



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

Masanori Nakagawa

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

In FY2023, the market environment remained robust both domestically and internationally. Although there was a reactionary decrease in orders received due to large orders in the previous fiscal year, we achieved record highs in net sales of completed construction contracts and profits at each level of the income statement.

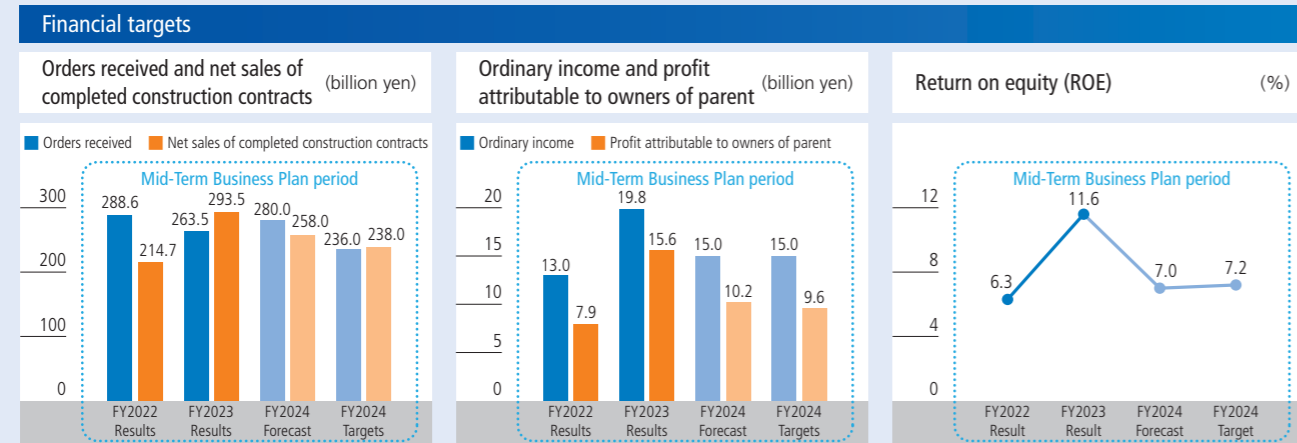
As for our measures based on the strategies of the Mid-Term Business Plan, we have actively worked toward sustainable growth by developing a dry decoration system in the Paint Finishing System Business and participating in a joint R&D initiative with Tokyo Metropolitan University.

In non-financial areas, we established the “Sustainability Committee” as an advisory body of the Board of Directors to incorporate the objective opinions of outside officers and further promote sustainability management. We have also applied to obtain Science Based Targets (SBT) accreditation, an international initiative for GHG emission reduction.

FY2024 is the final year of our Mid-Term Business Plan. We will continue to steadily implement each of the measures set forth in our Mid-Term Business Plan and strive to achieve our goals.

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.



Non-financial targets

CO₂ emissions from business activities (Scope 1-3) → Scope 1 and 2: 42% reduction by 2030 (vs FY2022 levels)
Scope 3: 25% reduction by 2030 (vs FY2022 levels)

<p>Investment plan (3.9 billion yen was invested as of March 31, 2023.) (5.2 billion yen was invested as of March 31, 2024.)</p> <p>Growth investment 20.0 billion yen</p>	<p>Purchase of treasury shares (Purchased treasury shares worth of 3.0 billion yen as of March 31, 2023) (Purchased treasury shares worth of 2.0 billion yen as of March 31, 2024)</p> <p>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.)</p>
<p>Dividend policy (DOE was 3.25% as of March 31, 2023.) (DOE was 3.21% as of March 31, 2024.)</p> <p>We will implement steady dividends targeting a consolidated dividend on equity ratio (DOE) of 3.2%.</p>	<p>Cross-shareholdings (21.8% as of March 31, 2023) (22.0% as of March 31, 2024)</p> <p>Our target of reducing cross-shareholdings including deemed holdings to less than 20% of net assets by the second year of the Mid-Term Business Plan has remained unmet due to high stock prices. We aim to achieve this target by the final year of the Mid-Term Business Plan.</p>

