

Pursuing Global Growth Through Free and Open Communication



Masashi Osada
President and Representative Director

Joined the Company in 1983. Previously worked as Senior General Manager, Global Business Management Dept., Paint Finishing System Division; Managing Corporate Officer, Chief Executive, Corporate Planning Headquarters; Director, Executive Corporate Officer, Chief General Manager, Green Technology System Division. In his current position since April 2023. Served concurrently as Chief Executive of the Business Development Headquarters since April 2024.



Hirokazu Hikosaka
Outside Director

Mr. Hikosaka had worked as an Audit & Supervisory Board Member since 2015 and was appointed as an Outside Director in 2017. He has abundant experience and a high level of insight regarding internal control and governance, etc., through his long tenure as an attorney. He chairs the Governance Committee.



Masasuke Kishi
Outside Director

Mr. Kishi was appointed as an Outside Director in 2021. He has years of experience as a manager of a leading business corporation, and has abundant expertise and experience regarding the information and communications sector, internal control, and governance. He chairs the Board of Directors and the Compensation Advisory Committee.



Nobuyuki Soda
Outside Director

Mr. Soda had worked as an Audit & Supervisory Board Member since 2020 and was appointed as an Outside Director in 2024. He has served as a manager of a leading life insurance company and other organizations for many years, and has abundant knowledge and experience regarding human capital, group governance, and finance and accounting, etc. He chairs the Nomination Advisory Committee.



Suga Soejima
Outside Director

Ms. Soejima was appointed as an Outside Director in 2024. She has abundant experience of auditing the operations of multinational corporations during her tenure at major auditing firms, as well as specialized knowledge regarding finance and accounting, internal control, and governance, etc. She chairs the Sustainability Committee.



(Facilitator)
Tatsuo Yamauchi
Partner CPA
Deloitte Touche Tohmatsu LLC

After joining Deloitte Touche Tohmatsu LLC, he was engaged in auditing and IPO support, and from 2012 he worked for the Economic and Industrial Policy Bureau of the Ministry of Economy, Trade and Industry, where he was involved in the revision of the Act on Strengthening Industrial Competitiveness and corporate governance policies. Currently, he is engaged in consulting services regarding development of business management structures utilizing non-financial information such as corporate governance, development of risk management structure, business strategies, and business risks.

Taikisha is focusing on advancing global strategies and strengthening its engineering capabilities, and it is implementing growth strategies created by backcasting from the Long-term Vision. Four Outside Directors and the President sat down for a roundtable discussion to talk about how the Company is putting the spotlight on communication as the key to advancing initiatives, as well as its future direction and challenges it is facing.

For details, please see the Management Structure section on p. 59–60.

Round table discussion held: August 9, 2024

Priority themes for realizing the Long-term Vision

Yamauchi: Today our main theme is “how we should be communicating to support the realization of the Long-term Vision,” and I look forward to hearing your opinions. In last year’s roundtable, we talked a lot about promoting globalization and strengthening engineering capabilities. President Osada, it has been a year since you were appointed as President, so what have you been focusing on to realize the Long-term Vision?

Osada: One thing has been communication. Over the past year, I have been focusing on direct dialogue. This has included visiting each branch and construction site in Japan multiple times as well as almost all of our overseas group companies and creating time to speak with employees and clients.

Through this, I felt a sense of expectation regarding our efforts to strengthen engineering capabilities, so last year, we established a satellite facility within our Head Office that is directly linked to our Research and Development Center. This is being operated with a focus on creating mechanisms for enhancing engineering capabilities, such as performing functions as a hub for mutual cooperation between each business location in Japan and overseas. The Group is usually active at 200 to 300 construction sites throughout Japan at any one time, and when you take overseas sites into account, this number roughly doubles. When trying to strengthen engineering capabilities at this kind of scale, there are limits to the effort you can demand from individuals working at each site. Therefore, we thought we needed to improve communication between business locations, such as sharing information about cutting-edge technologies, while

also creating mechanisms that enhance input and leverage proposals from the sites. By establishing the satellite facility, we are aiming to connect and operate these sites together in a way that will lead to the strengthening of engineering capabilities on a Group-wide level.

