



This photo shows the world heritage of Lao People's Democratic Republic with our overseas affiliate. It is Wat Xieng Thong, a temple in Luang Phabang.

## **FY2019 Financial Results Briefing**



**May 22, 2020**

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## Financial Highlights

- 1 . Business environment and achievements for FY2019
- 2 . Earning forecast and action for FY2020

**Thank you for your continuous support of Taikisha Group.**

**This slide shows the business environment and our achievements for FY2019, and our earnings forecast and action for FY2020.**

# **1 Business environment and achievements for FY2019**

## **Business Environment**

### **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.

### **Overseas market**

Although demands by manufacturers of electronic parts in Philippines and by manufacturers of automobile in North America remained strong, some automakers have postponed capital investment as the slowing of the world economy has been growing.

**At first, 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 have postponed capital investment as the slowing of the world economy has been growing.**

# 1 Business environment and achievements for FY2019

## Consolidated performance

(Hundred millions of yen)

	Original Expectation	FY2019 (Result)	Difference
Orders-received	2,398	2,269	-128
Net sales of completed construction	2,390	2,253	-136
Ordinary income	153	159	6
(Ratio)	6.4%	7.1%	0.7%
Profit attributable to owners of parent	97	91	-5
(Ratio)	4.1%	4.1%	-0.0%

- The orders-received of the whole Group fell below the original expectation because the order for project we had planned to receive was postponed in Paint Finishing System Division.
- The sales fell below the original expectation because the order-received of Paint Finishing System Division fell below.
- The ordinary income exceeded the original expectation because profitability improved from the original expectation.
- 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 of Geico was reported extraordinary losses. Furthermore, income taxes-deferred increased due to reversal of deferred tax assets on overseas affiliates, so the profit attribute to owners of parent fell below the original expectation.
- The annual dividend of FY2019 is 100yen per share according the original expectation.(the dividend payout ratio:37.3%)

Regarding the orders-received, the orders-received of the whole Group fell below the original expectation because the order for project we had planned to receive was postponed in Paint Finishing System Division.

Also, the sales fell below the original expectation because the order-received of Paint Finishing System Division fell below.

On the other hand, the ordinary income exceeded the original expectation because profitability improved from the original expectation.

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 of Geico was reported extraordinary losses. Furthermore, income taxes-deferred increased due to reversal of deferred tax assets on overseas affiliates, so the profit attribute to owners of parent fell below the original expectation.

In the current fiscal year, the profit attributable to owners of parent fell below the original expectation, however the annual dividend of FY2019 is 100 yen per share according the original expectation. As a result, the dividend payout ratio has become 37.3%.

## 2 Earning forecast and action FY2020

### Earning forecast

It is difficult to estimate that the degree of impact and period on business performance due to COVID-19. So the earning forecast for FY2020 has not yet been decided at this time.

Regarding the earning forecast, it is promptly going to be disclosed when it becomes clear.

**Next, earning forecast and action FY2020 is showed.**

**Regarding the outlook for the global economy and market environment of Taikisha Group, the future outlook is very uncertain because the timing of COVID-19 settling and its effects on the Japanese and global economy are unforeseeing.**

**Under these circumstances, it is difficult to estimate that the degree of impact and period on business performance because there are impacts on customers investments for equipment due to the reduction of products demand and effects on construction activities due to efforts to prevent the spread of infection and to ensure the safety of employees and the parties concerned.**

**So the earning forecast cannot be rationally estimated, and as a result, the earning forecast for FY2020 has not yet been decided at this time.**

**Regarding the earning forecast, it is promptly going to be disclosed when it becomes clear.**



## **Explanation about FY2019**

### **① Highlight of FY2019**

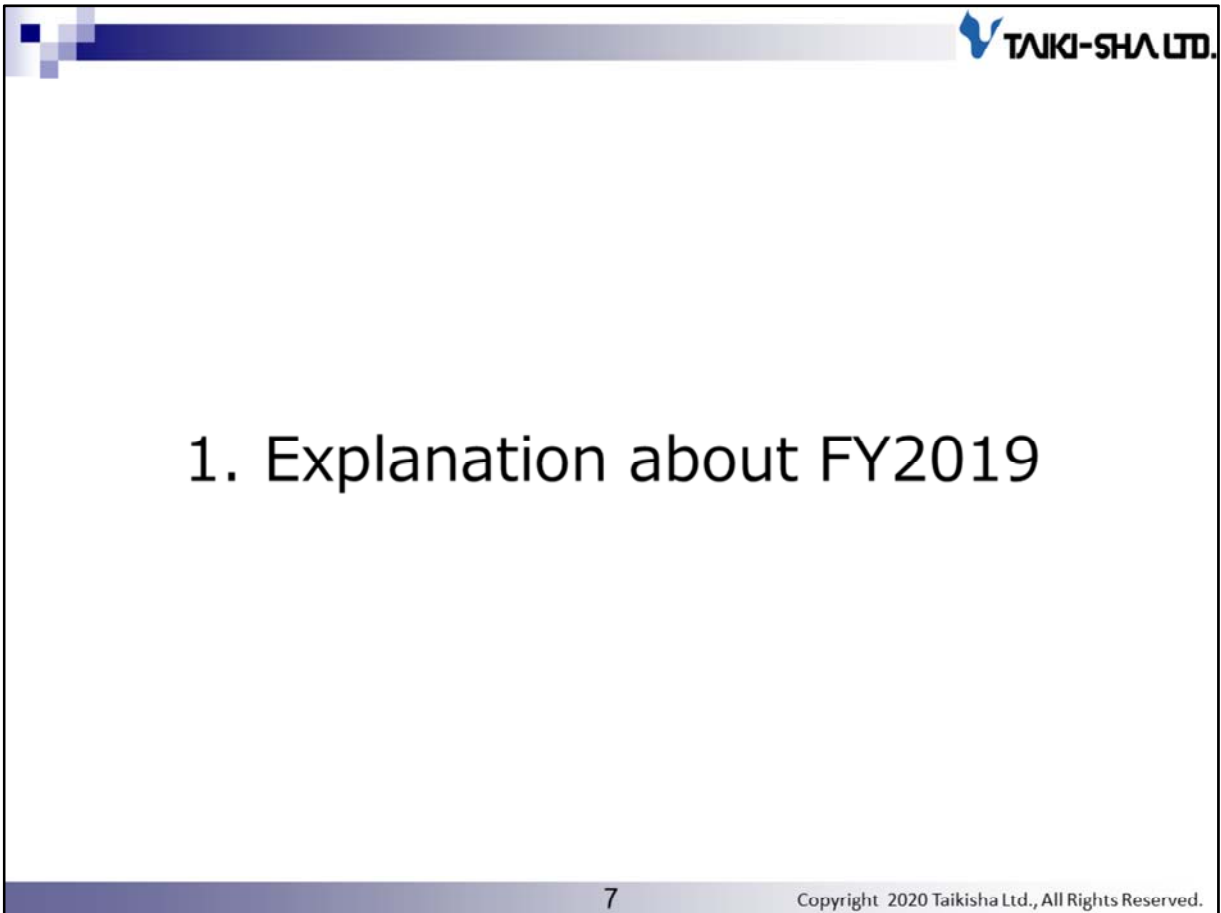
### **④ Main projects in Order/ Sales / Carried forward**

### **② Results of Green Technology System Division**

### **⑤ Shareholders Returns**

### **③ Results of Paint Finishing System Division**

1. The mention numerical value is in principle consolidated basis. In the case of non-consolidated basis, it is noted on the title of the page.
2. Achievements numerical value is in principle a business amount of money for the external customers. Only about operating income and ordinary income according to the segment, it becomes the numerical value including the intersegment turnover.
3. The forecasted figures are based on available information as of the date of this announcement. It includes economic trends, intense competition in the industry, market demand, exchange rate, reforms of the tax system and various systems, and various other risks and uncertainties. Therefore, please note that actual results may differ from our expectations.



**From this slide, the explanation about FY2019 is showed.**



# 1 Highlight of FY2019

## 1-①. Orders-received by Division (previous year comparison)

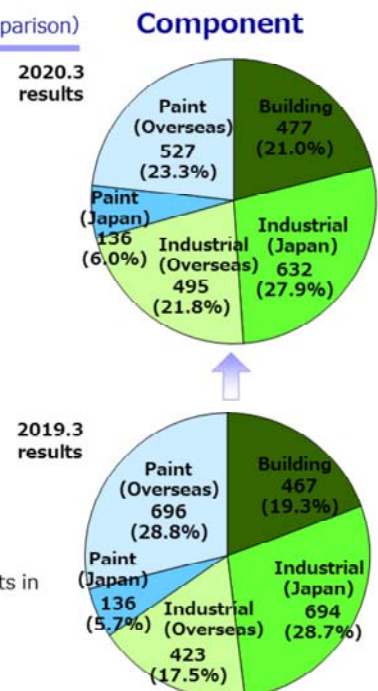
	(Hundred millions of yen)		
	2019.3	2020.3	Change
<b>Orders-received</b>	<b>2,418</b>	<b>2,269</b>	<b>-149</b>
(Japan)	(1,298)	(1,245)	(-52)
(Overseas)	(1,120)	(1,023)	(-97)
Green Technology	1,585	1,605	19
Building HVAC	467	477	10
Industrial HVAC	1,118	1,127	9
(Japan)	(694)	(632)	(-62)
(Overseas)	(423)	(495)	(71)
Paint Finishing	833	663	-169
(Japan)	(136)	(136)	(-0)
(Overseas)	(696)	(527)	(-168)

(Green Technology System Division)

•In the Industrial HVACs in Japan, a reactionary fall after the large-scale projects in FY2018.

