year ending March 31, 2023, 127 yen for the fiscal year ending March 31, 2024 and 133 yen for the fiscal year ending March 31, 2025.

In addition, we will flexibly purchase and retire treasury shares in order to improve capital efficiency and promptly implement financial policies. The new Mid-Term Business Plan includes purchase of treasury shares of roughly 2 billion yen per year.

4 Plan to Reduce Cross-Shareholdings



Reduce cross-shareholdings to less than 20% of net assets by the second year of the Mid-Term Business Plan ^{Note 1}

Item	Actual value		Planned value	
	2021.3	2022.3	2023.3	2024.3
Proceeds from sale (hundred million yen)	0	14	42 ^{Note 2}	34
Ratio to net assets (%)	27.9%	24.4%	20.7%	17.7%

Note 1: holdings including deemed holdings

Note 2: of which, 16 hundred million yen has been sold between April 1 and May 16, 2022

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Page 25 shows our plan to reduce cross-shareholdings.

By the end of the fiscal year ending March 31, 2024, we plan to reduce cross-shareholdings to less than 20% of net assets.

Selling cross-shareholdings is expected to reduce the ratio to 17.7% of net assets at the end of the fiscal year ending March 31, 2024.

5 Capital Utilization Plan



- In addition to the accumulated profits from the three years covered by the Mid-Term Business Plan, internal reserves will also be used for growth investment
- Aim for a DOE of 3.2%, and further enhance total return ratio, including the purchase of treasury shares



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On page 26 is our capital utilization plan.

We plan to spend the gain from selling cross-shareholdings and internal reserves, in addition to accumulated profits for the three years covered by the new Mid-Term Business Plan, on investment for growth and shareholder returns.

We will aim for a DOE of 3.2% and further increase the total return ratio by purchasing treasury shares and taking

other measures.

Appendix

Materiality of Taikisha Group

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Finally, please take a look at page 28. There is a table showing the relevance between our materiality and strategies in the Mid-Term Business Plan.

			Management and business strategies			Creation of social value					Management infrastructure
			Enhancement of technological competitiveness and ability to innovate	Initiatives for global social issues	Digital innovation and productivity improvement	E Climate change mitigation and adaptation	S Initiatives to prevent pollution and reduce environmental impact	S Securing and developing human resources	G Creation of pleasant working environment	G Highly effective corporate governance	
Strengthening core businesses	Green Technology System Business	Business development that continues to create added value	●			●	●				
		Strengthen Taikisha, the Technology Company	●								
		Improve business operation systems and productivity			●			●	●		
	Paint Finishing System Business	Rebuilding customer portfolio					●				
		Development with an awareness of global social issues	●	●		●	●				
Creating new value		Improve business operation systems and productivity			●			●	●		
		Intellectual property strategy	●								
		R&D / open innovation	●	●		●	●				
Management base		New business creation		●		●	●				
		Develop and secure human capital			●			●	●		●
		Digital strategies to provide new value			●			●	●		●
		Strengthen the Group governance structure								●	●

This concludes my briefing on the Mid-Term Business Plan.