Looking back to 1970, when we formulated our mission statement of “customers first” and set out our corporate philosophy, records of the founder talking about this process contained the following statement. “Employees need to understand the spirit of our mission statement and the purpose and direction of the Company’s management so that they can realize what they should do and apply themselves fully to their daily work. The means for doing this can be summed up in a single word: communication.” This reaffirmed that 54 years ago, we already understood the importance of communication.

Yamauchi: I would like to ask the Outside Directors what themes they think should be a priority for realizing the Long-term Vision, based on the initiatives advanced by President Osada over the last year.

Hikosaka: I think President Osada’s efforts to actively engage in direct dialogue and to improve communication within the Group have had a considerable effect, including making each branch more autonomous and independent, and deepening global mindsets.

Last year, I went to India to observe two subsidiaries and I got a real feeling of dynamism from the employees working onsite. At Nicomac Taikisha Clean Rooms Private Limited, despite only a few years having passed since it became a subsidiary in 2020, I was particularly impressed by the strong desire among employees to grow as members of the Taikisha Group.

Thinking about growth in the medium to long term, we will probably need to carry out M&As in India and North America. The Governance Committee, which I chair, has formulated M&A guidelines and we will need to focus on actively investing in M&A from a global strategy perspective by formulating plans that properly incorporate these guidelines and putting them into action. It will be important to communicate with M&A targets through discussions at the negotiation stage, including confirming whether we can realize synergies, and for management and employees to communicate after the M&A with the aim of establishing communication channels and sharing a sense of direction.

Kishi: I think important themes for realizing the Long-term Vision are to continue advancing a global strategy and strengthening engineering capabilities, and I recognize that communication will play a big role in both of these efforts.

In regard to global strategy, the overall Taikisha Group cannot grow unless each overseas Group company grows, so this growth is an essential condition for raising corporate value through the Long-term Vision. Also, environmental technologies, such as those related to decarbonization, and automation and labor-saving technologies, are becoming increasingly important for future growth on a worldwide and long-term basis, and the key to achieving these will be plus-alpha engineering capabilities that provide added value. I think we should aim to leverage these as a strength to advance global development.

Soda: I served as an Outside Audit & Supervisory Board Member for four years up to this June, and over this period, I saw the Company establish a framework for active business development that balances aggressive and defensive approaches, including establishing the Governance Committee and then the Business Development Headquarters last April. I think we have now finally arrived at an important period for realizing the Long-term Vision, which will require the frameworks and infrastructure that have been established to function effectively in conjunction with efforts to optimize the allocation of business resources and assemble specific strategies.



This reaffirmed that 54 years ago, we already understood the importance of communication.

As everyone has been saying, getting the Company on a trajectory toward the next stage of growth centered on globalization and engineering will require consideration of three points. The first is business portfolio transformation as a Group-wide strategy. The second is the expansion and enhancement of human capital to develop personnel who can lead the implementation of all strategies. The third is the improvement of corporate value from a sustainability perspective. Furthermore, the crucial element for each of these points will be to optimize implementation as a Group through free and open communication that transcends the boundaries between each headquarters and division.

Yamauchi: Ms. Soejima, what is your perspective as a newly appointed Outside Director?

Soejima: When I first started working, it was before the Equal Employment Opportunity Act was formulated and there were very few women who continued to work while raising children. However, I received understanding and support from the people around me which enabled me to continue working with a sense of fulfillment. I want to energize communication to make Taikisha into an organization where anyone can continue to work actively, regardless of gender or nationality.

I have recently been appointed to the chair of the Sustainability Committee. As a global company, it is clearly our responsibility to address and tackle the challenges the world faces, such as climate change and human rights issues, in order to realize a sustainable society.

It is also an important theme that will be essential for enhancing corporate value, as Mr. Soda mentioned. I want to use the experience I have gained through involvement with a variety of global companies in my previous work to contribute to the sustainability of the Group.

Requirements for new business creation

Yamauchi: From here on, I would like to explore specific themes by asking your opinions on them. First of all, in regard to overall strategy, the Company is currently formulating the new Mid-Term Business Plan which will be implemented from FY2025. The Company's mid-term business plans are positioned as milestones within a longer-term plan formulated by backcasting from a long-term vision, so when you are discussing the growth strategies that will form the backbone of the plan, what are the important points you focus on?

