

(Translation)

(Note)

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(Securities Code: 1979)

June 7, 2022

To Shareholders:

Koji Kato  
Representative Director, President  
Taikisha Ltd.  
8-17-1, Nishi-Shinjuku, Shinjuku-ku,  
Tokyo, Japan

## **NOTICE OF THE 77TH ANNUAL SHAREHOLDERS' MEETING**

Please be informed that the 77th Annual Shareholders' Meeting of Taikisha Ltd. (the "Company") will be held as described below.

From the perspective of preventing the spread of coronavirus disease (COVID-19), we sincerely ask all shareholders to refrain from attending the meeting in person. Please review the attached Reference Documents for the Shareholders' Meeting and exercise your voting rights in advance in writing or via the Internet by no later than 5:45 p.m. on Tuesday, June 28, 2022, Japan time.

1. **Date and Time:** Wednesday, June 29, 2022, at 10 a.m. Japan time
2. **Place:** 43rd floor, "Moon Light" Keio Plaza Hotel, located at 2-2-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo, Japan
3. **Meeting Agenda:**
  - Matters for Reporting:**
    - (1) The Business Report, the Consolidated Financial Statements for the 77th Fiscal Year (from April 1, 2021, to March 31, 2022) and the results of audits by the Accounting Auditor and the Audit & Supervisory Board of the Consolidated Financial Statements
    - (2) The Non-consolidated Financial Statements for the 77th Fiscal Year (from April 1, 2021, to March 31, 2022)
  - Matters for Resolution:**
    - Proposal No. 1:** Appropriation of Surplus
    - Proposal No. 2:** Partial Amendment to Articles of Incorporation
    - Proposal No. 3:** Election of Nine (9) Directors

(Notes)

1. Upon arrival on the day of the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk of the venue for confirmation.
2. Of the documents to be provided to shareholders with this NOTICE, the Consolidated Statement of Changes in Net Assets, the Notes to Consolidated Financial Statements, the Non-consolidated Statement of Changes in Net Assets, and the Notes to Non-consolidated Financial Statements are posted on the Company's website (<https://www.taikisha.co.jp/>) pursuant to the provisions of laws and regulations, as well as Article 15 of the Company's Articles of Incorporation, and therefore are not included in the Attached Documents for the Annual Shareholders' Meeting. The Consolidated Financial Statements and the Non-consolidated Financial Statements, which are stated in said Attached Documents, form a part of the Consolidated Financial Statements and the Non-consolidated Financial Statements audited by the Company's Accounting Auditor and Audit & Supervisory Board Members in preparing their Audit Reports.
3. If any necessary revisions are made to the Reference Documents for the Shareholders' Meeting, the Business Report, the Consolidated Financial Statements and/or the Non-consolidated Financial Statements, they will be posted on the Company's website (<https://www.taikisha.co.jp/>).

(Translation)

## Reference Documents for the Shareholders' Meeting

Proposals and References

### **Proposal No. 1:** Appropriation of Surplus

The Company proposes to distribute a year-end dividend with due consideration to the operating results to reflect our appreciation of shareholders' continued support.

The annual dividend, therefore, will be ¥100 per share, a year-on-year increase of ¥10 per share, including the interim dividend of ¥30 per share already paid.

Meanwhile, to prepare for future business development, the Company proposes to set aside a "Reserve for investment on information technology" of ¥200 million.

1. Matters concerning year-end dividends
  - (1) Type of property for dividends: Money
  - (2) Matters concerning allotment of property dividends to shareholders and the total amount thereof  
¥70 per share of common shares  
Total amount: ¥2,394,290,500
  - (3) Effective date of distribution from surplus: June 30, 2022
2. Matters concerning appropriation of other surplus
  - (1) Item and amount of surplus to be decreased  
Retained earnings brought forward: ¥200,000,000
  - (2) Item and amount of surplus to be increased  
Reserve for investment on information technology: ¥200,000,000

(Translation)

**Proposal No. 2: Partial Amendment to Articles of Incorporation**

1. Reason for Amendment

As the amendment provisions stipulated in the proviso of Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) will come into force on September 1, 2022, the Company proposes partial amendment to its Articles of Incorporation in order to prepare for implementation of the system for providing shareholders' meeting materials in electronic format.

- (1) The proposed amendments to Article 15, Paragraph 1 shall stipulate that the Company takes the electronic provision measure for information included in the reference document for shareholders' meeting, etc.
- (2) The proposed amendments to Article 15, Paragraph 2 shall establish a provision to limit the scope of matters to be included in paper copy to be sent to shareholders who have requested it.
- (3) The provisions related to the Disclosure via Internet and Deemed Delivery of Reference Documents etc. for Shareholders' Meetings (Article 15 of the current Articles of Incorporation) will become unnecessary and will therefore be deleted.
- (4) In line with the above establishment and deletion of the provisions, supplementary provisions related to the effective date, etc. shall be established.

2. Details of Amendments

The details of the amendments are as follows.

(Amendments underlined.)

Current Articles of Incorporation	Proposed Amendments
<u>Article 15 (Disclosure via Internet and Deemed Delivery of Reference Documents etc. for Shareholders' Meetings)</u> <u>The Company may provide, in lieu of the giving of the reference documents for shareholders' meeting, business reports, financial statements and consolidated financial statements by Internet pursuant to the provisions of the Ordinance of the Ministry of Justice. Such disclosure via Internet shall become giving to shareholders.</u>	(Deleted)
(Newly established)	<u>Article 15 (Electronic Provision Measure, etc.)</u> <u>1. The Company shall, when calling a shareholders' meeting, take the electronic provision measure for information included in the reference documents for shareholders' meeting, etc.</u> <u>2. With respect to the matters to be delivered in the electronic provision measure, the Company may choose not to include all or part of the matters stipulated in the Ordinance of the Ministry of Justice in the paper copy to be sent to shareholders who have requested it by the record date for voting rights.</u>
(Newly established)	<u>Supplementary Provisions</u> <u>Article 1</u> <u>1. The deletion of Article 15 (Disclosure via Internet and Deemed Delivery of Reference Documents etc. for Shareholders' Meetings) of the current Articles of Incorporation and the new establishment of the proposed Article 15 (Electronic Provision Measure, etc.) shall come into effect on effective date of the amendment provisions stipulated in the proviso of Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter referred to as "Effective Date").</u>

(Translation)

Current Articles of Incorporation	Proposed Amendments
	<p>2. <u>Notwithstanding the provisions of the preceding paragraph, Article 15 of the current Articles of Incorporation shall remain in force with respect to any shareholders' meeting to be held on a date within six (6) months from the Effective Date.</u></p> <p>3. <u>These supplementary provisions shall be deleted on the later of either the day on which six (6) months elapse from the Effective Date or the day on which three (3) months elapse from the day of the shareholders' meeting set forth in the preceding paragraph.</u></p>

(Translation)


**Proposal No. 3:** Election of Nine (9) Directors

The terms of office of all nine (9) Directors will expire at the conclusion of this Annual Shareholders' Meeting. Accordingly, the election of nine (9) Directors is proposed.


The candidates are as follows, and the four (4) candidates for Outside Director satisfy the "Independence Criteria for Outside Director/Outside Audit & Supervisory Board Member" stipulated by the Company. Refer to page 17 for details of said criteria.

No		Name	Positions and assignments in the Company	Attendance at the Board of Directors Meetings (Attendance rate)
1	[Reappointment]	Koji Kato	Representative Director, President Corporate Officer	15/15 (100%)
2	[Reappointment]	Kazuhide Hayakawa	Director, Executive Corporate Officer, Chief General Manager, Paint Finishing System Division	15/15 (100%)
3	[Reappointment]	Yasushi Nakajima	Director, Executive Corporate Officer, Chief Executive, Administrative Management Headquarters	15/15 (100%)
4	[Reappointment]	Masanori Nakagawa	Director, Executive Corporate Officer, Chief Executive, Corporate Planning Headquarters and in charge of CSR	15/15 (100%)
5	[Reappointment]	Masashi Osada	Director, Executive Corporate Officer, Chief General Manager, Green Technology System Division	12/12 (100%)
6	[Reappointment] [Outside Director] [Independent Director]	Hirokazu Hikosaka	Director	15/15 (100%)
7	[Reappointment] [Outside Director] [Independent Director]	Kiyotaka Fuke	Director	15/15 (100%)
8	[Reappointment] [Outside Director] [Independent Director]	Masasuke Kishi	Director	12/12 (100%)
9	[Reappointment] [Outside Director] [Independent Director]	Nobuko Mizumoto	Director	12/12 (100%)


(Translation)

No	Name (Date of birth; Age)	Career summary, positions and assignments in the Company and important positions concurrently held at other companies	
1	 <p><b>Koji Kato</b> (June 12, 1955; 67) [Reappointment]</p> <p>Gender: Male</p> <p>Number of years as Director of the Company: 13 years and 9 months (at the conclusion of the Meeting)</p> <p>Attendance at the Board of Directors Meetings: 15/15 (100%)</p> <p>Number of shares of the Company actually held: 11,900</p> <p>Number of shares of the Company potentially held: 10,265</p>	<p>April 1978 June 2005 April 2007 April 2009 April 2010 June 2010 April 2012 April 2013 April 2014 April 2016 April 2017 April 2018 April 2019</p>	<p>Joined the Company</p> <p>Director</p> <p>Assistant to Chief General Manager, Green Technology System Division</p> <p>Corporate Officer; General Manager, Engineering Planning Dept., Green Technology System Division</p> <p>Managing Corporate Officer, Chief General Manager, Green Technology System Division, and General Manager, Engineering Planning Dept., Green Technology System Division</p> <p>Director, Managing Corporate Officer, Chief General Manager, Green Technology System Division, and General Manager, Engineering Planning Dept., Green Technology System Division</p> <p>Director, Managing Corporate Officer, Chief Executive, Corporate Planning Headquarters and in charge of Environment, and General Manager, Corporate Planning Office</p> <p>Director, Managing Corporate Officer, Chief Executive, Corporate Planning Headquarters and in charge of CSR</p> <p>Director, Managing Corporate Officer, Chief Executive, Administrative Management Headquarters and in charge of CSR</p> <p>Director, Executive Corporate Officer, Chief Executive, Administrative Management Headquarters and in charge of CSR</p> <p>Representative Director, Executive Vice President Corporate Officer, in charge of Administrative Management Headquarters</p> <p>Representative Director, Executive Vice President Corporate Officer</p> <p>Representative Director, President Corporate Officer (current position)</p>
<p>[Reason for nominating as a candidate for Director] Koji Kato has led the management of the Taikisha Group as Representative Director, President Corporate Officer. The Company reappoints him as a candidate for Director based on its judgment that he qualifies for this position taking into account his good track record, as well as his competence in ensuring the stable and sustainable growth of the Group and increasing corporate value by implementing the new Mid-Term Business Plan.</p>			

(Translation)

No	Name (Date of birth; Age)	Career summary, positions and assignments in the Company and important positions concurrently held at other companies
2	 <p><b>Kazuhide Hayakawa</b> (April 18, 1955; 67) [Reappointment]</p> <p>Gender: Male</p> <p>Number of years as Director of the Company: 5 years (at the conclusion of the Meeting)</p> <p>Attendance at the Board of Directors Meetings: 15/15 (100%)</p> <p>Number of shares of the Company actually held: 11,500</p> <p>Number of shares of the Company potentially held: 7,125</p>	<p>April 1979      Joined the Company</p> <p>April 2012      Corporate Officer, Senior General Manager, Engineering Supervisory Dept., Green Technology System Division</p> <p>October 2013    Corporate Officer, Senior General Manager, Sales and Marketing Dept., Green Technology System Division</p> <p>April 2014      Senior Corporate Officer, Senior General Manager, Sales and Marketing Dept., Green Technology System Division</p> <p>April 2016      Senior Corporate Officer, Vice General Manager in charge of sales and Senior General Manager, Sales and Marketing Dept., Green Technology System Division</p> <p>April 2017      Managing Corporate Officer, Chief Executive, Corporate Planning Headquarters</p> <p>June 2017      Director, Managing Corporate Officer, Chief Executive, Corporate Planning Headquarters</p> <p>April 2018      Director, Managing Corporate Officer, Vice General Manager, Paint Finishing System Division</p> <p>April 2019      Director, Executive Corporate Officer, Chief General Manager, Paint Finishing System Division (current position)</p>
<p>[Reason for nominating as a candidate for Director] Kazuhide Hayakawa has abundant business experience in the field of the green technology system business, corporate planning and paint finishing system business. In addition, he has sufficiently fulfilled his duties as a Director, including decisions on important management matters, the execution of business and supervising the execution of duties by other Directors, since his assumption of the Director position. The Company reappoints him as a candidate for Director based on its judgment that he qualifies for this position taking into account his good track record.</p>		

(Translation)


No	Name (Date of birth; Age)	Career summary, positions and assignments in the Company and important positions concurrently held at other companies
3	 <p><b>Yasushi Nakajima</b> (February 23, 1960; 62) [Reappointment]</p> <p>Gender: Male</p> <p>Number of years as Director of the Company: 5 years (at the conclusion of the Meeting)</p> <p>Attendance at the Board of Directors Meetings: 15/15 (100%)</p> <p>Number of shares of the Company actually held: 10,600</p> <p>Number of shares of the Company potentially held: 7,968</p>	<p>April 1982      Joined the Company</p> <p>April 2014      Corporate Officer, Senior General Manager, Engineering Supervisory Dept., Green Technology System Division</p> <p>April 2015      Senior Corporate Officer, Senior General Manager, Engineering Supervisory Dept., Green Technology System Division and Senior General Manager, Global Business Management Dept.</p> <p>April 2016      Senior Corporate Officer, Vice General Manager in charge of technology and Senior General Manager, Engineering Supervisory Dept., Green Technology System Division and Senior General Manager, Global Business Management Dept.</p> <p>April 2017      Managing Corporate Officer, Vice General Manager, Green Technology System Division</p> <p>June 2017      Director, Managing Corporate Officer, Vice General Manager, Green Technology System Division</p> <p>April 2019      Director, Executive Corporate Officer, Chief General Manager, Green Technology System Division</p> <p>April 2021      Director, Executive Corporate Officer, Chief Executive, Administrative Management Headquarters (current position)</p>
<p>[Reason for nominating as a candidate for Director] Yasushi Nakajima has abundant business experience in the field of the green technology system business. In addition, he has sufficiently fulfilled his duties as a Director, including decisions on important management matters, the execution of business and supervising the execution of duties by other Directors, since his assumption of the Director position. The Company reappoints him as a candidate for Director based on its judgment that he qualifies for this position taking into account his good track record.</p>		




(Translation)

No	Name (Date of birth; Age)	Career summary, positions and assignments in the Company and important positions concurrently held at other companies
4	 <p><b>Masanori Nakagawa</b> (December 30, 1959; 62) [Reappointment]</p> <p>Gender: Male</p> <p>Number of years as Director of the Company: 4 years (at the conclusion of the Meeting)</p> <p>Attendance at the Board of Directors Meetings: 15/15 (100%)</p> <p>Number of shares of the Company actually held: 9,537</p> <p>Number of shares of the Company potentially held: 6,598</p>	<p>April 2009 General Manager, Strategic Investment Department, Headquarters Business Administration Division of Mizuho Corporate Bank, Ltd. (current Mizuho Bank, Ltd.)</p> <p>October 2012 Joined the Company</p> <p>April 2013 General Manager, Corporate Planning Office, Corporate Planning Headquarters</p> <p>April 2014 Vice Executive, Administrative Management Headquarters</p> <p>April 2017 Managing Corporate Officer, Chief Executive, Administrative Management Headquarters and in charge of CSR</p> <p>June 2018 Director, Managing Corporate Officer, Chief Executive, Administrative Management Headquarters and in charge of CSR</p> <p>April 2021 Director, Executive Corporate Officer, Chief Executive, Corporate Planning Headquarters and in charge of CSR (current position)</p>
<p>[Reason for nominating as a candidate for Director] Masanori Nakagawa has abundant business experience at a major bank, engaged in the field of corporate planning and business administration of the Company. In addition, he has sufficiently fulfilled his duties as a Director, including decisions on important management matters, the execution of business and supervising the execution of duties by other Directors, since his assumption of the Director position. The Company reappoints him as a candidate for Director based on its judgment that he qualifies for this position taking into account his good track record.</p>		


(Translation)

No	Name (Date of birth; Age)	Career summary, positions and assignments in the Company and important positions concurrently held at other companies	
5	 <p><b>Masashi Osada</b> (April 20, 1959; 63) [Reappointment]</p> <p>Gender: Male</p> <p>Number of years as Director of the Company: 5 years (at the conclusion of the Meeting)</p> <p>Attendance at the Board of Directors Meetings: 12/12 (100%)</p> <p>Number of shares of the Company actually held: 1,600</p> <p>Number of shares of the Company potentially held: 0</p>	<p>April 1983 April 2007 April 2009 June 2009 April 2012 April 2015 April 2019 April 2020 April 2021 June 2021</p>	<p>Joined the Company Corporate Officer, General Manager, Planning Office, Green Technology System Division Managing Corporate Officer, Chief Executive, Planning Headquarters and in charge of environment, and General Manager, Corporate Planning Office Director, Managing Corporate Officer, Chief Executive, Planning Headquarters and in charge of environment, and General Manager, Corporate Planning Office Director, Managing Corporate Officer, General Manager, Chubu Branch Office, Green Technology System Division President, Taikisha (Singapore) Pte. Ltd. Assistant Director, Senior General Manager, Global Business Management Dept., Paint Finishing System Division Managing Corporate Officer, Chief Executive, Corporate Planning Headquarters Executive Corporate Officer, Chief General Manager, Green Technology System Division Director, Executive Corporate Officer, Chief General Manager, Green Technology System Division (current position)</p>
<p>[Reason for nominating as a candidate for Director] Masashi Osada has abundant business experience in the field of the green technology system business, corporate planning and the paint finishing system business. He has sufficiently fulfilled his duties as a Director, including decisions on important management matters, the execution of business and supervising the execution of duties by other Directors, since his assumption of the Director position. The Company reappoints him as a candidate for Director based on its judgment that he qualifies for this position taking into account his good track record.</p>			


(Translation)

No	Name (Date of birth; Age)	Career summary, positions and assignments in the Company and important positions concurrently held at other companies
6	 <p><b>Hirokazu Hikosaka</b> (December 2, 1960; 61)</p> <p>[Reappointment] [Outside Director] [Independent Director]</p> <p>Gender: Male</p> <p>Number of years as Director of the Company: 5 years (at the conclusion of the Meeting)</p> <p>Attendance at the Board of Directors Meetings: 15/15 (100%)</p> <p>Number of shares of the Company actually held: 1,700</p> <p>Number of shares of the Company potentially held: 0</p>	<p>April 1983      Joined Asahi Shinkin Bank (resigned in March 1985)</p> <p>April 1992      Admitted as attorney and joined Nakajima Law Office (current Akanekusa Law Office) (current position)</p> <p>April 1999      Commissioner, Kanto Federation of Bar Associations</p> <p>April 2005      Executive Commissioner, Japan Federation of Bar Associations</p> <p>June 2006      Outside Director, Adways Inc.</p> <p>June 2010      Audit &amp; Supervisory Board Member, Adways Inc. (retired in March 2022)</p> <p>April 2014      Vice President, Tokyo Bar Association</p> <p>June 2015      Audit &amp; Supervisory Board Member of the Company</p> <p>June 2017      Director of the Company (current position)</p> <p>April 2019      Vice President, Kanto Federation of Bar Associations (retired in March 2020)</p>
<p>[Reason for nominating as a candidate for Outside Director and overview of expected role] Although Hirokazu Hikosaka has had no experience of directly engaging in corporate management, he has professional expertise and abundant experience as a lawyer, as well as specialized knowledge regarding internal control and governance, etc. from his business experience hitherto. Since his assumption of the Director position, he has provided valuable advice and supervision on the management of the Company from an independent and objective standpoint. Going forward, he is expected to continue providing advice and supervision by utilizing his specialized knowledge based on his abundant expertise and experience. The Company reappoints him as a candidate for Outside Director based on its judgment that he qualifies for this position from the viewpoint of ensuring transparent decision making by the Board of Directors and reinforcing the supervisory functions thereon.</p>		
<p>[View on independence] As Hirokazu Hikosaka satisfies the “Independence Criteria for Outside Director/Outside Audit &amp; Supervisory Board Member” stipulated by the Company, the Company judges that he maintains independence from the Company. There are no interests including personal, capital and transactional relationships between Akanekusa Law Office, at which he works as a lawyer, and the Company.</p>		


(Translation)

