

(Translation)

(Note)

This is an English translation of the Japanese original for reference purpose only. In the event of any discrepancy between the English translation and the Japanese original, the original shall prevail. The Company assumes no responsibility for the translation or for direct, indirect or any other forms of damages arising from the translation.

A&A partners audited Japanese non-consolidated financial statements and consolidated financial statements, and they expressed an unqualified opinion. English non-consolidated financial statements and consolidated financial statements are just translated from Japanese originals for reference purpose, they were not subject to audit procedures by A&A partners.

(Securities Code: 1979)

June 7, 2021

To Shareholders:

Koji Kato
Representative Director, President
Taikisha Ltd.
8-17-1, Nishi-Shinjuku, Shinjuku-ku,
Tokyo, Japan

NOTICE OF THE 76TH ANNUAL SHAREHOLDERS' MEETING

Please be informed that the 76th Annual Shareholders' Meeting of Taikisha Ltd. (the "Company") will be held as described below.

From the perspective of preventing the spread of coronavirus disease (COVID-19), we sincerely ask all shareholders to refrain from attending the meeting in person, and instead to exercise voting rights beforehand in writing or via the Internet. Please review the attached Reference Documents for the Shareholders' Meeting and exercise your voting rights by no later than 5:45 p.m. on Monday, June 28, 2021, Japan time.

- 1. Date and Time:** Tuesday, June 29, 2021, at 10 a.m. Japan time
- 2. Place:** 43rd floor, "Moon Light" Keio Plaza Hotel, located at
2-2-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo, Japan
- 3. Meeting Agenda:**
- Matters for Reporting:**
- (1) The Business Report, the Consolidated Financial Statements for the 76th Fiscal Year (from April 1, 2020, to March 31, 2021) and the results of audits by the Accounting Auditor and the Audit & Supervisory Board of the Consolidated Financial Statements
 - (2) The Non-consolidated Financial Statements for the 76th Fiscal Year (from April 1, 2020, to March 31, 2021)
- Matters for Resolution:**
- Proposal No. 1:** Appropriation of Surplus
 - Proposal No. 2:** Election of Nine (9) Directors
 - Proposal No. 3:** Election of One (1) Audit & Supervisory Board Member
 - Proposal No. 4:** Revision of Amount of Compensation to Directors

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(Notes)

1. Upon arrival on the day of the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk of the venue for confirmation.
2. Of the documents to be provided to shareholders with this NOTICE, the Notes to Consolidated Financial Statements and the Notes to Non-consolidated Financial Statements are posted on the Company's website (<https://www.taikisha.co.jp/>) pursuant to the provisions of laws and regulations, as well as Article 15 of the Company's Articles of Incorporation, and therefore are not included in the Attached Documents for the Annual Shareholders' Meeting. The Consolidated Financial Statements and the Non-consolidated Financial Statements, which are stated in said Attached Documents, form a part of the Consolidated Financial Statements and the Non-consolidated Financial Statements audited by the Company's Accounting Auditor and Audit & Supervisory Board Members in preparing their Audit Reports.

(Translation)

3. If any necessary revisions are made to the Reference Documents for the Shareholders' Meeting, the Business Report, the Consolidated Financial Statements and/or the Non-consolidated Financial Statements, they will be posted on the Company's website (<https://www.taikisha.co.jp/>).

(Translation)

## Reference Documents for the Shareholders' Meeting

### Proposals and References

#### **Proposal No. 1:** Appropriation of Surplus

The Company proposes to distribute a year-end dividend with due consideration to the operating results to reflect our appreciation of shareholders' continued support.

The annual dividend, therefore, will be ¥90 per share, a year-on-year decrease of ¥10 per share, including the interim dividend of ¥30 per share already paid.

Meanwhile, to prepare for future business development, the Company proposes to set aside a "Reserve for investment on information technology" of ¥200 million.

#### 1. Matters concerning year-end dividends

- (1) Type of property for dividends: Money
- (2) Matters concerning allotment of property dividends to shareholders and the total amount thereof  
¥60 per share of common shares  
Total amount: ¥2,052,275,160
- (3) Effective date of distribution from surplus: June 30, 2021

#### 2. Matters concerning appropriation of other surplus

- (1) Item and amount of surplus to be decreased  
Retained earnings brought forward: ¥200,000,000
- (2) Item and amount of surplus to be increased  
Reserve for investment on information technology: ¥200,000,000

(Translation)

**Proposal No. 2:** Election of Nine (9) Directors

The terms of office of all nine (9) Directors will expire at the conclusion of this Annual Shareholders' Meeting. Accordingly, the election of nine (9) Directors is proposed.

The candidates are as follows, and the four candidates for Outside Director satisfy the "Independence Criteria for Outside Director/Outside Audit & Supervisory Board Member" stipulated by the Company. Refer to page 16 for details of said criteria.

| No |                                                                   | Name              | Positions and assignments in the Company                                                                                                                 | Attendance at the Board of Directors Meetings (Attendance rate) |
|----|-------------------------------------------------------------------|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|
| 1  | [Reappointment]                                                   | Koji Kato         | Representative Director, President Corporate Officer                                                                                                     | 16/16 (100%)                                                    |
| 2  | [Reappointment]                                                   | Kazuhide Hayakawa | Director, Executive Corporate Officer, Chief General Manager, Paint Finishing System Division                                                            | 16/16 (100%)                                                    |
| 3  | [Reappointment]                                                   | Yasushi Nakajima  | Director, Executive Corporate Officer, Chief Executive, Administrative Management Headquarters                                                           | 16/16 (100%)                                                    |
| 4  | [Reappointment]                                                   | Masanori Nakagawa | Director, Executive Corporate Officer, Chief Executive, Corporate Planning Headquarters and in charge of CSR, and General Manager, Global Strategy Dept. | 16/16 (100%)                                                    |
| 5  | [New appointment]                                                 | Masashi Osada     | Executive Corporate Officer, Chief General Manager, Green Technology System Division                                                                     | —                                                               |
| 6  | [Reappointment]<br>[Outside Director]<br>[Independent Director]   | Hirokazu Hikosaka | Director                                                                                                                                                 | 16/16 (100%)                                                    |
| 7  | [Reappointment]<br>[Outside Director]<br>[Independent Director]   | Kiyotaka Fuke     | Director                                                                                                                                                 | 16/16 (100%)                                                    |
| 8  | [New appointment]<br>[Outside Director]<br>[Independent Director] | Masasuke Kishi    | —                                                                                                                                                        | —                                                               |
| 9  | [New appointment]<br>[Outside Director]<br>[Independent Director] | Nobuko Mizumoto   | —                                                                                                                                                        | —                                                               |

(Translation)

| No | Name<br>(Date of birth; Age)                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Career summary, positions and assignments in the Company<br>and important positions concurrently held at other companies                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1  | <p><b>Koji Kato</b><br/>(June 12, 1955; 66)<br/>[Reappointment]</p> <p>Gender:<br/>Male</p> <p>Number of years as Director<br/>of the Company:<br/>12 years and 9 months (at the<br/>conclusion of the Meeting)</p> <p>Attendance at the Board of<br/>Directors Meetings:<br/>16/16 (100%)</p> <p>Number of shares of the<br/>Company actually held:<br/>11,200</p> <p>Number of shares of the<br/>Company potentially held:<br/>6,395</p>                                                                 | <p>April 1978<br/>June 2005<br/>April 2007<br/>April 2009<br/>April 2010<br/>June 2010<br/>April 2012<br/>April 2013<br/>April 2014<br/>April 2016<br/>April 2017<br/>April 2018<br/>April 2019</p> | <p>Joined the Company<br/>Director<br/>Assistant to Chief General Manager, Green<br/>Technology System Division<br/>Corporate Officer; General Manager, Engineering<br/>Planning Dept., Green Technology System Division<br/>Managing Corporate Officer, Chief General<br/>Manager, Green Technology System Division, and<br/>General Manager, Engineering Planning Dept.,<br/>Green Technology System Division<br/>Director, Managing Corporate Officer, Chief<br/>General Manager, Green Technology System<br/>Division, and General Manager, Engineering<br/>Planning Dept., Green Technology System Division<br/>Director, Managing Corporate Officer, Chief<br/>Executive, Corporate Planning Headquarters and in<br/>charge of Environment, and General Manager,<br/>Corporate Planning Office<br/>Director, Managing Corporate Officer, Chief<br/>Executive, Corporate Planning Headquarters and in<br/>charge of CSR<br/>Director, Managing Corporate Officer, Chief<br/>Executive, Administrative Management<br/>Headquarters and in charge of CSR<br/>Director, Executive Corporate Officer, Chief<br/>Executive, Administrative Management<br/>Headquarters and in charge of CSR<br/>Representative Director, Executive Vice President<br/>Corporate Officer, in charge of Administrative<br/>Management Headquarters<br/>Representative Director, Executive Vice President<br/>Corporate Officer<br/>Representative Director, President Corporate Officer<br/>(current position)</p> |
|    | <p>[Reason for nominating as a candidate for Director]<br/>Koji Kato has led the management of the Taikisha Group as Representative Director, President Corporate Officer. The Company reappoints him as a candidate for Director based on its judgment that he qualifies for this position taking into account his good track record, as well as his competence in ensuring the stable and sustainable growth of the Group and increasing corporate value by implementing the Mid-Term Business Plan.</p> |                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

(Translation)

| No | Name<br>(Date of birth; Age)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Career summary, positions and assignments in the Company<br>and important positions concurrently held at other companies                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2  | <b>Kazuhide Hayakawa</b><br>(April 18, 1955; 66)<br>[Reappointment]<br><br>Gender:<br>Male<br><br>Number of years as Director<br>of the Company:<br>4 years (at the conclusion of<br>the Meeting)<br><br>Attendance at the Board of<br>Directors Meetings:<br>16/16 (100%)<br><br>Number of shares of the<br>Company actually held:<br>10,000<br><br>Number of shares of the<br>Company potentially held:<br>4,816                                                                                                                                                                                                                                                | April 1979<br>April 2012<br><br>October 2013<br><br>April 2014<br><br>April 2016<br><br>April 2017<br>June 2017<br>April 2018<br>April 2019 | Joined the Company<br>Corporate Officer, Senior General Manager,<br>Engineering Supervisory Dept., Green Technology<br>System Division<br>Corporate Officer, Senior General Manager, Sales<br>and Marketing Dept., Green Technology System<br>Division<br>Senior Corporate Officer, Senior General Manager,<br>Sales and Marketing Dept., Green Technology<br>System Division<br>Senior Corporate Officer, Vice General Manager in<br>charge of sales and Senior General Manager, Sales<br>and Marketing Dept., Green Technology System<br>Division<br>Managing Corporate Officer, Chief Executive,<br>Corporate Planning Headquarters<br>Director, Managing Corporate Officer, Chief<br>Executive, Corporate Planning Headquarters<br>Director, Managing Corporate Officer, Vice General<br>Manager, Paint Finishing System Division<br>Director, Executive Corporate Officer, Chief General<br>Manager, Paint Finishing System Division (current<br>position) |
|    | [Reason for nominating as a candidate for Director]<br>Kazuhide Hayakawa has abundant business experience in the field of the green technology system<br>business, corporate planning and paint finishing system business. In addition, he has sufficiently fulfilled<br>his duties as a Director, including decisions on important management matters, the execution of business<br>and supervising the execution of duties by other Directors, since his assumption of the Director position.<br>The Company reappoints him as a candidate for Director based on its judgment that he qualifies for this<br>position taking into account his good track record. |                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

(Translation)

| No | Name<br>(Date of birth; Age)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Career summary, positions and assignments in the Company<br>and important positions concurrently held at other companies |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
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| 3  | <b>Yasushi Nakajima</b><br>(February 23, 1960; 61)<br>[Reappointment]<br>Gender:<br>Male<br>Number of years as Director<br>of the Company:<br>4 years (at the conclusion of<br>the Meeting)<br>Attendance at the Board of<br>Directors Meetings:<br>16/16 (100%)<br>Number of shares of the<br>Company actually held:<br>9,000<br>Number of shares of the<br>Company potentially held:<br>5,377                                                                                                                                                                                                                                                                                                               | April 1982<br>April 2014<br>April 2015<br>April 2016<br>April 2017<br>June 2017<br>April 2019<br>April 2021              | Joined the Company<br>Corporate Officer, Senior General Manager,<br>Engineering Supervisory Dept., Green Technology<br>System Division<br>Senior Corporate Officer, Senior General Manager,<br>Engineering Supervisory Dept., Green Technology<br>System Division and Senior General Manager,<br>Global Business Management Dept.<br>Senior Corporate Officer, Vice General Manager in<br>charge of technology and Senior General Manager,<br>Engineering Supervisory Dept., Green Technology<br>System Division and Senior General Manager,<br>Global Business Management Dept.<br>Managing Corporate Officer, Vice General Manager,<br>Green Technology System Division<br>Director, Managing Corporate Officer, Vice General<br>Manager, Green Technology System Division<br>Director, Executive Corporate Officer, Chief General<br>Manager, Green Technology System Division<br>Director, Executive Corporate Officer, Chief<br>Executive, Administrative Management<br>Headquarters (current position) |
|    | [Reason for nominating as a candidate for Director]<br>Yasushi Nakajima has abundant business experience in the field of the green technology system<br>business, and has been serving as Chief Executive, Administrative Management Headquarters since<br>April 2021. In addition, he has sufficiently fulfilled his duties as a Director, including decisions on<br>important management matters, the execution of business and supervising the execution of duties by<br>other Directors, since his assumption of the Director position. The Company reappoints him as a<br>candidate for Director based on its judgment that he qualifies for this position taking into account his<br>good track record. |                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

(Translation)

| No | Name<br>(Date of birth; Age)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Career summary, positions and assignments in the Company<br>and important positions concurrently held at other companies |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4  | <b>Masanori Nakagawa</b><br>(December 30, 1959; 61)<br>[Reappointment]<br>Gender:<br>Male<br>Number of years as Director<br>of the Company:<br>3 years (at the conclusion of<br>the Meeting)<br>Attendance at the Board of<br>Directors Meetings:<br>16/16 (100%)<br>Number of shares of the<br>Company actually held:<br>8,037<br>Number of shares of the<br>Company potentially held:<br>4,261                                                                                                                                                                                                                                                                                                                                        | April 2009<br>October 2012<br>April 2013<br>April 2014<br>April 2017<br>June 2018<br>April 2021                          | General Manager, Strategic Investment Department,<br>Headquarters Business Administration Division of<br>Mizuho Corporate Bank, Ltd. (current Mizuho Bank,<br>Ltd.)<br>Joined the Company<br>General Manager, Corporate Planning Office,<br>Corporate Planning Headquarters<br>Vice Executive, Administrative Management<br>Headquarters<br>Managing Corporate Officer, Chief Executive,<br>Administrative Management Headquarters and in<br>charge of CSR<br>Director, Managing Corporate Officer, Chief<br>Executive, Administrative Management<br>Headquarters and in charge of CSR<br>Director, Executive Corporate Officer, Chief<br>Executive, Corporate Planning Headquarters and in<br>charge of CSR, and General Manager, Global<br>Strategy Dept. (current position) |
|    | [Reason for nominating as a candidate for Director]<br>Masanori Nakagawa has abundant business experience at a major bank, engaged in the field of corporate planning and business administration of the Company, and has been serving as Chief Executive, Corporate Planning Headquarters since April 2021. In addition, he has sufficiently fulfilled his duties as a Director, including decisions on important management matters, the execution of business and supervising the execution of duties by other Directors, since his assumption of the Director position. The Company reappoints him as a candidate for Director based on its judgment that he qualifies for this position taking into account his good track record. |                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |



(Translation)

| No                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Name<br>(Date of birth; Age)                                          | Career summary, positions and assignments in the Company<br>and important positions concurrently held at other companies |                                                                                                                                                           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>Masashi Osada</b><br>(April 20, 1959; 62)<br>[New appointment]     | April 1983                                                                                                               | Joined the Company                                                                                                                                        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                       | April 2007                                                                                                               | Corporate Officer, General Manager, Planning Office, Green Technology System Division                                                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                       | April 2009                                                                                                               | Managing Corporate Officer, Chief Executive, Planning Headquarters and in charge of Environment, and General Manager, Corporate Planning Office           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Gender:<br>Male                                                       | June 2009                                                                                                                | Director, Managing Corporate Officer, Chief Executive, Planning Headquarters and in charge of Environment, and General Manager, Corporate Planning Office |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Number of years as Director of the Company:<br>– (4 years cumulative) | April 2012                                                                                                               | Director, Managing Corporate Officer, General Manager, Chubu Branch Office, Green Technology System Division                                              |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Attendance at the Board of Directors Meetings:<br>–                   | April 2015                                                                                                               | President, Taikisha (Singapore) Pte. Ltd.                                                                                                                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Number of shares of the Company actually held:<br>1,000               | April 2019                                                                                                               | Assistant Director, Senior General Manager, Global Business Management Dept., Paint Finishing System Division                                             |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Number of shares of the Company potentially held:<br>0                | April 2020                                                                                                               | Managing Corporate Officer, Chief Executive, Corporate Planning Headquarters                                                                              |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                       | April 2021                                                                                                               | Executive Corporate Officer, Chief General Manager, Green Technology System Division (current position)                                                   |
| [Reason for nominating as a candidate for Director]<br>Masashi Osada has abundant experience in the field of the green technology system business, corporate planning and the paint finishing system business, and has been serving as Chief General Manager, Green Technology System Division since April 2021. The Company newly appoints him as a candidate for Director based on its judgment that going forward, he can be expected to contribute to further development of the Taikisha Group as a Director, taking into account his good track record. |                                                                       |                                                                                                                          |                                                                                                                                                           |

(Translation)

| No | Name<br>(Date of birth; Age)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Career summary, positions and assignments in the Company<br>and important positions concurrently held at other companies             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6  | <b>Hirokazu Hikosaka</b><br>(December 2, 1960; 60)<br><br>[Reappointment]<br>[Outside Director]<br>[Independent Director]<br><br>Gender:<br>Male<br><br>Number of years as Director<br>of the Company:<br>4 years (at the conclusion of<br>the Meeting)<br><br>Attendance at the Board of<br>Directors Meetings:<br>16/16 (100%)<br><br>Number of shares of the<br>Company actually held:<br>1,400<br><br>Number of shares of the<br>Company potentially held:<br>0                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | April 1983<br>April 1992<br>April 1999<br>April 2005<br>June 2006<br>June 2010<br>April 2014<br>June 2015<br>June 2017<br>April 2019 | Joined Asahi Shinkin Bank (resigned in March 1985)<br>Admitted as attorney and joined Nakajima Law Office (current Akanekusa Law Office) (current position)<br>Commissioner, Kanto Federation of Bar Associations<br>Executive Commissioner, Japan Federation of Bar Associations<br>Outside Director, Adways Inc.<br>Audit & Supervisory Board Member, Adways Inc. (current position)<br>Vice President, Tokyo Bar Association<br>Audit & Supervisory Board Member of the Company<br>Director of the Company (current position)<br>Vice President, Kanto Federation of Bar Associations (retired in March 2020) |
|    | [Reason for nominating as a candidate for Outside Director and overview of expected role]<br>Although Hirokazu Hikosaka has had no experience of directly engaging in corporate management, he has professional expertise and abundant experience as a lawyer, as well as specialized knowledge regarding internal control and governance, etc. from his business experience hitherto. Since his assumption of the Director position, he has provided valuable advice and supervision on the management of the Company from an independent and objective standpoint. Going forward, he is expected to continue providing advice and supervision by utilizing his specialized knowledge based on his abundant expertise and experience. The Company reappoints him as a candidate for Outside Director based on its judgment that he qualifies for this position from the viewpoint of ensuring transparent decision making by the Board of Directors and reinforcing the supervisory functions thereon. |                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|    | [View on independence]<br>As Hirokazu Hikosaka satisfies the “Independence Criteria for Outside Director/Outside Audit & Supervisory Board Member” stipulated by the Company, the Company judges that he maintains independence from the Company. There are no interests including personal, capital and transactional relationships between Akanekusa Law Office, at which he works as a lawyer, and the Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

