

Global Communication as Our Goal

I am humbled and honored to begin my second year as President and Representative Director of the Company. Since taking on this role, I have visited and spoken with many customers, including those overseas. I have also prioritized direct dialogue with our Group employees and have been able to visit almost all of our sites in Japan and overseas.

I still strive to communicate closely with our employees through various means, including town hall meetings, internal electronic publications, and internal social media. I intend to continue these steady efforts to communicate the expectations and needs of our customers to our employees, improve the level of our technological proposals and engineering capabilities, and increase the unity and motivation of our 5,000 Group employees.

Through 28 consolidated subsidiaries established in 19 regions around the world (as of June 2024), the Group currently has construction experience in over 50 countries, and a ratio of overseas sales is close to 50%. In recent years, there has been an increasing number of orders received from foreign customers who have established production bases in Japan and are making capital investments.

Taikisha Group's global operations have grown in terms of size and area in response to the overseas expansion of our customers. In

the process of developing activities rooted in each country and region, each site has gradually established a culture of "self-reliance" in which they seek their own growth. To give an example, the national staff at one of our overseas sites held discussions on how to tackle the high-end market and mass market on their own, having a deep understanding of the Group's sales strategy based on the characteristics of the market in that country. At times, national staff have made requests or voiced their expectations for technology to be transferred from Japan. We respond to such requests by providing support from Japan and sending over engineers.

With the "self-reliance" of our overseas offices and the expansion of new growth opportunities, we feel that our global operations are now in the midst of further development.

What Customers Expect From Taikisha's Environmental Technologies

Tracing the evolution of environmental technology, technological innovations for environmental conservation and energy saving gained momentum in Japan in the 1950s and beyond against the backdrop of pollution problems and oil crises. This trend continued into the 1980s but began to stagnate in the 1990s as many innovations were simply applications of existing technologies with added words such as "control," "high efficiency," or "simulation." Recently, however,

We intend to continue global expansion while enhancing the value of engineering to realize our long-term vision.



Asashi Tsada
President and Representative Director

technologies supporting the green energy revolution and digital revolution have developed rapidly and dramatically, and the Group's control and painting technologies have also evolved significantly. Technological innovation is spreading in all aspects, including changes in our customers' manufacturing processes. At the same time, the need for environmental technologies is greater than ever in response to society's demand for decarbonization.

In my visits to customers and through conversations with them, I have once again become aware of their high expectations for the Group's technological proposals for carbon neutrality. The proposals required vary from customer to customer, ranging from cost solutions to support for proactive new initiatives, but there is no doubt that providing value by strengthening environmental technologies will become increasingly important for the Group in the future.

In light of these changes in environmental technologies, we are expanding the functions of our two R&D facilities in Kanagawa Prefecture as part of our efforts to catch up with technological evolution and pioneer new innovations. One of these facilities, which handles R&D for the Green Technology System Business, has completed renovations and began operations as the new Research and Development Center in July 2024.

Strengthening Value Provision through Global Training

Our business is based on delivering the best quality equipment to our customers operating in each region. Although we are expanding operations globally, we provide services tailored to each customer's individual circumstances, such as the characteristics of the country or region in which they are located, so we are more like a conglomerate of local operations.

The Group has developed its business from this perspective, based on the premise that each site will respond to customers' needs from start to finish. However, given the current pace of rapid technological innovation, there are cases in which a single site may not be able to provide the required advanced value by itself. In addition, more and more customers are in need of the latest technologies in every region, rather than appropriate technologies adapted specifically to local

conditions. Therefore, this trend is only to be expected, especially for initiatives aimed at decarbonization as it is a global issue. I mentioned previously that our customers have high expectations for the Group's technological proposals for carbon neutrality. This includes the expectation that we can provide value by leveraging our global network.

In order to share the latest technology globally and provide high-value-added engineering to customers in each region while also aiming for the "self-reliance" of overseas sites, the Group has established a system to strengthen collaboration by connecting domestic and overseas sites and R&D facilities online.

