

# Review of the Previous Mid-Term Business Plan (from FY2019 to FY2021)

The Taikisha Group has entered the final year of its Mid-Term Business Plan (from FY2019 to FY2021) with three basic policies: (1) solidify the Company's position in the global market, (2) strengthen initiatives for the future, and (3) build an attractive company and establish a solid management base. During the period, the following initiatives were implemented with the aim of achieving medium- to long-term growth.

## Basic Policy

1. Solidify the Company's position in the global market
2. Strengthen initiatives for the future
3. Build an attractive company and establish a solid management base

## Major Initiatives

- Made Research and Development Center into Demonstration Center
- Expanded Southeast Asia business through establishment of Taikisha Lao Co., Ltd.
- Expanded business domains in the Indian market by investing in Nicomac Clean Rooms Far East LLP
- Expanded automation business through additional investment in Encore Automation LLC
- Expanded plant factory business domain and established our own mass production factory
- Shifted to electronic expense reimbursement
- Formulated and introduced a telework system

**We implemented measures to improve our competitiveness and expand business domains**  
**Through our "establishing an attractive company" initiative, we have been recognized as a**  
**Certified Health & Productivity Management Outstanding Organization for two consecutive years**

As compared with the investment plan of 20.0 billion yen in the previous Mid-Term Business Plan, investment results were 13.7 billion yen in total for the three years.

## Review

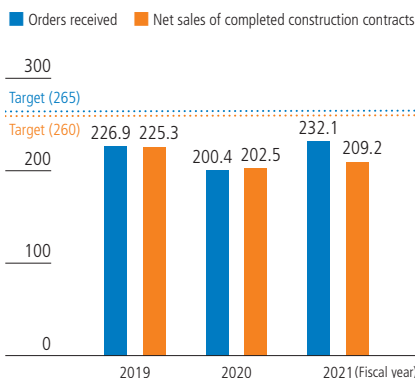
### Green Technology System Business

In the building HVAC system business sector, although there was a temporary movement to postpone investment due to the impact of the COVID-19 pandemic, demands for office buildings remained strong, mainly in large-scale redevelopment projects in the Tokyo metropolitan area. With regard to industrial HVAC system business sector, capital investment continued to be in an adjustment phase due to the economic downturn caused by the COVID-19 pandemic. However, in Japan, investments by electrical and electronic component manufacturers and chemical and pharmaceutical manufacturers accelerated. On the other hand, overseas markets continued to be cautious due to uncertainty of the future. Under these circumstances, orders received for the fiscal year ended March 2022, the final year of the previous Mid-Term Business Plan, totaled 158.9 billion yen and net sales were 134.3 billion yen.

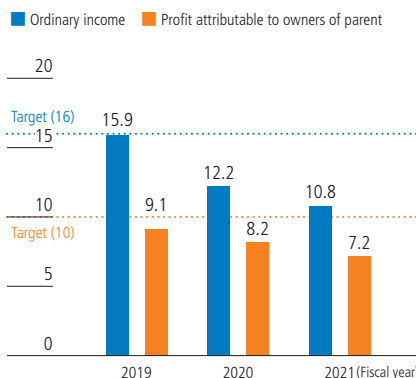
### Paint Finishing System Business

As in the Green Technology System Business, the outbreak of COVID-19 not only caused a continuous adjustment phase in capital investment by automobile manufacturers, but also caused delays in construction schedules for properties that had already begun construction, and postponements in order receipt. Under these circumstances, orders received for the fiscal year ended March 2022, the final year of the previous Mid-Term Business Plan, totaled 73.2 billion yen and net sales were 74.8 billion yen.

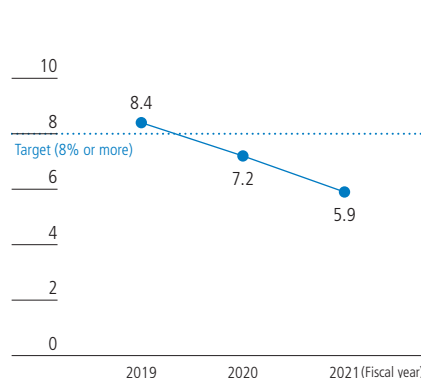
### Orders received and net sales of completed construction contracts (billion yen)