(Translation)

| No                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Name<br>(Date of birth; Age)                                                                                                                                                                                                                                                                                                                                                                                                                              | Career summary, positions and assignments in the Company<br>and important positions concurrently held at other companies |                                                                                                                                                       |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| 7                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>Kiyotaka Fuke</b><br>(April 19, 1954; 67)<br>[Reappointment]<br>[Outside Director]<br>[Independent Director]<br><br>Gender:<br>Male<br><br>Number of years as Director<br>of the Company:<br>2 years (at the conclusion of<br>the Meeting)<br><br>Attendance at the Board of<br>Directors Meetings:<br>16/16 (100%)<br><br>Number of shares of the<br>Company actually held:<br>1,400<br><br>Number of shares of the<br>Company potentially held:<br>0 | April 2014                                                                                                               | Deputy President, Executive Officer, Meiji Yasuda Life Insurance Company                                                                              |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                           | July 2014                                                                                                                | Director, Deputy President, Executive Officer, Meiji Yasuda Life Insurance Company                                                                    |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                           | April 2016                                                                                                               | Director, Meiji Yasuda Life Insurance Company (retired in July 2016)                                                                                  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                           | June 2016                                                                                                                | Outside Audit & Supervisory Board Member, Mizuho Trust & Banking Co., Ltd.                                                                            |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                           | July 2016                                                                                                                | Advisor, Meiji Yasuda Life Insurance Company (retired in June 2019)                                                                                   |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                           | June 2017                                                                                                                | Member of the Board of Directors (Outside Director and Audit & Supervisory Committee Member), Mizuho Trust & Banking Co., Ltd. (retired in June 2020) |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                           | June 2019                                                                                                                | Audit & Supervisory Board Member of the Company<br>Director of the Company (current position)                                                         |
| [Reason for nominating as a candidate for Outside Director and overview of expected role]<br>Kiyotaka Fuke has abundant expertise and experience as a manager at a leading life insurance company, as well as specialized knowledge regarding internal control, governance, human resources development, personnel and labor management, etc. from his business experience hitherto. Since his assumption of the Director position, he has provided valuable advice and supervision on the management of the Company from an independent and objective standpoint. Going forward, he is expected to continue providing advice and supervision by utilizing his specialized knowledge based on his abundant expertise and experience. The Company reappoints him as a candidate for Outside Director based on its judgment that he qualifies for this position from the viewpoint of ensuring transparent decision making by the Board of Directors and reinforcing the supervisory functions thereon. If his reelection is approved, the Company plans to continue appointing him as chairperson of the Board of Directors. |                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                          |                                                                                                                                                       |
| [View on independence]<br>As Kiyotaka Fuke satisfies the “Independence Criteria for Outside Director/Outside Audit & Supervisory Board Member” stipulated by the Company, the Company judges that he maintains independence from the Company. He came from Meiji Yasuda Life Insurance Company but retired from his position as an Advisor in 2019. Although this company holds the Company’s shares, its shareholding ratio is 1.35% (calculated after subtracting treasury shares). Although this company and the Company had transactions such as construction contracts and insurance contracts in fiscal 2020, the respective amount of the relevant transactions did not exceed the amount of payments specified in the aforementioned criteria. (The average transaction amounts between both companies for the past three fiscal years (meaning fiscal 2018 through fiscal 2020) was less than 1% of the three-year average transaction amounts of this company’s non-consolidated ordinary income or the Company’s consolidated net sales of completed construction contracts for the past three fiscal years.)    |                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                          |                                                                                                                                                       |

(Translation)

| No                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Name<br>(Date of birth; Age)                                                                                              | Career summary, positions and assignments in the Company<br>and important positions concurrently held at other companies |                                                                                                                                                                                                                                             |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 8                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>Masasuke Kishi</b><br><br>(June 19, 1955; 66)<br><br>[New appointment]<br>[Outside Director]<br>[Independent Director] | March 1980                                                                                                               | Joined Oki Electric Industry Co., Ltd.                                                                                                                                                                                                      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                           | October 1995                                                                                                             | Manager, Multimedia Systems Development Dept.,<br>Multimedia Systems Development Center,<br>Information Systems Business Division, Oki Electric<br>Industry Co., Ltd.                                                                       |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                           | April 2004                                                                                                               | Vice President, Silicon Solutions Company and<br>General Manager, Design Division, Oki Electric<br>Industry Co., Ltd.                                                                                                                       |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Gender:<br>Male                                                                                                           | April 2006                                                                                                               | Executive Officer, Oki Electric Industry Co., Ltd.                                                                                                                                                                                          |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                           | April 2008                                                                                                               | Senior Vice President, Oki Electric Industry Co.,<br>Ltd.                                                                                                                                                                                   |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Number of years as Director<br>of the Company:<br>—                                                                       | October 2008                                                                                                             | Representative Director and President, OKI<br>Networks Co., Ltd. (retired in March 2010)                                                                                                                                                    |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                           | June 2010                                                                                                                | Director, Oki Electric Industry Co., Ltd. (retired in<br>June 2012)                                                                                                                                                                         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Attendance at the Board of<br>Directors Meetings:<br>—                                                                    | June 2012                                                                                                                | Director, Oki Electric Cable Co., Ltd.<br>Representative Director and President, Oki Electric<br>Cable Co., Ltd. (retired in March 2018)                                                                                                    |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Number of shares of the<br>Company actually held:<br>0                                                                    | April 2018                                                                                                               | Executive Vice President and General Manager,<br>Electronics, Manufacturing Services Division, Oki<br>Electric Industry Co., Ltd.                                                                                                           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Number of shares of the<br>Company potentially held:<br>0                                                                 | April 2020                                                                                                               | Executive Vice President, and General Manager,<br>Components & Platforms Business Group, and<br>General Manager, Development Division,<br>Components & Platforms Business Group, Oki<br>Electric Industry Co., Ltd. (retired in March 2021) |
| [Reason for nominating as a candidate for Outside Director and overview of expected role]<br>Masasuke Kishi has abundant expertise and experience as a manager at a leading business corporation, as well as specialized knowledge regarding the information and communications sector, internal control, governance, etc. from his business experience hitherto. By utilizing his specialized knowledge based on his abundant expertise and experience, he is expected to provide advice and supervision on the management of the Company from an independent and objective standpoint. The Company newly appoints him as a candidate for Director based on its judgment that he qualifies for this position from the viewpoint of ensuring transparent decision making by the Board of Directors and reinforcing the supervisory functions thereon. |                                                                                                                           |                                                                                                                          |                                                                                                                                                                                                                                             |
| [View on independence]<br>As Masasuke Kishi satisfies the “Independence Criteria for Outside Director/Outside Audit & Supervisory Board Member” stipulated by the Company, the Company judges that he maintains independence from the Company. He used to work at Oki Electric Industry Co., Ltd., but he left the company in 2021. There are no interests including personal, capital and transactional relationships between Oki Electric Industry Co., Ltd. and the Company. In addition, he used to work at Oki Electric Cable Co., Ltd., but he resigned as Representative Director of the said company in 2018. There are no interests including personal, capital and transactional relationships between Oki Electric Cable Co., Ltd. and the Company.                                                                                        |                                                                                                                           |                                                                                                                          |                                                                                                                                                                                                                                             |

(Translation)

| No                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Name<br>(Date of birth; Age)                                                                                        | Career summary, positions and assignments in the Company<br>and important positions concurrently held at other companies |                                                                                                                         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| 9                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <b>Nobuko Mizumoto</b><br>(March 31, 1957; 64)<br>[New appointment]<br>[Outside Director]<br>[Independent Director] | April 1982                                                                                                               | Joined Ishikawajima-Harima Heavy Industries Co., Ltd. (current IHI Corporation)                                         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                     | July 2004                                                                                                                | General Manager, TX Preparation Division, IHI Corporation                                                               |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                     | April 2006                                                                                                               | General Manager, New Business Creation Group, Corporate Planning Division, IHI Corporation                              |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                     | October 2008                                                                                                             | General Manager, Recruitment Group, Human Resources Division, IHI Corporation                                           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Gender:<br>Female                                                                                                   | April 2012                                                                                                               | General Manager, CSR Promotion Division, IHI Corporation                                                                |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Number of years as Director<br>of the Company:<br>—                                                                 | April 2014                                                                                                               | Executive Officer, General Manager, Group Business Process Platform Control Division, IHI Corporation                   |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Attendance at the Board of<br>Directors Meetings:<br>—                                                              | April 2016                                                                                                               | Executive Officer, General Manager, Procurement Strategy Planning, IHI Corporation                                      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                     | April 2017                                                                                                               | Managing Executive Officer, General Manager, Procurement Strategy Planning, IHI Corporation                             |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Number of shares of the<br>Company actually held:<br>0                                                              | April 2018                                                                                                               | Managing Executive Officer, General Manager, Intelligent Information Management Headquarters, IHI Corporation           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Number of shares of the<br>Company potentially held:<br>0                                                           | June 2018                                                                                                                | Director, Managing Executive Officer, General Manager, Intelligent Information Management Headquarters, IHI Corporation |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                     | April 2020                                                                                                               | Director, IHI Corporation                                                                                               |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                     | June 2020                                                                                                                | Advisor, IHI Corporation (current position)                                                                             |
| [Reason for nominating as a candidate for Outside Director and overview of expected role]<br>Nobuko Mizumoto has abundant expertise and experience as a manager at a leading business corporation, as well as specialized knowledge regarding the DX sector, operational reforms, human resources development, etc. from her business experience hitherto. By utilizing her specialized knowledge based on her abundant expertise and experience, she is expected to provide advice and supervision on the management of the Company from an independent and objective standpoint. The Company newly appoints her as a candidate for Director based on its judgment that she qualifies for this position from the viewpoint of ensuring transparent decision making by the Board of Directors and reinforcing the supervisory functions thereon. |                                                                                                                     |                                                                                                                          |                                                                                                                         |
| [View on independence]<br>As Nobuko Mizumoto satisfies the “Independence Criteria for Outside Director/Outside Audit & Supervisory Board Member” stipulated by the Company, the Company judges that she maintains independence from the Company. There are no interests including personal, capital and transactional relationships between IHI Corporation, at which she concurrently serves as an Advisor, and the Company.                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                     |                                                                                                                          |                                                                                                                         |

(Notes)

- The number of shares of the Company potentially held states the number of points awarded to the Director through the Board Benefit Trust (BBT), a performance-linked stock-based compensation plan.
- No material conflict of interest exists between the Company and any of the above candidates for Director.
- Hirokazu Hikosaka, Kiyotaka Fuke, Masasuke Kishi and Nobuko Mizumoto are candidates for Outside Director.
- The Company has stipulated in its Articles of Incorporation that it can conclude a limited liability agreement with each Director who is not an executive director to limit his/her liability for damages to a certain degree, and has concluded the limited liability agreements with Hirokazu Hikosaka and Kiyotaka Fuke. If their appointments are approved, the Company intends to continue the limited liability agreement with each of them. If the appointments of Masasuke Kishi and Nobuko Mizumoto are approved, the Company intends to conclude the limited liability agreement with each of them.  
The outline of the aforementioned limited liability agreement is as follows:
  - In case a Director causes damage to the Company due to his/her negligence of duty, his/her liability for the damage shall be up to the minimum liability amount provided for in laws and regulations when said Director's duty is performed in good faith and with no gross negligence.
- The Company has entered into a directors and officers liability insurance contract with an insurance company. The said insurance contract will cover damages that may arise due to insured Officers, etc. assuming liability for their execution of duties, or receiving a claim for the pursuit of such liability. If the appointments of the candidates are approved, they will be included among the insured persons under the insurance contract.

(Translation)

The said insurance contract is scheduled to be renewed in October 2021 with the same terms and conditions.

6. The Company has notified the Tokyo Stock Exchange of the designation of Hirokazu Hikosaka and Kiyotaka Fuke as Independent Directors as stipulated in the provisions of the Tokyo Stock Exchange. The Company intends to notify the Tokyo Stock Exchange of the designation of Masasuke Kishi and Nobuko Mizumoto as Independent Directors as stipulated in the provisions of the Tokyo Stock Exchange if their appointments are approved.
7. The age of the respective candidates indicated is as of the date of this Annual Shareholders' Meeting.

(Translation)

[Reference] Specialized knowledge and experience, etc. possessed by candidates for Director (If Proposal No. 2 is approved as originally proposed)

| Name                                                                         | Number of years as Director | Specialized knowledge and experience that candidates for Director have |                                          |                 |                                       |                                                             |                              |                              | Nomination Advisory Committee | Compensation Advisory Committee | Governance Committee |
|------------------------------------------------------------------------------|-----------------------------|------------------------------------------------------------------------|------------------------------------------|-----------------|---------------------------------------|-------------------------------------------------------------|------------------------------|------------------------------|-------------------------------|---------------------------------|----------------------|
|                                                                              |                             | Corporate management                                                   | Technological development, IT strategies | Global business | Industrial insights, market awareness | Human resources development, personnel and labor management | Internal control, governance | Laws, finance and accounting |                               |                                 |                      |
| Koji Kato                                                                    | 12 years 9 months           | ●                                                                      | ●                                        |                 | ●                                     | ●                                                           | ●                            |                              | ●                             | ●                               | ●                    |
| Kazuhide Hayakawa                                                            | 4 years                     | ●                                                                      | ●                                        |                 | ●                                     |                                                             |                              |                              |                               |                                 |                      |
| Yasushi Nakajima                                                             | 4 years                     | ●                                                                      | ●                                        | ●               | ●                                     |                                                             |                              |                              |                               |                                 | ●                    |
| Masanori Nakagawa                                                            | 3 years                     | ●                                                                      |                                          | ●               |                                       | ●                                                           | ●                            | ●                            |                               |                                 | ●                    |
| Masashi Osada                                                                | —                           | ●                                                                      |                                          | ●               | ●                                     |                                                             |                              |                              |                               |                                 |                      |
| (Outside Director)<br>Hirokazu Hikosaka                                      | 4 years                     |                                                                        |                                          |                 |                                       |                                                             | ●                            | ●                            | ●                             | ◎                               | ◎                    |
| (Outside Director)<br>Kiyotaka Fuke<br>Chairperson of the Board of Directors | 2 years                     | ●                                                                      |                                          |                 |                                       | ●                                                           | ●                            |                              | ◎                             | ●                               | ●                    |
| (Outside Director)<br>Masasuke Kishi                                         | —                           | ●                                                                      | ●                                        |                 |                                       |                                                             | ●                            |                              | ●                             | ●                               | ●                    |
| (Outside Director)<br>Nobuko Mizumoto                                        | —                           | ●                                                                      | ●                                        |                 |                                       | ●                                                           |                              |                              | ●                             | ●                               | ●                    |

(Notes) 1. The table above does not represent all the knowledge and experience possessed by the candidates.

2. ◎ represents chairperson.

(Translation)

(Reference)

“Independence Criteria for Outside Director/Outside Audit & Supervisory Board Member”

In order to increase the soundness and transparency of management, the Company has established the following independence criteria for outside directors and outside audit & supervisory board members. Outside directors and outside audit & supervisory board members are considered to be independent unless any of the following criteria applies.

1. Major shareholder<sup>1</sup> of the Company or an executive thereof;
2. Major lender<sup>2</sup> of the Company or an executive thereof;
3. A party whose major client or supplier is the Company<sup>3</sup> or an executive thereof;
4. Major client or supplier of the Company<sup>4</sup> or an executive thereof;
5. Consultant, accountant or legal professional who receives more than ¥10 million per year in monetary consideration or other property from the Company besides compensation as a Director/Audit & Supervisory Board Member (if the recipient of such property is a corporation, partnership or other entities, a person who belongs to an entity for which the total amount of money and property received from the Company exceeds 2% of its annual gross revenue);
6. Person who receives more than ¥10 million per year in donation from the Company (or executive thereof, if the recipient of such donation is a corporation, partnership or other entities);
7. Person who fell under any of the above-listed items 1. through 6. during the past three years; or
8. Relatives within the second degree of kinship of the person (excluding those who are not significant persons) who fall under any of the following items (1) through (3).
  - (1) Person who falls under any of the above-listed items 1 through 7;
  - (2) Executive of any subsidiaries of the Company; or
  - (3) Non-executive director of any subsidiaries of the Company.

(Notes)

1. “Major shareholder” refers to a shareholder who holds 10% or more of the voting rights directly or indirectly at the end of the most recent fiscal year.
2. “Major lender” refers to a lender to whom the Company has outstanding borrowings in the amount that exceeded 2% of the consolidated total assets of the Company at the end of the most recent fiscal year.
3. “A party whose major client or supplier is the Company” refers to a party for whom the average amount of payments received from the Company for the past three fiscal years exceeds 2% of the average consolidated net sales of said party for the past three fiscal years.
4. “A major client or supplier of the Company” refers to a party for whom the average amount of payments to the Company for the past three years exceeds 2% of the average consolidated net sales of the Company for the past three fiscal years.



(Translation)

**Proposal No. 3:** Election of One (1) Audit & Supervisory Board Member

The term of office of Audit & Supervisory Board Member Tetsuya Ogawa will expire at the conclusion of this Annual Shareholders' Meeting. Accordingly, the election of one (1) Audit & Supervisory Board Member is proposed.

The Audit & Supervisory Board has given its prior consent to this Proposal.

The candidate is as follows.

| Name<br>(Date of birth; Age)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Career summary and positions in the Company<br>and important positions concurrently held at other companies |                                                                                               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| <b>Hiroyuki Matsunaga</b><br>(May 15, 1959; 62)<br>[New appointment]<br><br>Gender:<br>Male<br><br>Number of years as Audit &<br>Supervisory Board Member of<br>the Company:<br>—<br><br>Attendance at the Board of<br>Directors Meetings:<br>—<br><br>Attendance at the Audit &<br>Supervisory Board Meetings:<br>—<br><br>Number of shares of the<br>Company actually held:<br>1,700                                                                                                                              | April 1984                                                                                                  | Joined the Company                                                                            |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | April 2012                                                                                                  | General Manager, Design Dept., Tokyo Branch Office,<br>Green Technology System Division       |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | April 2015                                                                                                  | Corporate Officer, General Manager, Kyushu Branch<br>Office, Green Technology System Division |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | April 2021                                                                                                  | Assistant to Chief Executive, Corporate Planning<br>Headquarters (current position)           |
| [Reason for nominating as a candidate for Audit & Supervisory Board Member]<br>Hiroyuki Matsunaga has abundant business experience in the green technology system business, and has served as Corporate Officer since 2015. The Company newly appoints him as a candidate for Audit & Supervisory Board Member based on its judgment that he qualifies for this position of auditing the execution of duties by Directors, because he is well-versed in the actual operations of business execution of the Company. |                                                                                                             |                                                                                               |

(Notes)

1. No material conflict of interest exists between the Company and the above candidate for Audit & Supervisory Board Member.
2. The Company has stipulated in its Articles of Incorporation that it can conclude a limited liability agreement with each Audit & Supervisory Board Member to limit his/her liability for damages to a certain degree. If the appointment of Hiroyuki Matsunaga as Audit & Supervisory Board Member is approved, the Company intends to conclude the said agreement with him.  
The outline of the aforementioned limited liability agreement is as follows:
  - In case an Audit & Supervisory Board Member causes damage to the Company due to his/her negligence of duty, his/her liability for the damage shall be up to the minimum liability amount provided for in laws and regulations when said Audit & Supervisory Board Member's duty is performed in good faith and with no gross negligence.
3. The Company has entered into a directors and officers liability insurance contract with an insurance company. The said insurance contract will cover damages that may arise due to insured Officers, etc. assuming liability for their execution of duties, or receiving a claim for the pursuit of such liability. If the appointment of Hiroyuki Matsunaga is approved, he will be included among the insured persons under the insurance contract. The said insurance contract is scheduled to be renewed in October 2021 with the same terms and conditions.
4. The age of the candidate indicated is as of the date of this Annual Shareholders' Meeting.

(Translation)

**Proposal No. 4:** Revision of Amount of Compensation to Directors

At the 71st Annual Shareholders' Meeting held on June 29, 2016, a resolution was adopted to set the amount of compensation to Directors of the Company to be within ¥540 million per year. Of the above figure, the amount for Outside Directors was set to be within ¥40 million per year by the resolution adopted at the 75th Annual Shareholders' Meeting held on June 26, 2020, and the resolutions remain effective until now. However, in due consideration of an increase in the number of Outside Directors, and the increased roles and responsibilities of Outside Directors with an aim of strengthening corporate governance among other factors, the Company proposes that the amount of compensation to Outside Directors be revised to within ¥60 million per year. The total amount of compensation to Directors will remain unchanged. In addition, the amount of compensation to Directors, as in the past, does not include the portion of their salaries for Directors who concurrently serve as employees.