Recently, we have revitalized communication between sites and created a cooperative structure to handle large-scale projects. In particular, experienced overseas site managers who have returned to Japan are taking the initiative in stimulating interaction among human resources. In FY2023, we started "global training" aimed at shifting mindsets. This is a training program for the top five national staff members, the top five Japanese employees on overseas secondment, and the top five candidates for the next department management positions in Japan. These 15 participants go through approximately eight months of training in which they share knowledge and engage in discussions. We will continue this initiative and convey it to employees in other countries, thereby fostering awareness of our global network among all 5,000 members of the Group.

FY2023 Achievements and Progress in R&D

In FY2023, we were able to achieve record highs in net sales of completed construction contracts and profits at each level of the income statement. Orders received exceeded our initial forecast as capital investment by manufacturers in both domestic and overseas markets was solid. Despite the reactionary decrease in orders received due to large orders in the previous fiscal year, we made steady progress in construction work carried forward, resulting in an increase in both revenues and profits.

Particularly in Japan, net sales of completed construction contracts have been boosted by our efforts to carry out the construction work



carried forward while adhering to the regulations on upper limits for overtime work, which took effect in April 2024. This achievement is highly commendable. The efforts of our entire Group, including subcontractors, have helped increase productivity and raise the value-added ratio.

One of our significant achievements this year was participating as a supplier in a plant construction project in Japan for Taiwan Semiconductor Manufacturing Company, Ltd. (TSMC), the world's largest semiconductor contract manufacturing company, where we were responsible for major facility construction work. This project not only contributed to boosting our business performance but also provided an opportunity to grasp the latest trends in the semiconductor industry and enhance our skills. We will continue to focus on highly challenging properties and projects, proactively taking them on to further improve our engineering capabilities.

We have also made remarkable progress in R&D this year. As I mentioned earlier, in the Green Technology System Business, the ADVANCED PLAZA (research building) was completed in May 2024 within the Research and Development Center in Aikawa-cho, Aiko-gun, Kanagawa Prefecture. It started operation in July 2024 along with the SOLUTION LAB (production technology building) and

TECHNICAL LAB (acoustics building), together making up the new Research and Development Center TAIKISHA INNOVATION SITE Aikawa (TISA). TISA will be linked to the R&D satellite at our head office, which opened in April 2023, and in the future, we will accelerate collaborative creation with customers and other partners by establishing satellite facilities that will serve as gates to "TISA" from various locations in Japan and overseas.

Meanwhile, the R&D facility for the Paint Finishing System Business is in the process of installing a demonstration line at the Technical Center in Zama City, Kanagawa Prefecture, aimed at the practical application of dry decoration technology, which reduces environmental impact while achieving high-quality painting. The demonstration line is scheduled for completion in the fall of 2024. At SURCAR, the International Conference on Automotive Body Finishing held in Detroit in the U.S. in June 2023, our dry decoration technology won the "Jury's Award," which is granted to the presentation that receives the highest evaluation from the judges. The technology has attracted a great deal of attention as a new-generation coating method. With such new technologies, the Group intends to keep pace with production innovations in the automotive industry and take on the challenge of creative engineering.



Realizing Taikisha's Vision

We have established our "Management Objectives" as a Corporate Philosophy to embody our Mission Statement of "Customers First." One of these Management Objectives outlines the action philosophy: "We aim to be a motivation-oriented company where the employees can demonstrate creativity and vitality through their work." I feel that this way of thinking is gradually taking root throughout the Group as we become more unified in this mindset. The "Management Objectives" represent our ideal of becoming a company that contributes to society by taking on and enthusiastically engaging in a wide range of challenges that will be useful to society. We will continue to pursue this corporate ideal as "Taikisha's vision."

The business environment surrounding the Group is in the midst of rapid change due to production technology innovations in the automotive industry, the green energy revolution, and the digital revolution. In addition, construction investment is expected to

continue while the labor force in Japan declines, and this imbalance will be a major risk. Although we intend to continue investing in human resources, we believe that these are issues that we cannot solve on our own.

To survive amidst such changes in the business environment, we need to discuss the Company's management with a long-term perspective and think about our vision for the future as the basis for these discussions. Internally, we launched the "Long-Term Strategy Development Project: Next 100th" in July 2023. The core members of this project are mid-career employees in their 30s and 40s who will lead the next generation. The project aims to train young human resources to have a long-term management perspective and will also be operated as part of the succession plan.