No	Name (Date of birth; Age)	Career summary, positions and assignments in the Company and important positions concurrently held at other companies
7	 <p><b>Kiyotaka Fuke</b> (April 19, 1954; 68)</p> <p>[Reappointment] [Outside Director] [Independent Director]</p> <p>Gender: Male</p> <p>Number of years as Director of the Company: 3 years (at the conclusion of the Meeting)</p> <p>Attendance at the Board of Directors Meetings: 15/15 (100%)</p> <p>Number of shares of the Company actually held: 2,000</p> <p>Number of shares of the Company potentially held: 0</p>	<p>April 2014 Deputy President, Executive Officer, Meiji Yasuda Life Insurance Company</p> <p>July 2014 Director, Deputy President, Executive Officer, Meiji Yasuda Life Insurance Company</p> <p>April 2016 Director, Meiji Yasuda Life Insurance Company (retired in July 2016)</p> <p>June 2016 Outside Audit &amp; Supervisory Board Member, Mizuho Trust &amp; Banking Co., Ltd.</p> <p>July 2016 Advisor, Meiji Yasuda Life Insurance Company (retired in June 2019)</p> <p>June 2017 Member of the Board of Directors (Outside Director and Audit &amp; Supervisory Committee Member), Mizuho Trust &amp; Banking Co., Ltd. (retired in June 2020)</p> <p>Audit &amp; Supervisory Board Member of the Company</p> <p>June 2019 Director of the Company (current position)</p>
<p>[Reason for nominating as a candidate for Outside Director and overview of expected role] Kiyotaka Fuke has abundant expertise and experience as a manager at a leading life insurance company, as well as specialized knowledge regarding internal control, governance, human resources development, personnel and labor management, etc. from his business experience hitherto. Since his assumption of the Director position, he has provided valuable advice and supervision on the management of the Company from an independent and objective standpoint. Going forward, he is expected to continue providing advice and supervision by utilizing his specialized knowledge based on his abundant expertise and experience. The Company reappoints him as a candidate for Outside Director based on its judgment that he qualifies for this position from the viewpoint of ensuring transparent decision making by the Board of Directors and reinforcing the supervisory functions thereon. If his reelection is approved, the Company plans to continue appointing him as chairperson of the Board of Directors.</p>		
<p>[View on independence] As Kiyotaka Fuke satisfies the “Independence Criteria for Outside Director/Outside Audit &amp; Supervisory Board Member” stipulated by the Company, the Company judges that he maintains independence from the Company. He came from Meiji Yasuda Life Insurance Company but retired from his position as an Advisor in 2019. Although this company holds the Company’s shares, its shareholding ratio is 1.35% (calculated after subtracting treasury shares). Although this company and the Company had transactions such as construction contracts and insurance contracts in fiscal 2021, the respective amount of the relevant transactions did not exceed the amount of payments specified in the aforementioned criteria. (The average transaction amounts between both companies for the past three fiscal years (meaning fiscal 2019 through fiscal 2021) was less than 1% of the three-year average transaction amounts of this company’s non-consolidated ordinary income or the Company’s consolidated net sales of completed construction contracts for the past three fiscal years.)</p>		

(Translation)

No	Name (Date of birth; Age)	Career summary, positions and assignments in the Company and important positions concurrently held at other companies
8	 <p><b>Masasuke Kishi</b> (June 19, 1955; 67)</p> <p>[Reappointment] [Outside Director] [Independent Director]</p> <p>Gender: Male</p> <p>Number of years as Director of the Company: 1 year (at the conclusion of the Meeting)</p> <p>Attendance at the Board of Directors Meetings: 12/12 (100%)</p> <p>Number of shares of the Company actually held: 200</p> <p>Number of shares of the Company potentially held: 0</p>	<p>April 1980      Joined Oki Electric Industry Co., Ltd.</p> <p>October 1995    Manager, Multimedia Systems Development Dept., Multimedia Systems Development Center, Information Systems Business Division, Oki Electric Industry Co., Ltd.</p> <p>April 2004      Vice President, Silicon Solutions Company and General Manager, Design Division, Oki Electric Industry Co., Ltd.</p> <p>April 2006      Executive Officer, Oki Electric Industry Co., Ltd.</p> <p>April 2008      Senior Vice President, Oki Electric Industry Co., Ltd.</p> <p>October 2008    Representative Director and President, OKI Networks Co., Ltd. (retired in March 2010)</p> <p>June 2010      Director, Oki Electric Industry Co., Ltd. (retired in June 2012)</p> <p>                      Director, Oki Electric Cable Co., Ltd.</p> <p>June 2012      Representative Director and President, Oki Electric Cable Co., Ltd. (retired in March 2018)</p> <p>April 2018      Executive Vice President and General Manager, Electronics, Manufacturing Services Division, Oki Electric Industry Co., Ltd.</p> <p>April 2020      Executive Vice President, and General Manager, Components &amp; Platforms Business Group, and General Manager, Development Division, Components &amp; Platforms Business Group, Oki Electric Industry Co., Ltd. (retired in March 2021)</p> <p>June 2021      Director of the Company (current position)</p>
<p>[Reason for nominating as a candidate for Outside Director and overview of expected role] Masasuke Kishi has abundant expertise and experience as a manager at a leading business corporation, as well as specialized knowledge regarding the information and communications sector, internal control, governance, etc. from his business experience hitherto. Since his assumption of the Director position, he has provided valuable advice and supervision on the management of the Company from an independent and objective standpoint. Going forward, he is expected to continue providing advice and supervision by utilizing his specialized knowledge based on his abundant expertise and experience. The Company reappoints him as a candidate for Outside Director based on its judgment that he qualifies for this position from the viewpoint of ensuring transparent decision making by the Board of Directors and reinforcing the supervisory functions thereon.</p>		
<p>[View on independence] As Masasuke Kishi satisfies the “Independence Criteria for Outside Director/Outside Audit &amp; Supervisory Board Member” stipulated by the Company, the Company judges that he maintains independence from the Company. He used to work at Oki Electric Industry Co., Ltd., but he left the company in 2021. There are no interests including personal, capital and transactional relationships between Oki Electric Industry Co., Ltd. and the Company. In addition, he used to work at Oki Electric Cable Co., Ltd., but he resigned as Representative Director of the said company in 2018. There are no interests including personal, capital and transactional relationships between Oki Electric Cable Co., Ltd. and the Company.</p>		

(Translation)

No	Name (Date of birth; Age)	Career summary, positions and assignments in the Company and important positions concurrently held at other companies
9	 <p><b>Nobuko Mizumoto</b> (March 31, 1957; 65)</p> <p>[Reappointment] [Outside Director] [Independent Director]</p> <p>Gender: Female</p> <p>Number of years as Director of the Company: 1 year (at the conclusion of the Meeting)</p> <p>Attendance at the Board of Directors Meetings: 12/12 (100%)</p> <p>Number of shares of the Company actually held: 200</p> <p>Number of shares of the Company potentially held: 0</p>	<p>April 1982      Joined Ishikawajima-Harima Heavy Industries Co., Ltd. (current IHI Corporation)</p> <p>July 2004      General Manager, TX Preparation Division, IHI Corporation</p> <p>April 2006      General Manager, New Business Creation Group, Corporate Planning Division, IHI Corporation</p> <p>October 2008    General Manager, Recruitment Group, Human Resources Division, IHI Corporation</p> <p>April 2012      General Manager, CSR Promotion Division, IHI Corporation</p> <p>April 2014      Executive Officer, General Manager, Group Business Process Platform Control Division, IHI Corporation</p> <p>April 2016      Executive Officer, General Manager, Procurement Strategy Planning, IHI Corporation</p> <p>April 2017      Managing Executive Officer, General Manager, Procurement Strategy Planning, IHI Corporation</p> <p>April 2018      Managing Executive Officer, General Manager, Intelligent Information Management Headquarters, IHI Corporation</p> <p>June 2018      Director, Managing Executive Officer, General Manager, Intelligent Information Management Headquarters, IHI Corporation</p> <p>April 2020      Director, IHI Corporation</p> <p>June 2020      Advisor, IHI Corporation (current position)</p> <p>June 2021      Director (External Director and Audit &amp; Supervisory Committee Member), Tokuyama Corporation (current position)</p> <p>Director of the Company (current position)</p>
<p>[Reason for nominating as a candidate for Outside Director and overview of expected role] Nobuko Mizumoto has abundant expertise and experience as a manager at a leading business corporation, as well as specialized knowledge regarding the DX sector, operational reforms, human resources development, etc. from her business experience hitherto. Since her assumption of the Director position, she has provided valuable advice and supervision on the management of the Company from an independent and objective standpoint. Going forward, she is expected to continue providing advice and supervision by utilizing her specialized knowledge based on her abundant expertise and experience. The Company reappoints her as a candidate for Outside Director based on its judgment that she qualifies for this position from the viewpoint of ensuring transparent decision making by the Board of Directors and reinforcing the supervisory functions thereon.</p>		
<p>[View on independence] As Nobuko Mizumoto satisfies the “Independence Criteria for Outside Director/Outside Audit &amp; Supervisory Board Member” stipulated by the Company, the Company judges that she maintains independence from the Company. There are no interests including personal, capital and transactional relationships between IHI Corporation, at which she concurrently serves as an Advisor, and the Company.</p>		

(Note) The name of Ms. Nobuko Mizumoto in the family register is Nobuko Saita.



(Translation)

(Notes)

1. The number of shares of the Company potentially held states the number of points awarded to the Director through the Board Benefit Trust (BBT), a performance-linked stock-based compensation plan.
2. No material conflict of interest exists between the Company and any of the above candidates for Director.
3. Hirokazu Hikosaka, Kiyotaka Fuke, Masasuke Kishi and Nobuko Mizumoto are candidates for Outside Director.
4. The Company has stipulated in its Articles of Incorporation that it can conclude a limited liability agreement with each Director who is not an executive director to limit his/her liability for damages to a certain degree, and has concluded the limited liability agreements with Hirokazu Hikosaka, Kiyotaka Fuke, Masasuke Kishi and Nobuko Mizumoto. If their appointments are approved, the Company intends to continue the limited liability agreement with each of them.  
The outline of the aforementioned limited liability agreement is as follows:
  - In case a Director causes damage to the Company due to his/her negligence of duty, his/her liability for the damage shall be up to the minimum liability amount provided for in laws and regulations when said Director's duty is performed in good faith and with no gross negligence.
5. The Company has entered into a directors and officers liability insurance contract with an insurance company. The said insurance contract will cover damages that may arise due to insured Officers, etc. assuming liability for their execution of duties, or receiving a claim for the pursuit of such liability. If the appointments of the candidates are approved, they will be included among the insured persons under the insurance contract.  
The said insurance contract is scheduled to be renewed in October 2022 with the same terms and conditions.
6. The Company has notified the Tokyo Stock Exchange of the designation of Hirokazu Hikosaka, Kiyotaka Fuke, Masasuke Kishi and Nobuko Mizumoto as Independent Directors as stipulated in the provisions of the Tokyo Stock Exchange.
7. The age of the respective candidates indicated is as of the date of this Annual Shareholders' Meeting.

(Translation)

[Reference] Specialized knowledge and experience, etc. possessed by candidates for Director

Name	Number of years as Director	Specialized knowledge and experience that candidates for Director have							Nomination Advisory Committee	Compensation Advisory Committee	Governance Committee
		Corporate management	Technological development, IT strategies	Global business	Industrial insights, market awareness	Human resources development, personnel and labor management	Internal control, governance	Laws, finance and accounting			
Koji Kato	13 years 9 months	●	●		●	●	●		●	●	●
Kazuhide Hayakawa	5 years	●	●		●						
Yasushi Nakajima	5 years	●	●	●	●						●
Masanori Nakagawa	4 years	●		●		●	●	●			●
Masashi Osada	5 years	●		●	●						
(Outside Director) Hirokazu Hikosaka	5 years						●	●	●	●	★
(Outside Director) Kiyotaka Fuke Chairperson of the Board of Directors	3 years	●				●	●		★	●	●
(Outside Director) Masasuke Kishi	1 year	●	●				●		●	★	●
(Outside Director) Nobuko Mizumoto	1 year	●	●			●			●	●	●

- (Notes) 1. The table above does not represent all the knowledge and experience possessed by the candidates.  
 2. ★ represents chairperson.



(Translation)

(Reference)

“Independence Criteria for Outside Director/Outside Audit & Supervisory Board Member”

In order to increase the soundness and transparency of management, the Company has established the following independence criteria for outside directors and outside audit & supervisory board members. Outside directors and outside audit & supervisory board members are considered to be independent unless any of the following criteria applies.

1. Major shareholder<sup>1</sup> of the Company or an executive thereof;
2. Major lender<sup>2</sup> of the Company or an executive thereof;
3. A party whose major client or supplier is the Company<sup>3</sup> or an executive thereof;
4. Major client or supplier of the Company<sup>4</sup> or an executive thereof;
5. Consultant, accountant or legal professional who receives more than ¥10 million per year in monetary consideration or other property from the Company besides compensation as a Director/Audit & Supervisory Board Member (if the recipient of such property is a corporation, partnership or other entities, a person who belongs to an entity for which the total amount of money and property received from the Company exceeds 2% of its annual gross revenue);
6. Person who receives more than ¥10 million per year in donation from the Company (or executive thereof, if the recipient of such donation is a corporation, partnership or other entities);
7. Person who fell under any of the above-listed items 1. through 6. during the past three years; or
8. Relatives within the second degree of kinship of the person (excluding those who are not significant persons) who fall under any of the following items (1) through (3).
  - (1) Person who falls under any of the above-listed items 1. through 7.;
  - (2) Executive of any subsidiaries of the Company; or
  - (3) Non-executive director of any subsidiaries of the Company.

(Notes)

1. “Major shareholder” refers to a shareholder who holds 10% or more of the voting rights directly or indirectly at the end of the most recent fiscal year.
2. “Major lender” refers to a lender to whom the Company has outstanding borrowings in the amount that exceeded 2% of the consolidated total assets of the Company at the end of the most recent fiscal year.
3. “A party whose major client or supplier is the Company” refers to a party for whom the average amount of payments received from the Company for the past three fiscal years exceeds 2% of the average consolidated net sales of said party for the past three fiscal years.
4. “A major client or supplier of the Company” refers to a party for whom the average amount of payments to the Company for the past three years exceeds 2% of the average consolidated net sales of the Company for the past three fiscal years.

(Translation)

[Attached Documents for the 77th Annual Shareholders' Meeting]

## **Business Report**

(From April 1, 2021, to March 31, 2022)

### **1. Overview of the Group**

#### **(1) Business Progress and Results**

##### **1) Overview of business**

In this fiscal year, despite certain restrictions on economic activities due to the global spread of COVID-19, the global economy maintained a recovery trend with widespread vaccine rollouts, especially in developed countries. On the other hand, the economy was affected by prolonged trade friction between the U.S. and China, rising resource prices, and shortages in the supply of semiconductors and other materials, and the situation remained unstable.

In the U.S., despite some concerns such as rising inflation and accelerated monetary tightening, the economy continued to recover due to large-scale economic measures and other factors. In Europe, restrictions on economic activities were eased in many countries and the economy began to recover. However, the current situation in Ukraine is becoming increasingly tense and energy prices are soaring, which are causing concern about a slowdown in the economy. In China, the pace of economic recovery slowed down due to COVID-19 and government regulations such as power restrictions, as well as soaring resource prices. In Southeast Asia, the pace of recovery was moderate, although the region emerged from the rapid resurgence of COVID-19. The Japanese economy continued to pick up even after the lifting of the emergency declaration due to COVID-19, although the outlook remains uncertain due to the outbreak of new mutant strains and soaring resource prices.

Among the market environments of the Taikisha Group, in the domestic market, investment by manufacturers of electronic components, pharmaceuticals, automobiles, and other products was strong, and demand for construction of office buildings in the Tokyo metropolitan area remained steady. On the other hand, uncertainty still persisted in overseas markets due to the impact of COVID-19, and manufacturers continued to stay in the correction phase regarding capital investments.

Under such circumstances, the Taikisha Group has entered the final year of its Mid-Term Business Plan (for the fiscal year ended March 2020 through the fiscal year ended March 2022), which has 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, in order to achieve medium- to long-term growth, the Taikisha Group has been promoting the following initiatives.

Firstly, with regard to "Solidify the Company's position in the global market," the Taikisha Group made the Research and Development Center into the Demonstration Center and expanded the Southeast Asia business through establishment of Taikisha Lao Co., Ltd.

Secondly, with regard to "Strengthen initiatives for the future," the Taikisha Group implemented measures to improve our competitiveness and expand business domains by enhancing response to the Indian market by investing in Nicomac Clean Rooms Far East LLP (currently Nicomac Taikisha Clean Rooms Private Limited), expanding the automation business through additional investment in Encore Automation LLC, and expanding the plant factory business domain and establishing our own mass production factory.

Finally, with regard to "Build an attractive company and establish a solid management base," the Taikisha Group made efforts to realize various work styles by shifting to electronic expense reimbursement and introducing a telework system. In addition, as a company that considers employee health management from a managerial perspective and strategically addresses the issue, the Taikisha Group has been recognized as a Certified Health & Productivity Management Outstanding Organization for two consecutive years.

Given such circumstances, consolidated orders received increased 15.8% year-on-year to ¥232,120 million both in Japan and overseas. This includes orders received overseas, which increased 0.4% year-on-year to ¥88,650 million.

(Translation)

Consolidated net sales of completed construction contracts increased 3.3% year-on-year to ¥209,261 million, due to an increase overseas, despite a decrease in Japan. This includes net sales of completed construction contracts overseas, which increased 9.4% year-on-year to ¥101,552 million.

In regard to profits, gross profit on completed construction contracts decreased ¥2,412 million year-on-year to ¥31,614 million, operating income decreased ¥2,261 million year-on-year to ¥9,428 million, ordinary income decreased ¥1,469 million year-on-year to ¥10,818 million, and profit attributable to owners of parent decreased ¥1,031 million year-on-year to ¥7,248 million.

**Orders received, net sales of completed construction contracts and construction carried forward by each division**

(Millions of yen)

Category		Construction brought forward	Orders received	Total	Net sales of completed construction contracts	Construction carried forward
Green Technology System Division	Building HVAC	50,427	43,329	93,756	40,978	52,777
	Industrial HVAC	68,215	115,588	183,803	93,414	90,388
	Subtotal [Overseas]	118,642 [37,964]	158,917 [35,964]	277,559 [73,928]	134,393 [40,255]	143,166 [33,672]
Paint Finishing System Division	Paint Finishing System [Overseas]	56,789 [47,829]	73,202 [52,686]	129,991 [100,516]	74,867 [61,297]	55,123 [39,218]
Total [Overseas]		175,431 [85,793]	232,120 [88,650]	407,551 [174,444]	209,261 [101,552]	198,289 [72,891]

(Note)

Regarding foreign exchange translation of contracts brought forward from previous year in foreign subsidiaries, fluctuation amount because of foreign exchange is adjusted in the beginning balance of construction contracts brought forward.

Earnings by reportable segment (including intersegment transactions)

<b>Green Technology System Division</b>	Consolidated orders received <b>¥158,917 million</b> (increased 17.3% year-on-year)	Consolidated net sales of completed construction contracts <b>¥134,399 million</b> (increased 0.3% year-on-year)
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Principal business Building HVAC: General-purpose HVAC systems for offices, hotels, stores, schools, research institutes, theaters, halls, hospitals, data centers and so forth  
Industrial HVAC: Industrial HVAC systems, including clean rooms and plant factories, for factories and plants of semiconductors, electronic parts/components, batteries, precision machinery, pharmaceuticals, foods and so forth

(Translation)

Consolidated orders received in the overall green technology system business increased compared to the previous year, due to increases in the industrial HVAC sector in Japan, though sales decreased overseas as a result of a reactionary drop from a large-scale construction contract that was received in the previous year in Thailand. The consolidated net sales of completed construction contracts in the overall green technology system business increased compared to the previous year, due to increases in regions such as the Philippines and India, though sales decreased in the industrial HVAC sector in Japan and in regions such as Vietnam.



HIGASHI NIPPON  
BROADCASTING's new  
premise

As a result, consolidated orders received increased 17.3% year-on-year to ¥158,917 million. The breakdown is orders received for building HVAC of ¥43,329 million which decreased 5.6% year-on-year and orders received for industrial HVAC of ¥115,588 million which increased 29.0% year-on-year. Consolidated net sales of completed construction contracts increased 0.3% year-on-year to ¥134,399 million. The breakdown is sales for building HVAC of ¥40,978 million which increased 0.1% year-on-year and sales for industrial HVAC of ¥93,420 million which increased 0.3% year-on-year. Segment profit (ordinary income) decreased ¥1,890 million year-on-year to ¥9,302 million.