(Paint Finishing System Division)

•A reactionary fall after the large-scale projects in Europe in FY2018.



This slide shows a comparison between the order-received by division in FY2019 and those in FY2018.

The orders-received of the whole group decreased 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.

Also, 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.



# 1 Highlight of FY2019

## 1-②. Orders-received by Division (Expected comparison)

(Hundred millions of yen)

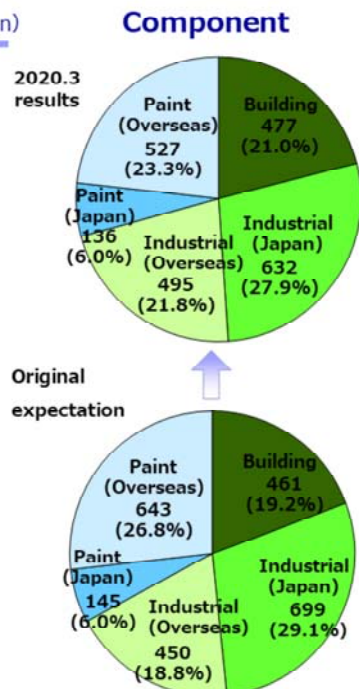
	Original expectation A	Results B	Difference B-A
<b>Orders-received</b>	<b>2,398</b>	<b>2,269</b>	<b>-128</b>
(Japan)	(1,305)	(1,245)	(-59)
(Overseas)	(1,093)	(1,023)	(-69)
<b>Green Technology</b>	<b>1,610</b>	<b>1,605</b>	<b>-4</b>
Building HVAC	461	477	16
Industrial HVAC	1,149	1,127	-21
(Japan)	(699)	(632)	(-66)
(Overseas)	(450)	(495)	(45)
<b>Paint Finishing</b>	<b>788</b>	<b>663</b>	<b>-124</b>
(Japan)	(145)	(136)	(-8)
(Overseas)	(643)	(527)	(-115)

### (Green Technology System Division)

•The order-received fell below the original expectation by 0.4 billion yen because order-received fell below the original expectation in Industrial HVAC in Japan.

### (Paint Finishing System Division)

•The order-received fell below the original expectation because the order for a project planned to receive was postponed.



This slide shows a expected comparison of orders-received with the original expectation.

The orders-received of Taikisha group fell below the original expectation by 12.8 billion yen.

Of this, the orders-received of the whole Green Technology System Division fell below the original expectation by 0.4 billion yen because the order-received for Industrial HVAC fell below although the order-received for Building HVAC and Industrial HVAC overseas.

Also, the order-received of Paint Finishing System Division fell below the original expectation by 12.4 billion yen because the order for a project planned to receive was postponed.

# 1 Highlight of FY2019

## 2-①. Sales by Division (previous year comparison)

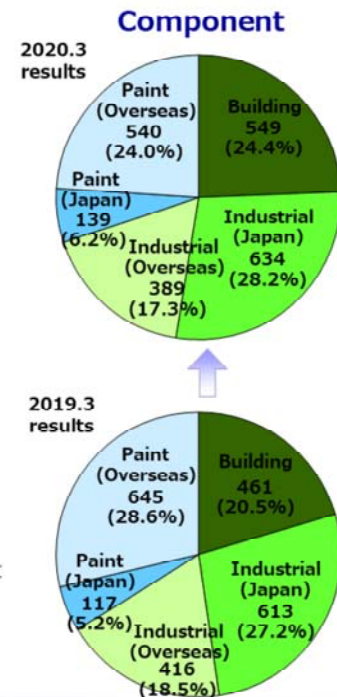
	(Hundred millions of yen)		
	2019.3	2020.3	Change
<b>Net sales of completed construction contracts</b>	<b>2,254</b>	<b>2,253</b>	<b>-0</b>
(Japan)	(1,192)	(1,323)	(130)
(Overseas)	(1,061)	(930)	(-131)
Green Technology	1,491	1,573	82
Building HVAC	461	549	88
Industrial HVAC	1,030	1,024	-5
(Japan)	(613)	(634)	(20)
(Overseas)	(416)	(389)	(-26)
Paint Finishing	762	680	-82
(Japan)	(117)	(139)	(22)
(Overseas)	(645)	(540)	(-104)

(Green Technology System Division)

•The sales totally increased because the completed construction of redevelopment projects in central Tokyo increased.

(Paint Finishing System Division)

•The sales decreased because those in North America and Russia decreased.



This slide shows a comparison between the net sales of completed construction contracts by division in FY2019 and those in FY2018.

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.

# 1 Highlight of FY2019

## 2-②.Sales by Division (expected comparison)

(Hundred millions of yen)

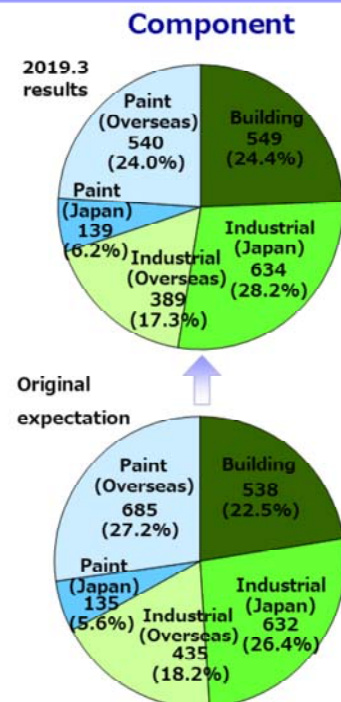
	Original expectation A	Results B	Difference B-A
<b>Net sales of completed construction contracts</b>	<b>2,390</b>	<b>2,253</b>	<b>-136</b>
(Japan)	(1,305)	(1,323)	(18)
(Overseas)	(1,085)	(930)	(-154)
<b>Green Technology</b>	<b>1,605</b>	<b>1,573</b>	<b>-31</b>
Building HVAC	538	549	11
Industrial HVAC	1,067	1,024	-42
(Japan)	(632)	(634)	(2)
(Overseas)	(435)	(389)	(-45)
<b>Paint Finishing</b>	<b>785</b>	<b>680</b>	<b>-104</b>
(Japan)	(135)	(139)	(4)
(Overseas)	(650)	(540)	(-109)

(Green Technology System Division)

•The overseas sales fell below the original expectation, as a result, the sales of the whole Green Technology System Division fell below.

(Paint Finishing System Division)

•The sales fell below the original expectation because the orders-received fell below the original expectation.



This slide shows a expected comparison of the net sales completed construction contracts with the original expectation.

The sales of the whole Group fell below the original expectation by 13.6 billion yen.

Of the sales, the net sales of Building HVAC and Industrial HVAC in Japan exceeded the original expectation, but the overseas sales fell below the original expectation, as a result the net sales of the whole Green Technology System Division fell below the original expectation by 3.1 billion yen to 157.3 billion yen.

On the other hand, the net sales of the Paint Finishing System Division fell below the original expectation by 10.4 billion yen to 68 billion yen, because the orders-received fell below the original expectation, and so on.

# 1 Highlight of FY2019

## 3-①. Profit by Division (previous year comparison)

(Hundred millions of yen)

	2019.3	2020.3	Change
<b>Operating income</b>	<b>140</b>	<b>154</b>	<b>14</b>
(Ratio)	6.2%	6.9%	0.6%
<b>Green Technology</b>	<b>131</b>	<b>135</b>	<b>3</b>
(Ratio)	8.8%	8.6%	-0.2%
<b>Paint Finishing</b>	<b>14</b>	<b>27</b>	<b>12</b>
(Ratio)	2.0%	4.1%	2.1%
<b>Ordinary income</b>	<b>150</b>	<b>159</b>	<b>9</b>
(Ratio)	6.7%	7.1%	0.4%
<b>Green Technology</b>	<b>135</b>	<b>138</b>	<b>3</b>
(Ratio)	9.1%	8.8%	-0.3%
<b>Paint Finishing</b>	<b>16</b>	<b>28</b>	<b>11</b>
(Ratio)	2.2%	4.1%	1.9%

(Green Technology System Division)

•The ordinary income increased because of the increase in the net sales of completed construction contracts by capturing abundant demand in Japan.

(Paint Finishing System Division)

•The ordinary income of Paint Finishing System Division increased by 1.1 billion yen to 2.8 billion yen. In the first half of FY2018, profitability deteriorated due to the project in North America in the second quarter of FY2018, but that effect disappeared.

This slide shows a comparison between the profit by division in FY2019 and those in FY2018.

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.



