

# Review and Overview of the Mid-Term Business Plan



We will focus on achieving the goals of the Mid-Term Business Plan by steadily implementing measures in line with its basic policies.

Director, Executive Corporate Officer, Chief Executive, Corporate Planning Headquarters and in charge of Sustainability Promotion

**Masanori Nakagawa**

In this fiscal year, orders received reached a record high and far exceeded the initial forecast against the backdrop of robust market environment at home and abroad. Profit attributable to owners of parent fell below the target due to the recording of extraordinary losses which had not been expected at the beginning of the fiscal year. Net sales of completed construction contracts and ordinary income exceeded the targets.

Speaking of key measures of each business, the Company has dedicated its efforts to forward-looking measures that will provide a future foundation for its sustainable growth. Specifically, we have made Nicomac Clean Rooms Far East LLP (currently Nicomac Taikisha Clean Rooms Private Limited) a wholly owned subsidiary to expand our business in India, where resilient economic growth is expected in the future, established R&D Satellite at the head office in Tokyo, and developed technologies and collaborated with other companies in the field of carbon neutrality.

In non-financial areas, we made preparation for the disclosure of climate-related information based on TCFD's recommendations. (disclosed in April 2023.) We also focused on the development and

enhancement of our sustainability promotion system by incorporating non-financial indicators to some degree into evaluation items in the compensation structure of the executive directors.

In terms of shareholder returns, we maintained high total return ratio driven by the purchase of treasury shares and stable dividends intended to achieve a consolidated dividend on equity ratio (DOE) of 3.2%.

As described above, we generally made a good start both in terms of performance and measures in FY2022, the first year of the new Mid-Term Business Plan.

Despite the continued recovery, the outlook for the domestic and overseas economy is expected to remain uncertain for a while due to impacts of price increases, sharp fluctuations in exchange rate, and monetary tightening in some countries. We will continue to do our utmost to achieve financial and non-financial targets by steadily implementing measures based on the three basic policies while keeping watch over the situation.

## Positioning of the Mid-Term Business Plan

The 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.

	2023.3		2024.3		2025.3
	Target*	Result	Target*	Forecast	Target*
Orders received	215.0	288.6	223.0	218.0	236.0
Net sales of completed construction contracts	212.5	214.7	223.5	255.0	238.0
Ordinary income	12.0	13.0	13.5	14.0	15.0
Profit attributable to owners of parent	8.6	7.9	9.1	9.3	9.6
Return on equity (ROE)	6.8%	6.3%	7.0%	7.3%	7.2%

\*The targets above are the numerical targets under the Mid-Term Business Plan disclosed on May 16, 2022.

## Non-financial targets

CO<sub>2</sub> emissions from business activities (Scope 1 and 2) → **46% reduction by 2030** (compared with FY2015 results) (Numerical targets are under review due to the expansion of boundaries and other factors.)

**Investment plan** (3.9 billion yen was invested in the fiscal year ended March 31, 2023.)

**Growth investment** 20.0 billion yen

**Dividend policy** (DOE was 3.25% for the fiscal year ended March 31, 2023.)

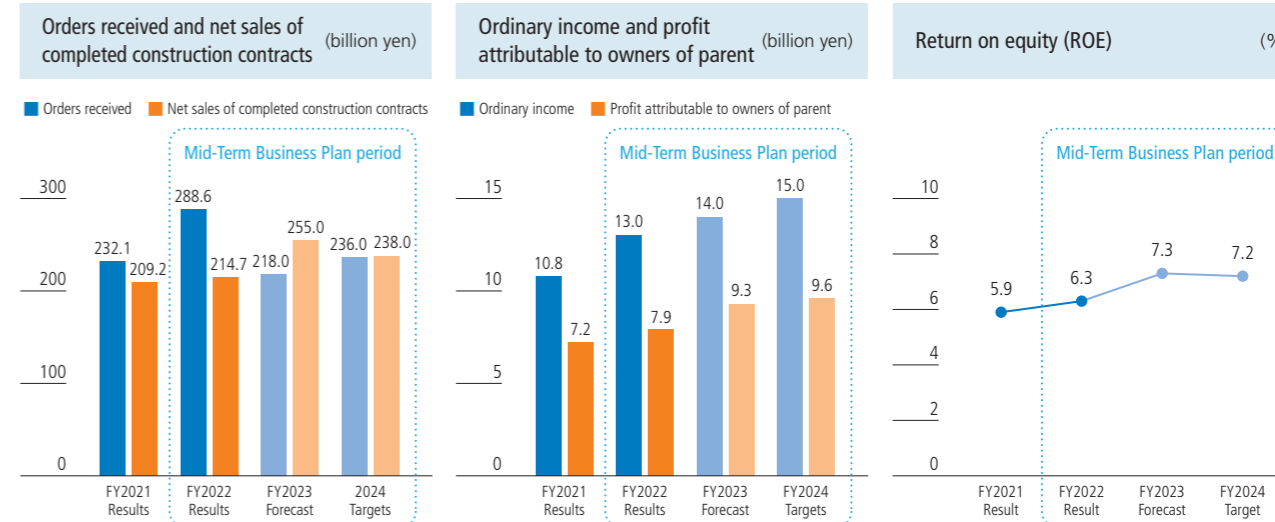
We will implement steady dividends targeting a consolidated dividend on equity ratio (DOE) of 3.2%.