There will be no change in the amount of performance-linked stock-based compensation, etc. granted to Executive Directors of the Company, approved separately from the abovementioned compensation at the 74th Annual Shareholders' Meeting held on June 27, 2019.

At present, the number of Directors is nine (9) (including two (2) Outside Directors). If Proposal No. 2 is approved as originally proposed, the number of Directors will be nine (9) (including four (4) Outside Directors).

(Translation)

[Attached Documents for the 76th Annual Shareholders' Meeting]

## **Business Report**

(From April 1, 2020, to March 31, 2021)

### **1. Overview of the Group**

#### **(1) Business Progress and Results**

##### **1) Overview of business**

In this fiscal year, the global economy fell into a recession due to the impact of the COVID-19 pandemic. In the first quarter, the governments of each country implemented restrictions on economic activities as emergency response measures, including lockdowns, the suspension of business operations, and travel restrictions. As a result, the global economy deteriorated significantly. From the second quarter, signs of recovery were visible as economic activities resumed. Subsequently, owing to widespread COVID-19 vaccine rollouts, financial support provided by each country's government and such, economies worldwide are on a recovery track.

Among the market environments of the Taikisha Group, in the domestic market, while the building HVAC sector saw the impact on capital investments due to the state of emergency declaration in the first quarter, it subsequently moved towards recovery. Meanwhile, in the industrial HVAC sector, due to the impact of economic deterioration and growing uncertainty over the future outlook, each manufacturer continued to move with caution with regard to capital investments. Overseas, both in the industrial HVAC sector and the automobile paint finishing sector, manufacturers continued to stay in the correction phase regarding capital investments.

Under such circumstances, in order to achieve medium- to long-term growth, the Taikisha Group has been promoting the following initiatives.

Firstly, as an initiative aimed at expanding our overseas business domain through capital alliances, on July 30, 2020, the Company invested in Nicomac Clean Rooms Far East LLP (currently Nicomac Taikisha Clean Rooms Private Limited, hereinafter "Nicomac") and made it a consolidated subsidiary. Nicomac is an India-based company that manufactures and sells panels for clean rooms. In the Indian market, for which medium- to long-term growth can be expected, the Company aims to strengthen our responsiveness towards India's clean room construction market centering on environments for manufacturing medical equipment where high-performance HVAC systems are required, by integrating Nicomac's high-quality panel manufacturing and installation technologies with the Company's HVAC system technologies.

As the deemed acquisition date of Nicomac was September 30, 2020, the business results of Nicomac in the first and second quarters were not included in the Consolidated Statement of Income and the Consolidated Statement of Comprehensive Income for the fiscal year.

Secondly, as part of our efforts to expand the business domain based on our core business, the Company established a wholly-owned subsidiary Vege-factory Co., Ltd., to provide one-stop solutions from construction of the plant to the production and sales of vegetables, with the aim of further expanding and enhancing our domain in the plant factory business. With the establishment of this subsidiary, the Taikisha Group aims to build a new brand as a comprehensive agricultural business operator that handles even the production and sales of vegetables.

In addition, as an initiative aimed at enhancing the Company's added value, in the paint finishing sector, the Company jointly developed the automobile paint finishing system "i-ESTA100TE," which realizes a "100% coating efficiency," with TOYOTA AUTO BODY CO., LTD.

Compared to an about 70% coating efficiency of traditional coaters, which atomize the paint with aerodynamics, the new electrostatic atomizing paint finishing system does not use air. Instead, it only uses the power of static electricity to coat the atomized paint and paint particles onto the automobile. As a result, it realizes a 100% coating efficiency, which has traditionally been deemed difficult, simplifies the equipment and reduces the energy used, thereby enabling a reduction of the environmental burden.

(Translation)

Given such circumstances, consolidated orders received decreased 11.7% year-on-year to ¥200,469 million, due to the decrease of both in Japan and overseas. This includes orders received overseas, which decreased 13.7% year-on-year to ¥88,328 million.

Similarly, consolidated net sales of completed construction contracts decreased 10.1% year-on-year to ¥202,548 million, due to the decrease of both in Japan and overseas. This includes net sales of completed construction contracts overseas, which decreased 0.3% year-on-year to ¥92,791 million.

In regard to profits, gross profit on completed construction contracts decreased ¥3,666 million year-on-year to ¥34,027 million, operating income decreased ¥3,749 million year-on-year to ¥11,690 million, ordinary income decreased ¥3,703 million year-on-year to ¥12,287 million, and profit attributable to owners of parent decreased ¥853 million year-on-year to ¥8,279 million.

**Orders received, net sales of completed construction contracts and construction carried forward by each division**

(Millions of yen)

| Category                         |                                   | Construction brought forward | Orders received  | Total             | Net sales of completed construction contracts | Construction carried forward |
|----------------------------------|-----------------------------------|------------------------------|------------------|-------------------|-----------------------------------------------|------------------------------|
| Green Technology System Division | Building HVAC                     | 45,605                       | 45,910           | 91,516            | 40,952                                        | 50,563                       |
|                                  | Industrial HVAC                   | 70,969                       | 89,607           | 160,576           | 93,099                                        | 67,477                       |
|                                  | Subtotal [Overseas]               | 116,574 [35,430]             | 135,518 [38,800] | 252,092 [74,230]  | 134,051 [37,290]                              | 118,041 [36,939]             |
| Paint Finishing System Division  | Paint Finishing System [Overseas] | 57,736 [51,184]              | 64,951 [49,528]  | 122,687 [100,712] | 68,497 [55,500]                               | 54,189 [45,212]              |
| Total [Overseas]                 |                                   | 174,310 [86,614]             | 200,469 [88,328] | 374,780 [174,943] | 202,548 [92,791]                              | 172,231 [82,151]             |

(Note)

Regarding foreign exchange translation of contracts brought forward from previous year in foreign subsidiaries, fluctuation amount because of foreign exchange is adjusted in the beginning balance of construction contracts brought forward.

Earnings by reportable segment (including intersegment transactions) are as follows.

**[Green Technology System Division]**

Consolidated orders received decreased compared to the previous year, mainly due to decreases overseas, such as in Southeast Asia including Thailand, and the impact of the industrial HVAC sector in Japan experiencing a reactionary drop from a large-scale construction contract that was received in the previous year. The consolidated net sales of completed construction contracts decreased compared to the previous year, mainly due to decreases both in the building HVAC sector and the industrial HVAC sector in Japan, and decreases overseas in Southeast Asia including Thailand.

As a result, consolidated orders received decreased 15.6% year-on-year to ¥135,518 million. The breakdown is orders received for building HVAC of ¥45,910 million which decreased 3.9% year-on-year and orders received for industrial HVAC of ¥89,607 million which decreased 20.5% year-on-year. Consolidated net sales of completed construction contracts decreased 14.8% year-on-year to ¥134,058 million. The breakdown is sales for building HVAC of ¥40,952 million which decreased 25.5% year-on-year and sales for industrial HVAC of ¥93,106 million which decreased 9.1% year-on-year. Segment profit (ordinary income) decreased ¥2,701 million year-on-year to ¥11,192 million.

(Translation)

**[Paint Finishing System Division]**

Consolidated orders received decreased compared to the previous year, due to a decrease in orders received in regions such as North America. The consolidated net sales of completed construction contracts increased compared to the previous year, mainly due to an increase overseas in regions such as North America and Europe, though sales in Japan decreased.

As a result, consolidated orders received decreased 2.2% year-on-year to ¥64,951 million and consolidated net sales of completed construction contracts increased 0.7% year-on-year to ¥68,497 million. Segment profit (ordinary income) decreased ¥1,903 million year-on-year to ¥911 million.

As for the non-consolidated performance of the Company, orders received decreased 8.8% year-on-year to ¥112,072 million and net sales of completed construction contracts decreased 18.1% year-on-year to ¥108,667 million. Profit of the Company decreased ¥876 million to ¥6,769 million.

**2) Capital expenditures**

There is nothing of significance to mention for the fiscal year.

**3) Financing**

There is nothing of significance to mention for the fiscal year.

**(2) Changes in Assets and Income**

**1) Changes in operating results**

(Millions of yen)

|                                                        | Year ended<br>March 31, 2017<br>(72nd term) | Year ended<br>March 31, 2018<br>(73rd term) | Year ended<br>March 31, 2019<br>(74th term) | Year ended<br>March 31, 2020<br>(75th term) | Year ended<br>March 31,<br>2021<br>(76th term)<br>This<br>consolidated<br>fiscal year |
|--------------------------------------------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------------------------------------------------|
| Orders received                                        | 218,323                                     | 219,844                                     | 241,889                                     | 226,909                                     | 200,469                                                                               |
| Net sales of<br>completed<br>construction<br>contracts | 200,604                                     | 231,898                                     | 225,402                                     | 225,378                                     | 202,548                                                                               |
| Ordinary income                                        | 9,842                                       | 13,082                                      | 15,085                                      | 15,991                                      | 12,287                                                                                |
| Profit<br>attributable to<br>owners of parent          | 6,305                                       | 7,254                                       | 8,841                                       | 9,132                                       | 8,279                                                                                 |
| Basic earnings<br>per share (Yen)                      | 183.16                                      | 212.40                                      | 259.53                                      | 268.07                                      | 243.03                                                                                |
| Total assets                                           | 197,753                                     | 215,392                                     | 223,080                                     | 215,389                                     | 228,855                                                                               |
| Net assets                                             | 100,184                                     | 110,650                                     | 113,649                                     | 112,843                                     | 126,311                                                                               |
| Net assets per<br>share (Yen)                          | 2,799.30                                    | 3,087.51                                    | 3,193.18                                    | 3,176.25                                    | 3,552.69                                                                              |

(Notes)

1. “Basic earnings per share” is calculated based on the average number of shares outstanding during the year after subtracting treasury shares. “Net assets per share” is calculated based on the total number of issued shares at the end of the year after subtracting treasury shares. The number of treasury shares does not include the number of the Company’s shares held by Custody Bank of Japan, Ltd. (Trust E Account), because of the introduction of the ESOP (Employee Stock Ownership Plan). Meanwhile, the number of treasury shares includes the number of the Company’s shares held by Custody Bank of Japan, Ltd. (Trust E Account), because of the introduction of the BBT (Board Benefit Trust).
2. “Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.” (ASBJ Statement No. 28, February 16, 2018) has been applied since the beginning of the 74th fiscal year. Total assets for the 72nd term and the 73rd term represent the amounts after retroactively applying said accounting standard, etc.

(Translation)

## 2) Changes in net sales of completed construction contracts by each division

(Millions of yen)

|                                           |                              | Year ended<br>March 31,<br>2017<br>(72nd term) | Year ended<br>March 31,<br>2018<br>(73rd term) | Year ended<br>March 31,<br>2019<br>(74th term) | Year ended<br>March 31,<br>2020<br>(75th term) | Year ended<br>March 31,<br>2021<br>(76th term)<br>This<br>consolidated<br>fiscal year |
|-------------------------------------------|------------------------------|------------------------------------------------|------------------------------------------------|------------------------------------------------|------------------------------------------------|---------------------------------------------------------------------------------------|
| Green<br>Technology<br>System<br>Division | Building<br>HVAC             | 43,857                                         | 45,845                                         | 46,158                                         | 54,963                                         | 40,952                                                                                |
|                                           | Industrial<br>HVAC           | 80,704                                         | 94,093                                         | 103,005                                        | 102,411                                        | 93,099                                                                                |
|                                           | Subtotal                     | 124,561                                        | 139,938                                        | 149,164                                        | 157,374                                        | 134,051                                                                               |
| Paint<br>Finishing<br>System<br>Division  | Paint<br>Finishing<br>System | 76,043                                         | 91,960                                         | 76,238                                         | 68,003                                         | 68,497                                                                                |
| Total<br>[Overseas]                       |                              | 200,604<br>[98,820]                            | 231,898<br>[116,170]                           | 225,402<br>[106,136]                           | 225,378<br>[93,029]                            | 202,548<br>[92,791]                                                                   |

### (3) Issues to Be Addressed

#### 1) Basic management policy of the Company

The Taikisha Group will globally expand its business areas and pursue stable and sustainable growth in compliance with the “Customers first” spirit as Taikisha’s corporate philosophy (mission statement), and based on environmentally compliant technologies through our expertise in “Energy, Air, and Water” represented by the company name “Taikisha.” To this end, we will further create an attractive company for all stakeholders and contribute to society.

#### 2) Long-term vision

The Taikisha Group formulated the long-term vision, “Aim to become a global corporate group that creates an optimum environment through unique engineering” in the Company’s Mid-Term Business Plan publicly announced on May 15, 2019. The long-term vision encompasses three priority items.

- a. Technology  
Aim to become an engineering group that meets the diverse needs of clients through energy-, air- and water-based technology.
- b. Environment  
Solve the clients’ environmental issues with innovative solution technology and contribute to passing on the rich global environment to future generations.
- c. Human Resources  
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.

(Translation)

### 3) Targeted management indices

The summary of the Mid-Term Business Plan for the fiscal year ended March 2020 through the fiscal year ending March 2022 of Taikisha Group is as follows:

(Billions of yen)

| Item                                          | Targets for the consolidated fiscal year ending March 2022 | Actual performance for the consolidated fiscal year ended March 2021 |
|-----------------------------------------------|------------------------------------------------------------|----------------------------------------------------------------------|
| Orders received                               | 265.0                                                      | 200.4                                                                |
| Net sales of completed construction contracts | 260.0                                                      | 202.5                                                                |
| Ordinary income                               | 16.0                                                       | 12.2                                                                 |
| Profit attributable to owners of parent       | 10.0                                                       | 8.2                                                                  |
| Return on equity (ROE) (%)                    | 8% or higher                                               | 7.2%                                                                 |

(Note)

Due to the spread of COVID-19, in the market environment of the Taikisha Group, there was a trend of restraint on capital investments among manufacturers, centering on the industrial HVAC sector and the automobile paint finishing sector. In the second year of the Plan, orders received fell significantly below the target. Under such a challenging environment of limited orders, it has become difficult to achieve the targets for the consolidated fiscal year ending March 2022. Nonetheless, we will continue striving to move closer to the targets. Furthermore, there are no changes to the initiatives aimed at resolving management issues in order to achieve the Company's long-term vision, and we will continue to steadily implement them.

### 4) Management issues

The Taikisha Group has stipulated the following as its management issues based on the basic policy and direction of the Mid-Term Business Plan to achieve the long-term vision, "Aim to become a global corporate group that creates an optimum environment through unique engineering": a) Solidify the Company's position in the global market, b) Strengthen initiatives for the future, and c) Build an attractive company and establish a solid management base.

#### a) Solidify the Company's position in the global market

The Taikisha Group will increase competitiveness and profitability and aim to solidify the Company's position in the Japanese and overseas facility construction industry. We will address the following measures toward the realization of the task, "Solidify the Company's position in the global market."

##### (i) Reinforce the business base

We intend to reinforce the business base by building a well-balanced business portfolio that can respond to changes in the environment and economic fluctuations, securing stable suppliers and business partners, and maintaining a sound financial base.

##### (ii) Enhance competitiveness

We intend to enhance competitiveness by enhancing added value in terms of energy-saving, cost-saving and environment-responsive technology and automation technology, etc. We will also reinforce technological development capabilities by upgrading and utilizing laboratories, as well as strengthen proposal capabilities through the visualization of technology. Furthermore, we will promote the development of new solutions by utilizing IoT/AI, and enhance the Company's presence through stepped-up PR to enhance our competitiveness.

##### (iii) Improve profitability

We intend to make priority allocations of management resources into the growth markets. In addition, we will enhance productivity by improving and propagating onsite construction methods and business processes and utilizing IT, etc. Furthermore, we will reinforce the project management structure.

#### b) Strengthen initiatives for the future

The Taikisha Group will look ahead to future changes in the market environment and promote the development of systems and structures that will turn those changes into business opportunities. We will address the following measures toward the realization of the task, "Strengthen initiatives for the future."

##### (i) Expand business domains

We intend to deepen the existing major business domains and expand new businesses such as the plant factory business and the paint finishing system business for large vehicles other than

(Translation)

automobiles. We will also expand business areas into new countries. Furthermore, we will promote alliances with overseas Group companies to reinforce capabilities to respond to the needs of overseas clients.

(ii) Environment response

We intend to reinforce capabilities to solve clients' environmental issues such as the reduction of greenhouse gas emissions and environmentally hazardous substances by leveraging the technological expertise cultivated in the HVAC business. Furthermore, we will respond to social needs such as SDGs-and ESG-related needs through business operations to pursue these areas as new business opportunities.

c) Build an attractive company and establish a solid management base

The Taikisha Group will reinforce human resource strategies that will make the Company more attractive and a corporate governance structure that will raise society's trust in the Company. We will address the following measures toward the realization of the task, "Build an attractive company and establish a solid management base."

(i) Human resource strategies

We intend to secure human resources with 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. We will also firmly establish the Career Plan Scheme to raise the capabilities and enhance the motivation of employees. Furthermore, we will reinforce human capital and organizational capabilities through the utilization of diverse human resources, as well as secure employees in line with the situation of each overseas Group company.

(ii) Governance

We intend to reinforce corporate governance through the reinforcement of the management oversight functions of the Board of Directors and capital cost-conscious management. We will also reinforce the internal control system both in Japan and overseas. Furthermore, we will improve the global risk management system regarding legal risks, information security, compliance, etc.

To further reinforce our corporate governance structure, specific measures are carried out for enhanced compliance, including the holding of compliance-based training sessions for executives and employees; the streamlining and disseminating of internal reporting systems; and the verification of compliance status at the meetings of the Compliance Committee, held monthly in principle.