#### Paint Finishing System Division

Consolidated orders received

**¥73,202 million**

(increased 12.7% year-on-year)

Consolidated net sales of completed  
construction contracts

**¥74,882 million**

(increased 9.3% year-on-year)

Principal business Paint finishing systems in factories not only for automobile parts/components such as chassis and bumpers slated for automobile industry but also for construction vehicles, rolling stock, aircraft, general-purpose industrial equipment and the like

Consolidated orders received increased compared to the previous year, due to increases in Japan and Malaysia, though sales decreased in North America as a result of a reactionary drop from a large-scale construction contract that was received in the previous year. The consolidated net sales of completed construction contracts increased compared to the previous year, due to increases in regions such as India and Europe.



Resin painting systems at Inabe  
Plant, TOYOTA AUTO BODY

As a result, consolidated orders received increased 12.7% year-on-year to ¥73,202 million and consolidated net sales of completed construction contracts increased 9.3% year-on-year to ¥74,882 million. Segment profit (ordinary income) decreased ¥244 million year-on-year to ¥667 million.

As for the non-consolidated performance of the Company, orders received increased 29.6% year-on-year to ¥145,278 million and net sales of completed construction contracts decreased 1.1% year-on-year to ¥107,435 million. Profit of the Company increased ¥888 million to ¥7,657 million.

(Translation)

## 2) Capital expenditures

There is nothing of significance to mention for the fiscal year.

## 3) Financing

There is nothing of significance to mention for the fiscal year.

## (2) Changes in Assets and Income

### 1) Changes in operating results

(Millions of yen)

	Year ended March 31, 2018 (73rd term)	Year ended March 31, 2019 (74th term)	Year ended March 31, 2020 (75th term)	Year ended March 31, 2021 (76th term)	Year ended March 31, 2022 (77th term) This consolidated fiscal year
Orders received	219,844	241,889	226,909	200,469	232,120
Net sales of completed construction contracts	231,898	225,402	225,378	202,548	209,261
Ordinary income	13,082	15,085	15,991	12,287	10,818
Profit attributable to owners of parent	7,254	8,841	9,132	8,279	7,248
Basic earnings per share (Yen)	212.40	259.53	268.07	243.03	212.69
Total assets	215,392	223,080	215,389	228,855	228,159
Net assets	110,650	113,649	112,843	126,311	130,788
Net assets per share (Yen)	3,087.51	3,193.18	3,176.25	3,552.69	3,658.54

(Notes)

1. “Basic earnings per share” is calculated based on the average number of shares outstanding during the year after subtracting treasury shares. “Net assets per share” is calculated based on the total number of issued shares at the end of the year after subtracting treasury shares. The number of treasury shares does not include the number of the Company’s shares held by Custody Bank of Japan, Ltd. (Trust E Account), because of the introduction of the ESOP (Employee Stock Ownership Plan). Meanwhile, the number of treasury shares includes the number of the Company’s shares held by Custody Bank of Japan, Ltd. (Trust E Account), because of the introduction of the BBT (Board Benefit Trust).
2. “Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.” (ASBJ Statement No. 28, February 16, 2018) has been applied since the beginning of the 74th fiscal year. Total assets for the 73rd term represent the amounts after retroactively applying said accounting standard, etc.
3. “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards have been applied since the beginning of this consolidated fiscal year. Changes in assets and income represent the figures after applying said accounting standard, etc.

(Translation)

## 2) Changes in net sales of completed construction contracts by each division

(Millions of yen)

		Year ended March 31, 2018 (73rd term)	Year ended March 31, 2019 (74th term)	Year ended March 31, 2020 (75th term)	Year ended March 31, 2021 (76th term)	Year ended March 31, 2022 (77th term) This consolidated fiscal year
Green Technology System Division	Building HVAC	45,845	46,158	54,963	40,952	40,978
	Industrial HVAC	94,093	103,005	102,411	93,099	93,414
	Subtotal	139,938	149,164	157,374	134,051	134,393
Paint Finishing System Division	Paint Finishing System	91,960	76,238	68,003	68,497	74,867
Total [Overseas]		231,898 [116,170]	225,402 [106,136]	225,378 [93,029]	202,548 [92,791]	209,261 [101,552]

### (3) Issues to Be Addressed

#### 1) Basic management policy of the Company

The Taikisha Group will globally expand its business areas and pursue stable and sustainable growth in compliance with the “Customers first” spirit as Taikisha’s corporate philosophy (mission statement), and based on environmentally compliant technologies through our expertise in “Energy, Air and Water” represented by the company name “Taikisha.” To this end, we will further create an attractive company for all stakeholders and contribute to society.

#### 2) Long-term vision

The Taikisha Group set the long-term vision, “Contribute to a Sustainable Society through Innovative Engineering of Energy, Air and Water” and “Become an Inclusive Global Company by Leveraging Diverse Human Resources and Knowledge” in the Company’s Mid-Term Business Plan publicly announced on May 16, 2022.

- a. Contribute to a Sustainable Society through Innovative Engineering of Energy, Air and Water  
Innovative Engineering for a Sustainable Society -with energy, air and water-

By proactively taking on the challenge of solving social issues, in energy-, air- and water-related fields, the Taikisha Group will try to achieve technological innovation (tangible aspects), accumulation of knowledge from experience (intangible aspects), intellectual exploration into new domains and multilateral enhancement of comprehensive engineering capabilities. The Taikisha Group considers that this will lead to new businesses and new customer development as well as the provision of “solutions for highly specialized customer needs” to existing customers, serving as our differentiation strategy. By differentiating itself from competitors, the Taikisha Group aims to achieve corporate growth as well as the resolution of social issues, that is, contribution to a sustainable society. As an example, the Taikisha Group will make every effort to achieve carbon neutrality in 2050.

(Translation)

b. Become an Inclusive Global Company by Leveraging Diverse Human Resources and Knowledge Diversity & Inclusion as a Global Company

Based on a corporate culture that embraces diversity, which has always been present in the Company, we aim to become a company that can be active on a global scale by creating a system that allows each employee to demonstrate his or her abilities and generates synergies. Furthermore, the Company considers the creation of new value by combining and fusing diverse human resources and technologies from inside and outside the Company in our business activities, including technological development, as a form of inclusion, and therefore aim to be an inclusive company in these two senses.

**3) Targeted management indices**

On May 16, 2022, the Taikisha Group announced the Mid-Term Business Plan for the fiscal year ending March 2023 through the fiscal year ending March 2025. Its summary is as follows:

Financial Targets		(Billions of yen)		
Item	Year ending March 31, 2023	Year ending March 31, 2024	Year ending March 31, 2025	
Orders received	215.0	223.0	236.0	
Net sales of completed construction contracts	212.5	223.5	238.0	
Ordinary income	12.0	13.5	15.0	
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)

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

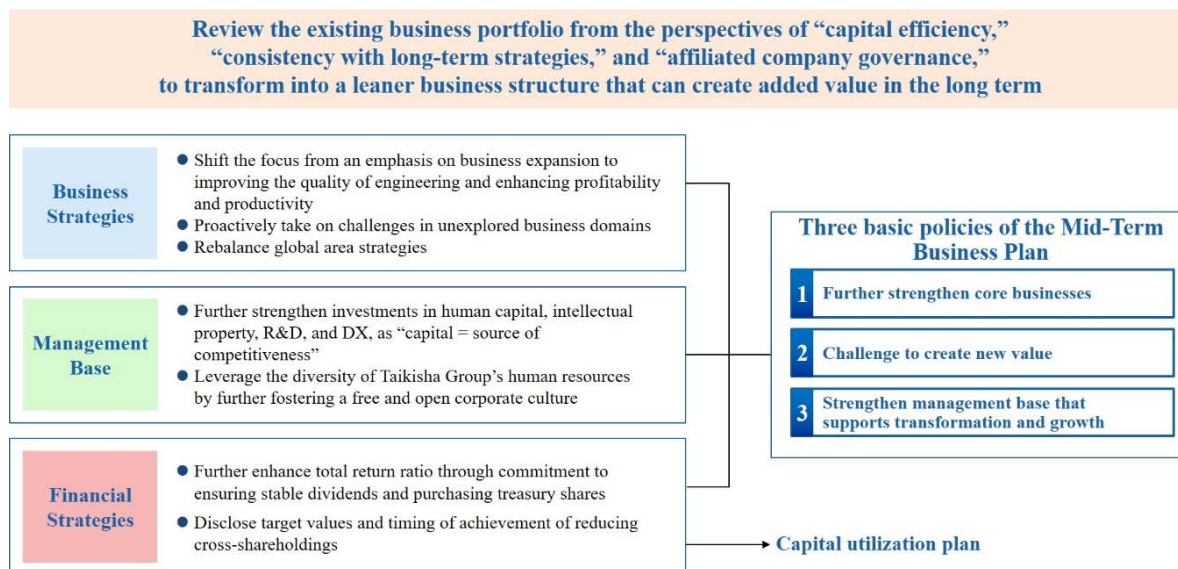
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(Translation)

#### 4) Basic policies of Mid-Term Business Plan

To achieve the long-term vision, the Taikisha Group 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.

The Taikisha Group has set “Further strengthen core businesses,” “Challenge to create new value” and “Strengthen management base that supports transformation and growth” as the three basic policies of the Mid-Term Business Plan.





(Translation)

a) Further strengthen core businesses

(i) Green Technology System Business

- Business development that continues to create added value  
The Taikisha Group will promote decarbonizing business initiatives to achieve carbon neutrality. The Taikisha Group will also establish a structure that continues to meet the technical needs, develop professionals and accumulate know-how and intellectual property in the industrial HVAC sector.
- Strengthen Taikisha, the Technology Company  
The Taikisha Group will promote identification of customer needs and joint development at the new Research and Development Center and the R&D Satellite, proactively make technology proposals to customers, and uncover seeds through collaboration between sales and development divisions.
- Improve business operation systems and productivity  
The Taikisha Group will promote digitalization and DX of business operations to improve ease of work and business process reform to eliminate forcing, waste, and inconsistency. The Taikisha Group will also create a system where we can strengthen the relationships and grow together with suppliers.

(ii) Paint Finishing System Business

- Establish a firm position at home and abroad  
The Taikisha Group will promote diversification of technologies to meet the needs of non-Japanese customers, reaching out to new customers outside the automotive market through collaboration with partners, and business development rooted in the local communities by utilizing overseas networks.
- Development with an awareness of global social issues  
The Taikisha Group will contribute to the transformation of customers' production technologies through technological development to achieve carbon neutrality and also establish and enhance a development structure linked to overseas bases.
- Improve business operation systems and productivity  
The Taikisha Group will promote remote and automated onsite operations through digitalization of business processes, design global educational programs, and optimize human resources by reviewing the project management structure.

b) Challenge to create new value

The Taikisha Group will establish and promote management strategies that leverage our own intellectual property and intangible assets, promote development from the customers' perspective by establishing R&D Satellites within headquarters and branch offices to identify customer needs, and develop new businesses through open innovation by integrating external knowledge of academic institutions and startups.

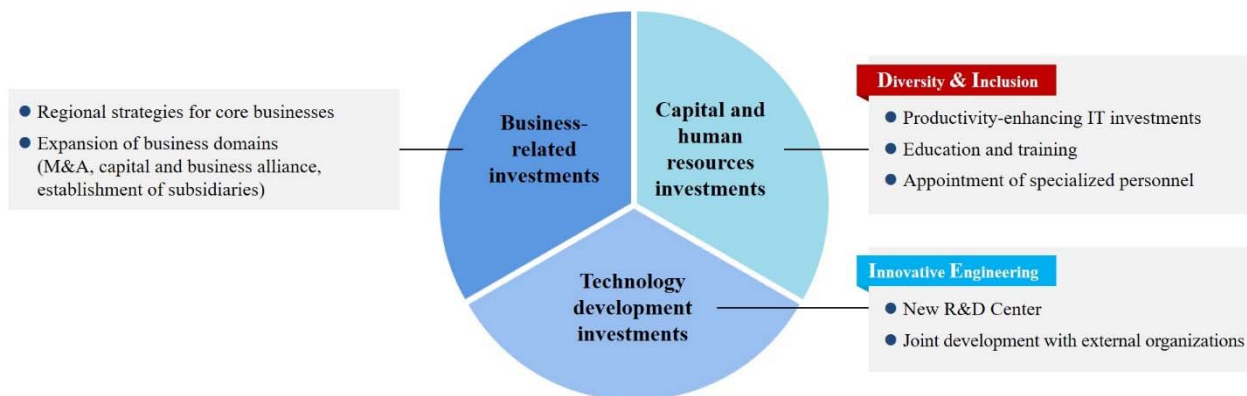
c) Strengthen management base that supports transformation and growth

- Develop and secure human capital  
The Taikisha Group will create an organizational culture that fosters innovation, improve employee engagement, and systematically develop human resource value.
- Digital strategies to provide new value  
The Taikisha Group will improve productivity through onsite digitalization and DX, establish a global IT and DX structure, and enhance digital integration for R&D and new business creation.
- Strengthen the Group governance structure  
The Taikisha Group will establish business portfolio management in light of capital costs and enhance the effectiveness of the board of directors and auditing functions of affiliated companies.

(Translation)

### 5) Investment plan

The Taikisha Group plans to make growth investments totaling ¥20.0 billion during the three-year period under the themes of “Business-related investments” for expansion of business domains through M&A, etc., “Capital and human resources investments” including productivity-enhancing IT investments, and “Technology development investments” for the expansion of the R&D Center and joint development with external organizations, etc.



### 6) Capital dividend policy

The Taikisha Group will implement steady dividends targeting a consolidated dividend on equity ratio (DOE) of 3.2%, with profit return to shareholders through dividends as one of our most important measures. The Group will also flexibly purchase and retire treasury shares in order to improve capital efficiency and promptly implement financial policies (aiming for roughly ¥2.0 billion per year).

### 7) Plan to sell cross-shareholdings

The proceeds from the sale of cross-shareholdings will be used to fund investment plans and shareholder returns. The Taikisha Group will reduce cross-shareholdings to less than 20% of net assets by the second year of the Mid-Term Business Plan (fiscal year ending March 2024).

(Translation)

**(4) Significant Subsidiaries**

Company name	Capital	Percentage of voting rights held by the Company	Principal business
San Esu Industry Co., Ltd.	¥100 million	87.75%	Pipework, sheet metal work and can manufacturing work, as well as manufacture and sales of machinery and equipment
Nippon Noise Control Ltd.	¥30 million	100.00%	Design, manufacture, sales and installation of silencer and vibration-proof equipment
Tokyo Taikisha Service Ltd.	¥20 million	100.00%	Design and installation of HVAC systems
Vege-factory Co., Ltd.	¥350 million	100.00%	Plant factory consulting Design and supervision, production and sales of vegetables Cultivation support at plant factories
TKS Industrial Company	USD 10 thousand	100.00%	Design and installation of paint finishing and HVAC systems
Encore Automation LLC <sup>1,3</sup>	—	100.00%	Design and installation of paint systems and plants for automobile industry and aviation industry
Taikisha Canada Inc. <sup>1</sup>	CAD 442 thousand	100.00%	Design and installation of paint finishing and HVAC systems
Taikisha de Mexico, S.A. de C.V. <sup>1,4</sup>	MXN 11,729 thousand	100.00%	Design and installation of paint finishing and HVAC systems
Taikisha do Brasil Ltda. <sup>1</sup>	BRL 12,107 thousand	100.00%	Design and installation of paint finishing and HVAC systems
Taikisha (Singapore) Pte. Ltd.	SGD 20 million	100.00%	Design and installation of HVAC and paint finishing systems
Taikisha (Thailand) Co., Ltd. <sup>1</sup>	THB 40 million	85.65%	Design and installation of HVAC and paint finishing systems
Taikisha Trading (Thailand) Co., Ltd. <sup>1</sup>	THB 5 million	98.60%	Exports and imports of HVAC and paint finishing systems and other products for plants
Thaiken Maintenance & Service Co., Ltd. <sup>1</sup>	THB 5 million	100.00%	Maintenance services and small-scale works, etc.
Token Interior & Design Co., Ltd. <sup>1</sup>	THB 20 million	88.20%	Manufacture and sales of interior goods and materials
TKA Co., Ltd. <sup>1</sup>	THB 5 million	99.00%	Manufacture and sales of precision machinery parts
BTE Co., Ltd. <sup>1,2</sup>	THB 20 million	50.00%	Assembly and installation of switchboards and control panels
Token Myanmar Co., Ltd. <sup>1</sup>	USD 200 thousand	95.00%	Interior decoration-related design and installation
Taikisha Engineering (M) Sdn. Bhd.	MYR 750 thousand	100.00%	Design and installation of HVAC and paint finishing systems
P.T. Taikisha Indonesia Engineering	IDR 982 million	98.91%	Design and installation of HVAC and paint finishing systems

(Translation)

Company name	Capital	Percentage of voting rights held by the Company	Principal business
P.T. Taikisha Manufacturing Indonesia <sup>1</sup>	IDR 87,531 million	100.00%	Painting of automobile parts
Taikisha Philippines Inc. <sup>2</sup>	PHP 22 million	40.00%	Design and installation of HVAC and paint finishing systems
Taikisha Vietnam Engineering Inc.	VND 53,895 million	100.00%	Design and installation of HVAC and paint finishing systems
Taikisha (Cambodia) Co., Ltd.	USD 300 thousand	100.00%	Design and installation of HVAC and paint finishing systems
Taikisha Myanmar Co., Ltd. <sup>1</sup>	USD 2 million	100.00%	Design, installation and maintenance of HVAC and paint finishing systems
Taikisha Lao Co., Ltd. <sup>1</sup>	USD 505 thousand	100.00%	Design and installation of HVAC and paint finishing systems
WuZhou Taikisha Engineering Co., Ltd.	CNY 51 million	70.00%	Design and installation of paint finishing and HVAC systems
Tianjin Taikisha Paint Finishing System Ltd. <sup>1</sup>	CNY 73 million	90.00%	Research, development, manufacture, sales and maintenance of paint systems
Taikisha Hong Kong Limited	HKD 2 million	100.00%	Design and installation of HVAC and paint finishing systems
Taikisha (Taiwan) Ltd.	TWD 230 million	100.00%	Design and installation of HVAC and paint finishing systems
Taikisha Korea Ltd.	KRW 700 million	80.00%	Design and installation of paint finishing and HVAC systems
Taikisha Engineering India Private Ltd.	INR 5 million	57.89%	Design and installation of paint finishing and HVAC systems
Nicomac Taikisha Clean Rooms Private Limited	INR 10 million	74.00%	Manufacture, mounting and design of clean rooms
Geico S.p.A. <sup>6</sup>	EUR 3 million	51.00%	Design and installation of paint systems and plants for automobile industry
J-CO America Corporation <sup>1,6</sup>	USD 300 thousand	100.00%	Design and installation of paint systems and plants for automobile industry
J-CO Mexico, S. de R.L. de C.V. <sup>1,6</sup>	MXN 272 thousand	100.00%	Design and installation of paint systems and plants for automobile industry
Geico Brasil Ltda. <sup>1,6</sup>	BRL 5,500 thousand	100.00%	Design and installation of paint systems and plants for automobile industry
Geico Paint Shop India Private Limited <sup>1,6</sup>	INR 3 million	100.00%	Design and installation of paint systems and plants for automobile industry
Geico Painting System (Suzhou) Co., Ltd. <sup>1,6</sup>	CNY 25 million	100.00%	Design and installation of paint systems and plants for automobile industry
“Geico Russia” LLC <sup>1,6</sup>	RUB 6 million	100.00%	Design and installation of paint systems and plants for automobile industry
Geico Taikisha GmbH <sup>1,5,6</sup>	EUR 65 thousand	70.00%	Sales and installation management of paint finishing systems for automobile industry
Process Solution Partner Rus LLC <sup>1,6</sup>	RUB 10 thousand	100.00%	Sales and installation management of electric control units for automobile industry
Geico Taikisha Controls d.o.o. <sup>1,6</sup>	HRK 20 thousand	70.00%	Sales and installation management of electric control units for automobile industry

(Translation)

(Notes)

1. For the companies marked with “1,” the percentage of voting rights held by the Company includes the equity investment by the Company’s subsidiaries.
2. Although the Company’s equity in the company marked with “2” is 50% or less, this company is included in the category of “consolidated subsidiaries” as the Company substantially controls it.
3. The company marked with “3” is a “limited liability company” under U.S. laws; the “Capital” is not stated in the table because the concept precisely falling under such “capital” does not exist.
4. In the fiscal year under review, the company marked with “4,” Taikisha de Mexico, S.A. de C.V., and Taikisha Mexicana Service, S.A. de C.V., a consolidated subsidiary of Taikisha de Mexico, S.A. de C.V., conducted an absorption-type merger, in which Taikisha de Mexico, S.A. de C.V. was the surviving company and Taikisha Mexicana Service, S.A. de C.V. was the dissolving company. Due to its dissolution, Taikisha Mexicana Service, S.A. de C.V. has been excluded from the scope of consolidation.
5. In the fiscal year under review, the company marked with “5,” Geico Taikisha GmbH, and Process Solution Partner GmbH, a consolidated subsidiary of Geico Taikisha GmbH, conducted an absorption-type merger, in which Geico Taikisha GmbH was the surviving company and Process Solution Partner GmbH was the dissolving company. Due to its dissolution, Process Solution Partner GmbH has been excluded from the scope of consolidation.
6. For the companies marked with “6,” the Company transferred a portion of its shares in Geico.S.p.A. (“Geico”) to Gecofin S.p.A. as of April 20, 2022. With this share transfer, the percentage of voting rights held by the Company in Geico decreased to 14.5%. Geico and its consolidated subsidiaries, J-CO America Corporation, J-CO Mexico, S. de R.L. de C.V., Geico Brasil Ltda., Geico Paint Shop India Private Limited, Geico Painting System (Suzhou) Co., Ltd, "Geico Russia" LLC, Geico Taikisha GmbH, Geico Taikisha Controls d.o.o. and Process Solution Partner Rus LLC will be excluded from the scope of consolidation from the following fiscal year.

