



## Please describe the business environment surrounding the Company and the business results for the year ended March 31, 2020.



Regarding the business environment surrounding Taikisha group, in Japanese market, manufacturers of electronic parts were in a correction phase by the influence of the US China trade friction. However,

demands remained firm due to the construction investments of office buildings in central Tokyo and investments for equipment by pharmaceutical manufacturers.

On the other hand, regarding overseas market, although demands by manufacturers of electronic parts in Philippines and by manufacturers of automobile in North America remained strong, some automakers postponed capital investment as the world economy slowed down.

Under such circumstances, the orders-received of the whole group decreased by 14.9 billion yen to 226.9 billion yen.

Of this, the orders-received of Green Technology System Division totally increased by 1.9 billion yen to 160.5 billion yen because the figure for Building HVAC in Japan increased and the figure for overseas increased in the Philippines and Thailand and so on, although that of Industrial HVACs was a reactionary fall after the large-scale projects in FY2018.

On the other hand, the orders-received of Paint Finishing System Division totally decreased by 16.9 billion yen to 66.3 billion yen because of a reactionary fall after the large-scale projects in Europe in FY2018 although the order-received in North America increased.

Also, the sales of the Taikisha group leveled off and amounted to 225.3 billion yen.

Of this, the sales of Green Technology System Division totally increased by 8.2 billion yen to 157.3 billion yen because the completed construction of redevelopment projects in central Tokyo increased, and also the net sales of Industrial HVAC increased, despite decline of the overseas sales in some areas such as Thailand.

On the other hand, the sales of Paint Finishing System Division decreased by 8.2 billion yen to 68 billion yen because the sales in Japan increased but those in North America, Russia decreased.

The ordinary income of Taikisha group amounted to 159 billion yen with an increase of 0.9 billion yen.

Of this, the ordinary income of Green Technology System Division increased by 0.3 billion yen to 13.8 billion yen because of the increase in the net sales of completed construction contracts by capturing abundant demand in Japan.

The ordinary income of Paint Finishing System Division increased by 1.1 billion yen to 2.8 billion yen. It is because that, in FY2018, profitability deteriorated due to the project in North America in the second quarter of FY2018, and the effect disappeared at this time.

Regarding profit attributable to owners of parent, although gain on sales of investment securities was reported as extraordinary income, extraordinary income and losses recorded negative because amortization of goodwill was reported extraordinary losses.

Furthermore, income taxes-deferred increased due to reversal of deferred tax assets on overseas affiliates, so the profit attributable to owners of parent increased by 0.2 billion yen to 9.1 billion yen. In addition, gross profit on completed construction contracts, operating income, ordinary income, and profit attributable to owners of the parent all reached record highs.

### Achievements in FY2019

(Hundred millions of yen)

	Results of FY2018	Results of FY2019	Difference
Orders-received	2,418	2,269	-149
Net sales of completed construction contracts	2,254	2,253	-0
Ordinary income	150	159	9
(Ratio)	6.7%	7.1%	0.4%
Profit attributable to owners of parent	88	91	2
(Ratio)	3.9%	4.1%	0.1%



## Please describe the business environment and business forecasts for the fiscal year ending March 31, 2021.



First of all, the orders-received of the whole group is estimated to decrease 24.9 billion yen to 202.0 billion yen.

Regarding the outlook for business environment, demands for construction of office buildings in central Tokyo is expected to remain firm for middle to long term,

for example renovation or rebuilding of buildings with old anti-seismic standards and redevelopment projects. But it is appeared movement to postpone the investment in short term due to spread of COVID-19 infection.

Also, in the field of Industrial HVAC in Japan and overseas, each manufacturer is estimated to continue in a correction phase

by the influence of decrease in demand for final products due to economic downturn due to spread of COVID-19 infection.

Regarding Paint Finishing System Division, the forecast amount of orders-received for the current fiscal year is expected to be a reactionary rise by the effect of delaying the investment timing of some projects in the previous fiscal year.

The net sales completed construction contracts of the whole group is estimated to decrease 22.3 billion yen to 203.0 billion yen.

In the field of Building HVAC, there is estimated to be a reactionary fall due to large-scale redevelopment projects completed in the previous fiscal year.

Also, regarding Industrial HVAC in Japan, there is estimated to be a reactionary fall due to the progress of construction of large-scale projects in the first period of previous fiscal year.

Overseas, both in the field of Industrial HVAC and Paint Finishing System, there is estimated to be a decrease because of the progress of construction due to spread of COVID-19 infection in the first half of current fiscal year.

The ordinary income of the whole group is estimated to decrease 3.9 billion yen to 12.0 billion yen.

Green Technology System Division is estimated to be down in income because the net sales of completed construction contracts drastically decrease compared to the previous fiscal year.

Paint Finishing System Division is estimated to be down in income because the profitability decrease by increase of the projects in region that competition environment is comparatively severe

Profit attributable to owners of parent is estimated to decrease 1.1 billion yen to 8.0 billion yen.