(Translation)

**(4) Significant Subsidiaries**

| Company name                                         | Capital             | Percentage of voting rights held by the Company | Principal business                                                                                                               |
|------------------------------------------------------|---------------------|-------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|
| San Esu Industry Co., Ltd.                           | ¥100 million        | 87.75%                                          | Pipework, sheet metal work and can manufacturing work, as well as manufacture and sales of machinery and equipment               |
| Nippon Noise Control Ltd.                            | ¥30 million         | 100.00%                                         | Design, manufacture, sales and installation of silencer and vibration-proof equipment                                            |
| Tokyo Taikisha Service Ltd.                          | ¥20 million         | 100.00%                                         | Design and installation of HVAC systems                                                                                          |
| Vege-factory Co., Ltd. <sup>1,4</sup>                | ¥350 million        | 100.00%                                         | Plant factory consulting<br>Design and supervision, production and sales of vegetables<br>Cultivation support at plant factories |
| TKS Industrial Company                               | USD 10 thousand     | 100.00%                                         | Design and installation of paint finishing and HVAC systems                                                                      |
| Encore Automation LLC <sup>1,3</sup>                 | —                   | 100.00%                                         | Design and installation of paint systems and plants for automobile industry and aviation industry                                |
| Taikisha Canada Inc. <sup>1</sup>                    | CAD 442 thousand    | 100.00%                                         | Design and installation of paint finishing and HVAC systems                                                                      |
| Taikisha de Mexico, S.A. de C.V. <sup>1</sup>        | MXN 11,729 thousand | 100.00%                                         | Design and installation of paint finishing and HVAC systems                                                                      |
| Taikisha Mexicana Service S.A. de C.V. <sup>1</sup>  | MXN 100 thousand    | 100.00%                                         | Design and installation of paint finishing and HVAC systems, as well as temporary staffing services                              |
| Taikisha do Brasil Ltda. <sup>1</sup>                | BRL 8,107 thousand  | 100.00%                                         | Design and installation of paint finishing and HVAC systems                                                                      |
| Taikisha (Singapore) Pte. Ltd.                       | SGD 20 million      | 100.00%                                         | Design and installation of HVAC and paint finishing systems                                                                      |
| Taikisha (Thailand) Co., Ltd. <sup>1</sup>           | THB 40 million      | 85.65%                                          | Design and installation of HVAC and paint finishing systems                                                                      |
| Taikisha Trading (Thailand) Co., Ltd. <sup>1</sup>   | THB 5 million       | 98.60%                                          | Exports and imports of HVAC and paint finishing systems and other products for plants                                            |
| Thaiken Maintenance & Service Co., Ltd. <sup>1</sup> | THB 5 million       | 100.00%                                         | Maintenance services and small-scale works, etc.                                                                                 |
| Token Interior & Design Co., Ltd. <sup>1</sup>       | THB 20 million      | 87.40%                                          | Manufacture and sales of interior goods and materials                                                                            |
| TKA Co., Ltd. <sup>1</sup>                           | THB 5 million       | 99.00%                                          | Manufacture and sales of precision machinery parts                                                                               |
| BTE Co., Ltd. <sup>1,2</sup>                         | THB 20 million      | 50.00%                                          | Assembly and installation of switchboards and control panels                                                                     |
| Token Myanmar Co., Ltd. <sup>1</sup>                 | USD 200 thousand    | 95.00%                                          | Interior decoration-related design and installation                                                                              |
| Taikisha Engineering (M) Sdn. Bhd.                   | MYR 750 thousand    | 100.00%                                         | Design and installation of HVAC and paint finishing systems                                                                      |
| P.T. Taikisha Indonesia Engineering                  | IDR 982 million     | 98.91%                                          | Design and installation of HVAC and paint finishing systems                                                                      |

(Translation)

| Company name                                              | Capital            | Percentage of voting rights held by the Company | Principal business                                                                   |
|-----------------------------------------------------------|--------------------|-------------------------------------------------|--------------------------------------------------------------------------------------|
| P.T. Taikisha Manufacturing Indonesia                     | IDR 87,531 million | 99.98%                                          | Painting of automobile parts                                                         |
| Taikisha Philippines Inc. <sup>2</sup>                    | PHP 22 million     | 40.00%                                          | Design and installation of HVAC and paint finishing systems                          |
| Taikisha Vietnam Engineering Inc.                         | VND 53,895 million | 100.00%                                         | Design and installation of HVAC and paint finishing systems                          |
| Taikisha (Cambodia) Co., Ltd.                             | USD 300 thousand   | 100.00%                                         | Design and installation of HVAC and paint finishing systems                          |
| Taikisha Myanmar Co., Ltd. <sup>1</sup>                   | USD 2 million      | 100.00%                                         | Design, installation and maintenance of HVAC and paint finishing systems             |
| Taikisha Lao Co., Ltd. <sup>1</sup>                       | USD 505 thousand   | 100.00%                                         | Design and installation of HVAC and paint finishing systems                          |
| WuZhou Taikisha Engineering Co., Ltd. <sup>5</sup>        | CNY 51 million     | 70.00%                                          | Design and installation of HVAC and paint finishing systems                          |
| Tianjin Taikisha Paint Finishing System Ltd. <sup>1</sup> | CNY 73 million     | 90.00%                                          | Research, development, manufacture, sales and maintenance of paint systems           |
| Taikisha Hong Kong Limited                                | HKD 2 million      | 100.00%                                         | Design and installation of HVAC and paint finishing systems                          |
| Taikisha (Taiwan) Ltd.                                    | TWD 230 million    | 100.00%                                         | Design and installation of HVAC and paint finishing systems                          |
| Taikisha Korea Ltd.                                       | KRW 700 million    | 80.00%                                          | Design and installation of paint finishing and HVAC systems                          |
| Taikisha Engineering India Private Ltd.                   | INR 5 million      | 57.89%                                          | Design and installation of paint finishing and HVAC systems                          |
| Nicomac Taikisha Clean Rooms Private Limited <sup>6</sup> | INR 10 million     | 74.00%                                          | Manufacture, mounting and design of clean rooms                                      |
| Geico S.p.A.                                              | EUR 3 million      | 51.00%                                          | Design and installation of paint systems and plants for automobile industry          |
| J-CO America Corporation <sup>1</sup>                     | USD 300 thousand   | 100.00%                                         | Design and installation of paint systems and plants for automobile industry          |
| J-CO Mexico, S. de R.L. de C.V. <sup>1</sup>              | MXN 272 thousand   | 100.00%                                         | Design and installation of paint systems and plants for automobile industry          |
| Geico Brasil Ltda. <sup>1</sup>                           | BRL 5,500 thousand | 100.00%                                         | Design and installation of paint systems and plants for automobile industry          |
| Geico Paint Shop India Private Limited <sup>1</sup>       | INR 3 million      | 100.00%                                         | Design and installation of paint systems and plants for automobile industry          |
| Geico Painting System (Suzhou) Co., Ltd. <sup>1</sup>     | CNY 25 million     | 100.00%                                         | Design and installation of paint systems and plants for automobile industry          |
| “Geico Russia” LLC <sup>1</sup>                           | RUB 6 million      | 100.00%                                         | Design and installation of paint systems and plants for automobile industry          |
| Geico Taikisha GmbH <sup>1,7</sup>                        | EUR 65 thousand    | 70.00%                                          | Sales and installation management of paint finishing systems for automobile industry |
| Process Solution Partner GmbH <sup>1,7</sup>              | EUR 25 thousand    | 100.00%                                         | Sales and installation management of electric control units for automobile industry  |
| Process Solution Partner Rus LLC <sup>1,7</sup>           | RUB 10 thousand    | 100.00%                                         | Sales and installation management of electric control units for automobile industry  |
| Geico Taikisha Controls d.o.o. <sup>1,7</sup>             | HRK 20 thousand    | 70.00%                                          | Sales and installation management of electric control units for automobile industry  |

(Translation)

(Notes)

1. For the companies marked with “1,” the percentage of voting rights held by the Company includes the equity investment by the Company’s subsidiaries.
2. Although the Company’s equity in the company marked with “2” is 50% or less, this company is included in the category of “consolidated subsidiaries” as the Company substantially controls it.
3. The company marked with “3” is a “limited liability company” under U.S. laws; the “Capital” is not stated in the table because the concept precisely falling under such “capital” does not exist.
4. As the company marked with “4” is newly established in the fiscal year, it is included in the category of “consolidated subsidiaries.”
5. As the company marked with “5,” Beijing Wuzhou Taikisha Equipment Co., Ltd., was absorbed in an absorption-type merger by WuZhou Taikisha Engineering Co., Ltd. in the fiscal year, it has been excluded from the scope of consolidation.
6. For the company marked with “6,” as the Company acquired the equity of Nicomac Clean Rooms Far East LLP (hereinafter “Nicomac”) and made it a subsidiary in the fiscal year, it has been included in the scope of consolidation. After becoming a subsidiary, Nicomac changed its form of organization from a Limited Liability Partnership (LLP) to an incorporated company, and its company name to Nicomac Taikisha Clean Rooms Private Limited.
7. For the companies marked with “7,” Geico S.p.A., a consolidated subsidiary of the Company, acquired additional shares of its associate subject to the equity method J-PM Systems GmbH and made it a subsidiary. Furthermore, J-PM Systems GmbH acquired shares of Process Solution Partner GmbH (including Process Solution Partner Rus LLC, a subsidiary of Process Solution Partner GmbH) and Software Automation Concepts d.o.o., and made them subsidiaries. Therefore, the above companies have been included in the scope of consolidation in the fiscal year. In addition, J-PM Systems GmbH has changed its company name to Geico Taikisha GmbH, and Software Automation Concepts d.o.o. has changed its company name to Geico Taikisha Controls d.o.o.

## (5) Principal Business

The Taikisha Group is mainly engaged in the design, supervision and installation of HVAC systems and paint finishing systems in Japan and overseas, as well as in the manufacture and sales of related equipment and materials. Major markets and client fields for each business segment are as follows:

|                                  |                                                                                                                                                                                                                                                                                                                                                                                                             |
|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Green Technology System Division | <ul style="list-style-type: none"><li>• General-purpose HVAC systems for offices, hotels, stores, schools, research institutes, theaters, halls, residences, hospitals, computer centers and so forth</li><li>• Industrial HVAC systems, including clean rooms, for factories and plants of semiconductors, electronic parts/components, precision machinery, pharmaceuticals, foods and so forth</li></ul> |
| Paint Finishing System Division  | <ul style="list-style-type: none"><li>• Paint finishing systems in factories not only for automobile parts/components such as chassis and bumpers slated for automobile industry but also for construction vehicles, rolling stock, aircraft and the like</li></ul>                                                                                                                                         |

## (6) Principal Business Locations

### 1) The Company

|                     |                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Head Office         | 8-17-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo                                                                                                                                                                                                                                                                                                                                                                                              |
| Branch              | Sapporo Office, Tohoku Branch Office (Sendai-shi), Kanto Office (Saitama-shi), Tokyo Branch Office (Nakano-ku, Tokyo), Yokohama Office, Chubu Branch Office (Nagoya-shi), Osaka Branch Office, Chugoku Office (Hiroshima-shi), Kyushu Branch Office (Fukuoka-shi), International Operations Center (Shinjuku-ku, Tokyo), East Japan Office (Shinjuku-ku, Tokyo), West Japan Office (Nagoya-shi), Automation Office (Zama-shi, Kanagawa) |
| Sales Office        | Ibaraki (Tsukuba-shi), Hokuriku (Kanazawa-shi), Nagano, Kyoto, Kobe, Kagoshima, Okinawa (Naha-shi)                                                                                                                                                                                                                                                                                                                                      |
| Research Laboratory | Plant Factory Demonstration and Development Center (Itabashi-ku, Tokyo), Technical Center (Zama-shi, Kanagawa), Research and Development Center (Aikawa-cho, Aiko-gun, Kanagawa)                                                                                                                                                                                                                                                        |

(Translation)

## 2) Subsidiaries

|          |                                              |                     |
|----------|----------------------------------------------|---------------------|
| Japan    | San Esu Industry Co., Ltd.                   | Hirakata-shi, Osaka |
|          | Nippon Noise Control Ltd.                    | Nakano-ku, Tokyo    |
|          | Tokyo Taikisha Service Ltd.                  | Nakano-ku, Tokyo    |
|          | Vege-factory Co., Ltd.                       | Shinjuku-ku, Tokyo  |
| Overseas | TKS Industrial Company                       | U.S.A.              |
|          | Encore Automation LLC                        | U.S.A.              |
|          | Taikisha Canada Inc.                         | Canada              |
|          | Taikisha de Mexico, S.A. de C.V.             | Mexico              |
|          | Taikisha Mexicana Service S.A. de C.V.       | Mexico              |
|          | Taikisha do Brasil Ltda.                     | Brazil              |
|          | Taikisha (Singapore) Pte. Ltd.               | Singapore           |
|          | Taikisha (Thailand) Co., Ltd.                | Thailand            |
|          | Taikisha Trading (Thailand) Co., Ltd.        | Thailand            |
|          | Thaiken Maintenance & Service Co., Ltd.      | Thailand            |
|          | Token Interior & Design Co., Ltd.            | Thailand            |
|          | TKA Co., Ltd.                                | Thailand            |
|          | BTE Co., Ltd.                                | Thailand            |
|          | Token Myanmar Co., Ltd.                      | Myanmar             |
|          | Taikisha Engineering (M) Sdn. Bhd.           | Malaysia            |
|          | P.T. Taikisha Indonesia Engineering          | Indonesia           |
|          | P.T. Taikisha Manufacturing Indonesia        | Indonesia           |
|          | Taikisha Philippines Inc.                    | The Philippines     |
|          | Taikisha Vietnam Engineering Inc.            | Vietnam             |
|          | Taikisha (Cambodia) Co., Ltd.                | Cambodia            |
|          | Taikisha Myanmar Co., Ltd.                   | Myanmar             |
|          | Taikisha Lao Co., Ltd.                       | Laos                |
|          | WuZhou Taikisha Engineering Co., Ltd.        | China               |
|          | Tianjin Taikisha Paint Finishing System Ltd. | China               |
|          | Taikisha Hong Kong Limited                   | China               |
|          | Taikisha (Taiwan) Ltd.                       | Taiwan              |
|          | Taikisha Korea Ltd.                          | South Korea         |
|          | Taikisha Engineering India Private Ltd.      | India               |
|          | Nicomac Taikisha Clean Rooms Private Limited | India               |
|          | Geico S.p.A.                                 | Italy               |
|          | J-CO America Corporation                     | U.S.A.              |
|          | J-CO Mexico, S. de R.L. de C.V.              | Mexico              |
|          | Geico Brasil Ltda.                           | Brazil              |
|          | Geico Paint Shop India Private Limited       | India               |
|          | Geico Painting System (Suzhou) Co., Ltd.     | China               |
|          | “Geico Russia” LLC                           | Russia              |
|          | Geico Taikisha GmbH                          | Germany             |
|          | Process Solution Partner GmbH                | Germany             |
|          | Process Solution Partner Rus LLC             | Russia              |
|          | Geico Taikisha Controls d.o.o.               | Croatia             |

(Translation)

**(7) Employees**

**1) Taikisha Group**

| Type of business            | Number of employees | Increase/Decrease from previous fiscal year-end |
|-----------------------------|---------------------|-------------------------------------------------|
| Equipment installation work | 5,042               | 259                                             |

**2) The Company**

| Number of employees at fiscal year-end | Increase/Decrease from previous fiscal year-end | Average age | Average years of service |
|----------------------------------------|-------------------------------------------------|-------------|--------------------------|
| 1,544                                  | 61                                              | 43.1        | 17.4                     |

**(8) Major Lenders**

(Millions of yen)

| Lenders                         | Balance of borrowings |
|---------------------------------|-----------------------|
| Intesa Sanpaolo S.p.A.          | 1,552                 |
| Banca Popolare di Milano S.p.A. | 1,396                 |
| MUFG Bank, Ltd.                 | 1,333                 |
| Bcc MILANO - ICCREA             | 1,269                 |
| Mizuho Bank, Ltd.               | 1,121                 |

(Translation)

## 2. Status of Shares

- (1) Total Number of Authorized Shares 100,000,000 shares
- (2) Total Number of Issued Shares 34,204,586 shares  
(excluding 877,423 treasury shares)
- (3) Number of Shareholders 3,421 persons  
(a year-on-year increase of 252 persons)

### (4) Major Shareholders (top 10)

| Name of shareholders                                       | Number of shares held (in thousands) | Percentage of shares held to the total number of issued shares (%) |
|------------------------------------------------------------|--------------------------------------|--------------------------------------------------------------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account)       | 3,306                                | 9.67                                                               |
| Kenzaisha Ltd.                                             | 1,730                                | 5.06                                                               |
| Custody Bank of Japan, Ltd. (Trust Account 9)              | 1,690                                | 4.94                                                               |
| Custody Bank of Japan, Ltd. (Trust Account)                | 1,134                                | 3.32                                                               |
| THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED 131800 | 1,054                                | 3.08                                                               |
| Taikisha Business Partners Shareholding Association        | 1,053                                | 3.08                                                               |
| Taikisha Employees Shareholding Association                | 1,020                                | 2.98                                                               |
| Dai ni Kenzaisha Ltd.                                      | 1,000                                | 2.92                                                               |
| Sumitomo Realty & Development Co., Ltd.                    | 981                                  | 2.87                                                               |
| Nippon Life Insurance Company                              | 866                                  | 2.53                                                               |

(Notes)

- The Company holds 877,423 treasury shares but is excluded from the list of major shareholders above. The above treasury shares do not include 132,000 shares of the Company held by Custody Bank of Japan, Ltd. (Trust E Account), because of the introduction of the ESOP (Employee Stock Ownership Plan). The above treasury shares do not include 136,400 shares of the Company held by Custody Bank of Japan, Ltd. (Trust E Account), because of the introduction of the Board Benefit Trust (BBT).
- The “Percentage of shares held to the total number of issued shares” is calculated by subtracting treasury shares from all issued shares.

### (5) Other Share-Related Significant Matters

#### 1) ESOP (Employee Stock Ownership Plan)

The Company introduced an ESOP (Employee Stock Ownership Plan) (the “Plan”), an incentive program granting the stocks of the Company to its employees to motivate them toward improving the Company’s stock prices and financial results.

The Plan has a scheme in which shares of the Company are awarded to its eligible employees who have satisfied certain requirements in accordance with Stock Granting Regulations set forth in advance by the Company. Said Company’s shares are acquired with money initially contributed to a trust, including future portions, and separately managed as a trust estate.

#### 2) Board Benefit Trust (BBT)

The Company has introduced a Board Benefit Trust (BBT) (hereinafter referred to as the “System”), which is a performance-linked stock-based compensation plan, meant to further clarify the link between the compensation of Executive Directors and the Company’s operating performance and stock value, thereby enhancing their motivation to contribute to the improvement of operating performance in the medium and long term and to boost corporate value.

Under this System, in accordance with the Director Stock Benefit Rules established in advance by the Company, Executive Directors of the Company who satisfy certain requirements can receive the Company’s shares after their retirement. The said shares including the future portion are acquired in advance, through money designated to the trust, and are managed separately as trust assets.

### 3. Share Subscription Rights (Shinkabu Yoyakuken) of the Company, etc.

Not applicable.

(Translation)

#### 4. Company Officers

##### (1) Directors and Audit & Supervisory Board Members

| Position                                     | Name               | Assignments in the Company and important positions con-currently held at other companies                                                                    |
|----------------------------------------------|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Representative Director                      | Koji Kato          | President Corporate Officer                                                                                                                                 |
| Representative Director                      | Hiroshi Mukai      | Executive Vice President Corporate Officer                                                                                                                  |
| Director                                     | Kazuhide Hayakawa  | Executive Corporate Officer, Chief General Manager, Paint Finishing System Division                                                                         |
| Director                                     | Yasushi Nakajima   | Executive Corporate Officer, Chief General Manager, Green Technology System Division                                                                        |
| Director                                     | Masanori Nakagawa  | Managing Corporate Officer, Chief Executive, Administrative Management Headquarters and in charge of CSR                                                    |
| Director                                     | Nobutaka Inagawa   | Managing Corporate Officer, Vice General Manager, Green Technology System Division                                                                          |
| Director                                     | Junichi Murakawa   | Managing Corporate Officer, Vice General Manager, Paint Finishing System Division, and Senior General Manager, Engineering Supervisory Dept.                |
| Director                                     | Hirokazu Hikosaka  | Lawyer<br>Audit & Supervisory Board Member, Adways Inc.                                                                                                     |
| Director                                     | Kiyotaka Fuke      |                                                                                                                                                             |
| Full-time Audit & Supervisory Board Member   | Tetsuya Ogawa      |                                                                                                                                                             |
| Full-time Audit & Supervisory Board Member   | Toshiyuki Hanazawa |                                                                                                                                                             |
| ○ Full-time Audit & Supervisory Board Member | Makoto Wakida      |                                                                                                                                                             |
| ○ Audit & Supervisory Board Member           | Shigeo Kobayashi   | Certified Public Accountant                                                                                                                                 |
| ○ Audit & Supervisory Board Member           | Nobuyuki Soda      | Director and President, Corporate-Pension Business Service Co., Ltd.<br>Outside Director, Audit and Supervisory Committee Member, The Hyakujushi Bank, Ltd. |

(Notes)

1. The Audit & Supervisory Board Members marked with “○” were newly elected as Audit & Supervisory Board Members respectively at the 75th Annual Shareholders’ Meeting held on June 26, 2020, and assumed their positions.
2. Due to expiry of their terms of office at the conclusion of the 75th Annual Shareholders’ Meeting held on June 26, 2020, Eitaro Uenishi retired from the position of Director, while Toshiya Furukatsu and Junichi Noro retired from the position of Audit & Supervisory Board Member.
3. Directors Hirokazu Hikosaka and Kiyotaka Fuke are Outside Directors.
4. Audit & Supervisory Board Members Toshiyuki Hanazawa, Shigeo Kobayashi and Nobuyuki Soda are Outside Audit & Supervisory Board Members.
5. Audit & Supervisory Board Member Toshiyuki Hanazawa has experience in accounting as a general manager of accounting department at a leading non-life insurance company, and therefore has abundant knowledge regarding finance and accounting affairs. Also, Audit & Supervisory Board Member Shigeo Kobayashi has abundant knowledge regarding finance and accounting affairs as a certified public accountant.
6. The Company has notified the Tokyo Stock Exchange of the designation of Directors Hirokazu Hikosaka and Kiyotaka Fuke, as well as Audit & Supervisory Board Members Toshiyuki Hanazawa, Shigeo Kobayashi and Nobuyuki Soda, as Independent Directors/Auditors as stipulated in the provisions of the Tokyo Stock Exchange.