## (5) Principal Business

The Taikisha Group is mainly engaged in the design, supervision and installation of HVAC systems and paint finishing systems in Japan and overseas, as well as in the manufacture and sales of related equipment and materials. Major markets and client fields for each business segment are as follows:

Green Technology System Division	<ul style="list-style-type: none"><li>• General-purpose HVAC systems for offices, hotels, stores, schools, research institutes, theaters, halls, hospitals, data centers and so forth</li><li>• Industrial HVAC systems, including clean rooms and plant factories, for factories and plants of semiconductors, electronic parts/components, batteries, precision machinery, pharmaceuticals, foods and so forth</li></ul>
Paint Finishing System Division	<ul style="list-style-type: none"><li>• Paint finishing systems in factories not only for automobile parts/components such as chassis and bumpers slated for automobile industry but also for construction vehicles, rolling stock, aircraft, general-purpose industrial equipment and the like</li></ul>

## (6) Principal Business Locations

### 1) The Company

Head Office	8-17-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo
Branch	Sapporo Office, Tohoku Branch Office (Sendai-shi), Kanto Office (Saitama-shi), Tokyo Branch Office (Nakano-ku, Tokyo), Yokohama Office, Chubu Branch Office (Nagoya-shi), Osaka Branch Office, Chugoku Office (Hiroshima-shi), Kyushu Branch Office (Fukuoka-shi), Marketing and Development Dept. (Shinjuku-ku, Tokyo), East Japan Office (Shinjuku-ku, Tokyo), West Japan Office (Nagoya-shi), Automation Office (Zama-shi, Kanagawa)
Sales Office	Ibaraki (Tsukuba-shi), Hokuriku (Kanazawa-shi), Nagano, Kyoto, Kobe, Kagoshima, Okinawa (Naha-shi)
Research Laboratory	Technical Center (Zama-shi, Kanagawa), Research and Development Center (Aikawa-cho, Aiko-gun, Kanagawa)

(Translation)

## 2) Subsidiaries

Japan	San Esu Industry Co., Ltd.	Hirakata-shi, Osaka
	Nippon Noise Control Ltd.	Nakano-ku, Tokyo
	Tokyo Taikisha Service Ltd.	Shinjuku-ku, Tokyo
	Vege-factory Co., Ltd.	Shinjuku-ku, Tokyo
Overseas	TKS Industrial Company	U.S.A.
	Encore Automation LLC	U.S.A.
	Taikisha Canada Inc.	Canada
	Taikisha de Mexico, S.A. de C.V.	Mexico
	Taikisha do Brasil Ltda.	Brazil
	Taikisha (Singapore) Pte. Ltd.	Singapore
	Taikisha (Thailand) Co., Ltd.	Thailand
	Taikisha Trading (Thailand) Co., Ltd.	Thailand
	Thaiken Maintenance & Service Co., Ltd.	Thailand
	Token Interior & Design Co., Ltd.	Thailand
	TKA Co., Ltd.	Thailand
	BTE Co., Ltd.	Thailand
	Token Myanmar Co., Ltd.	Myanmar
	Taikisha Engineering (M) Sdn. Bhd.	Malaysia
	P.T. Taikisha Indonesia Engineering	Indonesia
	P.T. Taikisha Manufacturing Indonesia	Indonesia
	Taikisha Philippines Inc.	The Philippines
	Taikisha Vietnam Engineering Inc.	Vietnam
	Taikisha (Cambodia) Co., Ltd.	Cambodia
	Taikisha Myanmar Co., Ltd.	Myanmar
	Taikisha Lao Co., Ltd.	Laos
	WuZhou Taikisha Engineering Co., Ltd.	China
	Tianjin Taikisha Paint Finishing System Ltd.	China
	Taikisha Hong Kong Limited	China
	Taikisha (Taiwan) Ltd.	Taiwan
	Taikisha Korea Ltd.	South Korea
	Taikisha Engineering India Private Ltd.	India
	Nicomac Taikisha Clean Rooms Private Limited	India
	Geico S.p.A.	Italy
	J-CO America Corporation	U.S.A.
	J-CO Mexico, S. de R.L. de C.V.	Mexico
	Geico Brasil Ltda.	Brazil
	Geico Paint Shop India Private Limited	India
	Geico Painting System (Suzhou) Co., Ltd.	China
	“Geico Russia” LLC	Russia
	Geico Taikisha GmbH	Germany
	Process Solution Partner Rus LLC	Russia
	Geico Taikisha Controls d.o.o.	Croatia

(Translation)

**(7) Employees**

**1) Taikisha Group**

Type of business	Number of employees	Increase/Decrease from previous fiscal year-end
Equipment installation work	5,079	+37

**2) The Company**

Number of employees at fiscal year-end	Increase/Decrease from previous fiscal year-end	Average age	Average years of service
1,555	+11	42.7	16.3

**(8) Major Lenders**

(Millions of yen)

Lenders	Balance of borrowings
MUFG Bank, Ltd.	7,243
Intesa Sanpaolo S.p.A.	3,866
Banco BPM S.p.A.	1,873
Banca di Credito Cooperativo di Milano S.C.	1,484
Mizuho Bank, Ltd.	1,262

(Translation)

## 2. Status of Shares

### (1) Number of Shares

Total Number of Authorized Shares	100,000,000 shares
Total Number of Issued Shares	34,204,150 shares (excluding 877,859 treasury shares)

### (2) Number of Shareholders

3,408 persons  
(a year-on-year decrease of 13 persons)

### (3) Major Shareholders (top 10)

Name of shareholders	Number of shares held (in thousands)	Percentage of shares held to the total number of issued shares (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,040	20.58
Kenzaisha Ltd.	1,730	5.06
Custody Bank of Japan, Ltd. (Trust Account)	1,362	3.98
Taikisha Employees Shareholding Association	1,096	3.20
Taikisha Business Partners Shareholding Association	1,077	3.15
THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED 131800	1,047	3.06
Dai ni Kenzaisha Ltd.	1,000	2.92
Sumitomo Realty & Development Co., Ltd.	981	2.87
Nippon Life Insurance Company	866	2.53
Mizuho Bank, Ltd.	659	1.93

(Notes)

- The Company holds 877,859 treasury shares but are excluded from the list of major shareholders above. The above treasury shares do not include 122,400 shares of the Company held by Custody Bank of Japan, Ltd. (Trust E Account), because of the introduction of the ESOP (Employee Stock Ownership Plan). The above treasury shares do not include 120,700 shares of the Company held by Custody Bank of Japan, Ltd. (Trust E Account), because of the introduction of the Board Benefit Trust (BBT).
- The “Percentage of shares held to the total number of issued shares” is calculated by subtracting treasury shares from all issued shares.

### (4) Shares Delivered to Company Officers as Compensation for the Execution of their Duties in the Fiscal Year

Details of stock-based compensation delivered in the fiscal year are as follows.

Category	Number of shares	Number of persons
Directors (excluding Outside Directors)	19,870	3

(Notes)

- Details of the Company’s stock-based compensation are described in “4. (4) 1) a. (iii) Performance-linked compensation scheme.”
- The above was delivered to the Company’s retired Directors.
- Of the 19,870 shares delivered, 4,170 shares were converted into cash and the amount equivalent to the conversion price was paid to the grantee.

### (5) Other Share-Related Significant Matters

#### 1) ESOP (Employee Stock Ownership Plan)

The Company introduced an ESOP (Employee Stock Ownership Plan) (the “Plan”), an incentive program granting the stocks of the Company to its employees to motivate them toward improving the Company’s stock prices and financial results.

The Plan has a scheme in which shares of the Company are awarded to its eligible employees who have satisfied certain requirements in accordance with Stock Granting Regulations set forth in advance by the Company. Said Company’s shares are acquired with money initially contributed to a trust, including future portions, and separately managed as a trust estate.

#### 2) Board Benefit Trust (BBT)

The Company has introduced a Board Benefit Trust (BBT) (hereinafter referred to as the “System”), which is a performance-linked stock-based compensation plan, meant to further clarify the link between the compensation of Executive Directors and the Company’s operating performance and stock value, thereby enhancing their motivation to contribute to the improvement of operating performance in



(Translation)

the medium and long term and to boost corporate value.

Under this System, in accordance with the Director Stock Benefit Rules established in advance by the Company, Executive Directors of the Company who satisfy certain requirements can receive the Company's shares after their retirement. The said shares including the future portion are acquired in advance, through money designated to the trust, and are managed separately as trust assets.

**3. Share Subscription Rights (Shinkabu Yoyakuken) of the Company, etc.**

Not applicable.

(Translation)

#### 4. Company Officers

##### (1) Directors and Audit & Supervisory Board Members

Position	Name	Assignments in the Company and important positions con-currently held at other companies
Representative Director	Koji Kato	President Corporate Officer
Director	Kazuhide Hayakawa	Executive Corporate Officer, Chief General Manager, Paint Finishing System Division
Director	Yasushi Nakajima	Executive Corporate Officer, Chief Executive, Administrative Management Headquarters
Director	Masanori Nakagawa	Executive Corporate Officer, Chief Executive, Corporate Planning Headquarters and in charge of CSR
○ Director	Masashi Osada	Executive Corporate Officer, Chief General Manager, Green Technology System Division
Director	Hirokazu Hikosaka	Lawyer
Director	Kiyotaka Fuke	
○ Director	Masasuke Kishi	
○ Director	Nobuko Mizumoto	Advisor, IHI Corporation Director (External Director and Audit & Supervisory Committee Member), Tokuyama Corporation
Full-time Audit & Supervisory Board Member	Toshiyuki Hanazawa	
Full-time Audit & Supervisory Board Member	Makoto Wakida	
○ Full-time Audit & Supervisory Board Member	Hiroyuki Matsunaga	
Audit & Supervisory Board Member	Shigeo Kobayashi	Certified Public Accountant
Audit & Supervisory Board Member	Nobuyuki Soda	Director and President, Corporate-Pension Business Service Co., Ltd. Outside Director, Audit and Supervisory Committee Member, The Hyakujushi Bank, Ltd.

(Notes)

1. The Directors and Audit & Supervisory Board Member marked with “○” were newly elected as Directors and Audit & Supervisory Board Member respectively at the 76th Annual Shareholders’ Meeting held on June 29, 2021, and assumed their positions.
2. Due to expiry of their terms of office at the conclusion of the 76th Annual Shareholders’ Meeting held on June 29, 2021, Hiroshi Mukai, Nobutaka Inagawa, and Junichi Murakawa retired from the position of Director, while Tetsuya Ogawa retired from the position of Audit & Supervisory Board Member.
3. Directors Hirokazu Hikosaka, Kiyotaka Fuke, Masasuke Kishi, and Nobuko Mizumoto are Outside Directors.
4. Audit & Supervisory Board Members Toshiyuki Hanazawa, Shigeo Kobayashi and Nobuyuki Soda are Outside Audit & Supervisory Board Members.
5. Audit & Supervisory Board Member Toshiyuki Hanazawa has experience in accounting as a general manager of accounting department at a leading non-life insurance company, and therefore has abundant knowledge regarding finance and accounting affairs. Also, Audit & Supervisory Board Member Shigeo Kobayashi has abundant knowledge regarding finance and accounting affairs as a certified public accountant.
6. The Company has notified the Tokyo Stock Exchange of the designation of Directors Hirokazu Hikosaka, Kiyotaka Fuke, Masasuke Kishi, and Nobuko Mizumoto, as well as Audit & Supervisory Board Members

(Translation)

Toshiyuki Hanazawa, Shigeo Kobayashi and Nobuyuki Soda, as Independent Directors/Auditors as stipulated in the provisions of the Tokyo Stock Exchange.

**(2) Outline of limited liability agreement**

The Company has concluded limited liability agreements respectively with all Directors who are not executive directors and all Audit & Supervisory Board Members to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act, in accordance to the provision of Article 427, Paragraph 1 of the Act.

The liability for damages both for such Directors and Audit & Supervisory Board Members pursuant to the agreements is up to the minimum liability amount provided for in laws and regulations.

**(3) Outline of directors and officers liability insurance contract**

The Company has entered into a directors and officers liability insurance contract with an insurance company. The said insurance contract will cover damages that may arise due to insured Officers, etc. assuming liability for their execution of duties, or receiving a claim for the pursuit of such liability. All Directors, Audit & Supervisory Board Members and Corporate Officers, etc. of the Company and its subsidiaries are insured under the said insurance contract. The insurance premiums are fully borne by the Company. Also, the Company takes the following measure to prevent the appropriateness of duty execution by Officers, etc. from being compromised: the insurance contract does not cover personal damages, etc. of the Officer arising from his/her criminal acts, or acts committed with the knowledge that they violate the law.

**(4) Compensation, etc. of Directors and Audit & Supervisory Board Members in the fiscal year**

1) Matters regarding policy for determining details of compensation, etc. of individual Directors and Audit & Supervisory Board Members

a. Policy

The Company has determined the policy concerning the amount of compensation to Directors and Audit & Supervisory Board Members and the calculation method thereof, and the details of the policy are as follows.

(i) Basic views on the system of compensation

The compensation to Executive Directors (Directors who concurrently serve as Corporate Officers) is composed of basic compensation, which is fixed compensation, and bonus and stock-based compensation, which are performance-linked compensation. The amount of bonus and stock-based compensation fluctuates in close correlation with the Company's consolidated ordinary income to serve as an incentive for achieving their performance goals. Compensation to Non-Executive Directors (Outside Directors and Directors who do not concurrently serve as Corporate Officers; hereinafter the same applies) and Audit & Supervisory Board members is limited to basic compensation and no bonus and stock-based compensation shall be paid.

(ii) Compensation structure

a. Compensation to Directors and Audit & Supervisory Board Members is composed of basic compensation, which is fixed compensation, and bonus and stock-based compensation, which are performance-linked compensation. The types of compensation applicable according to officer classification are as follows:

- Executive Directors: Basic compensation, bonuses, stock-based compensation
- Non-Executive Directors: Basic compensation
- Audit & Supervisory Board Members: Basic compensation

b. The ratio of fixed compensation to performance-linked compensation (total bonus and stock-based compensation) within the total compensation paid to Executive Directors shall be approximately 6:4 based on the standard payment amount, and shall change depending on the "(iii) Performance-linked compensation scheme" below.

(Translation)

(iii) Performance-linked compensation scheme

Performance-linked compensation is composed of bonus and stock-based compensation. A fixed percentage of the Company's consolidated ordinary income shall be paid as the base payment amount of performance-linked compensation, with an amount equal to 50% of the base payment amount paid each as bonus and stock-based compensation.

The bonus is paid in cash after the Company's operating performance is finalized. For stock-based compensation, points are granted after the Company's operating performance is finalized. The points granted will be provided, in principle, to Executive Directors at the time of their retirement in the form of the Company's shares or cash equivalent to the fair value thereof.

Consolidated ordinary income is one of the key KPIs in the Company's Mid-Term Business Plan, and is thus selected as an indicator for the calculation of performance-linked compensation. In addition to the base payment amount equal to a fixed percentage of consolidated ordinary income, if consolidated ordinary income exceeds a certain amount, an amount obtained by multiplying the base payment by the ratio of excess performance shall be paid as an extra payment, which is expected to serve as an incentive for achieving numerical targets in the Mid-Term Business Plan, thereby further improving the Company's operating performance.

(iv) Level of compensation

The Compensation Advisory Committee verifies the level of compensation by analyzing and comparing compensation data of industry peer companies from survey data compiled by a third-party organization.

b. Methods for decisions on compensation

Based on "a. Policy (i) Basic views on the system of compensation" above, the Representative Director, President, delegated by the Board of Directors, determines the system and level, etc. of Directors' compensation upon consultation with the Compensation Advisory Committee, which is chaired by an Outside Director. The compensation details thus determined are reported to the Compensation Advisory Committee. In this manner, the Company improves the objectivity and transparency of the process for determining compensation.

c. Methods for decisions on policy

The policy for compensation, etc. of Directors and Audit & Supervisory Board Members is determined by the Board of Directors upon consultation with the Compensation Advisory Committee.

2) Matters regarding resolution of Shareholders' Meeting for compensation, etc. of Directors and Audit & Supervisory Board Members

At the 71st Annual Shareholders' Meeting held on June 29, 2016, a resolution was adopted to set the amount of monetary compensation to Directors to be within ¥540 million per year (of which that for Outside Directors to be within ¥20 million per year) (excluding employee salaries for Directors concurrently serving as employees). As of the conclusion of the said Annual Shareholders' Meeting, there were ten (10) Directors, including two (2) Outside Directors. Subsequently, at the 76th Annual Shareholders' Meeting held on June 29, 2021, a resolution was adopted to revise the amount of compensation to Outside Directors of the Company to be within ¥60 million per year. As of the conclusion of the said Annual Shareholders' Meeting, there were nine (9) Directors, including four (4) Outside Directors.

As a separate category from the said monetary compensation, at the 74th Annual Shareholders' Meeting held on June 27, 2019, a resolution was adopted to introduce a Board Benefit Trust (BBT), a performance-linked stock-based compensation plan (for Executive Directors), with the maximum amount that the Company can contribute to the trust set at ¥450 million (for every three fiscal years). As of the conclusion of the said Annual Shareholders' Meeting, there were seven (7) Executive Directors. At the 59th Annual Shareholders' Meeting held on June 29, 2004, a resolution was adopted to set the amount of monetary compensation to Audit & Supervisory Board Members to be within ¥85 million per year. As of the conclusion of the said Annual Shareholders' Meeting, there were five (5) Audit & Supervisory Board Members.

(Translation)

- 3) Matters regarding delegation of decisions regarding details of compensation, etc. of individual Directors At the Company, based on the resolution of delegation by the Board of Directors, the Representative Director, President Koji Kato can decide the specific details of compensation, etc. of individual Directors within the scope of the policy and scheme stated in “1) a. Policy,” on the premise that the decisions are in accordance with the compensation amount approved at a Shareholders’ Meeting, and he fully respects recommendations from the Compensation Advisory Committee. Such decisions are delegated to the Representative Director, President as the Company has deemed that he is the most suitable person to determine the individual compensation of each Director, since the Representative Director, President conducts evaluations of the duties and responsibilities that each Director is in charge of, based on the overall operating results of the Taikisha Group. Upon consultations with and reports on results to the Compensation Advisory Committee by the Representative Director, President, the Company improves the objectivity and transparency of the decision-making process regarding compensation. Therefore, the Board of Directors has deemed that the details of compensation of individual Directors are in accordance with the Company’s policy for determining compensation.

