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As a person who had opportunities to witness the development of the company's sustainable management in recent years, such as formulation of materiality analysis and a value creation model, as well as discussions within each layer in the company on such topics, I am honored to be witnessing the transition to an integrated report that "talks about the vision in the future," which the Top Management's Message emphasizes.

This report has various changes from the previous reports, including addition of explanations for the Mid-Term Business Plan. What particularly draws attention is extensive information on corporate governance. Discussion with the President and the Outside Directors is an accurate reproduction of the discussion between the top management and Outside Directors who have various expertise, on the main topic of value creation from a long-term perspective. This report is structured in a way to emphasize the integration of management strategies and sustainability, and with the newly disclosed skill matrix of the Directors, the contents of the report fulfill the purpose of the revision of the corporate governance code.

It specifically shows the management attitude towards value creation through business operations. In this report, pages featuring value creation introduce the clean room technology of the Green Technology System Division and initiatives towards smart factories by the Paint Finishing System Division. Both initiatives are impressive in that they can make an impact on mitigation of climate change through energy conservation and improved productivity of users. However, the information is more persuasive when being read in conjunction with information on environmental issues disclosed in the latter part. Specifically, this means Taikisha's efforts on reducing GHG emissions in the entire supply chain. After showing the overall picture of GHG management, it reveals the analytical result that indicates that Scope 3 (emission in use of the products) accounts for the majority of total emissions. Generally, it is considered difficult to control greenhouse gas emissions in that category, but when you read it with the featuring page, the company implies the possibility of business opportunities for partners using the company's engineering capabilities. The report is skillfully composed to deliver the message that is suited for the integrated report; the response to climate change creates opportunities and defines the company's mid- to long-term business model.

In addition, the "Contributions to Society" topic is replaced by "Human Resources," implying the change in which the focus of the disclosure of social issues shifts to human capital as the source of value creation.

This report contains materials for the next steps in various parts, but unless reading it with a certain level of awareness, it cannot be read as a series of stories, and that could be a challenge to be addressed in the future. It is necessary to convey the message in a way readers can easily understand how factors such as the long-term vision, Mid-Term Business Plan and materiality are connected to each other, how they constitute the value creation process, and what sort of value the outcome delivers. As each content is well written, by organically integrating them and listing them as a value creation process, the relation between Taikisha's sustainability strategy and its business will be further clarified. I expect further development of the contents in the next Mid-Term Business Plan.

### In Response to the Third-Party Opinion



**Masanori Nakagawa** in charge of CSR Director, Executive Corporate Officer

I would like to express my sincere gratitude to Mr. Takegahara for always giving us warm words of encouragement.

For the first issue of the integrated report, the Taikisha Group endeavored to show the continuous growth of corporate value in a new coherent form by connecting non-financial information with management strategy and business strategy. It has just started and is still in the stage of growth, however, we will aim for further improvement as pointed out earlier, such as clear storyline centering around the long-term vision and organic integration of contents. We hope sharing these process with all stakeholders will help them understand the company.

We would like to ask to continue giving us candid advice and opinions.