(Translation)

7. The following assignments in the Company were transferred as of April 1, 2021.

| Name              | After the transfer                                                                                                                                       | Before the transfer                                                                                                                                   |
|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| Hiroshi Mukai     | Director                                                                                                                                                 | Representative Director, Executive Vice President Corporate Officer                                                                                   |
| Yasushi Nakajima  | Director, Executive Corporate Officer, Chief Executive, Administrative Management Headquarters                                                           | Director, Executive Corporate Officer, Chief General Manager, Green Technology System Division                                                        |
| Masanori Nakagawa | Director, Executive Corporate Officer, Chief Executive, Corporate Planning Headquarters and in charge of CSR, and General Manager, Global Strategy Dept. | Director, Managing Corporate Officer, Chief Executive, Administrative Management Headquarters and in charge of CSR                                    |
| Junichi Murakawa  | Director, Managing Corporate Officer, Vice General Manager, Paint Finishing System Division and Senior General Manager, Global Business Management Dept. | Director, Managing Corporate Officer, Vice General Manager, Paint Finishing System Division and Senior General Manager, Engineering Supervisory Dept. |

**(2) Outline of limited liability agreement**

The Company has concluded limited liability agreements respectively with all Directors who are not executive directors and all Audit & Supervisory Board Members to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act, in accordance to the provision of Article 427, Paragraph 1 of the Act.

The liability for damages both for such Directors and Audit & Supervisory Board Members pursuant to the agreements is up to the minimum liability amount provided for in laws and regulations.

**(3) Outline of directors and officers liability insurance contract**

The Company has entered into a directors and officers liability insurance contract with an insurance company. The said insurance contract will cover damages that may arise due to insured Officers, etc. assuming liability for their execution of duties, or receiving a claim for the pursuit of such liability. All Directors, Audit & Supervisory Board Members and Corporate Officers, etc. of the Company and its subsidiaries are insured under the said insurance contract. The insurance premiums are fully borne by the Company. Also, the Company takes the following measure to prevent the appropriateness of duty execution by Officers, etc. from being compromised: the insurance contract does not cover personal damages, etc. of the Officer arising from his/her criminal acts, or acts committed with the knowledge that they violate the law.

**(4) Compensation, etc. of Directors and Audit & Supervisory Board Members in the fiscal year**

- 1) Matters regarding policy for determining details of compensation, etc. of individual Directors and Audit & Supervisory Board Members

a. Policy

The Company has determined the policy concerning the amount of compensation to Directors and Audit & Supervisory Board Members and the calculation method thereof, and the details of the policy are as follows.

(i) Basic views on the system of compensation

The compensation to Executive Directors (Directors who concurrently serve as Corporate Officers) is composed of basic compensation, which is fixed compensation, and bonus and stock-based compensation, which are performance-linked compensation. The amount of bonus and stock-based compensation fluctuates in close correlation with the Company's consolidated ordinary income to serve as an incentive for achieving their performance goals. Compensation to Non-Executive Directors (Outside Directors and Directors who do not concurrently serve as Corporate Officers;



(Translation)

hereinafter the same applies) and Audit & Supervisory Board members is limited to basic compensation and no bonus and stock-based compensation shall be paid.

(ii) Compensation structure

- a. Compensation to Directors and Audit & Supervisory Board Members is composed of basic compensation, which is fixed compensation, and bonus and stock-based compensation, which are performance-linked compensation. The types of compensation applicable according to officer classification are as follows:

- Executive Directors: Basic compensation, bonuses, stock-based compensation
- Non-Executive Directors: Basic compensation
- Audit & Supervisory Board Members: Basic compensation

- b. The ratio of fixed compensation to performance-linked compensation (total bonus and stock-based compensation) within the total compensation paid to Executive Directors shall be approximately 6:4 based on the standard payment amount, and shall change depending on the “(iii) Performance-linked compensation scheme” below.

(iii) Performance-linked compensation scheme

Performance-linked compensation is composed of bonus and stock-based compensation. A fixed percentage of the Company’s consolidated ordinary income shall be paid as the base payment amount of performance-linked compensation, with an amount equal to 50% of the base payment amount paid each as bonus and stock-based compensation.

The bonus is paid in cash after the Company’s operating performance is finalized. For stock-based compensation, points are granted after the Company’s operating performance is finalized. The points granted will be provided, in principle, to Executive Directors at the time of their retirement in the form of the Company’s shares or cash equivalent to the fair value thereof.

Consolidated ordinary income is one of the key KPIs in the Company’s Mid-Term Business Plan, and is thus selected as an indicator for the calculation of performance-linked compensation. In addition to the base payment amount equal to a fixed percentage of consolidated ordinary income, if consolidated ordinary income exceeds a certain amount, an amount obtained by multiplying the base payment by the ratio of excess performance shall be paid as an extra payment, which is expected to serve as an incentive for achieving numerical targets in the Mid-Term Business Plan, thereby further improving the Company’s operating performance.

(iv) Level of compensation

The Compensation Advisory Committee verifies the level of compensation by analyzing and comparing compensation data of industry peer companies from survey data compiled by a third-party organization.

b. Methods for decisions on compensation

Based on “a. Policy (i) Basic views on the system of compensation” above, the Representative Director, delegated by the Board of Directors, determines the system and level, etc. of Directors’ compensation upon consultation with the Compensation Advisory Committee, which is chaired by an Outside Director. The compensation details thus determined are reported to the Compensation Advisory Committee. In this manner, the Company improves the objectivity and transparency of the process for determining compensation.

c. Methods for decisions on policy

The policy for compensation, etc. of Directors and Audit & Supervisory Board Members is determined by the Board of Directors upon consultation with the Compensation Advisory Committee.

2) Matters regarding resolution of Shareholders’ Meeting for compensation, etc. of Directors and Audit & Supervisory Board Members

At the 71st Annual Shareholders’ Meeting held on June 29, 2016, a resolution was adopted to set the amount of monetary compensation to Directors to be within ¥540 million per year (of which that for Outside Directors to be within ¥20 million per year) (excluding employee salaries for Directors concurrently serving as employees). As of the conclusion of the said Annual Shareholders’ Meeting, there were ten (10) Directors, including two (2) Outside Directors. Subsequently, at the 75th Annual Shareholders’ Meeting held on June 26, 2020, a resolution was adopted to revise the amount of compensation to Outside Directors of the Company to be within ¥40 million per year. As of the conclusion of the said Annual Shareholders’ Meeting, there were nine (9) Directors, including two (2) Outside Directors.

(Translation)

As a separate category from the said monetary compensation, at the 74th Annual Shareholders' Meeting held on June 27, 2019, a resolution was adopted to introduce a Board Benefit Trust (BBT), a performance-linked stock-based compensation plan (for Executive Directors), with the maximum amount that the Company can contribute to the trust set at ¥450 million (for every three fiscal years). As of the conclusion of the said Annual Shareholders' Meeting, there were seven (7) Executive Directors. At the 59th Annual Shareholders' Meeting held on June 29, 2004, a resolution was adopted to set the amount of monetary compensation to Audit & Supervisory Board Members to be within ¥85 million per year. As of the conclusion of the said Annual Shareholders' Meeting, there were five (5) Audit & Supervisory Board Members.

- 3) Matters regarding delegation of decisions regarding details of compensation, etc. of individual Directors  
At the Company, based on the resolution of delegation by the Board of Directors, the Representative Director, President Koji Kato can decide the specific details of compensation, etc. of individual Directors within the scope of the policy and scheme stated in "1) a. Policy," on the premise that the decisions are in accordance with the compensation amount approved at a Shareholders' Meeting, and he fully respects recommendations from the Compensation Advisory Committee.  
Such decisions are delegated to the Representative Director, President as the Company has deemed that he is the most suitable person to determine the individual compensation of each Director, since the Representative Director, President conducts evaluations of the duties and responsibilities that each Director is in charge of, based on the overall operating results of the Taikisha Group.  
Upon consultations with and reports on results to the Compensation Advisory Committee by the Representative Director, President, the Company improves the objectivity and transparency of the decision-making process regarding compensation. Therefore, the Board of Directors has deemed that the details of compensation of individual Directors are in accordance with the Company's policy for determining compensation.

4) Total amount, etc. of compensation, etc. to Directors and Audit & Supervisory Board Members

| Category                                                                                | Total amount of compensation, etc. | Total amount of compensation, etc. by type |                                 |                          | Number of persons |
|-----------------------------------------------------------------------------------------|------------------------------------|--------------------------------------------|---------------------------------|--------------------------|-------------------|
|                                                                                         |                                    | Fixed compensation                         | Performance-linked compensation |                          |                   |
|                                                                                         |                                    | Basic compensation                         | Bonus                           | Stock-based compensation |                   |
| Directors (excluding Outside Directors)                                                 | ¥420 million                       | ¥297 million                               | ¥61 million                     | ¥61 million              | 8                 |
| Outside Directors                                                                       | ¥24 million                        | ¥24 million                                | —                               | —                        | 2                 |
| Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members) | ¥45 million                        | ¥45 million                                | —                               | —                        | 3                 |
| Outside Audit & Supervisory Board Members                                               | ¥32 million                        | ¥32 million                                | —                               | —                        | 4                 |

(Notes)

- The above "Number of persons" includes one (1) Director and two (2) Audit & Supervisory Board Members who retired from the Company at the conclusion of the 75th Annual Shareholders' Meeting held on June 26, 2020.
- The amounts of compensation, etc. to Directors include ¥61 million in bonuses expected to be paid and ¥61 million in stock-based compensation expected to be paid relating to the fiscal year.
- Details of the performance indicators selected as the basis for calculating the amount of performance-linked compensation, reasons for selecting the said performance indicators and the calculation method of the amount of performance-linked compensation are stated in "4. (4) 1) a. (iii) Performance-linked compensation scheme." The trend of consolidated ordinary income, including this fiscal year, is stated in "1. (2) Trends of assets and income and losses" (available only in Japanese).

(Translation)

**(5) Outside Officers**

**1) Relationship between other companies where important positions are concurrently held by our outside officers and the Company**

The important positions that are concurrently held by each of the outside officers of the Company are as stated in “(1) Directors and Audit & Supervisory Board Members” above. There are no special interests between each company where each outside officer concurrently serves and the Company.

**2) Major activities during the year**

| Position                         | Name               | Main activities at the meetings                                                                                                                                                                                                                                                                                                                                                                                                                     |
|----------------------------------|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Director                         | Hirokazu Hikosaka  | Attended all 16 meetings (attendance rate: 100%) of the Board of Directors held during the fiscal year ended March 31, 2021, and made timely remarks from an independent and objective standpoint, based on his professional expertise, experience and specialized knowledge that he possesses as a lawyer. In addition, he served as the chairperson of the Compensation Advisory Committee.                                                       |
| Director                         | Kiyotaka Fuke      | Attended all 16 meetings (attendance rate: 100%) of the Board of Directors held during the fiscal year ended March 31, 2021, and made timely remarks from an independent and objective standpoint, based on his abundant knowledge, experience and specialized knowledge as a person who has worked at a leading life insurance company. In addition, he served as the chairperson of the Board of Directors and the Nomination Advisory Committee. |
| Audit & Supervisory Board Member | Toshiyuki Hanazawa | Attended all 16 meetings (attendance rate: 100%) of the Board of Directors and all 12 meetings (attendance rate: 100%) of the Audit & Supervisory Board held during the fiscal year ended March 31, 2021, and made remarks to ensure the legality of decision making by the Board of Directors.                                                                                                                                                     |
| Audit & Supervisory Board Member | Shigeo Kobayashi   | Attended all 14 meetings (attendance rate: 100%) of the Board of Directors and all 10 meetings (attendance rate: 100%) of the Audit & Supervisory Board held after he assumed office, and made remarks to ensure the legality of decision making by the Board of Directors.                                                                                                                                                                         |
| Audit & Supervisory Board Member | Nobuyuki Soda      | Attended 12 of 14 meetings (attendance rate: 85.7%) of the Board of Directors and 9 of 10 meetings (attendance rate: 90%) of the Audit & Supervisory Board held after he assumed office, and made remarks to ensure the legality of decision making by the Board of Directors.                                                                                                                                                                      |

(Translation)

## 5. Accounting Auditor

### (1) Designation of the Accounting Auditor

A&A Partners

### (2) Accounting Auditor's Compensation, etc., Pertaining to the Fiscal Year Ended March 31, 2021

|              |                                                                                              |             |
|--------------|----------------------------------------------------------------------------------------------|-------------|
| A&A Partners | Amount of compensation, etc.                                                                 | ¥75 million |
|              | Cash and other profits payable by the Company and its subsidiaries to the Accounting Auditor | ¥75 million |

(Notes)

1. The Audit & Supervisory Board of the Company examined the status of executed duties for the preceding fiscal years, the grounds for calculating the estimated compensation and other factors with required materials and reports, which were obtained and/or heard from the Directors, relevant in-house departments/sections and the Accounting Auditor. As a result, judging that the compensation amounts above are fair and reasonable, the Audit & Supervisory Board has given its consent, as set forth in Article 399, Paragraph 1, of the Companies Act, with regard to compensation, etc., to the Accounting Auditor.
2. Under the audit agreement between the Company and the Accounting Auditor, compensation to audits pursuant to the Companies Act and audits pursuant to the Financial Instruments and Exchange Act are not strictly separated and otherwise cannot be substantially distinguished from each other. Consequently, the above amount reflects total compensation.
3. The Company's overseas subsidiaries are audited by Certified Public Accountants or audit corporations (including those with comparable qualifications abroad) other than the Company's Accounting Auditor.

### (3) Non-Audit Services

Not applicable.

### (4) Policy regarding Determination of Dismissal or Non-Reappointment of Accounting Auditor

In the event that the Accounting Auditor is deemed to have fallen under any of the grounds set forth in the items of Article 340, Paragraph 1, of the Companies Act, and his or her dismissal is judged to be appropriate, the Audit & Supervisory Board shall decide such dismissal subject to the unanimous consent of Audit & Supervisory Board Members. In that case, the dismissal of said Accounting Auditor and reasons therefor will be reported by an Audit & Supervisory Board Member designated by the Audit & Supervisory Board at the first shareholders' meeting to be convened after the dismissal.

In addition, should the Accounting Auditor be deemed unable to perform an audit properly, the Audit & Supervisory Board shall decide the details of a proposal for the dismissal or non-reappointment of the Accounting Auditor to be submitted to the shareholders' meeting, based on the provisions stipulated in Article 344 of the Companies Act.

(Translation)

## **6. The Company's Systems to Ensure Proper Execution of Business, as well as Operational Status of Said Systems**

### **(1) Systems to Ensure Proper Execution of Business**

The Board of Directors of the Company has determined its basic policy for the systems to ensure proper execution of business (the internal control system), which is set forth in the Companies Act and the Ordinance for Enforcement of the Companies Act, as follows (partially revised on April 27, 2021):

#### **[Objectives]**

This resolution shall stipulate the outline regarding the establishment and operation of the Company's internal control system, pursuant to the Companies Act and the Ordinance for Enforcement of the Companies Act, in order to recognize the fact that the biggest current managerial risk is violation of the laws and regulations, and to familiarize and thoroughly carry out execution of observance of the laws and regulations. The internal control system, in accordance with this resolution, shall be thoroughly established and operated, and shall be improved by constant review with the purpose of ensuring an efficient and proper company structure.

### **1) The System to Ensure that Directors and Employees of the Company Conform to Laws and Regulations and Articles of Incorporation**

- a) According to the Company's Mission Statement and Corporate Philosophy, the Company shall consider its Management Vision—to conduct transactions through free and fair competition by abiding by the laws and their spirit, and to contribute to our customers, partners, shareholders, employees, community, society and global environment through transparency and high ethical standards—and the Taikisha Ltd. Code of Conduct as performance guidelines for directors and employees, and shall remind all persons involved about these standards.
- b) The Company shall establish the Governance Committee, as an advisory body for the Board of Directors concerning internal control, with the aim of improving the governance system of the entire Taikisha Group. The Governance Committee shall be chaired by an Outside Director and consists of 6 members, namely 3 Outside Officers including the chairperson (2 Outside Directors and 1 Outside Audit & Supervisory Board Member), the Representative Director, President, the Chief Executive, Administrative Management Headquarters, and the Chief Executive, Corporate Planning Headquarters. The Governance Committee shall reply to questions from the Board of Directors about the optimization of the Taikisha Group's internal control, and makes proposals or recommendations to the Board of Directors. In addition, the Internal Control Committee shall be established as an executive body on the executive side that shall act on the basis of resolutions, etc. by the Board of Directors. The Internal Control Committee consists of 5 Executive Directors with the Representative Director, President as chairperson and which shall discuss and implements measures for optimizing the internal control system.
- c) The Compliance Committee headed by the Representative Director, President as chairperson and consisting of members of the Management Meeting, the General Manager of the Corporate Compliance Department, and the General Manager of the Internal Audit Department shall in principle be held monthly in order to examine and respond to issues regarding compliance in the overall business operations of the Company from a management standpoint and to validate the status of compliance with laws and regulations and the Articles of Incorporation. In the event of signs of a significant event, the Corporate Compliance Committee consisting of all officers, the General Manager of the Corporate Compliance Department, and the General Manager of the Internal Audit Department shall be convened promptly in order to deal with such event.
- d) The Company shall, in Taikisha's Code of Conduct, prescribe and implement a basic policy for Anti-Social Forces of refusing any involvement of Anti-Social Forces in its business, rejecting any requirement from Anti-Social Forces and prohibiting all directors and employees of the Company to have any relationship with Anti-Social Forces. In addition, the Company shall constantly conduct educational and dissemination activities related to compliance in order to familiarize all directors and employees of the Company, shall make every effort to prevent any violation of the policy, and shall gather information related to Anti-Social Forces from the outside of the Company regularly. If the Company receives undue demands from Anti-Social Forces, the Company is committed to confront Anti-Social Forces systematically in cooperation with outside experts.
- e) The Corporate Compliance Department, which is under the direct control of the Representative Director, President shall constantly conduct educational and dissemination activities related to compliance in order to familiarize all directors and employees of the Company with the management vision and Taikisha's Code of Conduct, and shall make every effort to prevent any violations of laws

(Translation)

and regulations in cooperation with other compliance-related departments of business divisions, and shall report all relevant activities to the Compliance Committee.

- f) For instances where a director or employee finds a violation of laws and regulations or Articles of Incorporation, an internal reporting system reporting to the Corporate Compliance Department shall be developed and an external reporting system reporting to independent outside attorneys shall be established. The Corporate Compliance Department shall remind all persons involved, both inside and outside the Company, of the reporting system so that those contacts are effectively utilized, and shall monitor and supervise the situation in accordance with the internal reporting rules so that a person who made a report pursuant to the preceding paragraph is not treated in a disadvantageous manner because he or she made such report.
- g) In the event of a compliance violation, the offenders concerned shall be severely disciplined according to work regulations.

## **2) The System regarding the Storage and Management of Information Related to the Execution of Duties by Directors of the Company**

Information and materials related to the directors' execution of duties shall be handled pursuant to internal rules and regulations, especially the Information Security Rules and Document Management Rules, and shall be appropriately stored, managed and disposed of. If necessary, operational status shall be examined and internal rules and regulations shall be reviewed.

## **3) Rules regarding Management of Risk of Loss of the Company and Other Systems**

- a) The Company shall, in accordance with the Risk Management Rules, establish the Risk Management Committee to identify risks of the Taikisha Group in an integrated fashion and to implement effective and efficient risk management. The Committee shall establish basic policies, responsibility systems, operations and other necessary measures for risk management of the Taikisha Group, and shall keep all persons involved informed about the establishment and implementation.
- b) Regarding risks associated with operations, such as quality control, safety control and compliance, assigned to each department, each department shall identify and prioritize the risks, draft specific measures against the risks and report to the Risk Management Committee. Each department shall implement internal rules and regulations, and shall keep all persons involved informed about the details of the implementation.
- c) On the assumption of situations in which measures should be taken to respond to exposed potential major risks (hereinafter referred to as crisis), the Company shall establish the Crisis Management Committee for the purpose of crisis response and daily crisis management. In the event that crisis breaks out, the Crisis Management Committee shall organize the crisis management team or establish the crisis task force to respond to the crisis under the supervision of the Crisis Management Committee. On the assumption of the outbreak of the crisis, the Company shall establish a business continuity plan to restore the damage caused by the crisis.
- d) The Internal Audit Department, which is under the direct control of the Representative Director, President, shall conduct internal audits in accordance with the Internal Audit Rules. The effectiveness of internal audits shall be ensured by the appointment of the General Manager of the Internal Audit Department chosen from employees at the level of Corporate Officer or higher, and by the placement of other necessary personnel. Furthermore, the Internal Audit Department shall examine audit methods and items to be audited, and shall amend the audit procedures as needed.