Basic policies and direction of the Mid-Term Business Plan and major initiatives for the fiscal year ended March 31, 2024

Basic Policy	Direction	Major Initiatives for the Fiscal Year Ended March 31, 2024
1. Further strengthen core businesses —Continuously create added value through pursuit-based problem solving, which is one of our strengths	Green Technology System Business	<ul style="list-style-type: none"> Promote relationship-building with customers in growth industries such as semiconductors, EV batteries, and pharmaceuticals, and develop specialists who can meet the high requirements of customers through projects Enhance the Design Dept. and promote the development of global human resources Establish a company structure to promote an energy management system (EMS) and develop a system with proprietary control technology added on
	Strengthen Taikisha, the Technology Company	<ul style="list-style-type: none"> Check the operation of onsite DX, including BIM, and reorganize business management systems
	Improve business operation systems and productivity	<ul style="list-style-type: none"> Conduct sales activities to Japanese and non-Japanese customers and reach out to new customers outside the automotive market Develop a global branding strategy
	Paint Finishing System Business	<ul style="list-style-type: none"> 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
	Establish a firm position at home and abroad	<ul style="list-style-type: none"> Collaborate globally on 3D construction drawing and design work using BIM cloud services
	Development with an awareness of global social issues	
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	<ul style="list-style-type: none"> Verify the effectiveness of our intellectual property Formulate and promote intellectual property strategies in cooperation with the Green Technology System Business and Paint Finishing System Business
	Development from the customers' perspective	<ul style="list-style-type: none"> Establish the R&D satellite facility, Taikisha Innovation Gate Shinjuku, at the Head Office
	Open innovation	<ul style="list-style-type: none"> Established the new Research and Development Center, TAIKISHA INNOVATION SITE Aikawa Participate in a joint R&D initiative on direct air capture which Tokyo Metropolitan University is developing to directly capture CO₂ from the atmosphere
	Horizontal deployment of technologies that are our strength	<ul style="list-style-type: none"> (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	<ul style="list-style-type: none"> Conduct joint research that contributes to new businesses, considering business models for social implementation in collaboration 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	<ul style="list-style-type: none"> Securing highly motivated and competent human capital that match the progress of our business development Introduce an internal recruiting system and an overseas trainee system
	Digital strategies to provide new value	<ul style="list-style-type: none"> Start out activities by joining the Facilities BIM Research Liaison Committee to normalize, spread, and promote the facilities BIM Promote the establishment of a global management base for unified management of group-wide business information, enabling forecasting and simulations
	Strengthen the Group governance structure	<ul style="list-style-type: none"> Management index that measures the return on capital by each division is under consideration. Begin applying the Business Investment Guidelines and implement base monitoring

Measures to Realize Management That is Conscious of Capital Costs and Stock Prices

Based on the Mid-Term Business Plan, the Group promotes measures and investments toward a sustainable society and corporate growth. We will continue and strengthen these initiatives in the future.

Also, we will improve market valuation through the enhancement of information disclosure regarding efforts to achieve carbon neutrality and initiatives related to human capital, etc., and active engagement in dialogue with investors and other stakeholders, in addition to clarifying growth strategies in our businesses. In terms of shareholder returns, we maintain a 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%, while also balancing growth investments.

In order to realize management that is conscious of cost of capital and stock prices, the Board of Directors appropriately grasps return on equity (ROE) and return on invested capital (ROIC) for each business as indicators of capital efficiency, along with our cost of capital. For individual business investment projects, we have introduced a mechanism for decision-making on acceptability that takes cost of capital into account through the Business Investment Committee, etc., which is an executive organization.

Currently, we are considering policies and targets for improving capital efficiency, such as business portfolio review and optimal allocation of management resources (cash flow allocation), and plan to disclose these through the formulation of the next Mid-Term Business Plan.