# 1 Highlight of FY2019

## 3-②. Profit by Division (Expected comparison)

(Hundred millions of yen)

	Original expectation A	Results B	Difference B-A
<b>Operating income</b>	146	154	8
(Ratio)	6.1%	6.9%	0.7%
<b>Green Technology</b>	134	135	1
(Ratio)	8.3%	8.6%	0.2%
<b>Paint Finishing</b>	21	27	6
(Ratio)	2.7%	4.1%	1.4%
<b>Ordinary income</b>	153	159	6
(Ratio)	6.4%	7.1%	0.7%
<b>Green Technology</b>	137	138	1
(Ratio)	8.5%	8.8%	0.3%
<b>Paint Finishing</b>	21	28	7
(Ratio)	2.7%	4.1%	1.5%

•In the both business, the net sales of completed construction contracts fell below the original expectation, however the ordinary income exceeded the original expectation due to improvement of profitability.

**This slide shows a comparison between the expectation of profits and the actual profits in FY2019.**

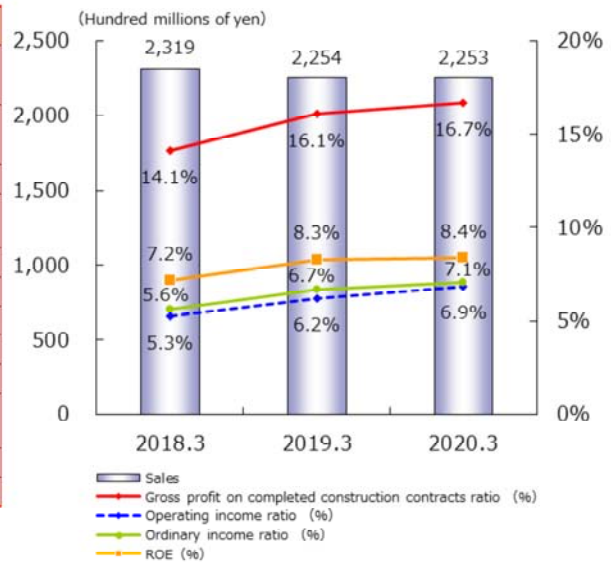
**The ordinary income of Taikisha group exceed the original expectation.**

**In the both division, the net sales of completed construction contracts fell below the original expectation, however the ordinary income exceeded the original expectation due to improvement of profitability.**

# 1 Highlight of FY2019

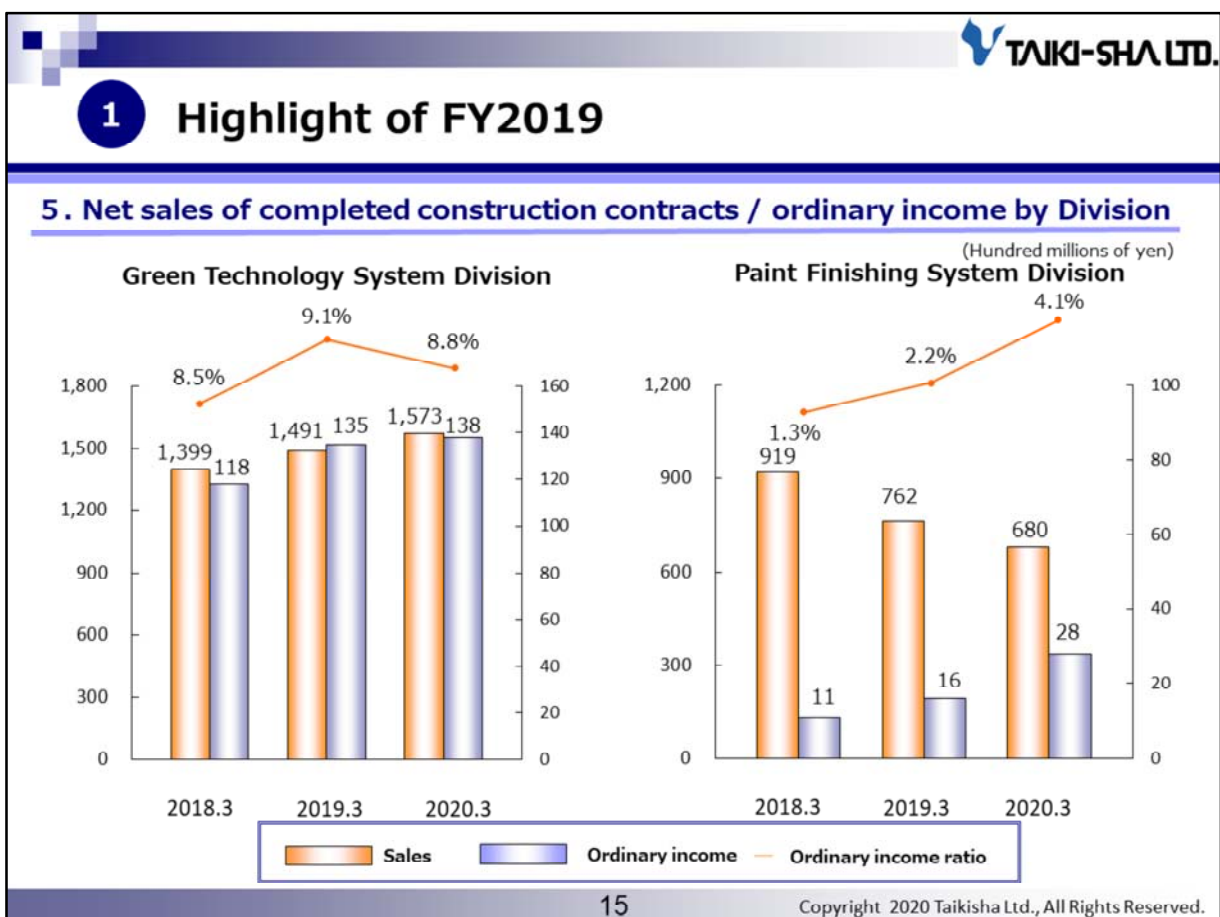
## 4. Consolidated Income Statement

	(Hundred millions of yen)		
	2018.3	2019.3	2020.3
Net sales of completed construction contracts	2,318	2,254	2,253
Gross profit on completed construction contracts	327	362	376
(Ratio)	14.1%	16.1%	16.7%
Selling, general and administrative expenses	205	222	222
(Ratio)	8.9%	9.9%	9.9%
Operating income	121	140	154
(Ratio)	5.3%	6.2%	6.9%
Ordinary income	130	150	159
(Ratio)	5.6%	6.7%	7.1%
Profit attributable to owners of parent	72	88	91
(Ratio)	3.1%	3.9%	4.1%
ROE	7.2%	8.3%	8.4%



This slide shows income data for the past three fiscal years.

ROE exceeded 8%, continued from FY2018.