### Ordinary income and profit attributable to owners of parent (billion yen)

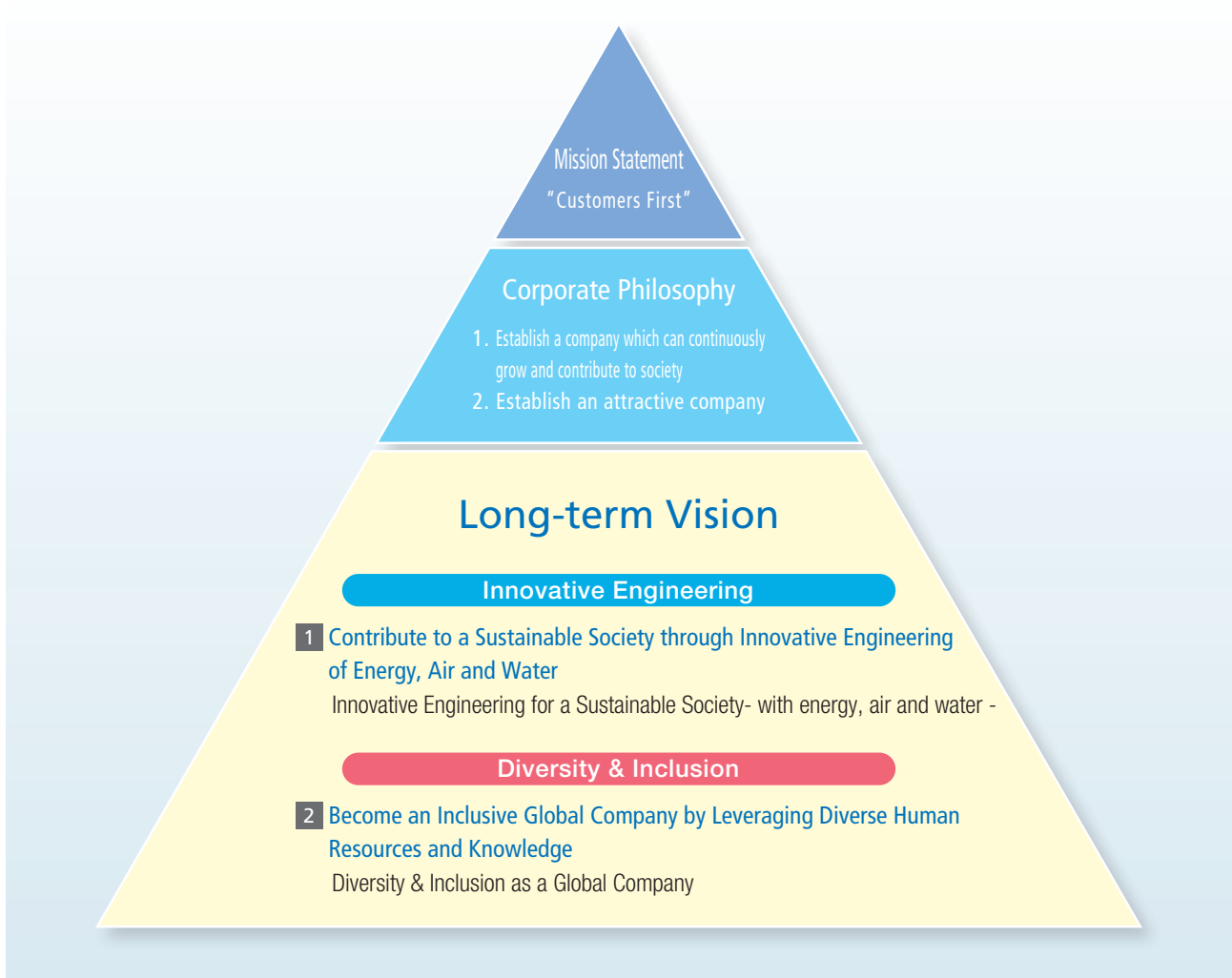


### Return on equity (ROE) (%)



# Overview of the New Mid-Term Business Plan (from FY2022 to FY2024)

The New Mid-Term Business Plan is positioned as a milestone for the coming three years to realize the long-term vision of where we want to be in 10 years from now. In formulating this plan, we first reviewed our long-term vision. In order to realize our Corporate Philosophy of "Establish a company which can continuously grow and contribute to society" and "Establish an attractive company," we have set forth two visions.



## Basic policies and direction of the Mid-term Business Plan

In order to realize our long-term vision, we will review the existing business portfolio from the perspectives of "capital efficiency," "consistency with long-term strategies," and "affiliated company governance," to transform into a leaner business structure that can create added value in the long term.

During the period of the previous Mid-Term Business Plan (from FY2019 to FY2021), we continued to work on initiatives for the future, and we expect our core businesses to remain strong given the current market environment. However, we believe that further transformation and growth are necessary to realize our long-term vision.

Accordingly, the New Mid-Term Business Plan sets forth three basic policies: (1) Further strengthen core businesses, (2) Challenge to create new value, and (3) Strengthen management base that supports transformation and growth.