### Earnings Forecast for FY2020 (Orders received)

(Hundred millions of yen)

	FY2019 (Results) A			FY2020 (Expectation) B			Difference B-A		
	H1	H2	Total	H1(E)	H2(E)	Total(E)	H1(E)	H2(E)	Total(E)
<b>Orders-received</b>	1,184	1,084	2,269	900	1,120	2,020	-284	35	-249
(Japan)	(666)	(579)	(1,245)	(407)	(628)	(1,035)	(-259)	(48)	(-210)
(Overseas)	(518)	(504)	(1,023)	(493)	(492)	(985)	(-25)	(-12)	(-38)
<b>Green Technology</b>	786	819	1,605	550	750	1,300	-236	-69	-305
Building HVAC	235	241	477	104	251	355	-131	9	-122
Industrial HVAC	550	577	1,127	446	499	945	-104	-78	-182
(Japan)	(360)	(271)	(632)	(249)	(309)	(558)	(-111)	(37)	(-74)
(Overseas)	(189)	(305)	(495)	(197)	(190)	(387)	(7)	(-115)	(-108)
<b>Paint Finishing</b>	398	265	663	350	370	720	-48	104	56
(Japan)	(69)	(66)	(136)	(54)	(68)	(122)	(-15)	(1)	(-14)
(Overseas)	(328)	(199)	(527)	(296)	(302)	(598)	(-32)	(102)	(70)

### Earnings Forecast for FY2020 (Sales)

(Hundred millions of yen)

	FY2019 (Results) A			FY2020 (Expectation) B			Difference B-A		
	H1	H2	Total	H1(E)	H2(E)	Total(E)	H1(E)	H2(E)	Total(E)
<b>Net sales of completed construction contracts</b>	1,049	1,204	2,253	805	1,225	2,030	-244	20	-223
(Japan)	(642)	(680)	(1,323)	(480)	(572)	(1,052)	(-162)	(-108)	(-271)
(Overseas)	(407)	(523)	(930)	(325)	(653)	(978)	(-82)	(129)	(47)
<b>Green Technology</b>	761	812	1,573	565	735	1,300	-196	-77	-273
Building HVAC	251	298	549	166	194	360	-85	-104	-189
Industrial HVAC	510	513	1,024	399	541	940	-111	27	-84
(Japan)	(334)	(300)	(634)	(264)	(294)	(558)	(-70)	(-6)	(-76)
(Overseas)	(176)	(213)	(389)	(135)	(247)	(382)	(-41)	(33)	(-7)
<b>Paint Finishing</b>	288	391	680	240	490	730	-48	98	49
(Japan)	(57)	(81)	(139)	(50)	(84)	(134)	(-7)	(2)	(-5)
(Overseas)	(230)	(309)	(540)	(190)	(406)	(596)	(-40)	(96)	(55)

### Earnings Forecast for FY2020 (Profit)

(Hundred millions of yen)

	FY2019 (Results) A			FY2020 (Expectation) B			Difference B-A		
	H1	H2	Total	H1(E)	H2(E)	Total(E)	H1(E)	H2(E)	Total(E)
<b>Ordinary income</b>	76	83	159	39	81	120	-37	-2	-39
(Ratio)	7.3%	6.9%	7.1%	4.8%	6.6%	5.9%	-2.5%	-0.3%	-1.2%
<b>Green Technology</b>	74	64	138	44	64	108	-30	-0	-30
(Ratio)	9.8%	7.9%	8.8%	7.8%	8.7%	8.3%	-2.0%	0.8%	-0.5%
<b>Paint Finishing</b>	5	22	28	-8	21	13	-13	-1	-15
(Ratio)	1.8%	5.8%	4.1%	-3.3%	4.3%	1.8%	-5.2%	-1.6%	-2.4%
<b>Profit attributable to owners of parent</b>	53	37	91	29	51	80	-24	13	-11
(Ratio)	5.1%	3.1%	4.1%	3.6%	4.2%	3.9%	-1.5%	1.0%	-0.1%



## Please explain your initiatives to achieve the earnings forecasts for the fiscal year ending March 31, 2021.



Taikisha will steadily implement following each measure in accordance with the Basic Policy of the Mid-Term Business Plan.

Please see below for the main initiatives underway in each strategy.