Kishi: Generally, in regard to growth strategy, people expect a lot from new businesses. The Company's new business efforts to date have included collaborations and technological partnerships with external partners. On the executive side, it has established the Business Investment Committee, which has made discussion at the officer level more dynamic and free. I am also impressed with the Company-wide new business initiatives that continued to be advanced this year, including the establishment of the Business Development Headquarters.

One challenge will be to consider the business portfolio based on long-term management plans and then clarify the positioning and purpose of new businesses. I think there is also a need to advance development as cross-organizational projects. New businesses take time to establish, so it will be important to take a long-term perspective and establish human resources development mechanisms and support structures that will help them become viable.

Osada: We are advancing various new business initiatives, including collaborations and technological partnerships as Mr. Kishi mentioned. Furthermore, we are feeling a sense of urgency due to the great innovation that is accompanying the rapid evolution of technology, so there is a rising feeling within the Company that we need to actively incorporate new ideas including technological partnerships and M&A, and expand into new markets, such as North America and India.

Under this atmosphere, we established the Business Development Headquarters to kickstart movement of activities that we were unable to implement before. This includes carrying out our own market research, deepening opportunities for leveraging the Group's technology to develop businesses, approaching customers in industries and business categories we have not worked in yet, and engineering new technologies.

Soda: As Mr. Kishi spoke about consideration based on the long-term management plan, I think this starts with creating a specific vision, with as much quantitative detail as possible, of what kind of company Taikisha wants to be and what it will be doing, based on the outlook for how society will be in 10 or 20 years time. Then, if you are not able to draw a clear path for existing businesses into this vision, you should be working to expand business wings and create new businesses from a cross-organizational or Group-wide perspective.

One point I would like to focus on concerning new businesses is the approach of envisioning the future you would like to realize and then backcasting, rather than forecasting from existing technology. I think what President Osada mentioned at the start of this conversation, about having various discussions with employees directly, is becoming extremely important in this regard.

Another point is about making the governance structure more advanced. New business development naturally comes with completely new risks, so it is essential to practice "defensive governance," which involves accurately assessing various risks and then taking measures to prevent them or minimize damage when they occur. At the same time, this needs to be balanced with "aggressive governance" which aims to generate profit through appropriate risk-taking. This kind of control needs to be thoroughly monitored, which is our role as Outside Directors.

Hikosaka: The Governance Committee is currently developing standards to ensure the risk-taking and hedging against new business risks that you are talking about is carried out appropriately. The M&A guidelines mentioned earlier are part of this. We will work to achieve balance so that aggressive action can be taken proactively while defensive action is properly protective. The Governance Committee is responsible for decisions regarding this.



It is important to hold discussions with the management of the M&A target to confirm checkpoints for post-merger business development and deepen mutual understanding.

Communication in global development

Yamauchi: I would like to hear your opinions on global development, particularly about points to be careful of regarding overseas M&A and about communication with the management of overseas affiliates.

Hikosaka: Overseas M&A require a strategy to be properly formulated in accordance with the guidelines. I also think it is important to hold thorough discussions with the management of the M&A target to confirm checkpoints for post-merger business development and deepen mutual understanding, including with employees.

Soejima: The overseas locations of companies that have realized successful global development have two points in common. The first is that they have a clear shared philosophy and direction for the Group and these are thoroughly understood at each location, so that there are no deviations caused by being in different countries or environments. The second is that these overseas locations, which have the best understanding of the local market, are granted autonomy and independence to a certain extent. And they are authorized to allocate business resource in the way they think is the most appropriate. I feel that the "self-reliance" management style advocated by President Osada makes sense in this regard. Creating this kind of global organization requires each business location to be a psychologically safe environment. I expect that the measures to realize more dynamic communication being advanced by the Group and the implementation of global training will be effective on this front.

Osada: I agree. We are trying to make communication more lively at each location, not only overseas but also in Japan, and I am also

trying to make myself a more familiar presence so I can properly communicate things like my management direction.

At domestic branches, we use social media-style tools to share messages about two or three times a month. I want to develop the same kind of initiative for our overseas locations. Our current infrastructure situation is that we send emails translated into English or Chinese to the person responsible at each overseas location, who then shares the content with the other employees. When I visited these locations to interact with the employees directly, instead of holding seminar-style briefings where I just lecture them on our policies and thoughts, I tried to have two-way communication through a round-table format which allows me to listen to their opinions. I think that if I can get my management style and the operational style of each location closer together so that each



The overall Taikisha Group cannot grow unless each overseas Group company grows, so this growth is an essential condition for raising corporate value.

individual employee can feel how they relate, then it will create psychologically safe environments and improve engagement.