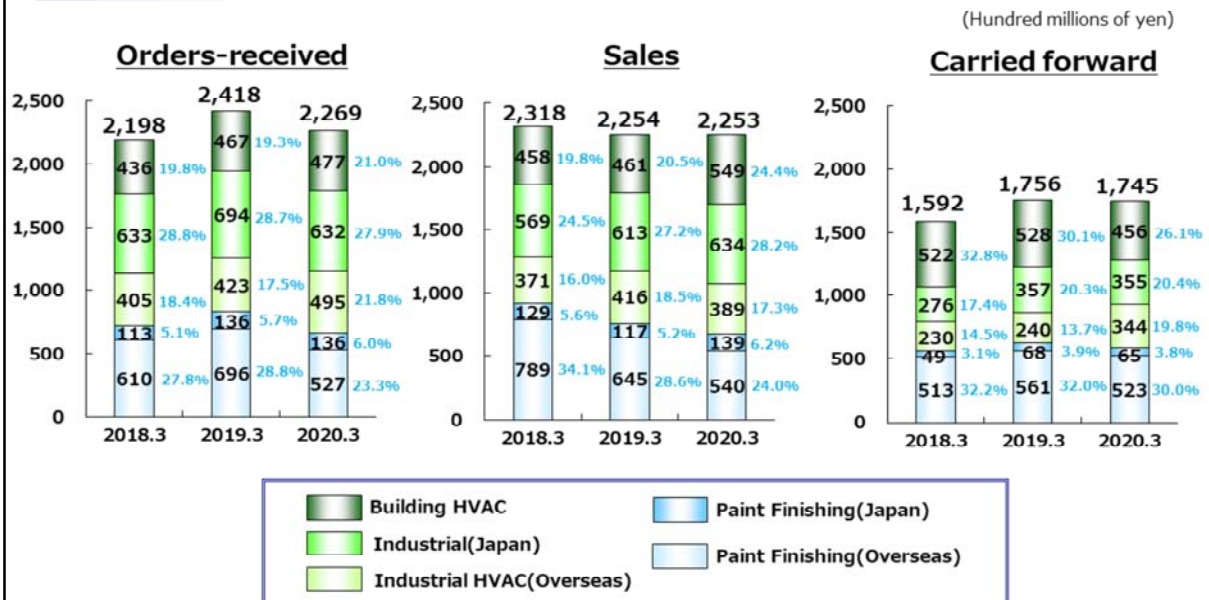


**This slide shows graphs of the net sales of completed construction contracts and ordinary income by division.**

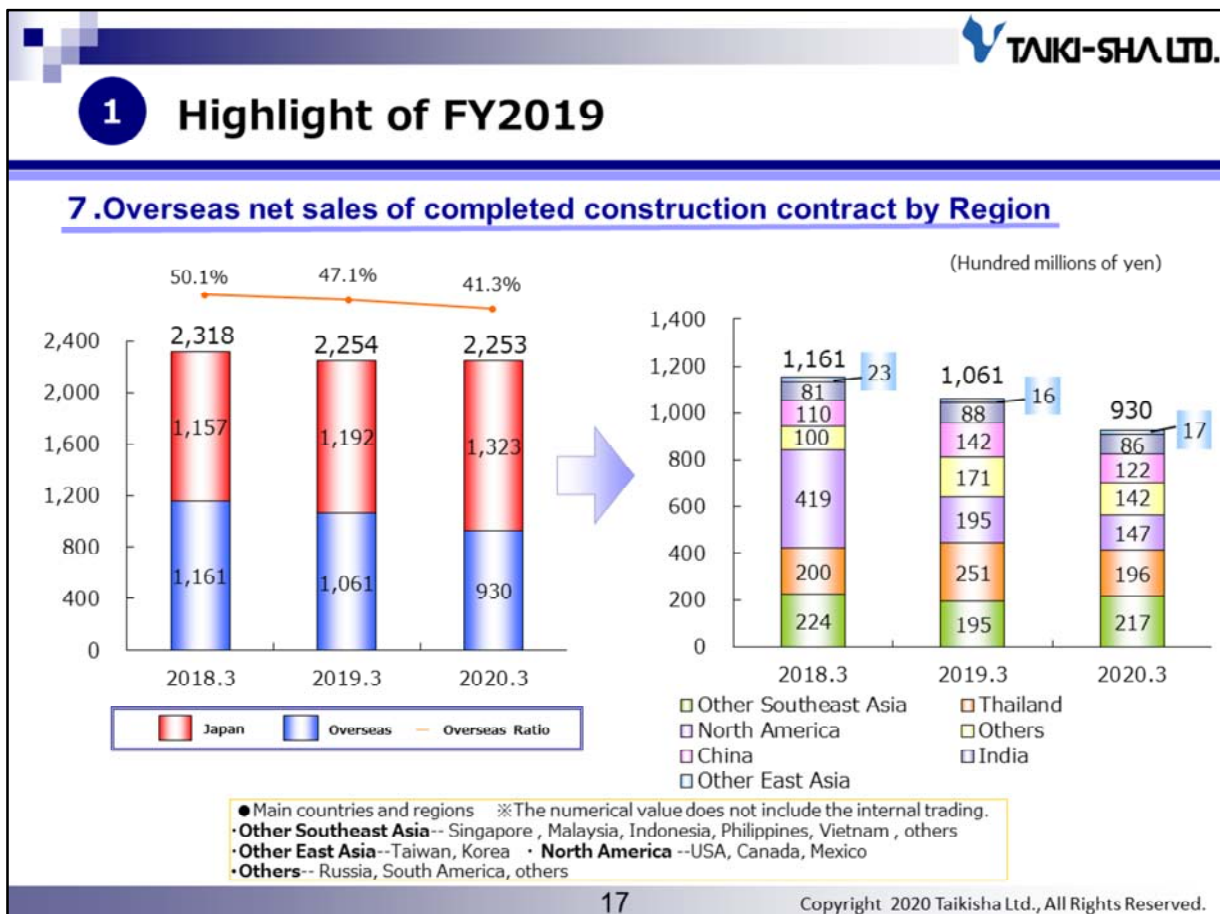


# 1 Highlight of FY2019

## 6. Orders-received / Net sales of completed construction contracts / Construction carried forward



This slide shows the breakdown and changes of orders-received, net sales of completed construction contracts, and construction contracts carried forward by division.



This slide shows the change of overseas net sales of completed construction contracts by region.

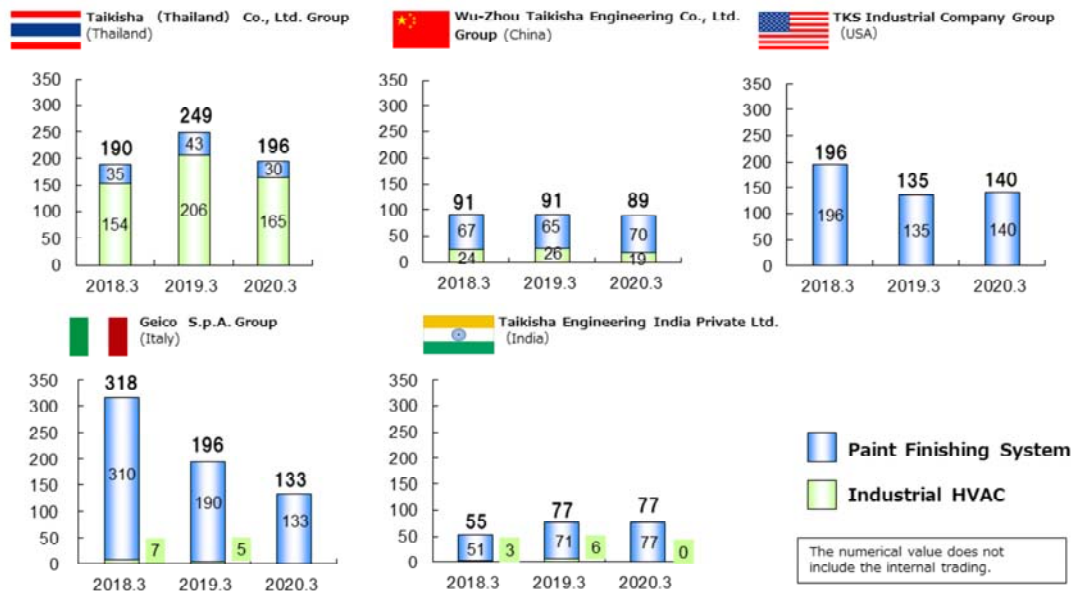
The left graph shows the breakdown of net sales in Japan and overseas and the ratio of net sales in overseas.

In FY2019, the net sales of Building HVAC, Industrial HVAC, Paint Finishing System Division increased in Japan, but the overseas net sales of both Industrial HVAC and Paint Finishing System Division decreased, so the overseas ratio indicted by the orange polygon line decreased by 5.8% from 47.1% in the previous fiscal year to 41.3%.

# 1 Highlight of FY2019

## 8.Sales of overseas main five companies

(Hundred millions of yen)



This slide shows the change of the net sales of the completed construction contracts of five overseas main companies.

The sales of the affiliate in North America in FY2017, and the sales of Geico in FY2017 were high thanks to large-scale automobile paint finishing system projects in the U.S.

# 1 Highlight of FY2019

## 9. Consolidated Balance Sheet

(Hundred millions of yen)

	2019.3	2020.3	Change
<b>Current assets</b>	1,689	1,689	0
Cash and deposits	521	576	55
Notes receivable, Accounts receivable from completed construction contracts and other	1,047	967	-79
Securities	10	35	24
Costs on uncompleted construction contracts· Raw materials and supplies	32	34	2
Other intangible assets	83	79	-4
Allowance for doubtful accounts	-4	-3	0
<b>Non-current assets</b>	541	464	-76
Property, plant and equipment	103	104	1
Goodwill	13	7	-5
Other intangible assets	33	28	-4
Investment securities	293	243	-49
Deferred tax assets	18	6	-11
Other	79	73	-5
Allowance for doubtful accounts	-0	-0	0
<b>Total assets</b>	2,230	2,153	-76

• We have increased the investment ratio in Encore Automation LLC from 51% to 100%.  
From this reason, capital surplus decreased from 7.2 billion yen at the end of March 2019 to 5 billion yen.

	2019.3	2020.3	Change
<b>Current liabilities</b>	987	939	-48
Notes payable, accounts payable for construction contracts and other	558	576	17
Advances received on uncompleted construction contracts	147	143	-4
Provision for loss on construction contracts	4	2	-1
Other	277	216	-61
<b>Non-current liabilities</b>	106	86	-20
<b>Total liabilities</b>	1,094	1,025	-68
<b>Total net assets</b>	1,136	1,128	-8
Capital stock	64	64	0
Capital surplus	72	50	-21
Retained earnings	849	908	58
Treasury shares, at cost	-24	-25	-1
Valuation difference on available-for-sale securities	118	83	-34
Deferred gains or losses on hedges	-0	-0	0
Foreign currency translation adjustment	1	3	2
Accumulated remeasurements of defined benefit plans	5	-3	-8
Non-controlling interests	48	46	-2
<b>Total liabilities and net assets</b>	2,230	2,153	-76