Strategy	Main initiative in progress
<b>Enhance added value</b> – Energy-saving, cost-saving and environment-responsive technology and automation technology, etc.	<b>Develop and commercialize the paint system that remarkably improves coating efficiency</b> Taikisha is promoting to develop and to commercialize the paint system that remarkably improves coating efficiency related to reduce CO <sub>2</sub> emissions.
<b>Upgrade and utilize laboratories</b> – Reinforce technological development capabilities and strengthen proposal capabilities through the visualization of technology	<b>Reconstruct Research and Development Center as demonstration center</b> Taikisha is considering reconstruction of Research and Development Center as inspection facility to propose customers to technologies related to Green Technology System Division.
<b>Utilize IoT-AI</b> – Promote the development of new solutions	<b>Develop and commercialize predictive maintenance system in factories</b> Taikisha is promoting business activity to expand introduction of i-Navistar. (an IoT and AI-based root cause analysis system for analyzing causes of suspended operation and quality defects on automotive paint)
<b>Enhance productivity</b>	<b>Develop the automation system to draw the design and to estimate</b> Taikisha is developing the automation system to draw the design and to estimate.
<b>Expand new businesses</b> – The plant factory business and the paint finishing system business for large vehicles other than automobiles	<b>Construct Taikisha's own plant factory</b> Taikisha is considering establishment and demonstration of mass-production and automation technology, additionally construction of the facility to propose to customers.
<b>Expand business areas into new countries</b>	<b>Develop and commercialize automated polishing system for aircraft and railway cars</b> Taikisha is promoting business activities and technology demonstration for order-receiving the first project.
<b>Secure human resources</b> – Measures to make the Company more attractive including the enhancement of systems to enable flexible work styles, improvement of benefits and reduction of working hours	<b>Consider establishing affiliates in new countries</b> Taikisha is considering establishing the new affiliates in the area that is expected to invest.
<b>Reinforce human capital and organizational capabilities through the utilization of diverse human resources</b>	<b>Reconsider nursing and childcare leave</b> Taikisha is considering extension of leave, and arrangement of taking enough leave as needed.
<b>Reinforce corporate governance</b> – Reinforcement of the management oversight functions of the Board of Directors and capital cost-conscious management	<b>Response to legal revisions regarding "Equal Pay for Equal Work"</b> Based on the point of revised law, Taikisha reconsidered treatment difference between non-regular employees and regular employees. Taikisha will continue to deal with reconsidering treatment.
<b>Reinforce the internal control system both in Japan and overseas</b>	<b>Utilize of diverse human resources</b> To promote women's career advancement, female employees can take flexible leave according to life event. And Taikisha provides job training guidance for employees reinstated. Also, Taikisha is considering correspondence of employment until 70, which the Japanese Government promotes.
<b>Improve the global risk management system</b> – Legal risks, information security, compliance, etc.	<b>Deepen consideration about capital cost, capital and shareholders returns policy</b> To aim for increase corporate value, Taikisha is promoting capital cost-conscious management, consideration about capital and shareholders returns policy.
	<b>Reinforce the internal control system related IT</b> Taikisha is considering reinforcing internal control system to maintain and supervise IT in the entire group.
	<b>Reinforce the global information security measure</b> Taikisha is considering reinforcing information security measure in overseas affiliates.



## What is your policy on shareholders returns?

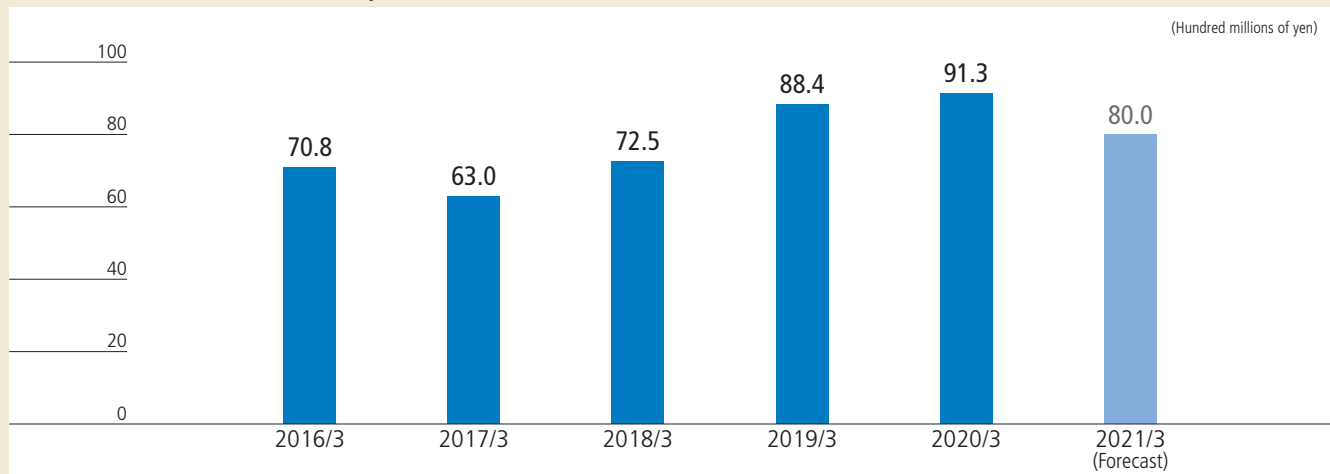


One of the most important policies is to return profits to shareholders through profit dividends, and the basic policy is to implement steady dividends by targeting a consolidated dividend payout ratio of 35%. Regarding the estimated annual dividend for the fiscal year ending March 31, 2021, it is 90 yen per share, considering comprehensively the results and this policy.

In addition, I would like to explain about the purchase and retirement of treasury shares.

Our basic policy is to purchase and retire treasury stock flexibly in order to improve capital efficiency and promptly implement financial policies.

### Profit attributable to owners of parent



### Dividends per Share