## **4) The System to Ensure the Efficient Execution of Duties by Directors of the Company**

- a) By adopting a corporate officer system, responsibilities and authorities of corporate management and duty execution shall be clarified, aiming for revitalization of the Board of Directors, promotion of rapid decision-making, and advancement of management reforms.
- b) Based on the Board of Directors Rules, Rules for Managerial Approval, and other internal rules, the matters applicable for submission to the Board shall be submitted to the Board of Directors. In this regard, the appropriate materials concerning the agendas shall be distributed to all directors in advance and the Board of Directors shall pass a resolution after a full discussion based on such materials.
- c) With the Company's philosophy as a foundation, each departmental headquarters and business divisions, after the Policy Review Meeting, shall establish an appropriate annual policy and annual target, and shall work in order to achieve those targets.
- d) The Management Meeting, mainly consisting of the Executive Directors, shall be established to conduct deliberations regarding the Taikisha Group's important management issues to be addressed pursuant to the Rules for Management Approval, and shall make prompt decisions on these issues. In addition, the

(Translation)

Management Meeting shall examine the progress toward annual target by monthly reviewing operating reports.

**5) The System to Ensure the Appropriateness of Operations conducted by the Corporate Group Consisting of the Company and its Subsidiaries (including Affiliated Companies, the same hereinafter)**

- a) Directors and employees of the subsidiaries of the Company who execute the business shall report the matters pertaining to the execution of duties to a responsible department and the responsible department shall manage subsidiaries based on the Affiliate Management Rules to enhance management efficiency of the Taikisha Group.
- b) The Company shall conduct regular audits mainly by the Internal Audit Department to audit whether any risk exists in subsidiaries in accordance with the Internal Audit Rules and other related internal rules. In addition, the Company shall immediately report a risk of loss in subsidiaries, detected in subsidiaries as a result of audit, to directors, audit & supervisory board members and other departments in charge.
- c) Regarding a system to ensure the adequacy of materials concerning the finances and accounting of the Taikisha Group, and to ensure the adequacy of other related information pursuant to the Financial Instruments and Exchange Act, the Company shall, under the instructions of the Representative Director and President, establish the Basic Rules for Internal Control in compliance with the “Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting” and “Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting” issued by the Financial Services Agency. In addition, the Company shall, in accordance with the Basic Rules, conduct improvement and operational status assessments of internal control procedures carried out by the Taikisha Group.
- d) To ensure that directors and employees of the subsidiaries execute their duties in compliance with laws and regulations as well as their articles of incorporation, the Internal Audit Department shall play a central role in regular audits and the Corporate Compliance Department shall conduct regular investigations in accordance with the Internal Audit Rules and other related internal rules. In addition, the Corporate Compliance Department shall remind all persons involved of the system so that the internal reporting systems of the Company are effectively utilized.

**6) Matters regarding Employees in Cases where Audit & Supervisory Board Members Request to Hire the Employees to Assist in their Audits, and Matters regarding the Independence of the Employees from Directors, and Matters regarding the Ensuring of Effective Instructions to such Employees**

The Company shall establish the Audit & Supervisory Board Members Office under the audit & supervisory board members and appoint employees who shall assist with the audit & supervisory board members’ duties. Consent from audit & supervisory board members shall be required for appointment, dismissal and transfer of the employees from positions and personnel evaluation and the Company shall ensure that the employees are independent of directors and instructions to the employees are effective.

**7) The System for Reporting Information Received from Directors and Employees of the Company and Directors, Statutory Auditors and Employees of Subsidiaries to the Audit & Supervisory Board Members and Other Systems relating to Reporting to the Audit & Supervisory Board Members**

- a) Directors and employees shall be obligated to report the following matters to audit & supervisory board members, and shall also provide the necessary reports and information upon request from each audit & supervisory board member pursuant to the Audit & Supervisory Board Rules and the Rules for Audit by Audit & Supervisory Board Members;
  - Matters resolved and reported by the Management Meeting
  - Matters discussed at the Compliance Committee, Risk Management Committee and Crisis Management Committee
  - Matters which may cause serious harm to the Company and its subsidiaries
  - Violation of laws and regulations or the Articles of Incorporation by directors and employees or facts that may lead to such violations
  - Results of internal audits by the Internal Audit Department
  - Request forms for internal managerial decisions and proceedings of meetings requested by audit & supervisory board members
- b) The manager of the responsible department of the Company who received a report from a director, statutory auditor or employee of the subsidiaries shall make a report to the audit & supervisory board members of the Company at a meeting at which the audit & supervisory board members are present or

(Translation)

periodically as necessary in accordance with the Affiliate Management Rules.

**8) The System for Ensuring a Person who made a Report pursuant to the preceding Paragraph is not treated in a Disadvantageous Manner because He or She made Such Report**

At the request of the Audit & Supervisory Board, the Company shall ensure that a person who made a report pursuant to the preceding paragraph is not treated in a disadvantageous manner because he or she made such report. In addition, the Corporate Compliance Department shall monitor and supervise the situation so that the person who made such report is not treated in a disadvantageous manner.

**9) Matters regarding the Policy for Procedures for Advance Payment or Reimbursement of Expenses incurred with Respect to the Execution of Duties of Audit & Supervisory Board Members and Handling of Other Expenses or Obligations incurred with Respect to the Execution of Such Duties**

Audit & supervisory board members may request that any expenses incurred with respect to the execution of duties be paid in advance or reimbursed in accordance with the provisions of the Audit & Supervisory Board Rules.

**10) System to Ensure the Effective Implementation of Audits by Audit & Supervisory Board Members**

- a) The Representative Director, President, the Chief Executive of the Administrative Management Headquarters, the Chief Executive of the Corporate Planning Headquarters and the General Manager of the Internal Audit Department shall arrange meetings and consultations in order to thoroughly discuss and examine the improvement of the environments for audits conducted by Audit & Supervisory Board Members, and shall ensure the effectiveness of such audits.
- b) Audit & supervisory board members may make requests for improvement of the audit system and other related matters in order to ensure the effectiveness of audits conducted by them.

**(2) Summary of Operational Status of the Systems to Ensure Proper Execution of Business**

The operational status of the internal control system for the fiscal year ended March 31, 2021, was as follows:

**1) Compliance-related Initiatives**

During the fiscal year, 10 Compliance Committee meetings and two Compliance Policy Review Meetings were held to examine and discuss the compliance-related issues of the Taikisha Group and verify the status of compliance with laws and regulations.

To raise the awareness of compliance among officers and employees, the Company took several measures such as transmitting information via its intranet, posting posters for enlightenment, holding workshops to explain compliance manuals and training officers and employees (e.g., e-learning and staff training at various locations). The Corporate Compliance Department disseminated regularly the internal reporting systems via its intranet and posters.

**2) Risk Management-related Initiatives**

Two Risk Management Committee meetings were held to examine and discuss basic policies on the risk management of the Taikisha Group. Regarding risks associated with departmental operations, pursuant to the basic policy on risk management, each department identified risks, drafted and implemented specific measures against the risks, and reported their status to the Risk Management Committee.

**3) Initiatives to Ensure the Appropriateness and the Efficiency of the Execution of Duties by Directors**

Sixteen Board of Directors meetings were held for decision making of the Taikisha Group's management policies and important management issues, as well as for monitoring the execution of duties by Directors with reference to reports on their business execution.

Twenty-nine Management Meetings were held to deliberate and make decisions on important execution of business entrusted by the Board of Directors and the matters to be submitted to the Board of Directors.

**4) Initiatives to Ensure the Appropriateness of Operations Conducted by the Taikisha Group**

Regarding the important matters stipulated in the Affiliate Management Rules, we received reports from subsidiaries. In addition, we regularly checked compliance with the Affiliate Management Rules by subsidiaries.

**5) Initiatives to Ensure the Effectiveness of Reporting to Audit & Supervisory Board Members and the Audits by Audit & Supervisory Board Members**

Audit & supervisory board members attended the meetings of the Board of Directors, the Management



(Translation)

Meeting and other important meetings to understand the execution of duties by directors, and collected information and received reports from the directors, employees and other relevant personnel regarding performance of their duties.

The Internal Audit Office timely reported the results of its internal audits within the Group to the Board of Directors and reported the executed status of the audit plan and internal audits, the results of audits and other related matters to the audit & supervisory board members.

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(Note)

Amounts and numbers of shares in this Business Report are rounded down to the nearest unit, while ratios and other figures are rounded off to the nearest unit.

(Translation)

Consolidated Balance Sheet

(As of March 31, 2021)

(Millions of yen)

Account title	Amount	Account title	Amount
(Assets)		(Liabilities)	
Current assets	165,387	Current liabilities	86,919
Cash and deposits	52,059	Notes payable, accounts payable for construction contracts and other	52,050
Notes receivable, accounts receivable from completed construction contracts and other	101,413	Short-term loans payable	6,588
Securities	2,000	Income taxes payable	1,607
Costs on uncompleted construction contracts	1,816	Advances received on uncompleted construction contracts	14,200
Raw materials and supplies	679	Provision for warranties for completed construction	475
Other	8,068	Provision for loss on construction contracts	403
Allowance for doubtful accounts	(649)	Provision for directors' bonuses	63
		Other	11,528
Non-current assets	63,468	Non-current liabilities	15,625
Property, plant and equipment	10,150	Long-term loans payable	4,769
Buildings and structures	8,035	Deferred tax liabilities	8,821
Machinery, vehicles, tools, furniture and fixtures	11,720	Provision for directors' retirement benefits	40
Land	1,772	Provision share-based remuneration for directors	171
Other	553	Net defined benefit liability	1,507
Accumulated depreciation	(11,931)	Other	315
Intangible assets	8,450	Total liabilities	102,544
Goodwill	4,084	(Net assets)	
Customer-related assets	1,389	Shareholders' equity	104,620
Other	2,976	Capital stock	6,455
Investments and other assets	44,866	Capital surplus	5,058
Investment securities	32,677	Retained earnings	95,701
Deferred tax assets	1,026	Treasury shares	(2,594)
Net defined benefit asset	9,111	Accumulated other comprehensive income	16,412
Other	2,100	Valuation difference on available-for-sale securities	14,237
Allowance for doubtful accounts	(48)	Deferred gains or losses on hedges	(3)
		Foreign currency translation adjustment	(237)
		Accumulated remeasurements of defined benefit plans	2,416
		Non-controlling interests	5,277
		Total net assets	126,311
Total assets	228,855	Total liabilities and net assets	228,855

(Note) Amounts of less than one million yen are rounded down.

(Translation)

Consolidated Statement of Income

(From April 1, 2020, to March 31, 2021)

(Millions of yen)

Account title	Amount	
Net sales of completed construction contracts		202,548
Cost of sales of completed construction contracts		168,521
Gross profit on completed construction contracts		34,027
Selling, general and administrative expenses		22,336
Operating income		11,690
Non-operating income		
Interest and dividends income	884	
Other	729	1,613
Non-operating expenses		
Interest expenses	173	
Foreign exchange losses	330	
Other	512	1,016
Ordinary income		12,287
Extraordinary income		
Gain on disposal of non-current assets	618	
Gain on step acquisitions	61	680
Extraordinary losses		
Loss on disposal of non-current assets	425	
Impairment loss	359	
Loss on valuation of investment securities	0	784
Profit before income taxes		12,184
Income taxes-current	3,755	
Income taxes-deferred	(243)	3,512
Profit		8,671
Profit attributable to non-controlling interests		392
Profit attributable to owners of parent		8,279

(Note) Amounts of less than one million yen are rounded down.

(Translation)

Consolidated Statement of Comprehensive Income

(From April 1, 2020, to March 31, 2021)

(Millions of yen)

Account title	Amount
Profit	8,671
Other comprehensive income	
Valuation difference on available-for-sale securities	5,860
Deferred gains or losses on hedges	(3)
Foreign currency translation adjustment	(546)
Remeasurements of defined benefit plans	2,758
Share of other comprehensive income of entities accounted for using equity method	6
Total other comprehensive income	8,076
Comprehensive income	16,748
Comprehensive income	
Comprehensive income attributable to owners of parent	16,245
Comprehensive income attributable to non-controlling interests	503

(Notes)

1. Amounts of less than one million yen are rounded down.
2. The amounts in this statement are not subject to audit procedures by the Accounting Auditor.

(Translation)

Consolidated Statement of Changes in Net Assets

(From April 1, 2020, to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	6,455	5,058	90,842	(2,593)	99,762
Changes of items during the period					
Dividends of surplus			(3,420)		(3,420)
Profit attributable to owners of parent			8,279		8,279
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	4,859	(0)	4,858
Balance at the end of current period	6,455	5,058	95,701	(2,594)	104,620

(Translation)

(Millions of yen)

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	8,376	(0)	372	(302)	8,447	4,633	112,843
Changes of items during the period							
Dividends of surplus							(3,420)
Profit attributable to owners of parent							8,279
Purchase of treasury shares							(0)
Net changes of items other than shareholders' equity	5,860	(3)	(610)	2,718	7,965	644	8,609
Total changes of items during the period	5,860	(3)	(610)	2,718	7,965	644	13,468
Balance at the end of current period	14,237	(3)	(237)	2,416	16,412	5,277	126,311

(Note) Amounts of less than one million yen are rounded down.

(Translation)

Non-consolidated Balance Sheet

(As of March 31, 2021)

(Millions of yen)

Account title	Amount	Account title	Amount
(Assets)		(Liabilities)	
Current assets	90,660	Current liabilities	42,737
Cash and deposits	19,308	Notes payable-trade	4,693
Notes receivable-trade	302	Electronically recorded obligations-operating	13,018
Electronically recorded monetary claims	1,855	Accounts payable for construction contracts	12,581
Accounts receivable from completed construction contracts	62,691	Short-term loans payable	2,357
Securities	2,000	Accounts payable-other	6,123
Costs on uncompleted construction contracts	448	Income taxes payable	1,022
Raw materials and supplies	135	Advances received on uncompleted construction contracts	890
Other	4,152	Deposits received	245
Allowance for doubtful accounts	(234)	Provision for warranties for completed construction	184
Non-current assets	58,778	Provision for loss on construction contracts	193
Property, plant and equipment	4,085	Provision for directors' bonuses	61
Buildings	2,383	Other	1,364
Structures	32	Non-current liabilities	5,907
Machinery and equipment	318	Long-term loans payable	176
Vehicles	0	Deferred tax liabilities	5,391
Tools, furniture and fixtures	164	Provision for retirement benefits	97
Land	1,105	Provision for share-based remuneration for directors	171
Construction in progress	79	Other	71
Intangible assets	1,339	Total liabilities	48,645
Software	1,337	(Net Assets)	
Other	1	Shareholders' equity	86,559
Investments and other assets	53,354	Capital stock	6,455
Investment securities	32,136	Capital surplus	7,413
Shares of subsidiaries and associates	14,432	Legal capital surplus	7,297
Long-term loans receivable	4	Other capital surplus	116
Claims provable in bankruptcy, claims provable in rehabilitation and other	0	Retained earnings	75,285
Long-term prepaid expenses	7	Legal retained earnings	1,613
Prepaid pension cost	5,502	Other retained earnings	73,671
Lease and guarantee deposits	1,265	Reserve for reduction entry	0
Other	9	Reserve for investment on information technology	1,560
Allowance for doubtful accounts	(4)	General reserve	35,720
		Retained earnings brought forward	36,391
		Treasury shares	(2,594)
		Valuation and translation adjustments	14,234
		Valuation difference on available-for-sale securities	14,237
		Deferred gains or losses on hedges	(3)
Total assets	149,439	Total net assets	100,794
		Total liabilities and net assets	149,439

(Note) Amounts of less than one million yen are rounded down.

(Translation)

Non-consolidated Statement of Income

(From April 1, 2020, to March 31, 2021)

(Millions of yen)

Account title	Amount	
Net sales of completed construction contracts		108,667
Cost of sales of completed construction contracts		88,998
Gross profit on completed construction contracts		19,668
Selling, general and administrative expenses		13,138
Operating income		6,530
Non-operating income		
Interest income and dividends income	2,800	
Dividend income of insurance	145	
Real estate rent	169	
Foreign exchange gains	81	
Technical advisory fee	1,359	
Other	33	4,590
Non-operating expenses		
Interest expenses	14	
Sales discounts	101	
Rent expenses on real estate	48	
Provision of allowance for doubtful accounts	213	
Other	52	430
Ordinary income		10,690
Extraordinary income		
Gain on disposal of non-current assets	592	592
Extraordinary losses		
Loss on disposal of non-current assets	420	
Impairment loss	353	
Loss on valuation of shares of subsidiaries and associates	729	1,502
Profit before income taxes		9,779
Income taxes-current	2,530	
Income taxes-deferred	480	3,010
Profit		6,769

(Note) Amounts of less than one million yen are rounded down.

(Translation)

Non-consolidated Statement of Changes in Net Assets

(From April 1, 2020, to March 31, 2021)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
						Reserve for reduction entry	Reserve for investment on information technology	General reserve	Retained earnings brought forward	
Balance at the beginning of current period	6,455	7,297	116	7,413	1,613	0	1,840	35,720	32,763	71,937
Changes of items during the period										
Reserve for investment on information technology							200		(200)	—
Reversal of reserve for investment on information technology							(480)		480	—
Dividends of surplus									(3,420)	(3,420)
Profit									6,769	6,769
Purchase of treasury shares										
Net changes of items other than shareholders' equity										
Total changes of items during the period	—	—	—	—	—	—	(280)	—	3,628	3,348
Balance at the end of current period	6,455	7,297	116	7,413	1,613	0	1,560	35,720	36,391	75,285

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of current period	(2,593)	83,212	8,376	(0)	8,376	91,588
Changes of items during the period						
Reserve for investment on information technology		—				—
Reversal of reserve for investment on information technology		—				—
Dividends of surplus		(3,420)				(3,420)
Profit		6,769				6,769
Purchase of treasury shares	(0)	(0)				(0)
Net changes of items other than shareholders' equity			5,860	(3)	5,857	5,857
Total changes of items during the period	(0)	3,347	5,860	(3)	5,857	9,205
Balance at the end of current period	(2,594)	86,559	14,237	(3)	14,234	100,794

(Note) Amounts of less than one million yen are rounded down.

(Translation)

[Audit & Supervisory Board Audit Report (duplicated copy)]

Audit Report

(English Translation)

Regarding the performance of duties by the Directors for the 76th fiscal year from April 1, 2020, to March 31, 2021, the Audit & Supervisory Board hereby submits its Audit Report, which has been prepared upon careful consideration based on the audit report prepared by each Audit & Supervisory Board Member.

1. Summary of Auditing Methods by the Audit & Supervisory Board Members and Audit & Supervisory Board

- (1) The Audit & Supervisory Board established auditing policies, allocation of duties, and other relevant matters for the fiscal year ended March 31, 2021, and received reports from each Audit & Supervisory Board Member regarding his or her audits and results thereof, as well as received reports from the Directors, other relevant personnel and the Accounting Auditor regarding performance of their duties, and requested explanations as necessary.
- (2) Each Audit & Supervisory Board Member complied with the auditing regulations stipulated by the Audit & Supervisory Board, followed the auditing policies, allocation of duties and other relevant matters for the fiscal year, communicated with the Directors, the Internal Audit Office, other employees and any other relevant personnel by utilizing means such as telephone lines and the internet, and made efforts to prepare the environment for information collection and audits, and conducted the audit in the following manners.
 - 1) Each Audit & Supervisory Board Member attended the meetings of the Board of Directors and other important meetings, received reports from the Directors, employees and other relevant personnel regarding performance of their duties, requested explanations as necessary, examined important authorized documents and associated information, and studied the operations and financial positions of the head office, as well as of principal branch offices, branches and business offices.
With respect to subsidiaries, each Audit & Supervisory Board Member communicated and exchanged information with Directors, Statutory Auditors and other relevant personnel of several major subsidiaries, and received reports as necessary from major subsidiaries, including those overseas, on their operations.
 - 2) With respect to the contents of resolutions of the Board of Directors regarding the improvement of the system stipulated in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act, which is considered necessary pursuant to the System to Ensure that Directors and Employees of the Company Conform to Laws and Regulations and Articles of Incorporation and the System to Ensure the Appropriateness of Operations conducted by the Corporate Group Consisting of the Company and its Subsidiaries in the Business Report, as well as to the systems (internal control system) that have been improved based on such resolutions, each Audit & Supervisory Board Member received regular reports from Directors, employees and other relevant personnel with regard to the improvement and operational status of said systems, requested explanations as necessary and expressed opinions, in accordance with the “Audit Standards for Audit & Supervisory Board Members Regarding the Internal Control System” and the “Checklist for the Internal Control System Audit,” which were stipulated through consultations among all the Audit & Supervisory Board Members.
 - 3) Each Audit & Supervisory Board Member monitored and verified whether the Accounting Auditor maintained their independence and implemented appropriate audits, as well as received reports from the Accounting Auditor regarding the performance of their duties and requested explanations as necessary. In addition, each Audit & Supervisory Board Member received notice from the Accounting Auditor that the “system for ensuring that duties are performed properly” (matters set forth in each item of Article 131 of the Ordinance for Corporate Accounting) had been prepared in accordance with the “Product Quality Management Standards Regarding Audits” (issued by the Business Accounting Council on October 28, 2005) and other relevant standards, and requested explanations as necessary. Regarding key audit matters, each Audit & Supervisory Board Member held discussions with the Accounting Auditor, received reports regarding the state of implementation of the audit, and requested explanations as necessary.

