

We will seek growth and explore paths that can open up new possibilities by cultivating a rich, diverse foundation for management.



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### Our aspirations as we publish our first integrated report

Taikisha has published CSR reports for some time, in which we have disclosed information about our mission statement, corporate philosophy and related activities, but this is our first-ever integrated report.

We planned the content of this report carefully to help our shareholders, investors and all other stakeholders gain an overall understanding of the Taikisha Group, including our efforts to realize sustained value creation, and the alliances that exist among Group affiliates, not only within Japan, but worldwide.

In this first integrated report, we place particular emphasis on our vision for Taikisha's future.

In previous CSR reports, we were perhaps inclined to focus on past performance and the situation at the time. However, amid the recent massive wave of change that has transformed worldwide business conditions and caused societal upheaval, we took the opportunity to reflect. We redefined our concept of management, looked back over our development to date, identified and reviewed our materiality, and visualized our value creation process. We also made direct associations between non-financial information and future value, both of which are regarded as important nowadays, as we strived to cultivate thinking that would facilitate the Taikisha Group's evolution.

During this process, there was a growing sense that the time had come for us to articulate our concept for Taikisha's future, and that led us to express our aspirations for the Taikisha Group in the form of this new integrated report.

This integrated report is brimming with Taikisha's hopes and expectations for 10 or 20 years from now, in terms of the type of company we want to be, and the new endeavors we want to take on. It is still early days, but we intend to develop this publication further to serve as a communication tool that can prompt constructive dialogue with our stakeholders by clearly explaining our efforts to realize sustained value creation.

## Tackling global social issues

Recent years have brought further deterioration in a range of social issues, including climate change, depletion of energy and resources, water shortages and loss of biodiversity. In fact, it would be no exaggeration to say that future generations' safety and peace of mind is under threat.

The Paris Agreement governing climate change reduction measures committed to the pursuit of efforts to limit the global average temperature rise to 1.5 degrees Celsius. This is an extremely urgent, critical problem, but the agreement indicated that the 1.5-degree target would not be easy to achieve. As this is an issue that impacts literally the whole planet, it is not only Taikisha, but all humankind, that must tackle it by racking our brains to find solutions.

As a company that operates in countries all over the world, Taikisha regards the implementation of initiatives for global social issues as a high-priority material issue. With regard to the 17 Sustainable Development Goals (SDGs), which are shared goals for all humankind, we are taking action from a variety of perspectives, prioritizing goals that are especially compatible with our core businesses, such as Goal 7: Affordable and Clean Energy, and Goal 13: Climate Action. As we are essentially part of the construction industry, there are a great many areas in which the SDGs are of relevance, so it could be described as relatively easy for us to look for the best ways to contribute.

However, when we start to think seriously and seek answers as to what Taikisha can do as a company, it is of course not that easy to find solutions. Still, I believe that, if we meet customers' needs and continue exploring within our organization, we are likely to get closer to answers of one kind or another, albeit gradually. And I want to set this process in action throughout the entire Group.

The slogan for our current Mid-Term Business Plan is "Aim to become a global corporate group that creates an optimal environment through unique engineering." Tackling climate change is precisely what our main business entails, so if we cannot tackle climate change, there is simply no point in our continuing to exist on this planet as a company.

As another example of what Taikisha can contribute, solutions to the problem of COVID-19 infection are in particular demand currently, and this enables Taikisha to offer an array of engineering solutions that leverage HVAC control technology. We are already engaged in a wide range of activities including development of a transportable air barrier unit that can reduce the risk of virus infection simply by being positioned wherever it is needed during medical examinations or PCR tests, as well as research on air-conditioning systems that can reduce infection risk.

## Time spent biding our time gives us advantages

FY2021 is the final year of our Mid-Term Business Plan, but the COVID-19 pandemic has caused us some issues in terms of progress with plans, and results.

In the Japanese market, capital investment in the building HVAC system sector was impacted, largely as a result of the state of emergency declarations, but it subsequently recovered. In the industrial HVAC system sector, on the other hand, a cautious approach has continued due to the impacts of the economic downturn and increased uncertainty regarding the future outlook. In overseas markets, meanwhile, capital investment in both the industrial HVAC system sector and the automobile paint finishing sector has remained in a correction phase.

We are implementing a range of measures to minimize the impacts of the rapid changes in societal conditions, but responding to the international situation presents some difficulties. In the United States and Europe, measures to deal with COVID-19 have run their course and economies are moving toward recovery. We therefore intend to focus our energies on these regions, while at the same time also addressing Southeast Asia, where the situation remains challenging. As 2022 approaches, we can expect movement toward economic recovery to emerge somewhere in the region, so we will diversify our risk and target a recovery in business results.

Even under such conditions, we have been able to steadily implement a range of initiatives in line with the strategies targeted in our Mid-Term Business Plan.

The first such initiative, associated with our strategy of expanding new businesses, was to further expand and upgrade our plant factory business. We established a subsidiary to provide integrated solutions extending from construction of plants to production and sales of vegetables, and built our first wholly owned demonstration factory for mass production. We plan to offer a stable supply of safe, good-quality vegetables produced in plant factories to convenience stores and other vendors requiring vegetables for commercial food-preparation purposes, as an alternative to vegetables grown outdoors, which are susceptible to the effects of weather.



Although this effort to become a comprehensive agricultural company represents a new direction for Taikisha, it is already 10 years since we started exploring this field, during which time we have accumulated technical expertise. We have built up experience through slow, steady persistence, and that has given us advantages that we will draw on as we make a determined move forward to tap this new field.