4) Total amount, etc. of compensation, etc. to Directors and Audit & Supervisory Board Members

Category	Total amount of compensation, etc.	Total amount of compensation, etc. by type			Number of persons
		Fixed compensation	Performance-linked compensation		
		Basic compensation	Bonus	Stock-based compensation	
Directors (excluding Outside Directors)	¥307 million	¥227 million	¥40 million	¥40 million	8
Outside Directors	¥48 million	¥48 million	–	–	4
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	¥45 million	¥45 million	–	–	3
Outside Audit & Supervisory Board Members	¥38 million	¥38 million	–	–	3

(Notes)

1. The above “Number of persons” includes three (3) Directors and one (1) Audit & Supervisory Board Member who retired from the Company at the conclusion of the 76th Annual Shareholders’ Meeting held on June 29, 2021.
2. The amounts of compensation, etc. to Directors include ¥40 million in bonuses expected to be paid and ¥40 million in stock-based compensation expected to be paid relating to the fiscal year.
3. Details of the performance indicators selected as the basis for calculating the amount of performance-linked compensation, reasons for selecting the said performance indicators and the calculation method of the amount of performance-linked compensation are stated in “4. (4) 1) a. (iii) Performance-linked compensation scheme.” The trend of consolidated ordinary income, including this fiscal year, is stated in “1. (2) Trends of assets and income and losses” (available only in Japanese).

(Translation)

**(5) Outside Officers**

**1) Relationship between other companies where important positions are concurrently held by our outside officers and the Company**

The important positions that are concurrently held by each of the outside officers of the Company are as stated in “(1) Directors and Audit & Supervisory Board Members” above. There are no special interests between each company where each outside officer concurrently serves and the Company.

**2) Major activities during the year**

Position	Name	Main activities at the meetings
Director	Hirokazu Hikosaka	Attended all 15 meetings (attendance rate: 100%) of the Board of Directors held during the fiscal year ended March 31, 2022. Made timely remarks from an independent and objective standpoint and fulfilled management supervisory function, based on his professional expertise and experience as a lawyer and specialized knowledge regarding legal affairs and internal control that he has accumulated. Also contributed to the improvement of corporate governance of the Taikisha Group and the assurance of objectivity and transparency of officer candidate selection and director compensation by proactively providing advice and making proposals at the Governance Committee, Nomination Advisory Committee, and Compensation Advisory Committee, which are voluntary committees of the Board of Directors. In addition, he served as the chairperson of the Governance Committee.
Director	Kiyotaka Fuke	Attended all 15 meetings (attendance rate: 100%) of the Board of Directors held during the fiscal year ended March 31, 2022. Made timely remarks from an independent and objective standpoint and fulfilled management supervisory function, based on his abundant expertise and experience as a manager at a leading life insurance company and specialized knowledge regarding governance, human resources development, etc. that he has accumulated. Contributed to the activation of discussions as the chairperson of the Board of Directors. Also contributed to the improvement of corporate governance of the Taikisha Group and the assurance of objectivity and transparency of officer candidate selection and director compensation by proactively providing advice and making proposals at the Governance Committee, Nomination Advisory Committee, and Compensation Advisory Committee, which are voluntary committees of the Board of Directors. In addition, he served as the chairperson of the Nomination Advisory Committee.
Director	Masasuke Kishi	Attended all 12 meetings (attendance rate: 100%) of the Board of Directors held after he assumed office. Made timely remarks from an independent and objective standpoint and fulfilled management supervisory function, based on his abundant expertise and experience as a manager at a leading business corporation and specialized knowledge regarding the information and communications sector and governance that he has accumulated. Also contributed to the improvement of corporate governance of the Taikisha Group and the assurance of objectivity and transparency of officer candidate selection and director compensation by proactively providing advice and making proposals at the Governance Committee, Nomination Advisory Committee, and Compensation Advisory Committee, which are voluntary committees of the Board of Directors. In addition, he served as the chairperson of the Compensation

(Translation)

		Advisory Committee.
Director	Nobuko Mizumoto	Attended all 12 meetings (attendance rate: 100%) of the Board of Directors held after she assumed office. Made timely remarks from an independent and objective standpoint and fulfilled management supervisory function, based on her abundant expertise and experience as a manager at a leading business corporation and specialized knowledge regarding the DX sector, operational reforms, human resources development, etc. that she has accumulated. Also contributed to the improvement of corporate governance of the Taikisha Group and the assurance of objectivity and transparency of officer candidate selection and director compensation by proactively providing advice and making proposals at the Governance Committee, Nomination Advisory Committee, and Compensation Advisory Committee, which are voluntary committees of the Board of Directors.
Audit & Supervisory Board Member	Toshiyuki Hanazawa	Attended all 15 meetings (attendance rate: 100%) of the Board of Directors and all 14 meetings (attendance rate: 100%) of the Audit & Supervisory Board held during the fiscal year ended March 31, 2022, and made remarks to ensure the legality of decision making by the Board of Directors based on his abundant expertise and experience as a manager of a leading non-life insurance company as well as his specialized knowledge. Also exchanged opinions with the Representative Director and conducted audit visits to branch offices, branches, business offices, and subsidiaries as a full-time Audit & Supervisory Board Member.
Audit & Supervisory Board Member	Shigeo Kobayashi	Attended all 15 meetings (attendance rate: 100%) of the Board of Directors and all 14 meetings (attendance rate: 100%) of the Audit & Supervisory Board held during the fiscal year ended March 31, 2022, and made remarks to ensure the legality of decision making by the Board of Directors based on his professional expertise and abundant experience as a certified public accountant and professional knowledge about finance and accounting. Also exchanged opinions with the Representative Director and conducted audit visits to branch offices, branches, business offices, and subsidiaries.
Audit & Supervisory Board Member	Nobuyuki Soda	Attended 14 of 15 meetings (attendance rate: 93.3%) of the Board of Directors and 13 of 14 meetings (attendance rate: 92.9%) of the Audit & Supervisory Board held during the fiscal year ended March 31, 2022, and made remarks to ensure the legality of decision making by the Board of Directors based on his abundant expertise and experience as a manager at a leading life insurance company as well as his specialized knowledge. Also exchanged opinions with the Representative Director and conducted audit visits to audit visits to branch offices, branches, business offices, and subsidiaries.

(Translation)

## 5. Accounting Auditor

### (1) Designation of the Accounting Auditor

A&A Partners

### (2) Accounting Auditor's Compensation, etc., Pertaining to the Fiscal Year Ended March 31, 2022

A&A Partners	Amount of compensation, etc.	¥79 million
	Cash and other profits payable by the Company and its subsidiaries to the Accounting Auditor	¥79 million

(Notes)

1. The Audit & Supervisory Board of the Company examined the status of executed duties for the preceding fiscal years, the grounds for calculating the estimated compensation and other factors with required materials and reports, which were obtained and/or heard from the Directors, relevant in-house departments/sections and the Accounting Auditor. As a result, judging that the compensation amounts above are fair and reasonable, the Audit & Supervisory Board has given its consent, as set forth in Article 399, Paragraph 1, of the Companies Act, with regard to compensation, etc., to the Accounting Auditor.
2. Under the audit agreement between the Company and the Accounting Auditor, compensation to audits pursuant to the Companies Act and audits pursuant to the Financial Instruments and Exchange Act are not strictly separated and otherwise cannot be substantially distinguished from each other. Consequently, the above amount reflects total compensation.
3. The Company's overseas subsidiaries are audited by Certified Public Accountants or audit corporations (including those with comparable qualifications abroad) other than the Company's Accounting Auditor.

### (3) Non-Audit Services

Not applicable.

### (4) Policy regarding Determination of Dismissal or Non-Reappointment of Accounting Auditor

In the event that the Accounting Auditor is deemed to have fallen under any of the grounds set forth in the items of Article 340, Paragraph 1, of the Companies Act, and his or her dismissal is judged to be appropriate, the Audit & Supervisory Board shall decide such dismissal subject to the unanimous consent of Audit & Supervisory Board Members. In that case, the dismissal of said Accounting Auditor and reasons therefor will be reported by an Audit & Supervisory Board Member designated by the Audit & Supervisory Board at the first shareholders' meeting to be convened after the dismissal.

In addition, should the Accounting Auditor be deemed unable to perform an audit properly, the Audit & Supervisory Board shall decide the details of a proposal for the dismissal or non-reappointment of the Accounting Auditor to be submitted to the shareholders' meeting, based on the provisions stipulated in Article 344 of the Companies Act.



(Translation)

## **6. The Company's Systems to Ensure Proper Execution of Business, as well as Operational Status of Said Systems**

### **(1) Systems to Ensure Proper Execution of Business**

The Board of Directors of the Company has determined its basic policy for the systems to ensure proper execution of business (the internal control system), which is set forth in the Companies Act and the Ordinance for Enforcement of the Companies Act, as follows (partially revised on March 29, 2022):

#### **[Objectives]**

The Company shall provide for the basic policy for improvement and operation of the internal control system of the Company and the Taikisha Group as follows, pursuant to the Companies Act and the Ordinance for Enforcement of the Companies Act, in order to familiarize and thoroughly carry out execution of observance of the laws and regulations, and to ensure proper and efficient business operation.

#### **[Specific contents]**

##### **1. The System to Ensure the Appropriateness of Operations in the Taikisha Group**

- (1) The Company shall provide for Mission Statement "Customers First", Corporate Philosophy, and Management Vision, as well as remind all persons involved about and realize them.
- (2) The Company shall appoint appropriate and diverse Directors who can contribute to realization of materiality which the Taikisha Group shall address, assess them properly, and establish the Director compensation system which provides a strong incentive. In order to ensure transparency in appointment of Directors and the Director compensation system, the Nomination Advisory Committee and the Compensation Advisory Committee shall be established, which are chaired by an Outside Director.
- (3) The Board of Directors shall resolve policies and measures for improving and establishing the optimal governance system to the Company and the Taikisha Group, and monitor its operation status on a regular basis. Through consultation on the resolutions with the Governance Committee which is chaired by an Outside Director and composed mainly of Outside Officers, the governance system shall be further optimized.
- (4) The Internal Control Committee composed of Executive Directors shall, as an executive body on the executive side, implement measures for improving and establishing the optimal governance system on the basis of resolutions by the Board of Directors.
- (5) The Company shall provide for the Affiliate Management Rules to establish management systems of the group companies including an improvement of the reporting system to the Company, make operations of the group companies appropriate, and improve management efficiency of the entire Taikisha Group.
- (6) The Company shall carry out audits for the Company and group companies by the Internal Audit Department on a regular basis in accordance with the Internal Audit Rules. As a result of the internal audits, when a risk of loss for the Company and group companies is found, Directors, Audit & Supervisory Board Members, and other responsible departments shall be so reported and immediately take appropriate measures.
- (7) The Company shall set the Basic Rules for Internal Control, and improve a system for ensuring appropriateness and reliability concerning financial reports.
- (8) As a Company with an Audit & Supervisory Board, the Company shall establish the audit system set forth in 6 to 7 of this basic policy. With said system, Audit & Supervisory Board Members shall audit improvement and operation status of the internal control system of the Company and group companies on a regular basis.

##### **2. The System to Ensure Execution of Duties in Conformity with Laws and Regulations, and the Articles of Incorporation**

- (1) The Company shall establish the Taikisha Ltd. Code of Conduct, make all Directors and employees aware of legal compliance, and promote the improvement of the compliance system. At the Compliance Committee chaired by the Representative Director, President, issues on compliance in the entire business shall be considered and dealt with, and a status of compliance shall be verified.
- (2) The Company shall, as the Whistle-blowing System, have in place an internal reporting system reporting to the Corporate Compliance Department and an external reporting system reporting to an independent outside attorney. If a risk such as legal violation is found in the Company and group companies, appropriate measures shall be taken immediately.
- (3) In the event of signs of a significant event, the Corporate Compliance Committee consisting of all officers, the General Manager of the Corporate Compliance Department, and the General Manager of

(Translation)

the Internal Audit Department shall be convened promptly in order to deal with such event.

- (4) The Company shall refuse any involvement of Anti-Social Forces in its business, reject any requirement from them, and prohibit all Directors and employees of the Company and group companies to have any relationship with them in order to thoroughly exclude Anti-Social Forces.

### **3. The System regarding Risk Management**

(Under usual condition)

- (1) The Company shall establish the Risk Management Rules and, at the Risk Management Committee, identify risks of the Company and group companies in an integrated fashion and implement effective and efficient risk management.
- (2) Depending on risks identified by the Risk Management Committee, each department shall formulate and implement specific countermeasures. Progress and results shall be reported to the Board of Directors via the Risk Management Committee.

(In a contingency)

- (3) For the purpose of response to exposed potential major risks (hereinafter referred to as crisis) and management thereof, the Company shall establish the Crisis Management Committee. In the event that crisis breaks out, the Company shall, in accordance with the basic policy of crisis management, establish the crisis management team or the crisis task force to respond to the crisis under the supervision of the Crisis Management Committee. The Company shall also establish a business continuity plan to restore the damage caused by the crisis.

### **4. The System regarding the Storage and Management of Information Related to the Execution of Duties**

- (1) Information and documents related to execution of duties shall be handled pursuant to internal rules and regulations, especially the Information Security Rules and Document Management Rules, and shall be appropriately stored, managed and disposed of.
- (2) The Company shall have in place a system to disclose information concerning corporate activities in a timely and appropriate manner in accordance with laws and regulations, as well as the disclosure requirements of Tokyo Stock Exchange, etc.

### **5. The System to Ensure the Efficient Execution of Duties**

- (1) Based on the Board of Directors Rules, Rules for Managerial Approval, and other internal rules, the Board of Directors shall resolve and monitor important matters. In relation to matters submitted to the Board of Directors, adequate materials shall be delivered in advance, and enough time for deliberation shall be ensured. The criteria for submission to the Board of Directors shall be appropriately checked and reviewed.
- (2) With a corporate officer system, responsibilities and authorities of corporate management and duty execution shall be clarified, aiming for revitalization of the Board of Directors and promotion of rapid decision making.
- (3) The Management Meeting, mainly consisting of the Executive Directors, shall carry out sufficient deliberations and prompt decision making on management issues and specific matters of the Company and the Taikisha Group delegated by the Board of Directors.
- (4) With the Company's Corporate Philosophy as a foundation, each departmental headquarters and business divisions, after the Policy Review Meeting, shall establish an appropriate annual policy and annual target, and shall work in order to achieve those targets.

### **6. The System regarding Reporting to the Audit & Supervisory Board Members**

- (1) When finding the following matters, Directors and employees shall immediately report to Audit & Supervisory Board Members.
  - i) Matters which may cause serious harm to the Company and group companies
  - ii) Significant violation of laws and regulations or internal rules concerning execution of duties by the Company and group companies
  - iii) Violation of laws and regulations and the Articles of Incorporation by Directors and employees or facts that may lead to such violations
- (2) The manager of the responsible department of the Company who received a report from group companies shall make a report at a meeting at which the Audit & Supervisory Board Members are present or as necessary to the Audit & Supervisory Board Members of the Company in accordance with the Affiliate Management Rules.
- (3) The Internal Audit Department shall report an internal audit plan and audit results to the Audit &

(Translation)

Supervisory Board Members on a regular basis.

- (4) The Corporate Compliance Department shall report operation status of the Whistle-blowing System, matters reported, and contents of consultations to the Audit & Supervisory Board Members on a regular basis.
- (5) Internal approval documents and proceedings of important meetings, etc. shall be always available for the Audit & Supervisory Board Members.
- (6) The Corporate Compliance Department shall, at the request of the Audit & Supervisory Board, monitor and supervise the situation so that the person who made a report is not treated in a disadvantageous manner because he or she made such report.

#### **7. System to Ensure the Effective Implementation of Audits by Audit & Supervisory Board Members**

- (1) Other than the Board of Directors meeting, Audit & Supervisory Board Members may attend the Management Meeting, and other important meetings to express opinions.
- (2) Directors and employees shall, upon request from Audit & Supervisory Board Members, explain matters concerning business execution.
- (3) The Representative Director, the Chief Executive of the Administrative Management Headquarters, and the General Manager of the Internal Audit Department shall arrange meetings and consultations in order to thoroughly discuss and examine the improvement of the environments for audits conducted by Audit & Supervisory Board Members, and shall ensure the effectiveness of such audits.
- (4) Audit & Supervisory Board Members may make requests for improvement of the audit system and other related matters in order to ensure the effectiveness of audits conducted by them.
- (5) The Company shall establish the Audit & Supervisory Board Members Office under the Audit & Supervisory Board Members and appoint employees who shall assist with the Audit & Supervisory Board Members' duties.
- (6) Consent from Audit & Supervisory Board Members shall be required for appointment, dismissal and transfer of those employees from positions and personnel evaluation, and the Company shall ensure that they are independent of Directors and instructions to them are effective.
- (7) Audit & Supervisory Board Members may request that any expenses incurred with respect to the execution of duties be paid in advance or reimbursed in accordance with the provisions of the Audit & Supervisory Board Rules.

#### **(2) Summary of Operational Status of the Systems to Ensure Proper Execution of Business**

The operational status of the internal control system for the fiscal year ended March 31, 2022, was as follows:

##### **1) Compliance-related Initiatives**

During the fiscal year, 12 Compliance Committee meetings were held to examine and discuss the compliance-related issues of the Taikisha Group and verify the status of compliance with laws and regulations.

To raise the awareness of compliance among officers and employees, the Company took several measures such as transmitting information via its intranet, posting posters for enlightenment, holding workshops to explain compliance manuals and training officers and employees (e.g., e-learning and staff training at various locations). The Corporate Compliance Department disseminated regularly the internal reporting systems via its intranet and posters.

##### **2) Risk Management-related Initiatives**

Two Risk Management Committee meetings were held to examine and discuss basic policies on the risk management of the Taikisha Group. Regarding risks associated with departmental operations, pursuant to the basic policy on risk management, each department identified risks, drafted and implemented specific measures against the risks, and reported their status to the Risk Management Committee.

##### **3) Initiatives to Ensure the Appropriateness and the Efficiency of the Execution of Duties by Directors**

Fifteen Board of Directors meetings were held for decision making of the Taikisha Group's management policies and important management issues, as well as for monitoring the execution of duties by Directors with reference to reports on their business execution.

Twenty-five Management Meetings were held to deliberate and make decisions on important execution of business entrusted by the Board of Directors and the matters to be submitted to the Board of Directors.

##### **4) Initiatives to Ensure the Appropriateness of Operations Conducted by the Taikisha Group**

Regarding the important matters stipulated in the Affiliate Management Rules, we received reports from

(Translation)

subsidiaries. In addition, we regularly checked compliance with the Affiliate Management Rules by subsidiaries.

**5) Initiatives to Ensure the Effectiveness of Reporting to Audit & Supervisory Board Members and the Audits by Audit & Supervisory Board Members**

Audit & supervisory board members attended the meetings of the Board of Directors, the Management Meeting and other important meetings to understand the execution of duties by directors, and collected information and received reports from the directors, employees and other relevant personnel regarding performance of their duties.

The Internal Audit Department timely reported the results of its internal audits within the Group to the Board of Directors and reported the executed status of the audit plan and internal audits, the results of audits and other related matters to the audit & supervisory board members.

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(Note)

Amounts and numbers of shares in this Business Report are rounded down to the nearest unit, while ratios and other figures are rounded off to the nearest unit.

(Translation)

**Consolidated Balance Sheet**

(As of March 31, 2022)

(Millions of yen)

Account title	Amount	Account title	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>168,190</b>	<b>Current liabilities</b>	<b>81,886</b>
Cash and deposits	49,085	Notes payable, accounts payable for construction contracts and other	47,102
Notes receivable, accounts receivable from completed construction contracts and other	104,956	Short-term loans payable	15,535
Securities	3,000	Income taxes payable	1,672
Costs on uncompleted construction contracts	1,775	Advances received on uncompleted construction contracts	6,901
Raw materials and supplies	1,007	Provision for warranties for completed construction	714
Other	9,084	Provision for loss on construction contracts	392
Allowance for doubtful accounts	(718)	Provision for directors' bonuses	43
		Other	9,524
<b>Non-current assets</b>	<b>59,969</b>	<b>Non-current liabilities</b>	<b>15,484</b>
<b>Property, plant and equipment</b>	<b>11,243</b>	Long-term loans payable	5,605
Buildings and structures	8,389	Deferred tax liabilities	7,877
Machinery, vehicles, tools, furniture and fixtures	13,756	Provision for directors' retirement benefits	44
Land	1,737	Provision share-based remuneration for directors	145
Other	639	Net defined benefit liability	1,462
Accumulated depreciation	(13,279)	Other	349
<b>Intangible assets</b>	<b>7,381</b>	<b>Total liabilities</b>	<b>97,371</b>
Goodwill	3,966	<b>(Net assets)</b>	
Customer-related assets	1,334	<b>Shareholders' equity</b>	<b>108,862</b>
Other	2,081	Capital stock	6,455
<b>Investments and other assets</b>	<b>41,344</b>	Capital surplus	5,058
Investment securities	29,605	Retained earnings	99,893
Deferred tax assets	520	Treasury shares	(2,544)
Net defined benefit asset	8,909	<b>Accumulated other comprehensive income</b>	<b>15,833</b>
Other	2,710	Valuation difference on available-for-sale securities	11,908
Allowance for doubtful accounts	(401)	Deferred gains or losses on hedges	(25)
		Foreign currency translation adjustment	2,017
		Accumulated remeasurements of defined benefit plans	1,932
		<b>Non-controlling interests</b>	<b>6,092</b>
		<b>Total net assets</b>	<b>130,788</b>
<b>Total assets</b>	<b>228,159</b>	<b>Total liabilities and net assets</b>	<b>228,159</b>

(Note) Amounts of less than one million yen are rounded down.