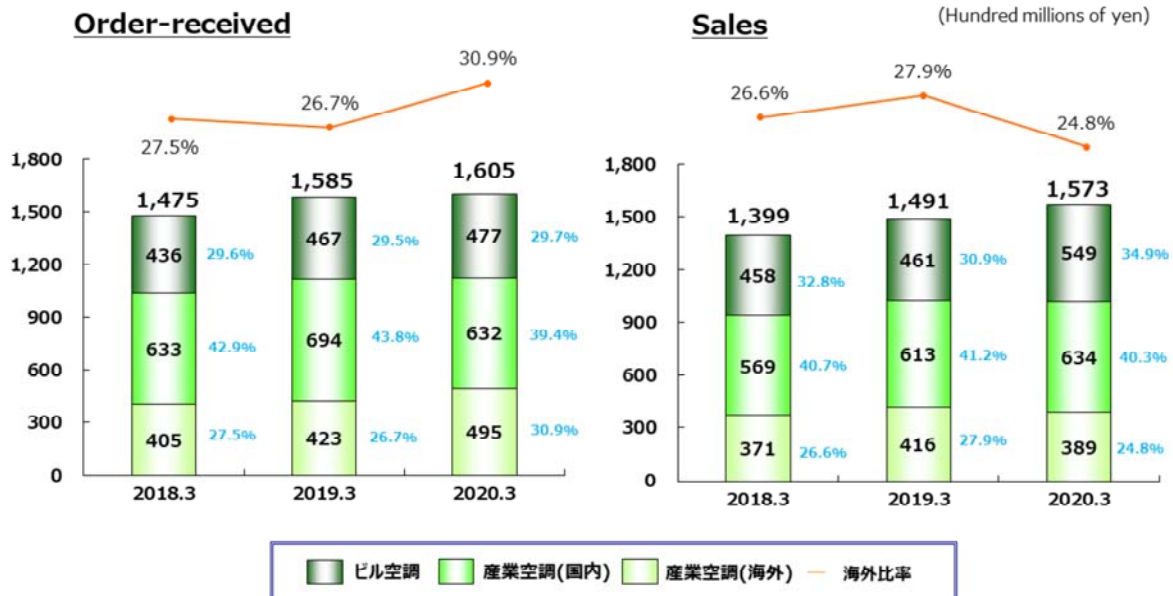
This slide shows the consolidated balance sheet.

We have increased the investment ratio in Encore Automation LLC from 51% to 100%.

From this reason, capital surplus decreased from 7.2 billion yen at the end of March 2019 to 5 billion yen.

## 2 Results of Green Technology System Division

### 1. Orders-received / Net sales of completed construction contracts



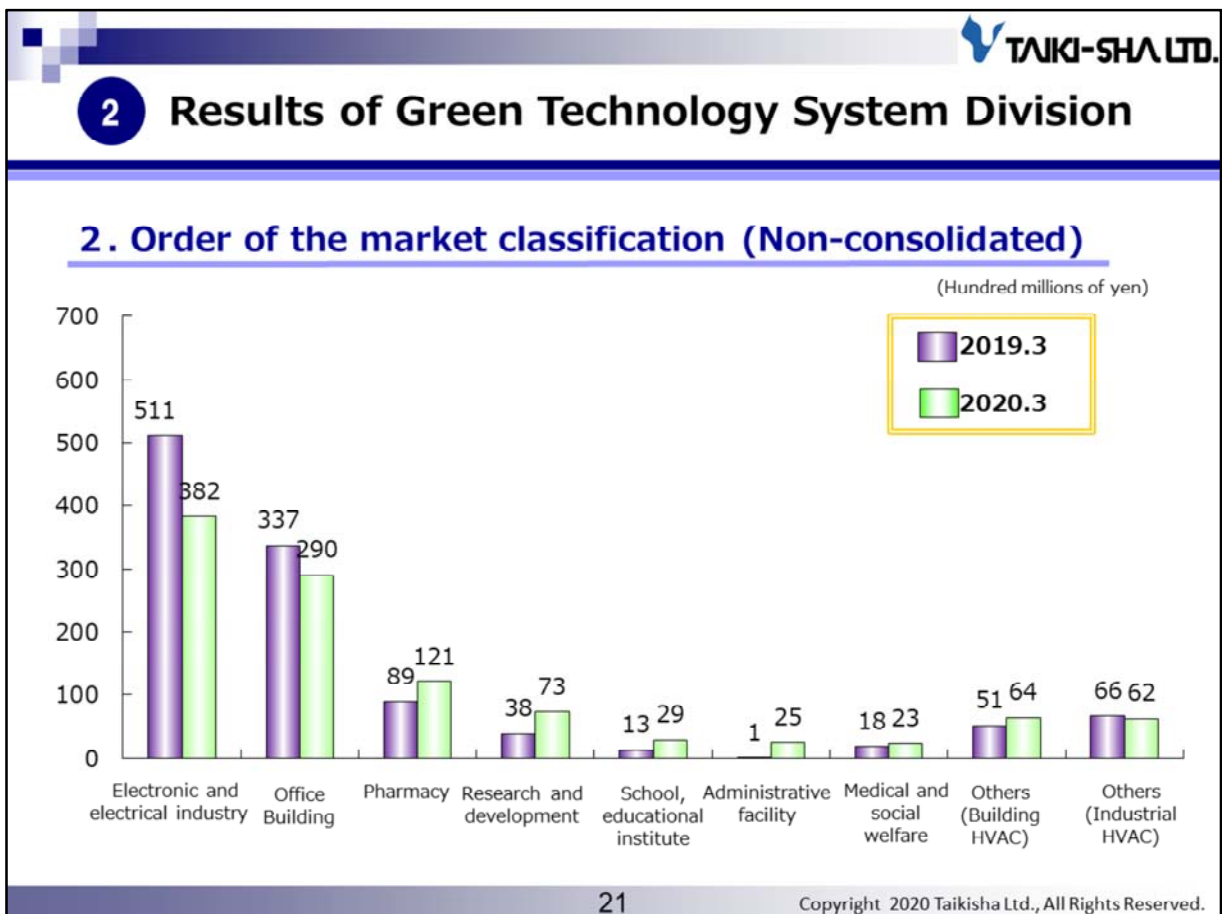
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From this slide, I would like to explain the results of the Green Technology System Division.

The left graph and the right graph show the change of orders-received and the change of net sales of completed construction contracts by category, respectively.

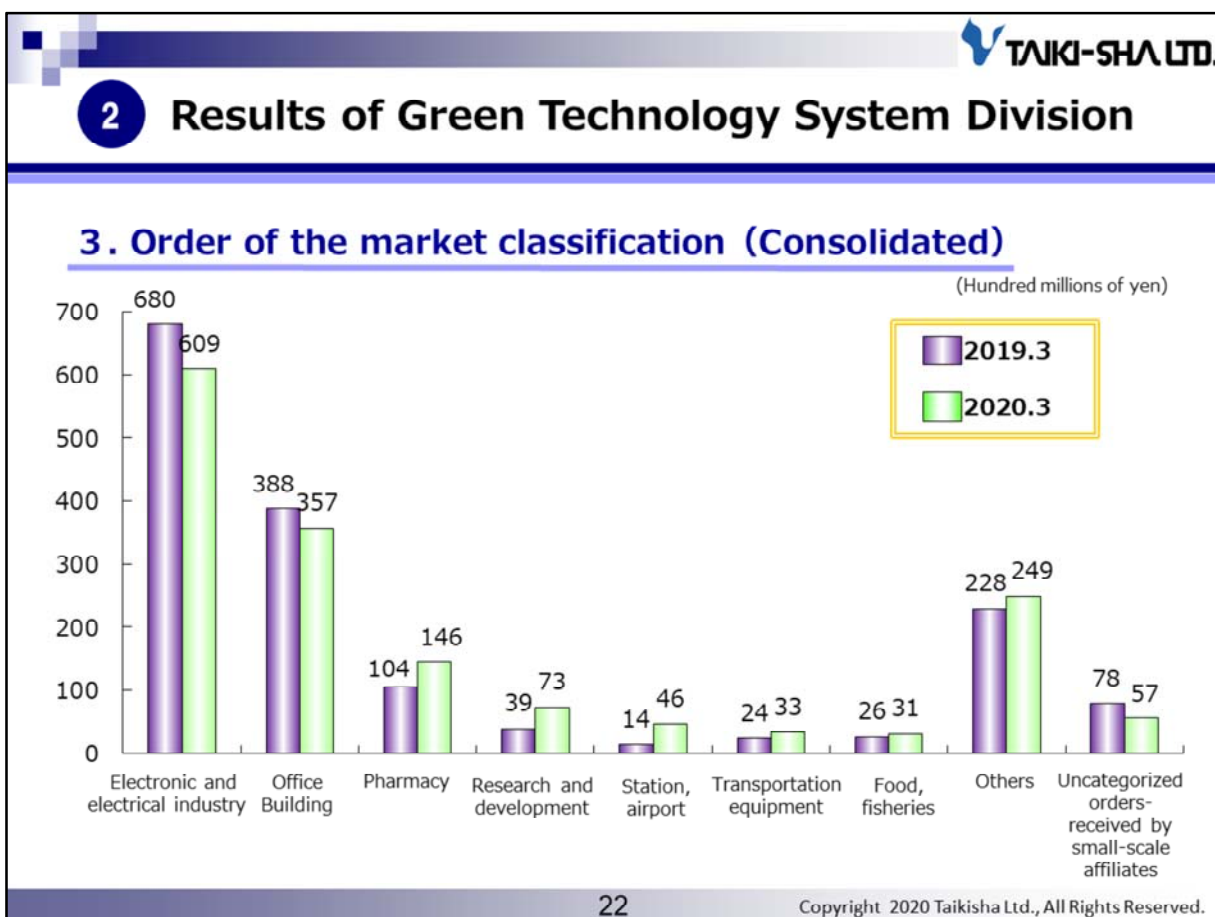
The ratio of the sales is growing due to an increase in Japan.