Based on the above methods, we examined the Business Report and the accompanying supplementary schedules, Non-consolidated Financial Statements (Non-consolidated Balance Sheet, Non-consolidated Statement of Income, Non-consolidated Statement of Changes in Net Assets, and Notes to Non-consolidated Financial Statements) and the accompanying supplementary schedules, as well as the Consolidated Financial Statements (Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Changes in Net Assets and Notes to Consolidated Financial Statements), all of which pertain to the fiscal year.

(Translation)

2. Results of Audit

(1) Results of Audit of Business Report and Other Relevant Documents

- 1) In our opinion, the Business Report and the accompanying supplementary schedules are in accordance with the related laws, regulations and the Articles of Incorporation, and fairly present the Company's condition.
- 2) We have found no evidence of wrongful action or material violation of related laws and regulations, nor of any violation with respect to the Articles of Incorporation, related to performance of duties by the Directors.
- 3) In our opinion, the contents of the resolutions of the Board of Directors related to the internal control system are fair and reasonable. In addition, we have found no matters on which to remark regarding the description in the Business Report and the performance of duties by the Directors related to such internal control system.

(2) Results of Audit of Non-consolidated Financial Statements and the Accompanying Supplementary Schedules

In our opinion, the methods and results employed and rendered by A&A Partners are fair and reasonable.

(3) Results of Audit of Consolidated Financial Statements

In our opinion, the methods and results employed and rendered by A&A Partners are fair and reasonable.

May 17, 2021

Taikisha Ltd. Audit & Supervisory Board

Audit & Supervisory Board Member (Full-time)	Tetsuya Ogawa (seal)
Audit & Supervisory Board Member (Full-time) (Outside)	Toshiyuki Hanazawa (seal)
Audit & Supervisory Board Member (Full time)	Makoto Wakida (seal)
Audit & Supervisory Board Member (Outside)	Shigeo Koyabashi (seal)
Audit & Supervisory Board Member (Outside)	Nobuyuki Soda (seal)

(Translation)

Items Disclosed on Internet Concerning
Notice of the 76th Annual Shareholders' Meeting

Notes to Consolidated Financial Statements

Notes to Non-consolidated Financial Statements

(From April 1, 2020, to March 31, 2021)

Taikisha Ltd.

The Company provides its shareholders with the above documents by posting them on the Company's website (<https://www.taikisha.co.jp/>) in accordance with the provisions of the relevant laws and regulations and Article 15 of the Articles of Incorporation.

Notes to Consolidated Financial Statements

[Notes regarding the Basis for Preparing Consolidated Financial Statements]

1. Scope of consolidation

Number of consolidated subsidiaries

44

Names of significant subsidiaries

San Esu Industry Co., Ltd.

TKS Industrial Company

Taikisha (Thailand) Co., Ltd.

WuZhou Taikisha Engineering Co., Ltd.

Geico S.p.A.

As the Company acquired the equity of Nicomac Clean Rooms Far East LLP (hereinafter “Nicomac”) and made it a subsidiary, it has been included in the scope of consolidation from this consolidated fiscal year. After becoming a subsidiary, Nicomac changed its organization form from a Limited Liability Partnership (LLP) to an incorporated company, and its company name to Nicomac Taikisha Clean Rooms Private Limited.

Geico S.p.A., a consolidated subsidiary of the Company, acquired additional shares of its associate subject to the equity method J-PM Systems GmbH and made it a subsidiary. Furthermore, J-PM Systems GmbH acquired shares of Process Solution Partner GmbH (including Process Solution Partner Rus LLC, a subsidiary of Process Solution Partner GmbH) and Software Automation Concepts d.o.o., and made them subsidiaries. Therefore, the above companies have been included in the scope of consolidation from this consolidated fiscal year. In addition, J-PM Systems GmbH has changed its company name to Geico Taikisha GmbH, and Software Automation Concepts d.o.o. has changed its company name to Geico Taikisha Controls d.o.o.

Vege-factory Co., Ltd., a newly established company, has been included in the scope of consolidation from this consolidated fiscal year.

As Beijing Wuzhou Taikisha Equipment Co., Ltd., a consolidated subsidiary of the Company, was absorbed in an absorption-type merger by another consolidated subsidiary of the Company, WuZhou Taikisha Engineering Co., Ltd., it has been excluded from the scope of consolidation from this consolidated fiscal year.

2. Application of the equity method

(1) Number and names of associates subject to the equity method

Number of associates

3

Names of associates

FreDelish Co., Ltd.

Shanghai Dongbo-Taiki Conveyor System Manufacturing Co., Ltd.

Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd.

FreDelish Co., Ltd., a new company established through a joint capital investment, has been included in the scope of application of the equity method from this consolidated fiscal year.

As stated in “1. Scope of consolidation,” since J-PM Systems GmbH became a consolidated subsidiary in this consolidated fiscal year, it has been excluded from the scope of application of the equity method.

(Translation)

(2) Name of associate not subject to the equity method

Name of associate	Makiansia Engineering (M) Sdn. Bhd.
Reason for not applying the equity method	The associate not subject to the equity method is excluded from the scope of application of the equity method because even if it is excluded from the scope of application of the equity method, it has minor impact on net income (proportionate to equity holdings), retained earnings (proportionate to equity holdings), etc., in the consolidated financial statement.

3. Accounting policies

(1) Standards and methods for valuation of significant assets

Securities	
Held-to-maturity debt securities	Amortized cost method (straight-line method)
Shares of associates	Stated at cost using the moving average method
Available-for-sale securities	
Available-for-sale securities with fair value	Stated at fair value based on the market prices at the end of the fiscal year. (Valuation difference is reported as a separate item in net assets at net-of-tax amount. The cost of securities sold is stated at cost, determined by the moving average method.)
Available-for-sale securities without fair value	Stated at cost using the moving average method
Derivatives	Stated at fair value
Inventories	
Costs on uncompleted construction contracts	Stated at cost using the specific identification method
Raw materials and supplies	Stated at cost determined by the moving average method (The amounts stated in the balance sheets are calculated by writing down the book value based on the decline in profitability.)

(Translation)

(2) Depreciation method for principal depreciable assets

Property, plant and equipment
(excluding leased assets)

The declining-balance method is mainly applied. However, the straight-line method is applied to buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and is applied to facilities attached to buildings and structures acquired on or after April 1, 2016. Certain overseas consolidated subsidiaries apply the straight-line method. The useful lives and residual values of depreciable assets are estimated mainly in accordance with the Corporation Tax Act.

Intangible assets
(excluding leased assets)

The straight-line method is applied. However, computer software for internal use is amortized by the straight-line method over the estimated internal useful life (5 years). Customer-related assets are amortized by the straight-line method over the effective period (10 years).

Leased assets

Leased assets under finance leases that do not transfer ownership of the leased assets to the lessee are depreciated by the straight-line method over the lease period with a residual value of zero.

(3) Standards of accounting for principal allowance and provisions

Allowance for doubtful accounts

In order to prepare for losses due to bad debts such as accounts receivable from completed construction contracts and other, the allowance for doubtful accounts is provided at the estimated amount of uncollectable debt. For receivables classified as “normal,” it is provided based on a historical default ratio. For receivables classified as “doubtful” etc., it is provided based on individual assessment on the probability of collection.

Provision for warranties for completed construction

In order to prepare for the costs of repairs for damages related to completed construction work for which the Company and its consolidated subsidiaries (collectively, the “Companies”) are responsible, the provision is provided based on past warranty experience.

Provision for loss on construction contracts

In order to prepare for future losses related to the construction contracts in process, the provision is provided based on estimated amount which will probably be incurred and which can be reasonably estimated.

Provision for directors’ bonuses

In order to prepare for directors’ bonuses, the provision is provided based on the estimated payment of the fiscal year.

Provision for directors’ retirement benefits

In order to prepare for directors’ retirement benefits, domestic consolidated subsidiaries recognize the provision for accrued retirement benefits to directors at 100 percent of the amount required by their internal policies for retirement benefits.

Provision for share-based remuneration for directors

In order to prepare for share-based remuneration to executive directors upon their retirements, the estimated amount of provision for share-based obligation as of the fiscal year end is provided based on the regulation of share-based remuneration for directors.

(4) Other important matters for presenting the Consolidated Financial Statements

Accounting standards for net sales of completed construction contracts and cost of sales of completed construction contracts

- 1) The percentage-of-completion method is applied for construction work for which the completion of a certain percentage of the entire work is reliably recognizable by the fiscal year end (percentage of completion is estimated by the cost-to-cost method).
- 2) The completed-contract method is applied for other construction contracts.

(Translation)

Important methods of hedge accounting

- 1) Method of hedge accounting
Accounted for using the deferral method of accounting. With regard to forward exchange contracts that meet the requirements for deferral hedge accounting, deferral hedge accounting is applied. With regard to interest rate swaps and interest rate caps that meet the requirements for special treatment, special treatment is applied.
- 2) Hedging instruments and hedged items

Hedging instruments	Forward exchange contracts, non-deliverable forwards (NDF), interest rate swaps and interest rate caps
Hedged items	Foreign currency receivables, foreign currency payables, future transactions in foreign currency and interest-rate trading for loans payable
- 3) Hedging policy
The Companies use forward exchange contracts not for the purpose of speculation but for hedging future risks of fluctuation of foreign currency exchange rates. The Companies use interest rate swaps and interest rate caps not for the purpose of speculation but for hedging future risks of fluctuation of interest rates.
- 4) Assessment of hedge effectiveness
As forward exchange contracts in the same currency are used for forward exchange transactions, the correlation to subsequent exchange rate fluctuations is completely ensured. Accordingly, evaluation of hedge effectiveness is omitted.
For interest rate swaps and interest rate caps, the judgment on whether to apply special treatment is used instead of an evaluation of the effectiveness of hedging.

Accounting procedure for retirement benefits

- 1) Method of attributing the projected benefit obligations to periods of service
In calculating the retirement benefit obligations, the benefit formula basis is used to allocate the projected retirement benefits to the years of service up to the end of the fiscal year.
- 2) Amortization method for actuarial differences and prior service costs
Actuarial differences are amortized using the straight-line method over a certain period of time (10 years) within the average remaining service period of employees from the following fiscal year of accrual.
Prior service costs are amortized using the straight-line method over a certain period of time (10 years) within the average remaining service period of employees from the fiscal year of accrual.

Amortization method and period for goodwill

Goodwill is amortized by the straight-line method over the effective period not exceeding 20 years. However, an immaterial goodwill is recognized as expenses in the fiscal year of accrual.

Accounting for consumption taxes

At the Company and its domestic consolidated subsidiaries, transactions subject to consumption tax and local consumption tax are recorded at amounts exclusive of consumption tax.

(Translation)

[Notes regarding Changes in Presentation]

Changes in line with application of “Accounting Standard for Disclosure of Accounting Estimates”

The “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) shall be applied from this consolidated fiscal year, and (Notes regarding Accounting Estimates) shall be stated in Notes to Consolidated Financial Statements.

[Notes regarding Accounting Estimates]

1. Estimate of percentage of completion via percentage-of-completion method

(1) Amount recorded on Consolidated Financial Statements for this consolidated fiscal year

Net sales of completed construction contracts ¥172,277 million

(2) Information on details of important accounting estimates concerning items identified

At the Taikisha Group, of the construction contracts as of the consolidated fiscal year-end, if the percentage of completion can be reasonably estimated for specific construction contracts, etc. that satisfy certain requirements, income is recorded according to the said percentage of completion.

The percentage of completion is measured by comparing the cost incurred as of the fiscal year-end with the total estimated cost based on the working budget for the construction contract until its completion.

Regarding the total estimated cost for the construction contract until its completion, as changes may occur in line with the progress, etc. of the construction contract, the Taikisha Group shall continuously review the said estimates and assumptions.

The total estimated cost is calculated based on various types of information, including the details of the said construction contract, etc., the specifications, and the actual cost incurred in similar contracts in the past, for each contract. In particular, regarding projects undertaken by the Taikisha Group, specifications of the contract and details of the work are determined based on the customer’s requests, and the details of each contract differ greatly from other contracts. If hindrances to the project’s progress that were not foreseen at the initial stage of the contract occur, additional assessments and estimates may be required regarding the altered conditions and the extent of each component in the emergency response.

In addition, the total estimated cost may increase due to factors such as soaring prices of equipment and materials as a result of global circumstances.

As the predictions of such assumptions come with a high level of uncertainty depending on changes in each individual project’s conditions, if there is a material impact on the total estimated cost and as a result the actual figure differs greatly from the estimate, there may be an impact on the amount of future income on the consolidated financial statements.

2. Valuation of goodwill and intangible assets

(1) Amount recorded on the consolidated financial statements for this consolidated fiscal year

(Millions of yen)

Account title	Amount
Goodwill	4,084
Customer-related assets	1,389

(2) Information on details of important accounting estimates concerning items identified

Regarding goodwill and customer-related assets as of the consolidated fiscal year-end, after verifying the presence of signs of impairment, the Taikisha Group assesses if the recognition and measurement of an impairment will be necessary.

In conducting the recognition and measurement of impairment, assumptions will be made regarding the discount rate and future cash flows mainly based on the business plan.

These assumptions are determined at the discretion of management based on the best estimates. However, as they may be affected by the results of fluctuations, etc. of uncertain economic conditions in the future, if they have to be reviewed, there may be a material impact on the consolidated financial statements.

(Translation)

[Notes to Consolidated Balance Sheet]

1. Pledged assets

(1) The following assets are pledged as collateral for loans payable at subsidiaries and associates.

(Millions of yen)

Asset pledged as collateral	Book value	Secured obligations corresponding to the asset at left
Cash and deposits	177	264
Machinery, vehicles, tools, furniture and fixtures	11	5

(2) The following assets are pledged as collateral for security deposits at subsidiaries and associates.

Cash and deposits ¥57 million

(3) The following assets are pledged as collateral for overdraft facilities of subsidiaries and associates.

Cash and deposits ¥17 million

2. Guarantee obligations

The Company guarantees loans payable, etc., made by its associates under agreements concluded with financial institutions.

Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd.

¥177 million

3. Endorsed notes

¥26 million

[Note to Consolidated Statement of Income]

Provision for loss on construction contracts included in the cost of sales of completed construction contracts is ¥353 million.

[Notes to Consolidated Statement of Changes in Net Assets]

1. Type and total number of issued shares as of the consolidated fiscal year end

Common shares

35,082,009 shares

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Shareholders' cut-off date	Effective date
Annual Shareholders' Meeting on June 26, 2020	Common shares	2,394	70.00	March 31, 2020	June 29, 2020
Board of Directors Meeting on November 10, 2020	Common shares	1,026	30.00	September 30, 2020	November 27, 2020

(Notes) 1. The total dividends resolved at the Annual Shareholders' Meeting held on June 26, 2020 include dividends of ¥9 million paid on the Company's shares held by Custody Bank of Japan, Ltd. (Trust E Account) as the trust assets of Board Benefit Trust (BBT).

2. The total dividends resolved at the Board of Directors Meeting held on November 10, 2020 include dividends of ¥4 million paid on the Company's shares held by Custody Bank of Japan, Ltd. (Trust E Account) as the trust assets of Board Benefit Trust (BBT).

(Translation)

- (2) Dividends whose record date is during the fiscal year, but whose effective date is after the end of the fiscal year

The following matters concerning the dividends of common shares are proposed at the Annual Shareholders' Meeting held on June 29, 2021.

- | | |
|-------------------------------|----------------|
| 1) Total dividends | ¥2,052 million |
| 2) Dividend per share | ¥60.00 |
| 3) Shareholders' cut-off date | March 31, 2021 |
| 4) Effective date | June 30, 2021 |

Retained earnings are planned to be used as the source of dividends.

(Note) The total dividends include dividends of ¥8 million paid on the Company's shares held by Custody Bank of Japan, Ltd. (Trust E Account) as the trust assets of Board Benefit Trust (BBT).

[Notes regarding Financial Instruments]

1. Status of Financial Instruments

(1) Policies on financial instruments

The Companies invest its temporary surplus funds in financial assets that are highly secure and procures its short-term working capital in the form of borrowings from banks. The Companies utilize derivatives only to hedge their exposure to the risks as described below and do not enter into such transactions for speculative purposes.

(2) Description of financial instruments, related risks and risk management system

Notes receivable, accounts receivable from completed construction contracts and other, which are trade receivables, are exposed to the credit risk of the respective customers. As for the credit risk of customers, the Companies' management system allows us to monitor the credit standing of major customers at any time on a timely basis based on the maturity and balance control by customer. Meanwhile, trade receivables denominated in foreign currencies, which originate from global business operations, are exposed to the risk of exchange rate fluctuations and are partly hedged by utilizing forward exchange contracts.

Securities and investment securities are those of companies with which the Companies have business relations and money trusts, etc. for the investment of temporary surplus funds. Although they are exposed to the risk of fluctuations in market price and credit risk, the Companies continuously monitor through regular checks of the fair value and financial positions of the issuers.

Notes payable, accounts payable for construction contracts and other, which are trade payables, generally mature within one year. While some of them are denominated in foreign currencies for the purpose of importing equipment and raw materials, etc. and are exposed to the risk of exchange rate fluctuations, the amount of those items are invariably less than the balance of accounts receivable from completed construction contracts, which are similarly denominated in foreign currencies.

Income taxes payable are imposed on the taxable income of the Companies for the fiscal year, and they all mature within one year.

Both short-term and long-term loans payable are fund-raising means associated with business transactions. Short-term loans payable with variable interest rates are exposed to the risk of interest-rate fluctuations. However, long-term loans payables, which are procured at fixed interest rates, in principle, are hedged against interest-rate fluctuation risk.

Derivative transactions consist of forward exchange contracts and NDFs aimed at hedging the risk of fluctuations in exchange rates for exports and imports in the course of ordinary business operations, as well as interest rate swaps aimed at hedging the risk of fluctuations in the interest rates for loans payable.

Forward exchange contracts and NDFs are executed and managed in accordance with the relevant guideline regarding foreign exchange control issued by the Chief Executive of the Administrative Management Headquarters. This guideline clearly stipulates regulations for the management policies on derivative transactions, the regulating division and department in charge of risk management, purposes of use, scope of utilization, reporting system. As for interest rate swaps, only those that meet the requirements for the application of special treatment are executed. Derivative transactions are executed only with financial institutions with high credit ratings to reduce the credit risk.

Although trade payables and loans payable are exposed to liquidity risk, the Companies strive to control the liquidity risk such as by having each Group company prepare a monthly cash management plan.

(3) Supplementary explanation on fair value of financial instruments, etc.

The contractual amounts, etc., with regard to derivative transactions in "2. Fair Value of Financial Instruments" below only indicate nominal contractual or notional principal amounts in derivative transactions, and they do not indicate risk amounts in connection with the corresponding derivative

(Translation)

transactions.