(Translation)

## Consolidated Statement of Income

(From April 1, 2021, to March 31, 2022)

(Millions of yen)

Account title	Amount	
Net sales of completed construction contracts		209,261
Cost of sales of completed construction contracts		177,646
<b>Gross profit on completed construction contracts</b>		<b>31,614</b>
Selling, general and administrative expenses		22,186
<b>Operating income</b>		<b>9,428</b>
Non-operating income		
Interest and dividends income	916	
Foreign exchange gains	317	
Other	607	1,841
Non-operating expenses		
Interest expenses	303	
Other	147	451
<b>Ordinary income</b>		<b>10,818</b>
Extraordinary income		
Gain on disposal of non-current assets	50	
Gain on sales of investment securities	1,177	1,228
Extraordinary losses		
Loss on disposal of non-current assets	45	
Impairment loss	0	45
<b>Profit before income taxes</b>		<b>12,001</b>
Income taxes-current	3,179	
Income taxes-deferred	753	3,932
<b>Profit</b>		<b>8,068</b>
Profit attributable to non-controlling interests		820
<b>Profit attributable to owners of parent</b>		<b>7,248</b>

(Note) Amounts of less than one million yen are rounded down.

(Translation)

## Consolidated Statement of Comprehensive Income

(From April 1, 2021, to March 31, 2022)

(Millions of yen)

Account title	Amount
<b>Profit</b>	<b>8,068</b>
<b>Other comprehensive income</b>	
Valuation difference on available-for-sale securities	(2,329)
Deferred gains or losses on hedges	(22)
Foreign currency translation adjustment	2,547
Remeasurements of defined benefit plans	(455)
Share of other comprehensive income of entities accounted for using equity method	69
<b>Total other comprehensive income</b>	<b>(190)</b>
<b>Comprehensive income</b>	<b>7,878</b>
Comprehensive income	
Comprehensive income attributable to owners of parent	6,669
Comprehensive income attributable to non-controlling interests	1,208

(Notes)

1. Amounts of less than one million yen are rounded down.
2. The amounts in this statement are not subject to audit procedures by the Accounting Auditor.

(Translation)

**Non-consolidated Financial Statements****Non-consolidated Balance Sheet**

(As of March 31, 2022)

(Millions of yen)

Account title (Assets)	Amount	Account title (Liabilities)	Amount
<b>Current assets</b>	<b>92,702</b>	<b>Current liabilities</b>	<b>40,629</b>
Cash and deposits	22,145	Notes payable-trade	2,304
Notes receivable-trade	258	Electronically recorded obligations-operating	13,620
Electronically recorded monetary claims	2,046	Accounts payable for construction contracts	11,533
Accounts receivable from completed construction contracts	60,373	Short-term loans payable	2,522
Securities	3,000	Accounts payable-other	4,116
Costs on uncompleted construction contracts	36	Income taxes payable	971
Raw materials and supplies	183	Advances received on uncompleted construction contracts	1,228
Short-term loans receivable	150	Deposits received	253
Other	4,746	Provision for warranties for completed construction	203
Allowance for doubtful accounts	(238)	Provision for loss on construction contracts	321
<b>Non-current assets</b>	<b>55,890</b>	Provision for directors' bonuses	40
<b>Property, plant and equipment</b>	<b>3,758</b>	Provision for business restructuring	2,461
Buildings	2,237	Other	1,052
Structures	29	<b>Non-current liabilities</b>	<b>4,852</b>
Machinery and equipment	276	Long-term loans payable	100
Vehicles	0	Deferred tax liabilities	4,377
Tools, furniture and fixtures	117	Provision for retirement benefits	114
Land	1,039	Provision for share-based remuneration for directors	145
Construction in progress	58	Other	115
<b>Intangible assets</b>	<b>872</b>	<b>Total liabilities</b>	<b>45,482</b>
Software	870	<b>(Net Assets)</b>	
Other	1	<b>Shareholders' equity</b>	<b>91,227</b>
<b>Investments and other assets</b>	<b>51,260</b>	<b>Capital stock</b>	<b>6,455</b>
Investment securities	29,033	<b>Capital surplus</b>	<b>7,413</b>
Shares of subsidiaries and associates	14,454	Legal capital surplus	7,297
Long-term loans receivable	393	Other capital surplus	116
Long-term prepaid expenses	2	<b>Retained earnings</b>	<b>79,902</b>
Prepaid pension cost	6,116	Legal retained earnings	1,613
Lease and guarantee deposits	1,253	Other retained earnings	78,288
Other	9	Reserve for reduction entry	0
Allowance for doubtful accounts	(3)	Reserve for investment on information technology	1,280
		General reserve	35,720
		Retained earnings brought forward	41,288
		<b>Treasury shares</b>	<b>(2,544)</b>
		<b>Valuation and translation adjustments</b>	<b>11,883</b>
		Valuation difference on available-for-sale securities	11,908
		Deferred gains or losses on hedges	(24)
<b>Total assets</b>	<b>148,593</b>	<b>Total net assets</b>	<b>103,110</b>
		<b>Total liabilities and net assets</b>	<b>148,593</b>

(Note) Amounts of less than one million yen are rounded down.



(Translation)

## Non-consolidated Statement of Income

(From April 1, 2021, to March 31, 2022)

(Millions of yen)

Account title	Amount	
Net sales of completed construction contracts		107,435
Cost of sales of completed construction contracts		88,835
<b>Gross profit on completed construction contracts</b>		<b>18,599</b>
Selling, general and administrative expenses		12,610
<b>Operating income</b>		<b>5,989</b>
Non-operating income		
Interest income and dividends income	3,589	
Dividend income of insurance	157	
Real estate rent	195	
Foreign exchange gains	138	
Technical advisory fee	1,249	
Other	97	5,428
Non-operating expenses		
Interest expenses	12	
Rent expenses on real estate	35	
Provision of allowance for doubtful accounts	0	
Other	47	95
<b>Ordinary income</b>		<b>11,323</b>
Extraordinary income		
Gain on disposal of non-current assets	0	
Gain on sales of investment securities	1,177	1,178
Extraordinary losses		
Loss on disposal of non-current assets	42	
Impairment loss	0	
Loss on valuation of shares of subsidiaries and associates	62	
Business restructuring expenses	2,461	2,566
<b>Profit before income taxes</b>		<b>9,935</b>
Income taxes-current	2,303	
Income taxes-deferred	(25)	2,278
<b>Profit</b>		<b>7,657</b>

(Note) Amounts of less than one million yen are rounded down.

(Translation)

[Audit & Supervisory Board Audit Report (duplicated copy)]

## **Audit Report** (English Translation)

Regarding the performance of duties by the Directors for the 77th fiscal year from April 1, 2021, to March 31, 2022, the Audit & Supervisory Board hereby submits its Audit Report, which has been prepared upon careful consideration based on the audit report prepared by each Audit & Supervisory Board Member.

1. Summary of Auditing Methods by the Audit & Supervisory Board Members and Audit & Supervisory Board

- (1) The Audit & Supervisory Board established auditing policies, allocation of duties, and other relevant matters for the fiscal year ended March 31, 2022, and received reports from each Audit & Supervisory Board Member regarding his or her audits and results thereof, as well as received reports from the Directors, other relevant personnel and the Accounting Auditor regarding performance of their duties, and requested explanations as necessary.
- (2) Each Audit & Supervisory Board Member complied with the audit standard stipulated by the Audit & Supervisory Board, followed the auditing policies, allocation of duties and other relevant matters for the fiscal year, communicated with the Directors, the Internal Audit Department, other employees and any other relevant personnel by utilizing means such as telephone lines and the internet, and made efforts to prepare the environment for information collection and audits, and conducted the audit in the following manners.
  - 1) Each Audit & Supervisory Board Member attended the meetings of the Board of Directors and other important meetings, received reports from the Directors, employees and other relevant personnel regarding performance of their duties, requested explanations as necessary, examined important authorized documents and associated information, and studied the operations and financial positions of the head office, as well as of principal branch offices, branches and business offices.  
With respect to subsidiaries, each Audit & Supervisory Board Member communicated and exchanged information with Directors, Statutory Auditors and other relevant personnel of several major subsidiaries, and received reports as necessary from major subsidiaries, including those overseas, on their operations.
  - 2) With respect to the contents of resolutions of the Board of Directors regarding the improvement of the system stipulated in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act, which is considered necessary pursuant to the System to Ensure that Directors and Employees of the Company Conform to Laws and Regulations and Articles of Incorporation and the System to Ensure the Appropriateness of Operations conducted by the Corporate Group Consisting of the Company and its Subsidiaries in the Business Report, as well as to the systems (internal control system) that have been improved based on such resolutions, each Audit & Supervisory Board Member received regular reports from Directors, employees and other relevant personnel with regard to the improvement and operational status of said systems, requested explanations as necessary and expressed opinions, in accordance with the “Audit Standards for Audit & Supervisory Board Members Regarding the Internal Control System” and the “Checklist for the Internal Control System Audit,” which were stipulated through consultations among all the Audit & Supervisory Board Members.
  - 3) Each Audit & Supervisory Board Member monitored and verified whether the Accounting Auditor maintained their independence and implemented appropriate audits, as well as received reports from the Accounting Auditor regarding the performance of their duties and requested explanations as necessary. In addition, each Audit & Supervisory Board Member received notice from the Accounting Auditor that the “system for ensuring that duties are performed properly” (matters set forth in each item of Article 131 of the Ordinance for Corporate Accounting) had been prepared in accordance with the “Product Quality Management Standards Regarding Audits” (issued by the Business Accounting Council on October 28, 2005) and other relevant standards, and requested explanations as necessary. Regarding key audit matters, each Audit & Supervisory Board Member held discussions with the Accounting Auditor, received reports regarding the state of implementation of the audit, and requested explanations as necessary.

Based on the above methods, we examined the Business Report and the accompanying supplementary schedules, Non-consolidated Financial Statements (Non-consolidated Balance Sheet, Non-consolidated Statement of Income, Non-consolidated Statement of Changes in Net Assets, and Notes to Non-consolidated Financial Statements) and the accompanying supplementary schedules, as well as the Consolidated Financial

(Translation)

Statements (Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Changes in Net Assets and Notes to Consolidated Financial Statements), all of which pertain to the fiscal year.

## 2. Results of Audit

### (1) Results of Audit of Business Report and Other Relevant Documents

- 1) In our opinion, the Business Report and the accompanying supplementary schedules are in accordance with the related laws, regulations and the Articles of Incorporation, and fairly present the Company's condition.
- 2) We have found no evidence of wrongful action or material violation of related laws and regulations, nor of any violation with respect to the Articles of Incorporation, related to performance of duties by the Directors.
- 3) In our opinion, the contents of the resolutions of the Board of Directors related to the internal control system are fair and reasonable. In addition, we have found no matters on which to remark regarding the description in the Business Report and the performance of duties by the Directors related to such internal control system.

### (2) Results of Audit of Non-consolidated Financial Statements and the Accompanying Supplementary Schedules

In our opinion, the methods and results employed and rendered by A&A Partners are fair and reasonable.

### (3) Results of Audit of Consolidated Financial Statements

In our opinion, the methods and results employed and rendered by A&A Partners are fair and reasonable.

May 16, 2022

#### Taikisha Ltd. Audit & Supervisory Board

Audit & Supervisory Board Member (Full-time) (Outside)	Toshiyuki Hanazawa (seal)
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Audit & Supervisory Board Member (Full time)	Makoto Wakida (seal)
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Audit & Supervisory Board Member (Full time)	Hiroyuki Matsunaga (seal)
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Audit & Supervisory Board Member (Outside)	Shigeo Kobayashi (seal)
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Audit & Supervisory Board Member (Outside)	Nobuyuki Soda (seal)
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(Translation)

Items Disclosed on Internet Concerning  
Notice of the 77th Annual Shareholders' Meeting

Consolidated Statement of Changes in Net Assets

Notes to Consolidated Financial Statements

Non-consolidated Statement of Changes in Net Assets

Notes to Non-consolidated Financial Statements

(From April 1, 2021, to March 31, 2022)

Taikisha Ltd.

The Company provides its shareholders with the above documents by posting them on the Company's website (<https://www.taikisha.co.jp/>) in accordance with the provisions of the relevant laws and regulations and Article 15 of the Articles of Incorporation.

(Translation)

## Consolidated Statement of Changes in Net Assets

(From April 1, 2021, to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	6,455	5,058	95,701	(2,594)	104,620
Cumulative effects of changes in accounting policies			21		21
Restated balance	6,455	5,058	95,723	(2,594)	104,642
Changes of items during the period					
Dividends of surplus			(3,078)		(3,078)
Profit attributable to owners of parent			7,248		7,248
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares				51	51
Purchase of shares of consolidated subsidiaries		(0)			(0)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(0)	4,169	50	4,220
Balance at the end of current period	6,455	5,058	99,893	(2,544)	108,862

(Translation)

(Millions of yen)

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	14,237	(3)	(237)	2,416	16,412	5,277	126,311
Cumulative effects of changes in accounting policies			(1)		(1)	(15)	4
Restated balance	14,237	(3)	(239)	2,416	16,411	5,261	126,315
Changes of items during the period							
Dividends of surplus							(3,078)
Profit attributable to owners of parent							7,248
Purchase of treasury shares							(1)
Disposal of treasury shares							51
Purchase of shares of consolidated subsidiaries				(0)	(0)		(0)
Net changes of items other than shareholders' equity	(2,329)	(21)	2,256	(484)	(578)	830	251
Total changes of items during the period	(2,329)	(21)	2,256	(484)	(578)	830	4,472
Balance at the end of current period	11,908	(25)	2,017	1,932	15,833	6,092	130,788

(Note) Amounts of less than one million yen are rounded down.

(Translation)

## Notes to Consolidated Financial Statements

### [Notes regarding the Basis for Preparing Consolidated Financial Statements]

#### 1. Scope of consolidation

Number of consolidated subsidiaries  
Names of significant subsidiaries

42

San Esu Industry Co., Ltd.  
TKS Industrial Company  
Taikisha (Thailand) Co., Ltd.  
WuZhou Taikisha Engineering Co., Ltd.  
Geico S.p.A.

In this consolidated fiscal year, Taikisha de Mexico, S.A. de C.V., a consolidated subsidiary of the Company, and Taikisha Mexicana Service, S.A. de C.V., a consolidated subsidiary of Taikisha de Mexico, S.A. de C.V., conducted an absorption-type merger, where Taikisha de Mexico, S.A. de C.V. survived and Taikisha Mexicana Service, S.A. de C.V. was dissolved. Due to its dissolution, Taikisha Mexicana Service, S.A. de C.V. has been excluded from the scope of consolidation.

In this consolidated fiscal year, Geico Taikisha GmbH, a consolidated subsidiary of the Company, and Process Solution Partner GmbH, a consolidated subsidiary of Geico Taikisha GmbH, conducted an absorption-type merger, where Geico Taikisha GmbH survived and Process Solution Partner GmbH was dissolved. Due to its dissolution, Process Solution Partner GmbH has been excluded from the scope of consolidation.

#### 2. Application of the equity method

##### (1) Number and names of associates subject to the equity method

Number of associates  
Names of associates

2

FreDelish Co., Ltd.  
Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd.

In this consolidated fiscal year, Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd., the Company's associate subject to the equity method, and Shanghai Dongbo-Taiki Conveyor System Manufacturing Co., Ltd., the Company's associate subject to the equity method, conducted an absorption-type merger, where Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd. survived and Shanghai Dongbo-Taiki Conveyor System Manufacturing Co., Ltd. was dissolved. Due to its dissolution, Shanghai Dongbo-Taiki Conveyor System Manufacturing Co., Ltd. has been excluded from the scope of application of the equity method.

##### (2) Name of associate not subject to the equity method

Name of associate  
Reason for not applying the equity method

Makiansia Engineering (M) Sdn. Bhd.

The associate not subject to the equity method is excluded from the scope of application of the equity method because even if it is excluded from the scope of application of the equity method, it has minor impact on net income (proportionate to equity holdings), retained earnings (proportionate to equity holdings), etc., in the consolidated financial statement.

(Translation)

3. Accounting policies

(1) Standards and methods for valuation of significant assets

Securities

Held-to-maturity debt securities	Amortized cost method (straight-line method)
Shares of associates	Stated at cost using the moving average method
Available-for-sale securities	
Securities other than shares, etc. that do not have a market price	Stated at fair value based on the market prices at the end of the fiscal year. (Valuation difference is reported as a separate item in net assets at net-of-tax amount. The cost of securities sold is stated at cost, determined by the moving average method.)
Shares, etc. that do not have a market price	Stated at cost using the moving average method

Derivatives

Stated at fair value

Inventories

Costs on uncompleted construction contracts	Stated at cost using the specific identification method
Raw materials and supplies	Stated at cost determined by the moving average method (The amounts stated in the balance sheets are calculated by writing down the book value based on the decline in profitability.)



(Translation)

(2) Depreciation method for principal depreciable assets

Property, plant and equipment  
(excluding leased assets)

The declining-balance method is mainly applied. However, the straight-line method is applied to buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and is applied to facilities attached to buildings and structures acquired on or after April 1, 2016. Certain overseas consolidated subsidiaries apply the straight-line method. The useful lives and residual values of depreciable assets are estimated mainly in accordance with the Corporation Tax Act.

Intangible assets  
(excluding leased assets)

The straight-line method is applied. However, computer software for internal use is amortized by the straight-line method over the estimated internal useful life (5 years). Customer-related assets are amortized by the straight-line method over the effective period (10 years).

Leased assets

Leased assets under finance leases that do not transfer ownership of the leased assets to the lessee are depreciated by the straight-line method over the lease period with a residual value of zero.

(3) Standards of accounting for principal allowance and provisions

Allowance for doubtful accounts

In order to prepare for losses due to bad debts such as accounts receivable from completed construction contracts and other, the allowance for doubtful accounts is provided at the estimated amount of uncollectable debt. For receivables classified as “normal,” it is provided based on a historical default ratio. For receivables classified as “doubtful” etc., it is provided based on individual assessment on the probability of collection.

Provision for warranties for completed construction

In order to prepare for the costs of repairs for damages related to completed construction work for which the Company and its consolidated subsidiaries (collectively, the “Companies”) are responsible, the provision is provided based on past warranty experience.

Provision for loss on construction contracts

In order to prepare for future losses related to the construction contracts in process, the provision is provided based on estimated amount which will probably be incurred and which can be reasonably estimated.

Provision for directors’ bonuses

In order to prepare for directors’ bonuses, the provision is provided based on the estimated payment of the fiscal year.

Provision for directors’ retirement benefits

In order to prepare for directors’ retirement benefits, domestic consolidated subsidiaries recognize the provision for accrued retirement benefits to directors at 100 percent of the amount required by their internal policies for retirement benefits.

Provision for share-based remuneration for directors

In order to prepare for share-based remuneration to executive directors upon their retirements, the estimated amount of provision for share-based obligation as of the fiscal year end is provided based on the regulation of share-based remuneration for directors.

(4) Accounting standards for revenues and expenses

The details of the main performance obligations in the major businesses related to revenue from contracts with the Taikisha Group’s customers and the timing at which the Company typically satisfies these performance obligations (when it typically recognizes revenue) are as follows:

1) Construction contracts, etc.

In the Green Technology System business and the Paint Finishing System business, performance obligations for construction contracts, etc. mainly involving design,

(Translation)

supervision, and installation are deemed to be satisfied over time, and revenue is recognized based on progress toward complete satisfaction of a performance obligation.

The progress of satisfaction of performance obligations in revenue recognition over time is measured by the ratio of incurred costs to estimated total costs (input methods). In addition, revenue is recognized by cost recovery method in case incurred costs are expected to be recoverable though the progress of satisfaction of performance obligations cannot be reasonably measured.

2) Sales of equipment and materials

In the green technology system business and the paint finishing system business, performance obligations for sales of equipment and materials are deemed to be satisfied at a point in time, and revenue is recognized when products are delivered.

(5) Other important matters for presenting the Consolidated Financial Statements

Important methods of hedge accounting

1) Method of hedge accounting

Accounted for using the deferral method of accounting.

With regard to forward exchange contracts that meet the requirements for deferral hedge accounting, deferral hedge accounting is applied.