**This slide shows the non-consolidated orders-received by market categories.**

**There is a reactionary fall in the field of “Electronic and electrical industry” due to large-scale project order-received in Japan in the previous fiscal year.**





**This slide shows the consolidated orders-received of the Green Technology System Division by market category.**

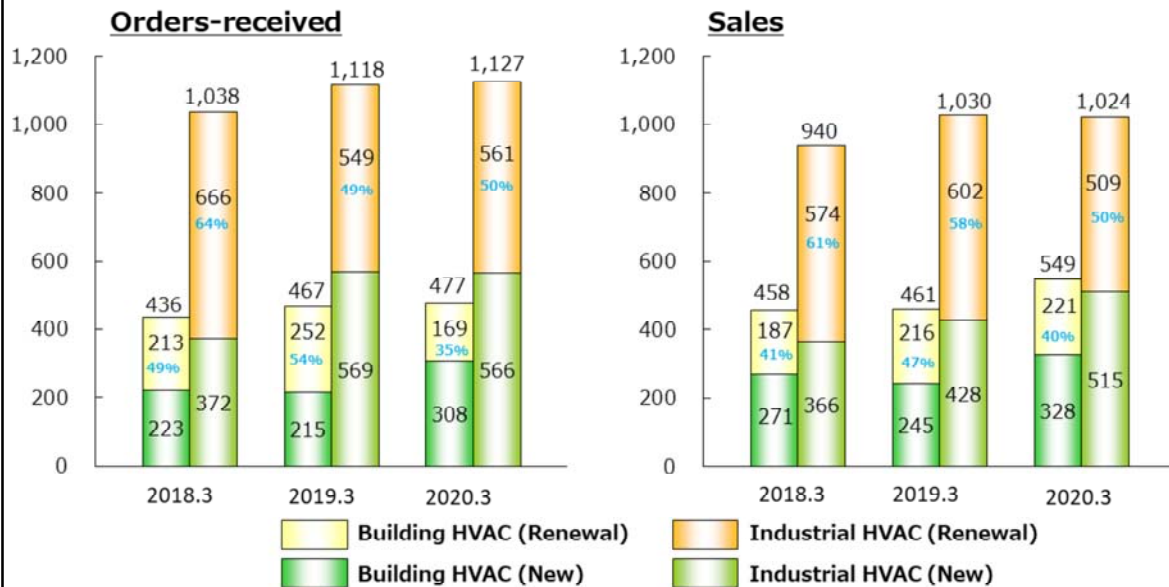
**Regarding the electronic and electrical industry, the overseas sales remained strong compared to the previous fiscal year.**



## 2 Results of Green Technology System Division

### 4. Renewal construction (Consolidated)

(Hundred millions of yen)  
(%:Renewal Ratio)



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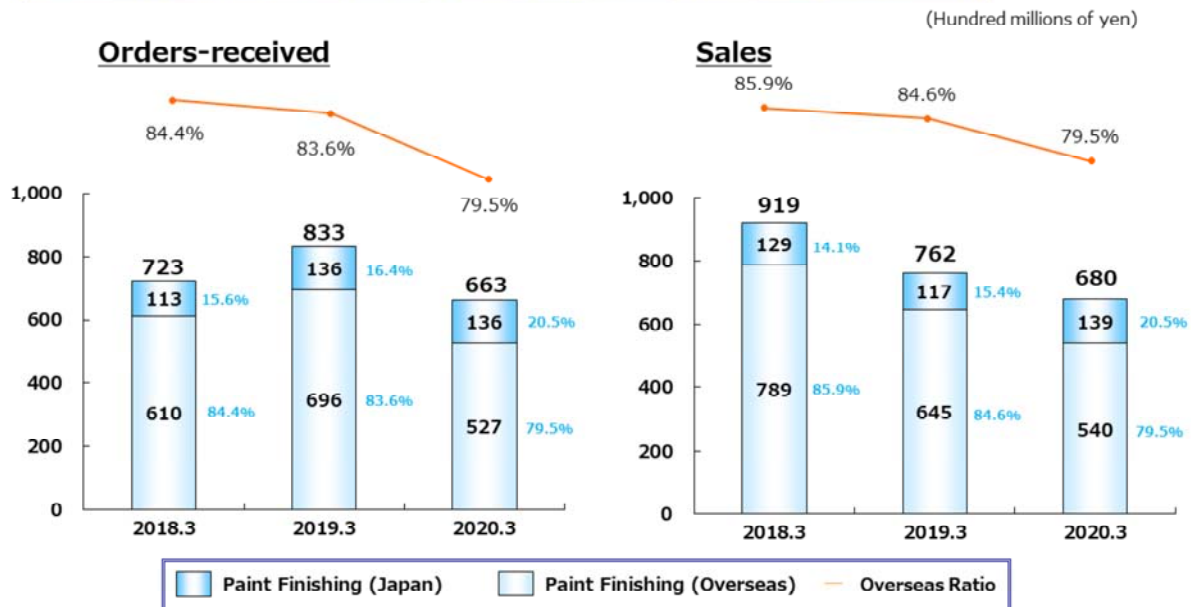
This slide shows the change of the orders-received and the net sales of completed construction contracts for renewal construction projects.

The orders-received of Building HVAC decreased in FY2019 owing to a reactionary fall after the large-scale redevelopment projects of office building in the previous fiscal year.

### 3

## Results of Paint Finishing System Division

### 1. Orders-received / Net sales of completed construction contracts



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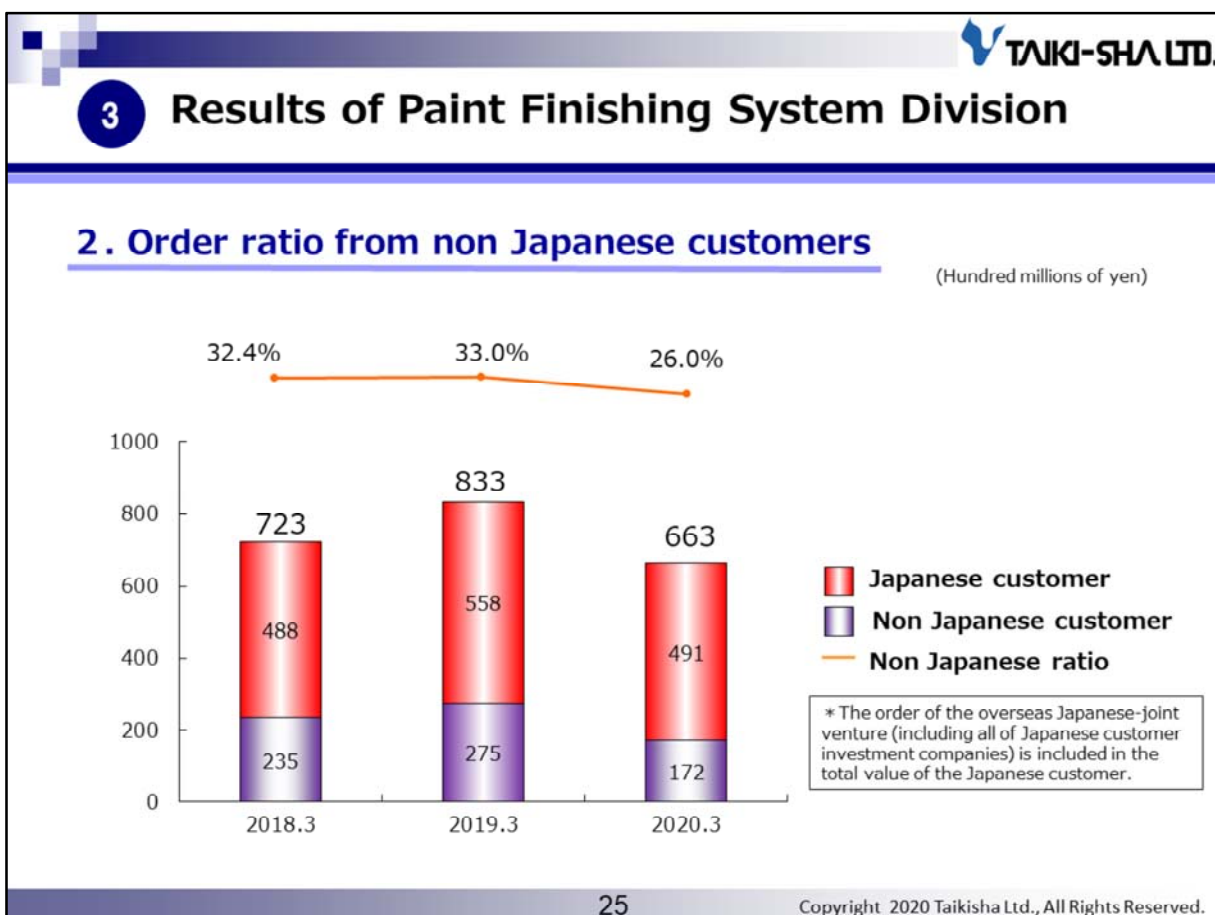
From this slide, we would like to explain the Paint Finishing System Division.