**Purchase of treasury shares** (Purchased treasury shares worth of 3.0 billion yen in the fiscal year ended March 31, 2023)

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.)

**Cross-shareholdings** (21.8% as of March 31, 2023)

Reduce cross-shareholdings including deemed holdings to less than 20% of net assets by the second year of the Mid-Term Business Plan



## Basic policies and direction of the Mid-Term Business Plan and major initiatives for the fiscal year ended March 31, 2023

Basic Policy	Direction	Major Initiatives for the Fiscal Year Ended March 31, 2023 (● = under way)
1. Further strengthen core businesses —Continuously create added value through pursuit-based problem solving, which is one of our strengths	Green Technology System Business Business development that continues to create added value	● Raise our stake in Nicomac Taikisha Clean Rooms Private Limited
	Green Technology System Business Strengthen Taikisha, the Technology Company	● Enhance the Design Dept. and promote the development of global human resources ● Establish a company structure to promote an energy management system (EMS)
	Green Technology System Business Improve business operation systems and productivity	● Check the operation of onsite DX, including BIM, and reorganize business management systems
	Paint Finishing System Business Establish a firm position at home and abroad	● Conduct sales activities to Japanese and non-Japanese customers and reach out to new customers outside the automotive market ● Develop unique technologies to meet the needs of customers
	Paint Finishing System Business Development with an awareness of global social issues	● Promote collaboration with customers such as technological development on carbon neutrality, technological personnel dispatching, and technology exchange ● Globally expand domestic and overseas development centers, labs, and showrooms and enhance collaboration among them
	Paint Finishing System Business Improve business operation systems and productivity	● Roll out the use of 3D drawings and BIM ● Raise the level of design by educating local staff through on e-learning
2. Challenge to create new value —Create innovation and expand business domains by integrating our own technologies with external knowledge	Plan and promote intellectual property strategies	● Educate staff on intellectual property business operations within the Company and prepare rules on intellectual property ● Promote application for patents on new businesses and acquisition of the patents
	Development from the customers' perspective	● Establish the R&D satellite facility Taikisha Innovation Gate Shinjuku at the Head Office
	Open innovation	● Plan to build a new R&D Center (scheduled to be completed in May 2024)
	Horizontal deployment of technologies that are our strength	● (Green equipment business) Promote activities to win orders of ultra-precise temperature control chambers ● (Automation business) Leverage exhibitions to acquire new customers ● (Plant factory business) Continue demonstration experiments at our plants
	Develop new businesses	● Conduct joint research with universities, research institutions, and private companies
3. Strengthen management base that supports transformation and growth —Undertake initiatives with a focus on human capital, digital strategies, and governance to transform our business structure	Develop and secure human capital	● Securing highly motivated and competent human capital that match the progress of our business development ● Maintenance and operation of training program for the systematically development of senior-level personnel in long-term and honoring system for professional personnel
	Digital strategies to provide new value	● Start out activities by joining the Facilities BIM Research Liaison Committee to normalize, spread, and promote the facilities BIM ● Consider measures for the enhancement of development of digital human resource
	Strengthen the Group governance structure	● Management index that measures the return on capital by each division is under consideration. ● Begin applying the Business Investment Guidelines