Kishi: I feel that this kind of action by the President has produced some extremely good outcomes over the past year. These include the deepening of communication with overseas affiliate companies in the Green Technology System Division and Paint Finishing System Division, and movement toward collaboration between business locations.

Going forward, I think there is a need to ensure that the vectors of each overseas affiliate and Head Office are in alignment, so that each affiliate can take advantage of its familiarity with its local area to formulate and implement its own individual growth strategy that takes into account regional characteristics and the market environment. Then the next step will be to build a framework in which, rather than having the President or Head Office provide directions to each overseas affiliate, it is the norm to discuss growth strategy in a way that considers what is optimal for the entire Group. I expect to see communication between overseas affiliates become closer and the framework for collaboration evolve and become more advanced.

This undertaking requires a transformation in the corporate cultures of the overseas affiliates, so it will probably take a considerable amount of time. In order for each company to formulate its own independent growth strategy, it will need to build up its marketing capabilities and ability to make proposals, so there is a lot of work to do. I would like you to advance this initiative steadily, step by step, based on the long-term management plan.

Engineering as a way to deliver solutions

Yamauchi: What kind of initiatives do you think are needed to strengthen engineering capabilities?

Kishi: There has been movement toward strengthening engineering capabilities on the research and development side, including the establishment of the satellite facility linking Head Office and the Research and Development Center in April 2023, and the launch of operations at the new Research and Development Center this July. Free discussion between technical committees and officers within the Company has also become more active, and my view is that things are flowing in an extremely positive direction.

Regarding the strengthening of engineering capabilities from a global strategy perspective, speaking from my viewpoint as someone who worked in manufacturing, when manufacturing companies expand overseas, there are two patterns. They either develop a business focused on products or a business focused on solutions. Basically, product businesses develop similar factory and sales networks in each country for delivering the same products, while solutions businesses are more labor-intensive, as they need to cater to different needs due to the differences in culture and ways of thinking between countries. This is why many businesses acquire local subsidiaries through M&As.

The Group's global development is closer to the solutions business pattern, and my understanding is that engineering activities are provided as solutions. The point is, as a Group, it is searching for ways to deliver solutions more efficiently. As the Group has already established overseas affiliate companies in major countries and regions around the world, if it shares the strengths of each company on a Group-wide basis and then advances the mutual usage of this broad array of strengths through coordination and collaboration, including with R&D organizations in Japan, then I think it will lead to more efficient delivery of solutions. There are many areas where our technologies can be used on a worldwide basis, particularly in regard to reducing environmental impact, utilizing digital technology, and automation.

Leveraging these strengths will probably require free discussion between directors and officers on engineering and technological capabilities, as well as the building of a consensus on direction through communication between overseas affiliates and efforts to apply a framework for mutual usage.

Osada: When working out which market to aim for at our overseas locations, simply put, we are deciding between high-end or volume.

In the high-end market, we mainly target Japanese-owned subsidiaries while in the volume market, we mainly target local companies that are not Japanese-owned. However, in the volume zone, there is almost always an intermediary, such as an architecture firm or a construction consultant, to deal with and unless our technology is incorporated into customers' specifications, we are forced to compete in the volume market without their endorsement. When it comes to technology that is supposed to be incorporated into their specifications, our domestic locations still have an advantage, so going forward, we will link together satellite facilities in Japan and overseas to introduce consultants to the latest technologies from Japan and showcase our ability to ensure technologies are within specifications. By making the presence of these technological capabilities supported by engineering more tangible, we will raise the motivation of local engineers, and by connecting engineers to a knowledge pool through the linking of satellite facilities, we will change the way operations are developed.

Hikosaka: Last year when I went on an observation tour of Indian subsidiaries I honestly felt that there was still much room for improvement in coordination with the engineers on the Japanese side, so I think that enabling communication through satellite facilities is a big development toward being able to deliver solutions. I expect to see this initiative expanded going forward through steps such as the linking together of satellite facilities at each overseas location to hold meetings between engineers all over the world. Shortening the distance between employees in Japan and overseas will not only foster a feeling of Group coordination, but will also create various synergistic effects. Engineers and sales teams will be able to engage in discussions together, and it will also provide a venue where engineers from customer companies can attend, advancing discussions in a way that leads to the discovery of hints for innovation.