Regarding the orders-received, those in North America and other areas increased in FY2019, but there is a reactionary fall after large-scale project in Europe in FY2018, and the order for a project planned to receive was postponed, so the overseas orders-received decreased.

As a result, overseas ratio decreased by 4.1% from 83.6% in the previous fiscal year to 79.5%.


Regarding the sales, two large-scale projects for automobile paint finishing system of the affiliates in America and Geico contributed to the net sales of completed construction contract in FY2017. But the sales decreased in FY2018 because of a reactionary fall.

Also, in FY2019, the orders-received decreased compared to the previous fiscal year, the sales decreased as well.



**This slide shows the ratio of the orders-received from non-Japanese automobile manufacturers.**

**The order ratio from non Japanese customers decreased by 7.0% to 26.0% compared to the previous fiscal year.**



4

Main projects in Order / Sales / Carried forward

1. Order project more than 1 billion yen

Number of cases over 1 billion yen / construction, market classification				
<div> <u>Orders-received</u> </div> <div> 37 projects </div> <div> 963 hundred millions of yen </div>	<div> <b>Japan</b> </div> <div> 449 hundred millions of yen </div>	<div> 19 projects </div>	Office building	5
			Medical and social welfare	1
			Administrative facility	1
			Electronic and electrical industry	6
			Pharmacy	2
			Transportation equipment	1
			Research and development	1
			Automobile	2
	<div> <b>Overseas</b> </div> <div> 513 hundred millions of yen </div>	<div> 18 projects </div>	Station, airport	2
			Office building	1
			Electronic and electrical industry	5
			Pharmacy	1
			Automobile	9

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Slide 27 to 29 show the orders-received, the sales, the carried forward, each of which amounted to 1 billion millions of yen or more in FY2019.



## 4 Main projects in Order / Sales / Carried forward

### 2. Sales project more than 1 billion yen

Number of cases over 1 billion yen / construction, market classification				
<b>Sales</b>  <b>33</b> projects  <b>801</b> hundred millions of yen	<b>Japan</b> 517 hundred millions of yen	19 projects	Office building	<b>9</b>
			Medical and social welfare	<b>1</b>
			Culture	<b>1</b>
			School, education institution	<b>1</b>
			Electronic and electrical industry	<b>5</b>
			Automobile	<b>1</b>
			Automobile parts	<b>1</b>
	<b>Overseas</b> 284 hundred millions of yen	14 projects	Electronic and electrical industry	<b>4</b>
			Automobile	<b>10</b>

## 4 Main projects in Order / Sales / Carried forward

### 3. Carried forward project more than 1 billion yen

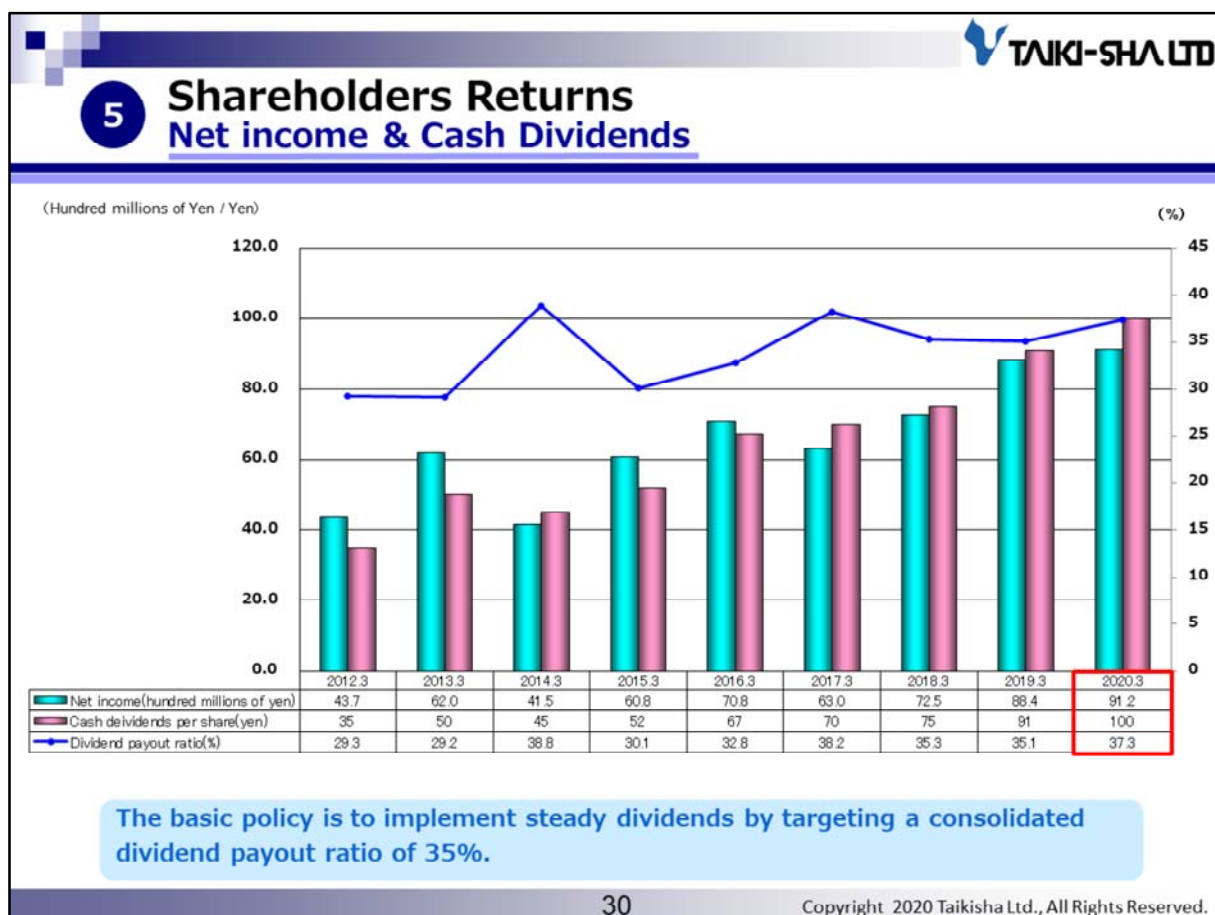
Number of cases over 1 billions yen / construction, market classification					Planned project to be completed in FY2020
<b>Carried forward</b>  35 projects  960 hundred millions of yen	<b>Japan</b> 444 hundred millions of yen	<b>20</b> projects	Office building	8	1
			Medical and Social Welfare	1	-
			Administrative facility	1	-
			Electronic and electrical industry	5	5
			Pharmacy	2	-
			Research and development	1	-
			Automobile	1	-
			Construction machine	1	1
	<b>Overseas</b> 516 hundred millions of yen	<b>15</b> projects	Station, airport	2	-
			Office building	1	-
			Electronic and electrical industry	2	-
			Pharmacy	1	1
			Automobile	9	3

				TAIKI-SHA LTD.			
<b>5 Shareholders Returns</b>							
<b>Purchase / Retirement Disposal of Treasury Shares</b>							
<b>Purchase Record</b>				<b>Retirement Record</b>			
Date	Number (thousand)	Unit Price (yen)	Amount (million yen)	Date	Number (thousand)	Unit Price (yen)	Amount (million yen)
2005/12	40	1,933	77	2008/8	1,200	1,593	1,912
2006/2	597	1,780	1,062	2018/2	1,700	2,443	4,154
2006/7,8	500	1,401	700				
2011/8	300	1,576	472	<b>Disposal Record (by ESOP)</b>			
2012/11	600	1,614	968	Date	Number (thousand)	Unit Price (yen)	Amount (million yen)
2013/12	800	2,170	1,736	2013/2	180	1,860	334
2015/5	680	3,245	2,206				
2016/11	356	2,805	999				
2017/11,12	136	3,654	499				

On slide 37, I would like to explain the purchase, retirement, and disposal records 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.







This slide shows data on cash dividends.

We set a target consolidated dividend payout ratio of 35% and have a basic policy of ensuring stable dividends.

In the current fiscal year, the profit attributable to owners of parent fell below the original expectation, however the annual dividend of FY2019 is 100 yen per share. As a result, the dividend payout ratio has become 37.3%.

At this time in time, the annual dividend of FY2020 is uncertain along with earning forecast for FY2020.



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2 . Initiatives of each strategy  
in mid-term business plan(FY2019-2021)

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**From this slide, I explain the initiatives of each strategy in mid-term business plan.**

## Long-term Vision/Quantitative Targets/ Investment theme

**"Aim to become a global corporate group  
that creates an optimal environment  
Through unique engineering"**

<b>Technology</b>	Aim to become an engineering group that meets the diverse needs of clients through energy-, air- and water-based technology.
<b>Environment</b>	Solve the clients' environmental issues with innovative solution technology and contribute to passing on the rich global environment to future generations.
<b>Human Resources</b>	Respect the individual's creativity and diversity, and value the corporate culture which allows employees to experience one's growth and the joy of working.