With regard to interest rate swaps and interest rate caps that meet the requirements for special treatment, special treatment is applied.

2) Hedging instruments and hedged items

Hedging instruments Forward exchange contracts, non-deliverable forwards (NDF), interest rate swaps and interest rate caps

Hedged items Foreign currency receivables, foreign currency payables, future transactions in foreign currency and interest-rate trading for loans payable

3) Hedging policy

The Companies use forward exchange contracts not for the purpose of speculation but for hedging future risks of fluctuation of foreign currency exchange rates. The Companies use interest rate swaps and interest rate caps not for the purpose of speculation but for hedging future risks of fluctuation of interest rates.

4) Assessment of hedge effectiveness

As forward exchange contracts in the same currency are used for forward exchange transactions, the correlation to subsequent exchange rate fluctuations is completely ensured. Accordingly, evaluation of hedge effectiveness is omitted.

For interest rate swaps and interest rate caps, the judgment on whether to apply special treatment is used instead of an evaluation of the effectiveness of hedging.

Accounting procedure for retirement benefits

1) Method of attributing the projected benefit obligations to periods of service

In calculating the retirement benefit obligations, the benefit formula basis is used to allocate the projected retirement benefits to the years of service up to the end of the fiscal year.

2) Amortization method for actuarial differences and prior

(Translation)

service costs

Actuarial differences are amortized using the straight-line method over a certain period of time (10 years) within the average remaining service period of employees from the following fiscal year of accrual.

Prior service costs are amortized using the straight-line method over a certain period of time (10 years) within the average remaining service period of employees from the fiscal year of accrual.

Amortization method and period for goodwill Goodwill is amortized by the straight-line method over the effective period not exceeding 20 years. However, an immaterial goodwill is recognized as expenses in the fiscal year of accrual.

### [Notes regarding Change in Accounting Policy]

#### 1. Application of Accounting Standard for Revenue Recognition, etc.

The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as “Revenue Recognition Accounting Standard”), etc. have been applied from the beginning of the consolidated fiscal year. In accordance with the Revenue Recognition Accounting Standard, etc., revenue is recognized at the amount expected to be received in exchange for the promised goods or services when the control of the goods or services is transferred to the customer. Regarding construction contracts and so on, as a result of examining the identification of performance obligations and the timing of its satisfaction, revenue recognition method has been changed to recognize revenue over time after the application of the Revenue Recognition Accounting Standard, etc., though previously the percentage-of-completion method had been applied for construction contracts for which the completion of a certain percentage of the entire work is reliably recognizable and the completed-contract method had been applied for the other construction contracts.

Regarding maintenance contracts and so on, as a result of examining the identification of performance obligations and the timing of its satisfaction, revenue recognition method has been changed to recognize revenue over time after the application of the Revenue Recognition Accounting Standard, though previously revenue had been recognized when service is completely rendered.

The progress of satisfaction of performance obligations in revenue recognition over time is measured by the ratio of incurred costs to estimated total costs (input methods). In addition, revenue is recognized by cost recovery method in case incurred costs are expected to be recoverable though the progress of satisfaction of performance obligations cannot be reasonably measured.

In addition, the sales discount recorded as non-operating expenses in the previous consolidated fiscal year is deducted from the net sales of completed construction contracts from this consolidated fiscal year.

The application of the Revenue Recognition Accounting Standard etc., is pursuant to the transitional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effect when applying the Revenue Recognition Accounting Standard, etc. retrospectively from before the beginning of the consolidated fiscal year is added to or subtracted from the retained earnings at the beginning of the consolidated fiscal year, and thus the Revenue Recognition Accounting Standard, etc. have been applied from the beginning balance.

As a result, consolidated net sales of completed construction contracts increased by ¥208 million, consolidated cost of sales of completed construction contracts increased by ¥200 million, gross profit on completed construction contracts and operating income increased by ¥8 million, ordinary income and profit before income taxes increased by ¥21 million respectively. Also, beginning balance of retained earnings increased by ¥21 million.

The impact of this change on per share information is described in the relevant section.

#### 2. Application of Accounting Standard for Fair Value Measurement, etc.

The “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as “Fair Value Measurement Accounting Standard”), etc., have been applied from the beginning of the consolidated fiscal year. In accordance with the transitional treatment stipulated in the Paragraph 19 of Fair Value Measurement Accounting Standard and stipulated in the Paragraph 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the new accounting policy stipulated by the Fair Value Measurement Accounting Standard, etc. are applied in the future. These applications have no

(Translation)

impact on the consolidated financial statements.

**[Notes regarding Accounting Estimates]**

1. Estimate of percentage of completion in construction contracts, etc. in which revenue is recognized over time

(1) Amount recorded on Consolidated Financial Statements for this consolidated fiscal year

Net sales of completed construction contracts ¥187,745 million

(2) Information on details of important accounting estimates concerning items identified

At the Taikisha Group, of the construction contracts as of the consolidated fiscal year-end, if the percentage of completion can be reasonably estimated for specific construction contracts, etc. in which revenue is recognized over time, revenue is recorded according to the said percentage of completion.

The percentage of completion is measured by the ratio of cost incurred as of the fiscal year-end to estimated total costs based on the working budget for the construction contract (input methods).

Regarding the total estimated cost for the construction contract until its completion, as changes may occur in line with the progress, etc. of the construction contract, the Taikisha Group shall continuously review the said estimates and assumptions.

The total estimated cost is calculated based on various types of information, including the details of the said construction contract, etc., the specifications, and the actual cost incurred in similar contracts in the past, for each contract. In particular, regarding projects undertaken by the Taikisha Group, specifications of the contract and details of the work are determined based on the customer's requests, and the details of each contract differ greatly from other contracts. If hindrances to the project's progress that were not foreseen at the initial stage of the contract occur, additional assessments and estimates may be required regarding the altered conditions and the extent of each component in the emergency response.

In addition, the total estimated cost may increase due to factors such as soaring prices of equipment and materials as a result of global circumstances.

As the predictions of such assumptions come with a high level of uncertainty depending on changes in each individual project's conditions, if there is an impact on the total estimated cost and as a result the actual figure differs greatly from the estimate, there may be a material impact on the amount of future income on the consolidated financial statements.

2. Valuation of goodwill and intangible assets

(1) Amount recorded on the consolidated financial statements for this consolidated fiscal year

(Millions of yen)

Account title	Amount
Goodwill	3,966
Customer-related assets	1,334

(2) Information on details of important accounting estimates concerning items identified

Regarding goodwill and customer-related assets as of the consolidated fiscal year-end, after verifying the presence of signs of impairment, the Taikisha Group assesses if the recognition and measurement of an impairment will be necessary.

In conducting the recognition and measurement of impairment, assumptions will be made regarding the discount rate and future cash flows mainly based on the business plan.

These assumptions are determined at the discretion of management based on the best estimates. However, as they may be affected by the results of fluctuations, etc. of uncertain economic conditions in the future, if they have to be reviewed, there may be a material impact on the consolidated financial statements.

(Translation)

**[Notes to Consolidated Balance Sheet]**

1. Of notes receivable, accounts receivable from completed construction contracts and other, receivables from contracts with customers and contract assets are as follows:

Account title	(Millions of yen) Amount
Notes receivable	2,908
Accounts receivable from completed construction contracts	79,781
Contract assets	22,266

2. Pledged assets

(1) The following assets are pledged as collateral for loans payable at subsidiaries and associates.

(Millions of yen)

Asset pledged as collateral	Book value	Secured obligations corresponding to the asset at left
Cash and deposits	302	202
Machinery, vehicles, tools, furniture and fixtures	12	7

(2) The following assets are pledged as collateral for security deposits at subsidiaries and associates.

Cash and deposits ¥57 million

(3) The following assets are pledged as collateral for overdraft facilities of subsidiaries and associates.

Cash and deposits ¥17 million

3. Guarantee obligations

The Company guarantees loans payable, etc., made by its associates under agreements concluded with financial institutions.

Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd. ¥449 million

4. Endorsed notes ¥41 million

**[Notes to Consolidated Statement of Income]**

1. Revenue from contracts with customers

With regard to net sales of completed construction contracts, the Company does not disaggregate revenues from contracts with customers and other sources of net sales of completed construction contracts. The amount of revenue from contracts with customers is presented in “(Notes regarding Revenue Recognition) 1. Information on revenue from contracts with customers” in Notes to Consolidated Financial Statements.

2. Provision for loss on construction contracts included in the cost of sales of completed construction contracts is ¥207 million.

**[Notes to Consolidated Statement of Changes in Net Assets]**

1. Type and total number of issued shares as of the consolidated fiscal year end

Common shares 35,082,009 shares

(Translation)

## 2. Dividends

### (1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Shareholders' cut-off date	Effective date
Annual Shareholders' Meeting on June 29, 2021	Common shares	2,052	60.00	March 31, 2021	June 30, 2021
Board of Directors Meeting on November 10, 2021	Common shares	1,026	30.00	September 30, 2021	November 30, 2021

(Notes) 1. The total dividends resolved at the Annual Shareholders' Meeting held on June 29, 2021 include dividends of ¥8 million paid on the Company's shares held by Custody Bank of Japan, Ltd. (Trust E Account) as the trust assets of Board Benefit Trust (BBT).

2. The total dividends resolved at the Board of Directors Meeting held on November 10, 2021 include dividends of ¥3 million paid on the Company's shares held by Custody Bank of Japan, Ltd. (Trust E Account) as the trust assets of Board Benefit Trust (BBT).

### (2) Dividends whose record date is during the fiscal year, but whose effective date is after the end of the fiscal year

The following matters concerning the dividends of common shares are proposed at the Annual Shareholders' Meeting held on June 29, 2022.

1) Total dividends	¥2,394 million
2) Dividend per share	¥70.00
3) Shareholders' cut-off date	March 31, 2022
4) Effective date	June 30, 2022

Retained earnings are planned to be used as the source of dividends.

(Note) The total dividends include dividends of ¥8 million paid on the Company's shares held by Custody Bank of Japan, Ltd. (Trust E Account) as the trust assets of Board Benefit Trust (BBT).

## [Notes regarding Financial Instruments]

### 1. Status of Financial Instruments

#### (1) Policies on financial instruments

The Companies invest its temporary surplus funds in financial assets that are highly secure and procures its short-term working capital in the form of borrowings from banks. The Companies utilize derivatives only to hedge their exposure to the risks as described below and do not enter into such transactions for speculative purposes.

#### (2) Description of financial instruments, related risks and risk management system

Notes receivable, accounts receivable from completed construction contracts and other, which are trade receivables, are exposed to the credit risk of the respective customers. As for the credit risk of customers, the Companies' management system allows us to monitor the credit standing of major customers at any time on a timely basis based on the maturity and balance control by customer. Meanwhile, trade receivables denominated in foreign currencies, which originate from global business operations, are exposed to the risk of exchange rate fluctuations and are partly hedged by utilizing forward exchange contracts.

Securities and investment securities are those of companies with which the Companies have business relations and money trusts, etc. for the investment of temporary surplus funds. Although they are exposed to the risk of fluctuations in market price and credit risk, the Companies continuously monitor through regular checks of the fair value and financial positions of the issuers.

Notes payable, accounts payable for construction contracts and other, which are trade payables, generally mature within one year. While some of them are denominated in foreign currencies for the purpose of importing machinery and equipment and raw materials, etc. and are exposed to the risk of exchange rate fluctuations, the amount of those items are invariably less than the balance of accounts receivable from completed construction contracts, which are similarly denominated in foreign currencies.

Income taxes payable are imposed on the taxable income of the Companies for the fiscal year, and they all mature within one year.

(Translation)

Both short-term and long-term loans payable are fund-raising means associated with business transactions. Short-term loans payable with variable interest rates are exposed to the risk of interest-rate fluctuations. However, long-term loans payables, which are procured at fixed interest rates, in principle, are hedged against interest-rate fluctuation risk.

Derivative transactions consist of forward exchange contracts and NDFs aimed at hedging the risk of fluctuations in exchange rates for exports and imports in the course of ordinary business operations, as well as interest rate swaps aimed at hedging the risk of fluctuations in the interest rates for loans payable. Forward exchange contracts and NDFs are executed and managed in accordance with the relevant guideline regarding foreign exchange control issued by the Chief Executive of the Administrative Management Headquarters. This guideline clearly stipulates regulations for the management policies on derivative transactions, the regulating division and department in charge of risk management, purposes of use, scope of utilization, reporting system. As for interest rate swaps, only those that meet the requirements for the application of special treatment are executed. Derivative transactions are executed only with financial institutions with high credit ratings to reduce the credit risk.

Although trade payables and loans payable are exposed to liquidity risk, the Companies strive to control the liquidity risk such as by having each Group company prepare a monthly cash management plan.

(3) Supplementary explanation on fair value of financial instruments, etc.

The contractual amounts, etc., with regard to derivative transactions in “2. Fair Value of Financial Instruments” below only indicate nominal contractual or notional principal amounts in derivative transactions, and they do not indicate risk amounts in connection with the corresponding derivative transactions.

2. Fair Value of Financial Instruments

The following table indicates the book value, the fair value and the differences thereof as of March 31, 2022.

	Book value	Fair value	Difference
(1) Notes receivable, accounts receivable from completed construction contracts and other	104,956		
Allowance for doubtful accounts *2	(499)		
	104,456	104,400	(55)
(2) Securities and investment securities *3	31,607	31,607	—
Total assets	136,064	136,008	(55)
(3) Notes payable, accounts payable for construction contracts and other	47,102	47,066	(36)
(4) Short-term loans payable	15,535	15,535	—
(5) Long-term loans payable	5,605	5,624	19
Total liabilities	68,244	68,226	(17)
(6) Derivative transactions	(43)	(43)	—

\*1. Cash and deposits and income taxes payable are not stated because they are settled within a short period of time and their book value approximates fair value.

\*2. “Allowance for doubtful accounts” separately included in “notes receivable, accounts receivable from completed construction contracts and other” is deducted.

\*3. Stocks and other securities without market prices are not included in (2) Securities and investment securities. Book values of such financial instruments in the Consolidated Balance Sheet are as follows.

(Translation)

(Millions of yen)

Category	Book value
Available-for-sale securities	
Non-listed stocks	992
Non-listed foreign bonds	4

(Note 1)

Redemption schedule for monetary receivables and securities with maturities

(Millions of yen)

Category	Within one year	Over one year and within five years	Over five years and within 10 years	Over 10 years
Cash and deposits	49,085	—	—	—
Notes receivable, accounts receivable from completed construction contracts and other	94,984	9,924	46	—
Securities and investment securities				
Held-to-maturity debt securities (foreign bonds or others)	—	—	—	—
Available-for-sale securities with maturity dates (money trusts or others)	3,000	—	—	—
Available-for-sale securities with maturity dates (non-listed foreign bonds)	—	4	—	—
Total	147,070	9,929	46	—



(Translation)

3. Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using (unadjusted) quoted prices in active markets for the same assets or liabilities.

Level 2 fair value: Fair value measured using directly or indirectly observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable material inputs.

If multiple inputs that have a significant impact on the fair value measurement are used, fair value is classified to the level with the lowest priority in the fair value measurement among the levels to which each of those inputs belongs.

(1) Financial instruments measured at fair value

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Stocks	28,607	—	—	28,607
Total assets	28,607	—	—	28,607
Derivative transactions	—	(43)	—	(43)

(2) Financial instruments other than those measured at fair value

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Notes receivable, accounts receivable from completed construction contracts and other	—	104,400	—	104,400
Securities and investment securities				
Money trusts	—	2,000	—	2,000
Bonds	—	1,000	—	1,000
Other	—	—	—	—
Total assets	—	107,400	—	107,400
Notes payable, accounts payable for construction contracts and other	—	47,066	—	47,066
Short-term loans payable	—	15,535	—	15,535
Long-term loans payable	—	5,624	—	5,624
Total liabilities	—	68,226	—	68,226

(Note) Description of valuation techniques and inputs used in the fair value measurements

Assets

(1) Notes receivable, accounts receivable from completed construction contracts and other:

The fair value of these assets is determined based on the present value calculated by applying discount rates, which take into account the remaining period prior to maturity and the credit risk, for receivables individually segmented by certain duration, and their fair value is classified as Level 2.

(Translation)

(2) Securities and investment securities:

As for the calculation of the fair value of these assets, listed stocks are valued using quoted prices. As listed stocks are traded in active markets, their fair value is classified as Level 1. Bonds are based on the present value calculated by applying discount rates, and their fair value is classified as Level 2.

1) The differences between the book value and acquisition cost are as follows:

Available-for-sale securities with fair value (as of March 31, 2022)

(Millions of yen)

Category	Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost			
Stocks	28,441	11,381	17,059
Securities whose book value does not exceed their acquisition cost			
Money trusts	2,000	2,000	—
Stocks	166	182	(16)
Bonds			
Other	1,000	1,000	—
Total	31,607	14,563	17,043

2) Sales of available-for-sale securities in the fiscal year amounted to ¥1,455 million, and the total gain on sales amounted to ¥1,177 million.

3) The “Acquisition cost” in the table above is the book value after deducting impairment losses. The Companies recognize an impairment loss when the fair value of stocks falls 50% or more compared with the acquisition cost and there is no evidence to indicate that the fair value will recover to the book value within one year. When the fair value falls by 30% or more but less than 50% compared with the acquisition cost, the Companies recognize a necessary amount of impairment loss after considering the market prices in the past year and the possibility of recovery.

Liabilities

(3) Notes payable, accounts payable for construction contracts and other, and (4) Short-term loans payable

The fair value of these liabilities is determined based on the present value calculated by applying discount rates, which take into account the remaining period prior to maturity or repayment and the credit risk, for payables individually segmented by certain duration. The fair value is classified as Level 2.

(5) Long-term loans payable

With regard to floating rate loans, the book value approximates the fair value because the market interest rate is reflected in the interest rate within a short period of time and the credit risk did not fluctuate significantly after borrowing. Therefore, the book value is used as the fair value and classified as Level 2. With regard to fixed rate loans, the fair value is determined based on the present value of the total principal and interest discounted by an interest rate to be applied to similar new loans, and classified as Level 2.

(Translation)

(6) Derivative transactions

Fair value of derivative transactions is determined based on the prices and other data submitted by counterparty financial institutions, and classified as Level 2. Because interest rate swaps qualified for the special treatment are accounted for as part of hedged long-term loans payable, the fair value thereof is included in the fair value of the corresponding long-term loans payable.

1) Derivative transactions not subject to hedge accounting

For derivative transactions to which hedge accounting is not applied, contractual amounts or the notional principal amounts specified in the derivative contracts, fair value and gain (loss) on valuation as of the consolidated fiscal year end by type of target transaction, as well as the calculation method of said fair value, are as follows:

Currency-related

(Millions of yen)

Category	Type	Contract amount	Over one year	Fair value	Gain/loss on valuation
Non-market transactions	Forward exchange contracts:				
	Buy:				
	JPY	157	—	(3)	(3)
	USD	22	—	0	0
	CNY	92	—	(1)	(1)
	Sell:				
	JPY	1	—	0	0
Total		273	—	(4)	(4)

2) Derivative transactions to which hedge accounting is applied

For derivative transactions to which hedge accounting is applied, contractual amounts or the notional principal amounts specified in the derivative contracts as of the consolidated fiscal year end by type of hedge accounting method are as follows:

Currency-related

(Millions of yen)

Hedging method	Transaction type	Main hedged item	Contract amount	Over one year	Fair value
Method in principle	Forward exchange contracts:				
	Buy:				
	THB	Accounts payable for construction contracts (forecast)	10	—	0
	CNY	Accounts payable for construction contracts (forecast)	13	—	(0)
	Sell:				
	USD	Accounts receivable from completed construction contracts (forecast)	118	—	(3)
	EUR	Accounts receivable from completed construction contracts (forecast)	155	155	(8)
	CNY	Accounts receivable from completed construction contracts (forecast)	649	362	(27)
Total			947	517	(38)

(Translation)

Interest-related

(Millions of yen)

Hedging method	Transaction type	Main hedged item	Contract amount	Over one year	Fair value
Special treatment	Interest rate swaps: Pay fixed /Receive floating	Long-term loans payable	2,676	2,039	(Note)

(Note) Because interest rate swaps qualified for the special treatment are accounted for as part of hedged long-term loans payable, the fair value thereof is included in the fair value of the corresponding long-term loans payable.