In considering the future, our proactive efforts to pursue globalization will answer the question of what is necessary for the Group's sustainable growth. In this regard, it will be important for us to become more perceptive of trends, as this is a crucial trait for engineering companies. If we can leverage this strength to identify and adapt to changes in our customers' production technologies and market needs, we will be able to thrive in a globally competitive environment.

Going forward, we will enhance our perceptiveness, establish systems to share the observations throughout the Group, and create mechanisms to realize them.

Initiatives in the Final Year of the Mid-Term Business Plan

In FY2023, the second year of our three-year Mid-Term Business Plan (which is now in its final year), we achieved our financial targets ahead of schedule. In FY2024, we will continue to aim for earnings growth and maintain and increase momentum in anticipation of the next Mid-Term Business Plan, which will start in FY2025.

As part of this effort, we established the Business Development Headquarters, chaired by myself concurrently, on April 1, 2024, to optimize Group management for global business growth.

The Business Development Headquarters will lead our business expansion to countries and regions with growth potential and the

cultivation of new business fields, with a view to growth investment such as M&A and capital/business alliance. We will establish the marketing functions necessary for these initiatives as well as communication functions with partner companies within the Business Development Headquarters. At the same time, we will strengthen and review the Group's management system both domestically and overseas, as well as optimize the capital structure.

In the Paint Finishing System Business, we plan to enter the European market by establishing a local site in FY2024 and have set up the European Operations Preparation Office to facilitate this initiative. By focusing on deals with local OEM manufacturers, we are committed to achieving success through brand-new approaches.

In the Green Technology System Business, we will continue to focus on the semiconductor industry following the highly successful TSMC plant construction project in Japan. The semiconductor market is expected to remain vibrant until around 2040. While this is a great opportunity for us, we must also anticipate oversupply and other risks as we go forward.

In the future, leveraging digital technologies will be the key to improving productivity, so we will not only promote on-site digitalization using 3D/4D-CAD and BIM but also introduce RPA to streamline routine tasks and shared functions as a Group.

We believe that the Group's medium-term profit growth and improvement of profit margin will be supported by portfolio transformation and diversification in the Paint Finishing System Business, cost reductions and productivity improvements in the Green Technology System Business, and the establishment of a price indexation clause. However, in order to increase the value-added ratio, it is necessary to radically enhance procurement capabilities. To this end, it would be effective to establish a system for direct procurement by utilizing the Group's network. In that case, we would also be required to handle post-procurement follow-up, but we believe that this is also an area that we should take on. Improving production efficiency through construction technology and reducing installation work through prefabrication will also help increase the value-added ratio.

We will continue striving to further expand our earnings and increase our value-added ratio by promoting these initiatives to meet the expectations of our shareholders and investors.

Commitment to Expanding Corporate Value

We have started developing and discussing the next Mid-Term Business Plan, which will begin in FY2025. The Plan will not be merely an extension of the previous one.

It will be an ambitious plan which will be a backcast from our long-term vision, setting discontinuous goals that are both quantitatively and qualitatively different from the past. In terms of globalization, the approach will not be an extension of the strategies that each business division has been pursuing up to now, but rather will reflect the future course of direction from a company-wide perspective.

When setting future goals, I put high value on linking them to the value of our existence as an engineering company. In orders received, for example, rather than simply aiming to achieve numerical targets, we will pay attention to the details of the order and ask ourselves whether or not it will improve our engineering capabilities and how it will be beneficial to the development of our employees. Employees will care about orders and approach projects with awareness that the construction work they are doing is worthwhile and will contribute to their growth. As a result, this will lead to an increase in net sales of completed construction contracts. If we can share these sentiments throughout the Group and increase engagement among all employees, it will contribute to profitability over the medium to long term.

During the overseas visits I mentioned at the beginning of my message, many national staff members openly expressed their fondness for Taikisha. The fact that the operations they manage help their local communities seems to strengthen their sense of belonging to the Group and increase their motivation for work. They are also interested in the future direction the Group will take. To meet their expectations, I intend to make Taikisha a more dynamic and engaging company. By expanding our corporate value and contributing further to society, we aim to meet the expectations of all our stakeholders.