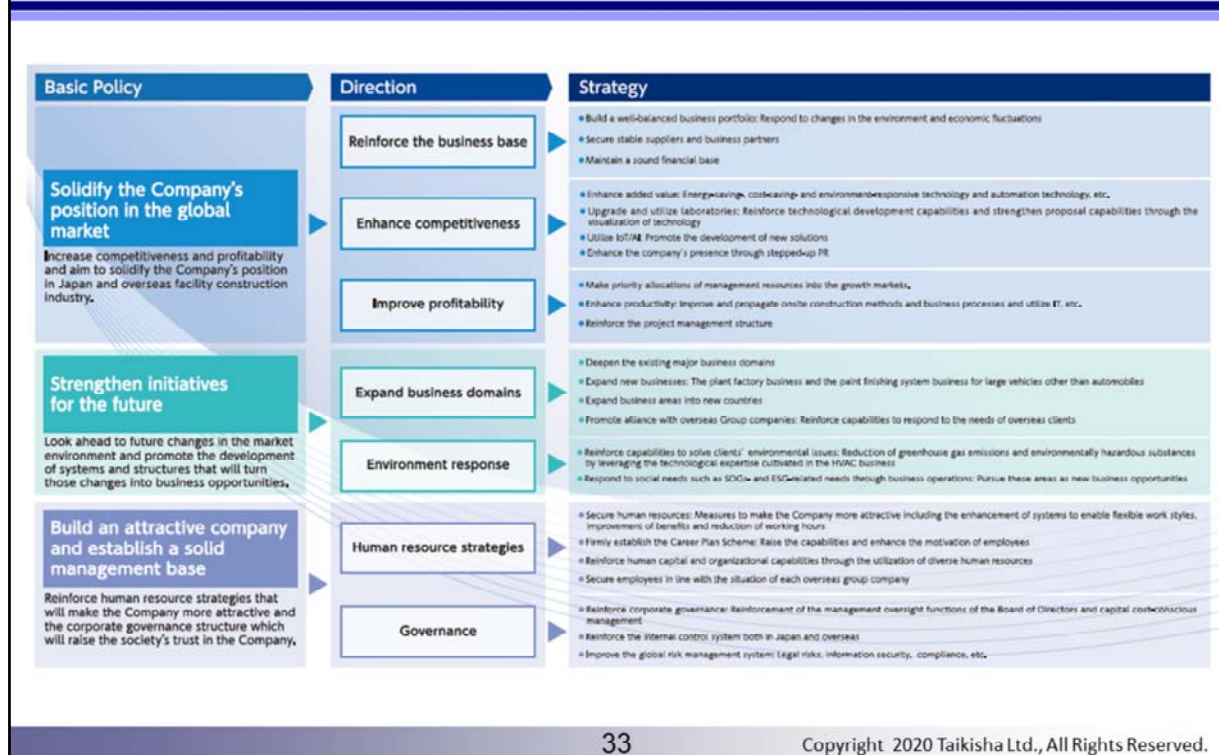
### Quantitative targets for the FY 2021

Orders-received	<b>2,650</b>	hundred million yen
Net sales of completed construction contracts	<b>2,600</b>	hundred million yen
Ordinary income	<b>160</b>	hundred million yen
Profit attributable to owners of parent	<b>100</b>	hundred million yen
Return on equity (ROE)	<b>8</b>	% or higher
Investment Plan	<b>200</b>	hundred million yen

Investment theme	Investment amount (Planned)
Reinforcement of technological development and proposal capabilities / Promotion of initiatives into new businesses (e.g. improvement of R&D facilities)	
Enhancement of productivity (e.g. utilization of IT) / Human resource development	<b>200 hundred million yen</b>
Capital investments such as M&As	

**This slide shows long-term vision, quantitative targets, and investment theme of this mid-term business plan.**

## Basic Policy and Direction/Strategy



This slide shows basic policy and direction, strategy.




**TAIKI-SHA LTD.**

## Initiatives of each strategy ~Achievement①~

**Strategy : Promoting capital alliance with overseas affiliates~enhancing ability to serve overseas customers**

### 100% investment to Encore Automation LLC

Taikisha has increased the investment ratio in Encore Automation LLC to 100%. Taikisha had started to form a business and capital alliance with Encore Automation LLC (Hereinafter "Encore") from acquiring 51% of investment in June 2014.

Encore is an engineering company in robot application system field which is the same case with Taikisha's Automation System Head Office of Paint Finishing System Division, and has abundance of experience to American automobile manufacturers and aircraft manufacturers.

Through a close cooperation with Encore, Taikisha has achieved further increase in robot application system business of Paint Finishing System Division and strengthening the after sales network in North American market.

Going forward, Taikisha will further promote to expand the system business of Encore in markets through Taikisha's overseas network.




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**This slide, as achievement of one of the strategies of the mid-term business plan, promoting capital alliance with overseas affiliates, we would like to explain that we have increased the investment ratio in Encore Automation LLC to 100%.**

**Taikisha had started to form a business and capital alliance with Encore Automation LLC from acquiring 51% of investment in June 2014.**

**Through a close cooperation with Encore Automation LLC, Taikisha has achieved further increase in robot application system business of Paint Finishing System Division and strengthening the after sales net work in North American market.**

**Going forward, Taikisha will further promote to expand the system business of Encore in markets through Taikisha's overseas network.**



TAIKI-SHA LTD.

## Initiatives of each strategy ~Achievement②~

### Strategy : Expand business areas into new countries

**Establishment of a new overseas affiliate: Taikisha Lao Co., Ltd.**

Taikisha established a new overseas affiliate in Lao People's Democratic Republic in December 2019.

Taikisha Lao Co., Ltd. handles design, construction, administration and maintenance of the whole construction facilities.

Taikisha group has affiliates in neighboring countries, Thailand, China, Myanmar, Cambodia, Vietnam and Singapore and so on, therefore the sufficient support system for business activity in Lao People's Democratic Republic is arranged.

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**This slide, as achievement of one of the strategies of the mid-term business plan, “Expand business areas into new countries”, Taikisha established Taikisha Lao Co., Ltd.**

**Taikisha Lao Co., Ltd. handles design, construction, administration and maintenance of the whole construction facilities.**

**Taikisha group has affiliates in neighboring countries, Thailand, China, Myanmar, Cambodia, Vietnam and Singapore and so on, therefore the sufficient support system for business activity in Lao People's Democratic Republic is arranged.**

Initiatives of each strategy ~Achievement③~	
Strategy	Main initiative in progress
<b>Enhance productivity</b>	<b>Develop drawing diagnosing function on CAD</b> Taikisha developed the drawing diagnosing function in accordance with Taikisha's quality standards. In Drawing a design, an alert is notified if the design does not fill the standards. It is expected to make sure of drawing quality and to reduce loss of time and cost caused by rework of construction according to defective drawing.(It starts to be operational from April 2020.)
<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>Formulate telework system</b> Taikisha formulated telework system, as an initiative for work style reform. Providing various job opportunities, it aims to improve work-life balance for employees, to avoid employees leaving, and to secure skilled employees. (It starts to be operational from April 2020.)

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**This slide, as one of the strategies of the mid-term business plan, “Enhance productivity”, Taikisha developed drawing diagnosing for CAD.**

**In Drawing a design, an alert is notified if it does not fill the standards. It is expected to make sure of drawing quality and to reduce loss of time and cost caused by rework of construction according to defective drawing.**

**Next, as one of the strategies of the mid-term business plan, “Secure human resources”, Taikisha formulated telework system.**



**As an initiative for work style reform, providing various job opportunities, it aims to improve work-life balance for employees, to avoid employees leaving, and to secure skilled employees.**

**Both initiatives start to be operational from April 2020.**



Initiatives of each strategy ~Main initiatives in progress①~	
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)
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Slide 37 to 40 shows the main initiatives of each strategy in progress.

  <b>TAIKI-SHA LTD.</b>	
Initiatives of each strategy ~Main initiatives in progress②~	
Strategy	Main initiative in progress
<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>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>Expand business areas into new countries</b>	<b>Consider establishing affiliates in new countries</b> Taikisha is considering establishing the new affiliates in the area that is expected to invest.
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**Initiatives of each strategy ~Main initiatives in progress③~**

Strategy	Main initiative in progress
<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>Reconsider nursing and childcare leave</b>
	Taikisha is considering extension of leave, and arrangement of taking enough leave as needed.
	<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 human capital and organizational capabilities through the utilization of diverse human resources</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.

Initiatives of each strategy ~Main initiatives in progress④~	
Strategy	Main initiative in progress
<b>Reinforce corporate governance</b> ~Reinforcement of the management oversight functions of the Board of Directors and capital cost-conscious management	<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 both in Japan and overseas</b>	<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>Improve the global risk management system</b> ~Legal risks, information security, compliance, etc.	<b>Reinforce the global information security measure</b> Taikisha is considering reinforcing information security measure in overseas affiliates.
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We will explain the progress of the mid-term business plan at financial results briefing every half of the fiscal year.

That concludes my explanation.

Thank you very much for your attention.



## Precaution about Forward Perspective

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