Human capital management and addressing sustainability

Yamauchi: Next, I would like to ask about your opinions on the Group's human capital initiatives. One of the themes of the Long-term Vision is "Become an inclusive global company by leveraging diverse human resources and knowledge," so what are your views of developments in this area?

Soda: It has been four years since my involvement with Taikisha started, and I have experienced for myself how it has a corporate culture that values employees. Furthermore, the past year has seen the acceleration of investment in human capital, including the advancement of various initiatives to develop people, such as the launch of global human resources development programs.

Within this, one thing that will be important going forward is to properly confirm that this investment in people is resulting in employee growth, and to ensure that the employees themselves really feel that they are growing. I feel that many of the current generation of employees consider it important that they are able to

grow together with the Company through their work. Also, if they feel that what they are doing is contributing to society, it leads to further happiness and generates a sense of pride in their work. In other words, it is important that they really feel that their work and the Company conform to the values of self-growth and social contribution. I think this is a major source of employee motivation and engagement.

Another thing that is becoming more important is career design. To strengthen human capital, it is essential that a diverse workforce is able to demonstrate, improve, and ultimately combine their individual capabilities. This will lead to greater growth potential for the overall Company. An effective way to achieve this is, as company, to deepen dialogue with all employees and ensure the career design of each individual is sufficiently taken into account. I think the sense



To strengthen human capital, it is essential that the diverse workforce is able to combine their individual capabilities. This will lead to greater growth potential for the overall Company.

of understanding and shared purpose produced by this will generate job satisfaction and energy, giving the Company a psychologically safe environment where people will want to work for a long time. The Company will need to make this kind of effort in the future to realize energetic human capital that can drive the enhancement of corporate value.

Soejima: How can we utilize the 3,150 Group employees working in countries other than Japan? I think that will be the true key to the long-term success of the Group. There is a need to foster a sense of unity that comes from being a Taikisha employee through initiatives such as a brand strategy that showcases the Group's purpose, internal promotion and sharing of the Group's philosophy and mission using IT tools, encouragement of exchange between business locations in Japan and overseas, and the holding of global training. This is something I would like to see strengthened throughout the Group.

Developing human resources who can perform globally at each location will considerably improve employee motivation, and I expect that broadening the diversity of

the Company will contribute to greater growth potential and enhanced corporate value. It will also give the Company a big advantage by enabling it to respond to the risk of personnel shortages that is threatening Japan.

Osada: We are advancing a global human resources development initiative for young Japanese employees who want to work overseas, but I feel that first, we need to raise their ability to understand different cultures. Unlike in countries such as Canada and Singapore, where people tend to have a good understanding of other cultures, I feel this kind of understanding is a little lacking in Japan. In particular, I think Japanese people need to properly recognize how they are viewed. While this also applies to the understanding of diversity, we need to first develop the communication skills that are crucial for understanding different cultures.

Yamauchi: It is being said that addressing sustainability with the aim of solving environmental and social issues has become a theme that is essential to the survival of companies. Reducing environmental impact, such as providing solutions that contribute to decarbonization, is directly linked to the Group's business, so what do you think it should be doing in the long term. I would like to direct this question to Ms. Soejima, who has assumed the role of Chair of the Sustainability Committee starting this fiscal year.

Soejima: I recognize that as the internal framework for promoting sustainability has only just been established, we are still standing at the starting line. Unfortunately, in Japan, the contributions to sustainability made by companies are not as highly appreciated as they are in Europe, North America, and other Asian countries. However, sustainability is a theme that transcends national borders, and the trend toward sustainability is not going to change any time soon. Stakeholders are paying more attention to the topic than ever. As a group of companies that engages in global business, the Group needs to ensure that an awareness of sustainability is being promoted and incorporated into activities at workplaces in each division, based on a vision and strategies that are in alignment with the perspectives of the most environmentally and socially aware markets.

