

# We will overcome changes in society with you and pass on the rich environment to the future.

Contributing to realizing a sustainable society through our energy-saving and environmental impact reduction technologies

Since its foundation in 1913, Taikisha has been providing the environment and conditions that not only support people's comfortable daily lives but also assist in the progress of the industrial world for many years based on air-conditioning technology. We currently conduct a wide range of businesses both in Japan and overseas by leveraging the strengths of our global network in two core business fields: the Green Technology System Business targeted at office buildings, hospitals, factories and others; and the Paint Finishing System Business targeted at paint finishing plants for automobiles, etc.

In recent years, various environmental and social issues have become evident on a global scale, as reflected in the intensifying severity of natural disasters associated with climate change and their impact on food production, as well as the tendency of diseases to become widespread as reflected in the novel coronavirus (COVID-19) pandemic. Under these circumstances, we believe it is our mission to contribute to the realization of a sustainable society by demonstrating the strengths of our energy-saving and environmental impact reduction technologies while supporting the business activities of client companies with our advanced solutions, and in turn, pass on the rich environment to the future.

*K. Kato*

Representative Director, President





## Higher profits achieved in the first year of Mid-Term Business Plan Novel coronavirus (COVID-19) pandemic makes forecasting difficult

The Taikisha Group, whose long-term vision is to “Aim to become a global corporate group that creates an optimal environment through unique engineering,” is pushing ahead with its three-year Mid-Term Business Plan (from FY2019 to FY2021) to put such vision into practice. Under the Plan, the basic policy for its growth strategy is to “solidify the Company’s position in the global market,” “strengthen initiatives for the future,” and “build an attractive company and establish a solid management base”; the Taikisha Group will thereby seek to expand its business domains while improving its competitiveness and profitability, and enhance its human resources capabilities as well as its corporate governance structure.

In FY2019, we made progress in initiatives to enhance our relationships with overseas group companies and expand our business areas, in addition to conducting technological development aimed at improving productivity and formulating

systems to secure human resources. In terms of business performance, orders received fell short of the previous fiscal year’s level both in Japan and overseas, while net sales remained flat and profit increased due to improvement in profitability.

However, the situation in FY2020—the second year of the Mid-Term Business Plan—is extremely uncertain, as it is impossible to forecast the timing at which the COVID-19 pandemic will come to an end, not to mention its impact on corporate activities and economic conditions. In the Taikisha Group’s businesses, there are concerns that its business performance might be adversely impacted by the suppression of capital investment due to such factors as client companies’ deteriorating profits and reduced product demand, and restrictions on construction work by measures to prevent COVID-19 infections; that said, it is difficult to reasonably estimate the duration, scope and degree of such impact at this point in time.



## Introducing remote work as a measure against COVID-19 Consolidating and sharing information at construction sites

Internally, we have assigned more than 80% of our office staff to work from home since early April 2020 as a measure against COVID-19. Remote work is currently ongoing, while adjustments are being made to the number of staff working remotely according to the situation.

The introduction of such remote work has become widespread among Japanese companies to the extent that it symbolizes the "new normal," i.e., a new way of working in the COVID-19 world. Prompted by measures to prevent COVID-19 infections, the way in which Japanese companies carry out work is deemed to shift from the conventional style whereby employees jointly engage in work by gathering simultaneously at the same place, to a style whereby responsibility and authority are divided among individuals whose respective roles are clarified. The Taikisha Group is no exception to this; we will also work on building a mechanism to clarify the respective roles of organizations and individuals and make business processes and results visible, in order to sort out the issues based on this experience and maximize the effects of introducing remote work.

On the other hand, remote work has been difficult to implement at the Taikisha Group's construction sites under the present conditions. For execution supervision operations, we are gradually introducing tablets and taking other steps toward digitization, but there are many inadequacies serving as obstacles, such as the site/company-specific closed network environment. Going forward, we will seek to promote digitization by such means as utilizing video-based remote monitoring, RFID and cloud, so that information on construction operations will be consolidated and shared among the execution supervision firm, general contractor and specialist contractors on a common platform.

Of note, we are not only incorporating various impacts of this COVID-19 pandemic on many areas into risk management for the future, but also reviewing our business continuity plan (BCP) in order to make it effective in being well-prepared even against the risk of infectious diseases, having learnt a lesson from the conventional plan that had been formulated with a focus on natural disasters.

## Promoting external collaboration and open innovation amid changes in construction production systems

In the future, construction production systems will shift from the single-line production approach to the modular production approach applied to industrial products: on-site integrated production will be replaced by on-site assembly of components produced at factories in line with the progress and proliferation of Building Information Modeling (BIM), Virtual Reality (VR) and other designing/modeling tools and the deployment of 5G in the field of communications. This change is expected to be facilitated and accelerated further as a measure against COVID-19.

In terms of the role to be fulfilled by a company engaged in facility works amid such a trend, greater importance will be placed not only on the process up until completion and handover but also on maintenance and operation of the facilities after handover. Going forward, it will be indispensable in the Taikisha Group's growth strategy to assist clients in value creation from the viewpoint of life cycle cost (i.e., maintenance cost of facilities) based on operational data, life cycle assessment (LCA) and flexibility, and pursue differentiation through technological innovation.

Moreover, as a way of dealing with the shortage and aging of workers at construction sites, it will be necessary to pass on skills by utilizing IT tools while making efforts to save labor and improve safety in the work environment by introducing robots, remote operation and artificial intelligence (AI) in tasks performed at the sites.

In order to execute such operational reform, collaboration with construction subcontractors and manufacturers will become indispensable; especially for the Taikisha Group to utilize digital technologies that it does not have, the key will lie in building partnerships broadly. We intend to promote open innovation with IT companies and universities and conduct initiatives with an eye to developing versatile new products and new businesses, in order to integrate environmental technologies in which Taikisha has the edge with digital technologies.

At Taikisha, we are committed to creating a rich, comfortable environment by overcoming any and all changes in society with our stakeholders. For the Taikisha Group's businesses, we would greatly appreciate your continued understanding and support.