2. Fair Value of Financial Instruments

The following table indicates the book value, the fair value and the differences thereof as of March 31, 2021. Financial instruments for which it is deemed extremely difficult to determine the fair value are not included in the table below. (Refer to Note 2)

(Millions of yen)

	Book value	Fair value	Difference
(1) Cash and deposits	52,059	52,059	—
(2) Notes receivable, accounts receivable from completed construction contracts and other	101,413		
Allowance for doubtful accounts*1	(436)		
	100,977	100,963	(13)
(3) Securities and investment securities*2	33,710	33,710	—
Total assets	186,747	186,734	(13)
(4) Notes payable, accounts payable for construction contracts and other	52,050	52,042	(8)
(5) Short-term loans payable	6,588	6,588	—
(6) Income taxes payable	1,607	1,607	—
(7) Long-term loans payable	4,769	4,795	26
Total liabilities	65,016	65,034	17
(8) Derivative transactions	(5)	(5)	—

*1. “Allowance for doubtful accounts” separately included in “notes receivable, accounts receivable from completed construction contracts and other” is deducted.

*2. “Securities and investment securities” for which it is deemed extremely difficult to determine the fair value are not included in the table above.

(Note 1)

Method to determine the fair value of financial instruments and securities and derivative transactions

Assets

(1) Cash and deposits:

Since deposits are settled within a short period of time, the book value approximates the fair value. Therefore, the book value is used as the fair value.

(2) Notes receivable, accounts receivable from completed construction contracts and other:

The fair value of these assets is determined based on the present value calculated by applying discount rates, which take into account the remaining period prior to maturity and the credit risk, for receivables individually segmented by certain duration.

(3) Securities and investment securities:

As for the calculation of the fair value of these assets, stocks are based on the prices traded at the stock exchange, whereas bonds are based on the present value calculated by applying discount rates, which take into account the remaining period prior to maturity, the yield of government bonds and other. The securities and investment securities are held in the form of “available-for-sale securities”.

(Translation)

1) The differences between the book value and acquisition cost are as follows:

Available-for-sale securities with fair value (as of March 31, 2021)

(Millions of yen)

Category	Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost			
Stocks	31,686	11,306	20,379
Securities whose book value does not exceed their acquisition cost			
Money trusts	1,000	1,000	—
Stocks	24	34	(9)
Bonds			
Other	1,000	1,000	—
Total	33,710	13,340	20,369

2) The “Acquisition cost” in the table above is the book value after deducting impairment losses. The Companies recognize an impairment loss when the fair value of stocks falls 50% or more compared with the acquisition cost and there is no evidence to indicate that the fair value will recover to the book value within one year. When the fair value falls by 30% or more but less than 50% compared with the acquisition cost, the Companies recognize a necessary amount of impairment loss after considering the market prices in the past year and the possibility of recovery.

Liabilities

(4) Notes payable, accounts payable for construction contracts and other, and (5) Short-term loans payable

The fair value of these liabilities is determined based on the present value calculated by applying discount rates, which take into account the remaining period prior to maturity or repayment and the credit risk, for payables individually segmented by certain duration.

(6) Income taxes payable

As these liabilities are settled within a short period of time, the book value approximates the fair value. Therefore, the book value is used as the fair value.

(7) Long-term loans payable

With regard to floating rate loans, the book value approximates the fair value because the market interest rate is reflected in the interest rate within a short period of time and the credit risk did not fluctuate significantly after borrowing. Therefore, the book value is used as the fair value. With regard to fixed rate loans, the fair value is determined based on the present value of the total principal and interest discounted by an interest rate to be applied to similar new loans.

(Translation)

(8) Derivative transactions

1) Derivative transactions not subject to hedge accounting

For derivative transactions to which hedge accounting is not applied, contractual amounts or the notional principal amounts specified in the derivative contracts, fair value and gain (loss) on valuation as of the consolidated fiscal year end by type of target transaction, as well as the calculation method of said fair value, are as follows:

Currency-related

(Millions of yen)

Category	Type	Contract amount	Over one year	Fair value	Gain/loss on valuation
Non-market transactions	Forward exchange contracts:				
	Buy:				
	JPY	232	—	(10)	(10)
	USD	15	—	(0)	(0)
	EUR	10	—	(0)	(0)
	CNY	127	—	6	6
	Sell:				
	USD	64	—	3	3
Total		451	—	(0)	(0)

(Note) Calculation method of the fair value: Based on the prices and other data submitted by counterparty financial institutions.

2) Derivative transactions to which hedge accounting is applied

For derivative transactions to which hedge accounting is applied, contractual amounts or the notional principal amounts specified in the derivative contracts as of the consolidated fiscal year end by type of hedge accounting method are as follows:

Currency-related

(Millions of yen)

Hedging method	Transaction type	Main hedged item	Contract amount	Over one year	Fair value
Method in principle	Forward exchange contracts:				
	Buy:				
	THB	Accounts payable for construction contracts (forecast)	555	26	26
	Sell:				
	USD	Accounts receivable from completed construction contracts (forecast)	281	—	(18)
	EUR	Accounts receivable from completed construction contracts (forecast)	156	—	(9)
	CNY	Accounts receivable from completed construction contracts (forecast)	209	—	(3)
Total			1,202	26	(4)

(Note) Calculation method of the fair value: Based on the prices and other data submitted by counterparty financial institutions.

(Translation)

Interest-related

(Millions of yen)

Hedging method	Transaction type	Main hedged item	Contract amount	Over one year	Fair value
Special treatment	Interest rate swaps: Pay fixed /Receive floating	Long-term loans payable	2,763	2,524	(Note)

(Note) Because interest rate swaps qualified for the special treatment are accounted for as part of hedged long-term loans payable, the fair value thereof is included in the fair value of the corresponding long-term loans payable.

(Note 2)

Book value of financial instruments for which it is extremely difficult to determine the fair value

(Millions of yen)

Category	Book value
Available-for-sale securities	
Non-listed stocks	961
Non-listed foreign bonds	4

Securities classified under this category have no market prices and estimating future cash flows would likely necessitate enormous costs. Accordingly, it is deemed extremely difficult to measure the fair value, and they are not included in “(3) Securities and investment securities”.

(Note 3)

Redemption schedule for monetary receivables and securities with maturities

(Millions of yen)

Category	Within one year	Over one year and within five years	Over five years and within 10 years	Over 10 years
Cash and deposits	52,059	—	—	—
Notes receivable, accounts receivable from completed construction contracts and other	89,681	11,714	17	—
Securities and investment securities				
Available-for-sale securities with maturity dates (money trusts or others)	2,000	—	—	—
Available-for-sale securities with maturity dates (non-listed foreign bonds)	—	4	—	—
Total	143,741	11,719	17	—

[Notes regarding Per-Share Information]

- | | |
|------------------------------------------------------|-----------|
| 1. Net assets per share | ¥3,552.69 |
| 2. Profit attributable to owners of parent per share | ¥243.03 |

[Note regarding Significant Subsequent Events]

Not applicable.

(Translation)

[Other Notes]

(Note regarding Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts)

At the occasion of the 100th anniversary since its foundation, the Company introduced an ESOP (Employee Stock Ownership Plan) (the "Plan"), an incentive program granting the stocks of the Company to its employees to motivate them toward improving the company's stock prices and financial results by enhancing the linkage of stock prices and financial results and sharing economic effects with shareholders.

(1) Outline of the transactions

The Plan has a scheme according to which shares of the Company are awarded for each period to the eligible employees in accordance with the Stock Granting Regulations set forth in advance by the Company. The Company grants predetermined points to employees and later awards the Company's shares, which corresponds to the total number of accumulated points granted, after the lapse of a predetermined period. The Company's shares to be awarded to the employees shall be acquired by a trust bank from the Company through an allocation to a third party using funds that have been contributed to the trust and separately managed as a trust estate.

(2) Although the Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts (ASBJ PITF No. 30, March 26, 2015) has been applied, the previously applied method is continued for accounting.

(3) Matters regarding the Company's own shares held by the trust

- 1) The book value of the Company's own shares held by the trust for the fiscal year was ¥245 million. The Company's own shares held by the trust are not reported as treasury shares under shareholders' equity.
- 2) The number of shares held as of the consolidated fiscal year end was 132 thousand, and the average number of shares outstanding during the year was 132 thousand. The number of shares as of the consolidated fiscal year end and the average number of shares outstanding during the year are not included in the number of treasury shares to be deducted in calculating per-share information.

(Introduction of a Board Benefit Trust (BBT) for Executive Directors)

Based on the resolution of the 74th Annual Shareholders' Meeting held on June 27, 2019, the Company has introduced a Board Benefit Trust (BBT) (hereinafter referred to as the "System"), which is a performance-linked stock-based compensation plan for Executive Directors of the Company from the previous consolidated fiscal year.

The purpose of the System is to further clarify the link between the compensation of Executive Directors and the Company's operating performance and stock value and enhancing their motivation to contribute to the improvement of operating performance in the medium and long term and to boost corporate value by sharing not only the benefit of stock price increases but also the risk of stock price decreases with shareholders.

In accordance with the Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts (ASBJ PITF No. 30, March 26, 2015), the gross method has been applied for the accounting treatment under the System.

(1) Outline of the System

The System is a performance-linked stock-based compensation plan whereby the Company's shares are acquired through a trust using money contributed by the Company (hereinafter, the trust established pursuant to the System is referred to as the "Trust") as funds, and the Company's shares and the amount of money equivalent to the value of the Company's shares calculated based on market value are distributed through the Trust to Executive Directors as compensation in accordance with the director stock benefit rules established by the Company.

The Company's shares, etc. shall be granted to Executive Directors upon their retirement, in principle.

(2) The Company's shares that remain in the Trust

The Company's shares remaining in the Trust are recognized as treasury shares under net assets at the book value of the Trust (excluding ancillary expenses). The book value and number of treasury shares as of the consolidated fiscal year-end are ¥449 million and 136,400 shares, respectively.

(Effects of the spread of COVID-19)

The future outlook of the world economy and of the Taikisha Group's market environment are on a recovery trend due to widespread vaccine rollouts, financial support provided by each country and such, though they remain uncertain because it is difficult to estimate when the COVID-19 pandemic will end and how large its impact on domestic and foreign economies will be.

Under these circumstances, accounting estimates for the valuation of fixed assets including goodwill and so on are performed based on the assumption that capital investment will recover compared to the fiscal year ended March 2021 mainly in North America, Europe and China where overseas affiliates are located.

(Translation)

Notes to Non-consolidated Financial Statements

[Notes regarding Significant Accounting Policies]

Accounting Standards

(1) Standards and methods for valuation of assets

Securities

Held-to-maturity debt securities	Amortized cost method (straight-line method)
Shares of subsidiaries and associates	Stated at cost using the moving-average method
Available-for-sale securities	
Available-for-sale securities with fair value	Stated at fair value based on the market prices at the end of the fiscal year. (Valuation difference is reported as a separate item in net assets at net-of-tax amount. The cost of securities sold is stated at cost, determined by the moving average method.)
Available-for-sale securities without fair value	Stated at cost using the moving-average method

Derivatives

Stated at fair value

Inventories

Costs on uncompleted construction contracts	Stated at cost using the specific identification method
Raw materials and supplies	Stated at cost determined by the moving average method (The amounts stated in the non-consolidated balance sheets are calculated by writing down the book value based on the decline in profitability.)

(2) Depreciation method for non-current assets

Property, plant and equipment

The declining-balance method is applied. However, the straight-line method is applied to buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and is applied to facilities attached to buildings and structures acquired on or after April 1, 2016. The useful lives and the residual values of depreciable assets are estimated mainly in accordance with the Corporation Tax Act.

Intangible assets

The straight-line method is applied. However, computer software for internal use is amortized by the straight-line method over the estimated internal useful life (5 years).

(3) Standards of accounting for allowance and provisions

Allowance for doubtful accounts

In order to prepare for losses due to bad debts such as accounts receivable from completed construction contracts and other, the allowance for doubtful accounts is provided at the estimated amount of uncollectable debt. For receivables classified as “normal,” it is provided based on a historical default ratio. For receivables classified as “doubtful” etc., it is provided based on individual assessment on the probability of collection.

Provision for warranties for completed construction

In order to prepare for the costs of repairs for damages related to completed construction work for which the Company is responsible, the provision is provided based on past warranty experience.

Provision for loss on construction contracts

In order to prepare for future losses related to the construction contracts in process, the provision is provided based on estimated amount which will probably be incurred and which can be reasonably estimated.

Provision for directors' bonuses

In order to prepare for directors' bonuses, the provision is provided based on the estimated payment of the fiscal year.

Provision for retirement benefits

In order to prepare for employees' retirement benefits, the provision is provided based on estimated benefit obligations and the fair value of plan assets at the end of fiscal year.

(Translation)

- 1) Method of attributing the projected benefit obligations to periods of service
In calculating the retirement benefit obligations, the benefit formula basis is used to allocate the projected retirement benefits to the years of service up to the end of the fiscal year.
 - 2) Amortization method for actuarial differences and prior service costs
Actuarial differences are amortized using the straight-line method over a certain period of time (10 years) within the average remaining service period of employees from the following fiscal year of accrual.
Prior service costs are amortized using the straight-line method over a certain period of time (10 years) within the average remaining service period of employees from the fiscal year of accrual.
- Provision for share-based remuneration for directors
- In order to prepare for share-based remuneration to executive directors upon their retirements, the estimated amount of provision for share-based obligation as of the fiscal year end is provided based on the regulation of share-based remuneration for directors.
- (4) Accounting standards for net sales of completed construction contracts and cost of sales of completed construction contracts
- 1) The percentage-of-completion method is applied for construction work for which the completion of a certain percentage of the entire work is reliably recognizable by the fiscal year end (percentage of completion is estimated by the cost-to-cost method).
 - 2) The completed-contract method is applied for other construction contracts.
- (5) Other important matters for presenting the Non-consolidated Financial Statements
- Methods of hedge accounting
- 1) Method of hedge accounting
Accounted for using the deferral method of accounting. With regard to forward exchange contracts that meet the requirements for deferral hedge accounting, deferral hedge accounting is applied.
 - 2) Hedging instruments and hedged items

Hedging instruments	Forward exchange contracts, and non-deliverable forwards (NDF)
Hedged items	Foreign currency receivables, foreign currency payables and future transactions in foreign currency
 - 3) Hedging policy
The Company uses forward exchange contracts not for the purpose of speculation but for hedging future risks of fluctuation of foreign currency exchange rates.
 - 4) Assessment of hedge effectiveness
As forward exchange contracts in the same currency are used for forward exchange transactions, the correlation to subsequent exchange rate fluctuations is completely ensured. Accordingly, evaluation of hedge effectiveness is omitted.
- Accounting procedure for retirement benefits
- Accounting procedures for unrecognized actuarial differences and unrecognized prior service costs relative to retirement benefits differ from those applied in the

(Translation)

Accounting for consumption taxes

consolidated financial statements.
Transactions subject to consumption tax and local consumption tax are recorded at amounts exclusive of consumption tax.

[Notes regarding Changes in Presentation]

Changes in line with application of “Accounting Standard for Disclosure of Accounting Estimates”
The “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) shall be applied from this fiscal year, and (Notes regarding Accounting Estimates) shall be stated in Notes to Non-consolidated Financial Statements.

[Notes regarding Accounting Estimates]

1. Estimate of percentage of completion via percentage-of-completion method

(1) Amount recorded on Non-consolidated Financial Statements for this fiscal year

Net sales of completed construction contracts ¥95,973 million

(2) Information on details of important accounting estimates concerning items identified

This note is omitted, as the same information has been stated in (Notes regarding Accounting Estimates) in in Notes to Consolidated Financial Statements.

[Notes to Non-consolidated Balance Sheet]

1. Accumulated depreciation

Property, plant and equipment ¥3,556 million

2. Guarantee obligations

The Company guarantees loans payable, etc., made by its subsidiaries and associates under agreements concluded with financial institutions.

(Millions of yen)

Taikisha (Singapore) Pte. Ltd.	53
Taikisha (Thailand) Co., Ltd.	188
P.T. Taikisha Indonesia Engineering	112
Taikisha Vietnam Engineering Inc.	493
WuZhou Taikisha Engineering Co., Ltd.	61
Tianjin Taikisha Paint Finishing System Ltd.	7
Taikisha Engineering India Private Ltd.	2,834
Tianjin Dongchum-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd.	177
Total	<u>3,930</u>

3. Monetary receivables from and payables to subsidiaries and associates

Short-term monetary receivables ¥4,424 million

Short-term monetary payables ¥2,640 million

[Notes to Non-consolidated Statement of Income]

1. Transactions with subsidiaries and associates

(Millions of yen)

Net sales of completed construction contracts	2,949
Cost of sales of completed construction contracts	4,391
Transactions other than operating transactions (for revenue)	3,636
Transactions other than operating transactions (for expenses)	141

2. Provision for loss on construction contracts included in the cost of sales of completed construction contracts was ¥185 million.

(Translation)

[Note to Non-consolidated Statement of Changes in Net Assets]

Type and number of treasury shares as of the fiscal year end

Common shares

1,013,823 shares

(Note) The number of treasury shares as of the fiscal year end includes 136,400 shares held by Custody Bank of Japan, Ltd. (Trust E Account) as the trust assets of Board Benefit Trust (BBT).

[Note regarding Tax Effect Accounting]

Breakdown by cause of deferred tax assets and liabilities

(Millions of yen)

Deferred tax assets:

Allowance for doubtful accounts	72
Provision for warranties for completed construction	56
Provision for loss on construction contracts	59
Provision for retirement benefits	29
Employee pension trust, investment securities	322
Accrued enterprise taxes	88
Accrued bonuses	1,697
Loss on valuation of investment securities	121
Loss on valuation of shares of subsidiaries and associates	1,793
Loss on valuation of golf club membership	56
Valuation difference on available-for-sale securities	2
Others	512
Subtotal	4,813
Valuation allowance	(2,251)
Total deferred tax assets	2,561

Deferred tax liabilities:

Prepaid pension cost	(1,684)
Valuation difference on available-for-sale securities	(6,135)
Others	(132)
Total deferred tax liabilities	(7,953)
Net deferred tax liabilities	(5,391)

(Translation)

[Notes regarding Transactions with Related Parties]

Subsidiaries

(Millions of yen)

Category	Name of company, etc.	Percentage of voting rights, etc., held (or held of the Company)	Relationship with related party	Transaction details	Transaction amount ³	Account title	Fiscal year-end balance
Subsidiary	Taikisha Engineering India Private Ltd.	Direct holding (57.89%)	Con-currently held Officers' posts; Financial support; Ordering to the Company for part of construction work	Guarantee of debt ¹	2,834	—	—
	Tianjin Taikisha Paint Finishing System Ltd.	Direct holding (72.14%) Indirectly holding (17.86%)	Con-currently held Officers' posts; Financial support; Ordering to the Company for part of construction work	Acceptance of contract fee ²	602	Accounts receivable from completed construction contracts	1,199

Transaction conditions and decision policy thereof:

(Notes)

1. Consists of the guarantee for loans payable at said subsidiary and the performance guarantee to the customers of said subsidiary.
2. Entered into under general terms and conditions similar to those under arm's length transactions.
3. The transaction amount above does not include consumption taxes.

[Notes regarding Per-Share Information]

- | | |
|-----------------------------|-----------|
| 1. Net assets per share | ¥2,958.60 |
| 2. Basic earnings per share | ¥198.69 |

[Note regarding Significant Subsequent Events]

Not applicable.

[Other Notes]

(Note regarding Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts)
With regard to "Note regarding Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts", it is omitted since the same content is stated in "Other Notes" under Notes to Consolidated Financial Statements.

(Introduction of Board Benefit Trust (BBT) for Executive Directors)

With regard to "Note regarding Transactions of Delivering the Company's Own Stock to Executive Directors through Trusts", it is omitted since the same content is stated in "Other Notes" under Notes to Consolidated Financial Statements.

(Effects of the spread of COVID-19)

The future outlook of the world economy and of the Taikisha Group's market environment are on a recovery trend due to widespread vaccine rollouts, financial support provided by each country and such, though they remain uncertain because it is difficult to estimate when the COVID-19 pandemic will end and how large its impact on domestic and foreign economies will be.

Under these circumstances, accounting estimates for the valuation of shares of subsidiaries and associates and so on are performed based on the assumption that capital investment will recover compared to the fiscal year ended March 2021 mainly in North America, Europe and China where overseas affiliates are located.