The Group has many overseas locations and sales from overseas account for a high proportion of overall sales, so there are considerable hurdles to overcome in order to address issues such as GHG emissions reduction, respect for human rights, and sustainable procurement across the entire supply chain, including overseas. However, these efforts should be tied to the sustainable enhancement of corporate value and to medium- to long-term business strategies, and ultimately, we have to tackle these themes on a consolidated basis.

Soda: I think that if promoting sustainability is not viewed as a core management priority, then the value of a company's existence comes into question. However, it is important to consider that sustainability management is only recognized if society perceives the undertaking as having value. If the Group's efforts are to gain credibility and sympathy from wider society, then it will be crucial to show external stakeholders that it is steadily advancing sustainability initiatives in accordance with a roadmap based on a long-term vision that takes



The Group needs to ensure that sustainability is being addressed in a way that aligns with the perspectives of the most environmentally and socially aware markets.

into account the future of the global environment and markets.

I chair the Nomination Advisory Committee, and one of the requirements we have for Director candidates under the CEO succession plan is that they are focused on engaging sustainability through long-term strategy.

Kishi: I chair the Compensation Advisory Committee and we provide feedback on compensations systems for executive officers. For executive directors, the Company has introduced performance-linked stock-based compensation system, and non-financial targets, including targets under the sustainability theme, have been set as part of the evaluation criteria. Recently, we have launched a stock trust compensation system for executive officers that conforms to the above system, and the evaluation axis is also linked to personnel requirements in succession plans.

Osada: At the start of this discussion, I talked about the founder reflecting on the formulation of our corporate philosophy in 1970, and the Management Objectives created at that time already contained the phrase "We strive to create rich environment and evolve the industrial society through our engineering expertise that meets the needs of the society, in order to achieve our ultimate objective to contribute to the society." It also describes "engineering expertise that meets the needs of the society" in the parts that mention "Through the expansion of our expertise in 'Energy, Air, and Water,' we aim to become a unique company in all aspects of corporate management, including engineering, marketing, and human resource development," and "We strive to grow continuously by enhancing our added values; thereby, bringing prosperity to our customers and business partners as well as to our employees." This shows that the founder's words were truly on the same vector as sustainability management. This has reaffirmed to me that the Group does not need to change its nature, as it is already engaged in business that pursues social sustainability. My job is to communicate this to our 5,000 Group employees.

Expectations of Taikisha as it aims for further growth

Yamauchi: Finally, I would like to hear about the sense of expectation held by the Outside Directors regarding Taikisha, as it aims for further growth.

Hikosaka: In addition to free and open discussions at meetings of the Board of Directors, we also hold free discussion events for officers twice a year, during which we discuss a variety of topics over the course of a day. Communication with employees is also growing deeper. Looking back over the past few years, I feel that communication has become more active in this way, steady progress has been made on plans formulated by backcasting from the Long-term Vision, and foundations for new growth have been laid. Therefore, I greatly expect that the Company will take a leap forward under the next mid-term business plan.

Soda: Since his appointment, President Osada has often emphasized the importance of creating a sense of excitement, and from my perspective as an outside officer, I feel that the atmosphere within the Company has certainly changed. I have considerable expectations regarding how, within this atmosphere, Taikisha will work to further expand and develop its business in a way that makes people's life better and protects the global environment. Over the past year or two, there has been strong progress made in a remarkable variety of areas, and I am extremely looking forward to seeing steady advancement in a way that overlaps the dreams of the Company with the dreams of employees through the new mid-term and long-term plans that are currently being formulated.

Soejima: Taikisha is a global company with a diverse workforce. I think that if it can build structures and technological capabilities that take full advantage of this strength, while also making communication more dynamic, then it will become a fulfilling company where individuals can express individual creativity and gain energy through their work. I truly hope the Company realizes the future it has envisioned for itself in the Long-term Vision.

Kishi: Since becoming an Outside Director three years ago to the present day, I have felt that Taikisha possesses extremely high potential for growth. However, at present I get the impression that not enough is being done to fully draw out this potential. Fully realizing the Company's growth potential will be a long-term undertaking, requiring thorough discussion based on the themes we have talked about today, namely global strategy, engineering capabilities, and human capital. I also think that the Board of Directors have a huge responsibility to ensure that initiatives are continued over this long timespan. I would like to see the Company set high targets through long-term planning and then work steadily to achieve these through backcasting.

Yamauchi: Thank you all for taking the time today to provide us with your opinions and views.