The second initiative we have been implementing relates to enhancement of added value. We collaborated with TOYOTA AUTO BODY CO., LTD. to jointly develop "i-ESTA100TE," a system that uses electrostatic force for automobile paint finishing. By using only electrostatic force, rather than the air that was conventionally used, to atomize paint and coat vehicle bodies during automobile paint finishing, 100% coating efficiency can be achieved. As a result, it is also possible to reduce the environmental burden.

In another move, aimed at solidifying the Company's position in the global market—one of our basic policies under the Mid-Term Business Plan—we acquired a stake in Nicomac Clean Rooms Far East LLP, a company that manufactures and sells high-quality clean room panels in India. By combining Nicomac's panel manufacturing and installation technologies with our air-conditioning system technologies, we will strengthen our ability to respond to the market for pharmaceutical manufacturers' clean rooms, which is set to attract increasing demand in future.

I believe it is of the utmost importance to continuously develop and improve on the technologies that support Taikisha, namely those relating to plant factories, paint finishing, and air-conditioning. When we try something new, we will not always be rewarded with immediate results, but I think it is important not to give up, and to persevere regardless. I often tell our front-line employees that time spent biding our time gives us advantages; because, even if other companies try to emulate us, they cannot easily make up the time we have invested. Moreover, new endeavors are inevitably accompanied by failures, but I see no need to fear failure, because failure is a source of new observations, which lead to growth.

Fortunately, Taikisha has the underlying strength to allow time for trial and error. Our Mid-Term Business Plan covers a relatively short period of three years, but its purpose is to check progress as part of a longer process. In actual fact, I think it is important to think of the overall process as spanning at least 10 years, and to proceed one step at a time.

## Becoming a company that grows with its human resources

Our business environment is becoming more uncertain than ever. To gain a competitive advantage, considering the industrial structure and social environment in 10-20 years' time, we will reinforce our current business model and draw up a masterplan for our business portfolio. In conjunction with this, the key mission of the Board of Directors at the present time is to reconsider Taikisha's mission and role within society, and the ideal form the Company should take.

In-depth consideration of these major themes requires thinking that goes beyond what internal personnel alone can provide. In the current fiscal year, therefore, we brought in two new Outside Directors, thereby enhancing the composition of the Board of Directors, ensuring its effectiveness, and further promoting its diversity and expertise.

When open discussion involving the four Outside Directors takes place in meetings of the Board of Directors, a stream of differing opinions results, and these opinions are constantly surprising. Presumably this is because the Outside Directors gained their professional experience in various different work environments. Even when discussing the same event, the way the individual Outside Directors see things, and their thought processes, are totally unlike.

Given current global trends, the Taikisha Group's very survival depends on the Company taking ESG (environmental, social and governance) considerations and the SDGs into account to pursue sustainability-oriented business management. I want our Outside Directors to point out issues that those of us inside the Company are unlikely to notice and push us to execute our strategies so that we can put our corporate philosophy into practice together. This corporate philosophy comprises two elements: (1) establish a company which can continuously grow and contribute to society, and (2) establish an attractive company.

It is precisely because we are an engineering company always pursuing new technologies that our best asset is human resources. Even if we try to aim for growth by developing new businesses, our ideas will not progress beyond the drawing board without outstanding personnel at the vanguard waving the flag.

When I think about our human resource development going forward, the key word to bear in mind is "diversity." We want the human resources we hire, develop, and send out to be as diverse as possible. We have developed some outstanding human resources among our overseas personnel as well; these people could provide feedback to Japan, and it would be a good idea to increase interaction between personnel in Japan and overseas. We expect human resources with a whole range of experiences to generate new ideas that can grow into something bigger.



Meanwhile, it is also essential to make working within the Company easier for employees. As one of our initiatives to secure human resources, we improved a telework system, achieving recognition under the “2021 Certified Health & Productivity Management Outstanding Organizations Recognition Program” (White 500). We are focusing on four health-promoting measures—“reduction of long working hours,” “improvement of lifestyle habits,” “improvement of mental health,” and “support of work-life balance”—setting specific measures and indices, and thereby promoting efforts towards health management so that all employees can work happily and in good physical and mental health.

Turning to digital transformation, the construction industry has been relatively slow to evolve in this area, and there is still plenty of room for progress. One of our material issues is technological innovation and productivity improvement leveraging ICT, and further progress can be expected not only in the operational sphere, but also in the business sphere. If we can do this in the right way, it should help to set us apart from other companies.

In the current fiscal year, we established the Digital Strategy Committee to take a bird’s-eye view in deliberating on the masterplan for our digital strategy from two perspectives: optimal strategies in the medium- to long-term, and optimal strategies for the Group as a whole. We will address these themes in detail as we proceed with drawing up our next Mid-Term Business Plan.

## Creating the air of the future

Time slips past in the blink of an eye. We are currently engaged in detailed discussions to be made public in our new Mid-Term Business Plan, while also continuing to explore medium- to long-term themes that we need to tackle in the 10 years thereafter.

In order to do so, we make predictions about the future, but we know that these are merely predictions, and we do not expect them to always be right. However, we should accept that further progress cannot be expected if we simply carry on with our existing business model. We therefore intend to set targets in a variety of business fields and ask ourselves how widely we can extend our capabilities as a means of seeking to affirm just how far we can broaden our reach.

We are currently planning the construction of a combined facility we are provisionally naming the Digital Twin Center, which will function as both a cutting-edge development center and as a hub equipped to display products and enable presentations in order to disseminate information about the Company and communicate with customers. We repeatedly asked those in charge of the planning to define precisely what they want to build, and each time they refined their concept, with the result that a genuinely astonishing facility is now being created. It seems to me that this has established another new path toward our evolution.

The home page of our corporate website states the following:

To preserve clean air for the children of the future, Taikisha must strive to reduce environmental impacts and realize a sustainable society.

We intend to take these words seriously and educate ourselves constantly to continue making progress in this regard.