# Overview of the New Mid-Term Business Plan (from FY2022 to FY2024)

## Direction and major initiatives

Basic Policy		Direction	
1	Further strengthen core businesses	Green Technology System Business	Business development that continues to create added value
			Strengthen Taikisha, the Technology Company
			Improve business operation systems and productivity
		Paint Finishing System Business	Establish a firm position at home and abroad
			Development with an awareness of global social issues
			Improve business operation systems and productivity
2	Challenge to create new value	Plan and promote intellectual property strategies	
		Development from the customers' perspective	
		Open innovation	
		Horizontal deployment of technologies that are our strength	
		Develop new businesses	
3	Strengthen management base that supports transformation and growth	Develop and secure human capital	
		Digital strategies to provide new value	
		Strengthen the Group governance structure	

## Numerical Targets

### Financial targets

Item	Mid-Term Business Plan period			What Taikisha Group is aiming for in 5 years
	2023.3	2024.3	2025.3	2027.3
Orders received	215.0	223.0	236.0	270.0
Net sales of completed construction contracts	212.5	223.5	238.0	265.0
Ordinary income	12.0	13.5	15.0	16.5
Profit attributable to owners of parent	8.6	9.1	9.6	
Return on equity (ROE)	6.8%	7.0%	7.2%	

### Non-financial targets

CO<sub>2</sub> emissions from business activities (Scope 1 and 2) → **46% reduction by 2030** (compared with FY2015 results)

Other indicators and targets related to climate change will be set as part of the TCFD response (during FY2023)

## Initiatives

- Decarbonizing business initiatives to achieve carbon neutrality
  - Structure that continues to meet the technical needs of customers and projects, and developing professionals
  - Identifying customer needs and joint development by utilizing new Research and Development Center and R&D Satellite
  - Proactively making technology proposals to customers and uncovering seeds through collaboration between sales and development divisions
  - Digitalization and DX of business operations to improve ease of work ● Business process reform to eliminate forcing, waste, and inconsistency
  - Create a system where we can strengthen the relationships and grow together with suppliers
  - Diversification of technologies to meet the needs of non-Japanese customers ● Reaching out to new customers outside the automotive market through collaboration with partners
  - Business development rooted in the local communities by utilizing overseas networks
  - Contributing to the transformation of customers' production technologies through technological development to achieve carbon neutrality ● Establishing a development structure linked to overseas bases
  - Remote and automated on-site operations through digitalization of business processes ● Designing global educational programs
  - Optimizing human resources by reviewing the project management structure
  - Promote management strategies that leverage our own intellectual property and intangible assets
  - Establish R&D Satellites with easy access to promote proactive identification of customer needs
  - Open a new R&D Center to promote the development of innovative technologies through integration with academic institutions and startups
- |                                 |   |                            |   |                               |   |
|---------------------------------|---|----------------------------|---|-------------------------------|---|
| <b>Green equipment business</b> | <ul style="list-style-type: none"> <li>● Create a business in a niche field by integrating HVAC business with manufacturing industry</li> </ul> | <b>Automation business</b> | <ul style="list-style-type: none"> <li>● Focus on robot control technology to develop non-automotive markets such as automated sanding equipment</li> </ul> | <b>Plant factory business</b> | <ul style="list-style-type: none"> <li>● Establish a brand through plant construction and aggressive market development for production and sales of factory vegetables</li> </ul> |
|---------------------------------|---|----------------------------|---|-------------------------------|---|
- Pursue new businesses by utilizing intellectual property and integrating with external knowledge through R&D
  - Creating an organizational culture that fosters innovation ● Improve employee engagement ● Systematic development of human resource value
  - Improving productivity through onsite digitalization and DX ● Establishing a global IT and DX structure ● Digital integration for R&D and new business creation
  - Business portfolio management in light of capital costs ● Enhancing the effectiveness of the board of directors and auditing functions of affiliated companies

### ● Investment plan

Growth investment in the Mid-Term Business Plan period: 20.0 billion yen

#### Business-related investments

- Regional strategies for core businesses
- Expansion of business domains (M&A, capital and business alliance, establishment of subsidiaries)

#### Capital and human resources investments

- Productivity-enhancing IT investments ● Education and training
- Appointment of specialized personnel

#### Technology development investments

- New R&D Center
- Joint development with external organizations

### ● Capital dividend policy

#### Dividend policy

We will implement steady dividends targeting a consolidated dividend on equity ratio (DOE) of 3.2% [Basic concept]  
 $DOE\ 3.2\% = Aimed\ ROE\ level\ 8.0\% \times dividend\ payout\ ratio\ 40\%$

#### Purchase of treasury shares

We will flexibly purchase and retire treasury shares in order to improve capital efficiency and promptly implement financial policies. (Aim for roughly 2.0 billion yen per year)

### ● Plan to reduce cross-shareholdings

Reduce cross-shareholdings to less than 20% of net assets by the second year of the Mid-Term Business Plan <sup>(Note)</sup>

(Note) Holdings including deemed holdings