**[Notes regarding Revenue Recognition]**

1. Information on revenue from contracts with customers

(Millions of yen)

	Reportable segment		Total
	Green Technology System business	Paint Finishing System business	
Region			
Domestic	94,137	13,570	107,708
Overseas	40,255	61,297	101,552
Revenue from contracts with customers	134,393	74,867	209,261
Revenue from other sources	—	—	—
Sales to customers	134,393	74,867	209,261

2. Useful information in understanding revenue from contracts with customers

The Taikisha Group is engaged in construction contracts, etc. mainly involving design, supervision, and installation and sales of equipment and materials.

(1) Construction contracts, etc.

The Taikisha Group determines that control over assets is transferred to the customer over a certain period of time because performance of a construction contract or other contract results in creation of an asset or an increase in the value of an asset, and the customer gains control over the asset as the asset is created or the value of the asset increases. Therefore, revenue is recognized based on the degree of progress made in satisfying performance obligations as of the end of the fiscal year.

Degree of progress is measured by the ratio of the cost incurred to the total estimated cost (input methods), since it is possible to make a reasonable estimate of the total estimated cost based on the execution budget. When the degree of progress toward satisfying performance obligation cannot be reasonably estimated, but it is probable that the costs incurred will be recovered, revenue is recognized on a cost recovery basis.

(2) Sales of equipment and materials

The Taikisha Group determines that control over equipment and materials is transferred to the customer and the performance obligation is satisfied at the time of delivery of a product, taking into account indicators related to the transfer of control, such as physical possession of the equipment and materials, and transfer status of significant risks and the economic value associated with ownership to the customer, and recognizes revenue at the time of delivery.

For these performance obligations, the Taikisha Group provides warranties such as free repair for defects that occur within a certain period of time after delivery, which provide assurance to the customer that the product will function as intended in accordance with the specifications agreed upon with the customer.

Expected future expenditures for warranties are estimated by considering historical performance rates and recognized as a provision for warranties for completed construction.

In addition, terms of payment for these performance obligations are general and do not include a significant financial component.

3. Information on the relationship between satisfaction of performance obligations for contracts with customers

(Translation)

and cash flow from these contracts, and information on the amount and timing of revenue expected to be recognized in the subsequent consolidated fiscal years from contracts with customers existing at the end of this consolidated fiscal year

(1) Contract assets and liabilities outstanding, etc.

	(Millions of yen)
Accounts receivable from completed construction contracts (balance at the beginning of current period)	80,179
Accounts receivable from completed construction contracts (balance at the end of current period)	79,781
Contract assets (balance at the beginning of current period)	17,473
Contract assets (balance at the end of current period)	22,266
Contract liabilities (balance at the beginning of current period)	14,200
Contract liabilities (balance at the end of current period)	6,901

In the Consolidated Balance Sheet, accounts receivable from completed construction contracts and contract assets are included in notes receivable, accounts receivable from completed construction contracts and other, while contract liabilities are presented as advances received on uncompleted construction contracts.

The amount of revenue recognized in this consolidated fiscal year that was included in the contract liability balance at the beginning of the period was ¥13,697 million. In addition, the amount of revenue recognized in this consolidated fiscal year from performance obligations that were satisfied (or partially satisfied) in prior periods was not material.

(2) Transaction prices allocated to remaining performance obligations

The total transaction price allocated to unfulfilled performance obligations and the time frame the Company expects to recognize the amount as revenue are as follows:

(Millions of yen)

	Reportable segment		Total
	Green Technology System business	Paint Finishing System business	
Region			
Domestic	109,493	15,904	125,398
Overseas	33,672	39,218	72,891
Total	143,166	55,123	198,289

The transaction value allocated to unfulfilled performance obligations in the “Green Technology System business” and “Paint Finishing System business” segments is expected to be recognized as net sales of completed construction contracts primarily within two years, based on the progress of construction.

#### [Notes regarding Per-Share Information]

1. Net assets per share ¥3,658.54
2. Basic earnings per share ¥212.69

(Note) The “Accounting Standard for Revenue Recognition,” etc. have been applied as presented in “Notes regarding Change in Accounting Policy” in Notes to Consolidated Financial Statements. As a result, for this consolidated fiscal year, net assets per share increased by ¥0.77 and basic earnings per share increased by ¥0.63.

(Translation)

**[Note regarding Significant Subsequent Events]**

(Change in Consolidated Subsidiaries)

On April 19, 2022, the Company entered into a contract to transfer a portion of its shares in Geico S.p.A. ("Geico") and the transfer has been completed on April 20, 2022. With this share transfer, Geico and its consolidated subsidiaries, J-CO America Corporation, J-CO Mexico, S. de R.L. de C.V., Geico Brasil Ltda., Geico Paint Shop India Private Limited, Geico Painting System (Suzhou) Co., Ltd, "Geico Russia" LLC, Geico Taikisha GmbH, Geico Taikisha Controls d.o.o. and Process Solution Partner Rus LLC ("Geico Group") have been excluded from the scope of consolidation.

(1) Reasons for the Share transfer

Since 2011, the Company has acquired 51.0% of Geico's outstanding shares and has been working to complement and strengthen the technological and market strengths of the two companies through the capital alliance with Geico.

Because of the continuing pandemic situation caused by the COVID-19 and the conflict between Russia and Ukraine which is expected to affect the capital investment of European automakers and cause a sharp rise in price of resource, materials and equipment, the Paint Finishing System business of the Company focuses on the automobile market in regions other than Europe in external collaboration with Geico and expands automation business areas other than the automobile market in order to improve medium- to long-term business value.

Given the above background and in accordance with the purpose of the Corporate Governance Code, the Company has decided to reduce the shareholding ratio in Geico from 51.0% to 14.5% from the view of focusing on capital efficiency.

(2) Overview of consolidated subsidiary to be changed

(1) Company name	Geico S.p.A.
(2) Location	Cinisello Balsamo, Milan, Italy
(3) Representative & title	Daryush Arabnia, President and Chairman
(4) Description of business	Design and construction of paint finishing systems and plants for the automotive industry
(5) Capital	EUR 3,627,000 (JPY 423 million)
(6) Date of establishment	December 1963
(7) Major shareholders & ratio of shareholding	Taikisha Ltd. 51% Gecofin S.p.A. 49%

(3) Overview of the counterparty of the Share Transfer

(1) Company name	Gecofin S.p.A.
(2) Location	Cinisello Balsamo, Milan, Italy

(4) Schedule of the Share Transfer

(1) Date of Board of Directors resolution	April 19, 2022
(2) Contract date	April 19, 2022

(5) Future outlook

As the result of this share transfer, though the Geico Group will be excluded from the scope of consolidation in the fiscal year ending March 2023, the Company will maintain its global business Alliance with Geico and continue to collaborate on a project basis.

The impact on financial results is currently being aggregated.

(Translation)

### [Other Notes]

(Note regarding Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts)

At the occasion of the 100th anniversary since its foundation, the Company introduced an ESOP (Employee Stock Ownership Plan) (the "Plan"), an incentive program granting the stocks of the Company to its employees to motivate them toward improving the company's stock prices and financial results by enhancing the linkage of stock prices and financial results and sharing economic effects with shareholders.

#### (1) Outline of the transactions

The Plan has a scheme according to which shares of the Company are awarded for each period to the eligible employees in accordance with the Stock Granting Regulations set forth in advance by the Company. The Company grants predetermined points to employees and later awards the Company's shares, which corresponds to the total number of accumulated points granted, after the lapse of a predetermined period. The Company's shares to be awarded to the employees shall be acquired by a trust bank from the Company through an allocation to a third party using funds that have been contributed to the trust and separately managed as a trust estate.

(2) Although the Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts (ASBJ PITF No. 30, March 26, 2015) has been applied, the previously applied method is continued for accounting.

#### (3) Matters regarding the Company's own shares held by the trust

- 1) The book value of the Company's own shares held by the trust for the fiscal year was ¥227 million. The Company's own shares held by the trust are not reported as treasury shares under shareholders' equity.
- 2) The number of shares held as of the consolidated fiscal year end was 122 thousand, and the average number of shares outstanding during the year was 124 thousand. The number of shares as of the consolidated fiscal year end and the average number of shares outstanding during the year are not included in the number of treasury shares to be deducted in calculating per-share information.

### (Introduction of a Board Benefit Trust (BBT) for Executive Directors)

Based on the resolution of the 74th Annual Shareholders' Meeting held on June 27, 2019, the Company has introduced a Board Benefit Trust (BBT) (hereinafter referred to as the "System"), which is a performance-linked stock-based compensation plan for Executive Directors of the Company from the previous consolidated fiscal year.

The purpose of the System is to further clarify the link between the compensation of Executive Directors and the Company's operating performance and stock value and enhancing their motivation to contribute to the improvement of operating performance in the medium and long term and to boost corporate value by sharing not only the benefit of stock price increases but also the risk of stock price decreases with shareholders.

In accordance with the Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts (ASBJ PITF No. 30, March 26, 2015), the gross method has been applied for the accounting treatment under the System.

#### (1) Outline of the System

The System is a performance-linked stock-based compensation plan whereby the Company's shares are acquired through a trust using money contributed by the Company (hereinafter, the trust established pursuant to the System is referred to as the "Trust") as funds, and the Company's shares and the amount of money equivalent to the value of the Company's shares calculated based on market value are distributed through the Trust to Executive Directors as compensation in accordance with the director stock benefit rules established by the Company.

The Company's shares, etc. shall be granted to Executive Directors upon their retirement, in principle.

#### (2) The Company's shares that remain in the Trust

The Company's shares remaining in the Trust are recognized as treasury shares under net assets at the book value of the Trust (excluding ancillary expenses). The book value and number of treasury shares as of the consolidated fiscal year-end are ¥398 million and 120,700 shares, respectively.

### (Effects of the spread of COVID-19)

The future outlook of the world economy and market environment in our group are on a recovery trend due to widespread vaccine rollouts and so on, though they remain highly uncertain because the effects of COVID-19 still continue due to widespread of new variant of COVID-19 and so on.

Under these circumstances, accounting estimates for the valuation of fixed assets including goodwill and so on in the consolidated fiscal year are performed based on the assumption that capital investment will recover mainly in North America, Japan, China, India and so on in the future.

(Translation)

## Non-consolidated Statement of Changes in Net Assets

(From April 1, 2021, to March 31, 2022)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings	
					Reserve for reduction entry	Reserve for investment on information technology	General reserve	Retained earnings brought forward		
Balance at the beginning of current period	6,455	7,297	116	7,413	1,613	0	1,560	35,720	36,391	75,285
Cumulative effects of changes in accounting policies									38	38
Restated balance	6,455	7,297	116	7,413	1,613	0	1,560	35,720	36,430	75,324
Changes of items during the period										
Reserve for investment on information technology							200		(200)	—
Reversal of reserve for investment on information technology							(480)		480	—
Dividends of surplus									(3,078)	(3,078)
Profit									7,657	7,657
Purchase of treasury shares										
Disposal of treasury shares										
Net changes of items other than shareholders' equity										
Total changes of items during the period	—	—	—	—	—	—	(280)	—	4,858	4,578
Balance at the end of current period	6,455	7,297	116	7,413	1,613	0	1,280	35,720	41,288	79,902



(Translation)

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of current period	(2,594)	86,559	14,237	(3)	14,234	100,794
Cumulative effects of changes in accounting policies		38				38
Restated balance	(2,594)	86,598	14,237	(3)	14,234	100,832
Changes of items during the period						
Reserve for investment on information technology		—				—
Reversal of reserve for investment on information technology		—				—
Dividends of surplus		(3,078)				(3,078)
Profit		7,657				7,657
Purchase of treasury shares	(1)	(1)				(1)
Disposal of treasury shares	51	51				51
Net changes of items other than shareholders' equity			(2,329)	(21)	(2,350)	(2,350)
Total changes of items during the period	50	4,628	(2,329)	(21)	(2,350)	2,278
Balance at the end of current period	(2,544)	91,227	11,908	(24)	11,883	103,110

(Note) Amounts of less than one million yen are rounded down.

(Translation)

## Notes to Non-consolidated Financial Statements

### [Notes regarding Significant Accounting Policies]

#### Accounting Standards

##### (1) Standards and methods for valuation of assets

###### Securities

Held-to-maturity debt securities

Amortized cost method (straight-line method)

Shares of subsidiaries and associates

Stated at cost using the moving-average method

Available-for-sale securities

Securities other than shares, etc. that do not have a market price

Stated at fair value based on the market prices at the end of the fiscal year. (Valuation difference is reported as a separate item in net assets at net-of-tax amount. The cost of securities sold is stated at cost, determined by the moving average method.)

Shares, etc. that do not have a market price

Stated at cost using the moving-average method

Derivatives

Stated at fair value

Inventories

Costs on uncompleted construction contracts

Stated at cost using the specific identification method

Raw materials and supplies

Stated at cost determined by the moving average method (The amounts stated in the non-consolidated balance sheets are calculated by writing down the book value based on the decline in profitability.)

##### (2) Depreciation method for non-current assets

Property, plant and equipment

The declining-balance method is applied. However, the straight-line method is applied to buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and is applied to facilities attached to buildings and structures acquired on or after April 1, 2016. The useful lives and the residual values of depreciable assets are estimated mainly in accordance with the Corporation Tax Act.

Intangible assets

The straight-line method is applied. However, computer software for internal use is amortized by the straight-line method over the estimated internal useful life (5 years).

##### (3) Standards of accounting for allowance and provisions

Allowance for doubtful accounts

In order to prepare for losses due to bad debts such as accounts receivable from completed construction contracts and other, the allowance for doubtful accounts is provided at the estimated amount of uncollectable debt. For receivables classified as "normal," it is provided based on a historical default ratio. For receivables classified as "doubtful," etc., it is provided based on individual assessment on the probability of collection.

Provision for warranties for completed construction

In order to prepare for the costs of repairs for damages related to completed construction work for which the Company is responsible, the provision is provided based on past warranty experience.

Provision for loss on construction contracts

In order to prepare for future losses related to the construction contracts in process, the provision is provided based on estimated amount which will probably be incurred and which can be reasonably estimated.

Provision for directors' bonuses

In order to prepare for directors' bonuses, the provision is provided based on the estimated payment of the fiscal year.

Provision for business restructuring

To provide for expenses and losses to be incurred in connection with business restructuring, the estimated amount

(Translation)

Provision for retirement benefits

of such expenses and losses is recorded.

In order to prepare for employees' retirement benefits, the provision is provided based on estimated benefit obligations and the fair value of plan assets at the end of fiscal year.

1) Method of attributing the projected benefit obligations to periods of service

In calculating the retirement benefit obligations, the benefit formula basis is used to allocate the projected retirement benefits to the years of service up to the end of the fiscal year.

2) Amortization method for actuarial differences and prior service costs

Actuarial differences are amortized using the straight-line method over a certain period of time (10 years) within the average remaining service period of employees from the following fiscal year of accrual.

Prior service costs are amortized using the straight-line method over a certain period of time (10 years) within the average remaining service period of employees from the fiscal year of accrual.

Provision for share-based remuneration for directors

In order to prepare for share-based remuneration to executive directors upon their retirements, the estimated amount of provision for share-based obligation as of the fiscal year end is provided based on the regulation of share-based remuneration for directors.

(4) Accounting standards for revenues and expenses

The details of the main performance obligations in the major businesses related to revenue from contracts with customers and the timing at which the Company typically satisfies these performance obligations (when it typically recognizes revenue) are as follows:

1) Construction contracts, etc.

In the green technology system business and the paint finishing system business, performance obligations for construction contracts, etc. mainly involving design, supervision, and installation are deemed to be satisfied over time, and revenue is recognized based on progress toward complete satisfaction of a performance obligation.

The progress of satisfaction of performance obligations in revenue recognition over time is measured by the ratio of incurred costs to estimated total costs (input methods). In addition, revenue is recognized by cost recovery method in case incurred costs are expected to be recoverable though the progress of satisfaction of performance obligations cannot be reasonably measured.

2) Sales of equipment and materials

In the green technology system business and the paint finishing system business, performance obligations for sales of equipment and materials are deemed to be satisfied at a point in time, and revenue is recognized when products are delivered.

(5) Other important matters for presenting the Non-consolidated Financial Statements

Methods of hedge accounting

1) Method of hedge accounting

Accounted for using the deferral method of accounting. With regard to forward exchange contracts that meet the requirements for deferral hedge accounting, deferral hedge accounting is applied.

2) Hedging instruments and hedged items

Hedging instruments      Forward exchange contracts, and non-deliverable forwards

(Translation)

	Hedged items	(NDF) Foreign currency receivables, foreign currency payables and future transactions in foreign currency
	3) Hedging policy	The Company uses forward exchange contracts not for the purpose of speculation but for hedging future risks of fluctuation of foreign currency exchange rates.
	4) Assessment of hedge effectiveness	As forward exchange contracts in the same currency are used for forward exchange transactions, the correlation to subsequent exchange rate fluctuations is completely ensured. Accordingly, evaluation of hedge effectiveness is omitted.
Accounting procedure for retirement benefits	Accounting procedures for unrecognized actuarial differences and unrecognized prior service costs relative to retirement benefits differ from those applied in the consolidated financial statements.	

#### [Notes regarding Change in Accounting Policy]

##### 1. Application of Accounting Standard for Revenue Recognition, etc.

The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as “Revenue Recognition Accounting Standard”), etc. have been applied from the beginning of the fiscal year. In accordance with the Revenue Recognition Accounting Standard, etc., revenue is recognized at the amount expected to be received in exchange for the promised goods or services when the control of the goods or services is transferred to the customer. Regarding construction contracts and so on, as a result of examining the identification of performance obligations and the timing of its satisfaction, revenue recognition method has been changed to recognize revenue over time after the application of the Revenue Recognition Accounting Standard, etc., though previously the percentage-of-completion method had been applied for construction contracts for which the completion of a certain percentage of the entire work is reliably recognizable and the completed-contract method had been applied for the other construction contracts.

Regarding maintenance contracts and so on, as a result of examining the identification of performance obligations and the timing of its satisfaction, revenue recognition method has been changed to recognize revenue over time after the application of the Revenue Recognition Accounting Standard, though previously revenue had been recognized when service is completely rendered.

The progress of satisfaction of performance obligations in revenue recognition over time is measured by the ratio of incurred costs to estimated total costs (input methods). In addition, revenue is recognized by cost recovery method in case incurred costs are expected to be recoverable though the progress of satisfaction of performance obligations cannot be reasonably measured.

In addition, the sales discount recorded as non-operating expenses in the previous fiscal year is deducted from the net sales of completed construction contracts from this fiscal year.

The application of the Revenue Recognition Accounting Standard, etc. is pursuant to the transitional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effect when applying the Revenue Recognition Accounting Standard, etc. retrospectively from before the beginning of the fiscal year is added to or subtracted from the retained earnings at the beginning of the fiscal year, and thus the Revenue Recognition Accounting Standard, etc. have been applied from the beginning balance.

As a result, net sales of completed construction contracts increased by ¥173 million, cost of sales of completed construction contracts increased by ¥200 million, gross profit on completed construction contracts and operating income decreased by ¥27 million, ordinary income and profit before income taxes decreased by ¥13 million respectively. Also, beginning balance of retained earnings increased by ¥38 million.

The impact of this change on per share information is described in the relevant section.

##### 2. Application of Accounting Standard for Fair Value Measurement, etc.

The “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019, hereinafter

(Translation)

referred to as “Fair Value Measurement Accounting Standard”), etc., have been applied from the beginning of the fiscal year. In accordance with the transitional treatment stipulated in the Paragraph 19 of Fair Value Measurement Accounting Standard and stipulated in the Paragraph 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the new accounting policy stipulated by the Fair Value Measurement Accounting Standard, etc. are applied in the future. These applications have no impact on the financial statements.

#### [Notes regarding Accounting Estimates]

1. Estimate of percentage of completion in construction contracts, etc. in which revenue is recognized over time

(1) Amount recorded on Non-consolidated Financial Statements for this fiscal year

Net sales of completed construction contracts ¥105,819 million

(2) Information on details of important accounting estimates concerning items identified

This note is omitted, as the same information has been stated in “Notes regarding Accounting Estimates” in in Notes to Consolidated Financial Statements.

2. Valuation of shares of subsidiaries and associates

(1) Amount recorded on Non-consolidated Financial Statements for this fiscal year

Shares of subsidiaries and associates ¥14,454 million

(2) Information on details of important accounting estimates concerning items identified

In the valuation of shares of subsidiaries and associates that do not have market prices, the Company recognizes impairment losses when the real value of such shares declines significantly due to deterioration in the financial condition of the subsidiaries and associates, and when the recoverability of such shares is not sufficiently supported by consideration of the business plans of the subsidiaries and associates.

For shares acquired reflecting excess earning power, the actual value reflects such excess earning power, and if excess earning power is determined to have decreased as a result of consideration of the business plans, the actual value reflects such decrease.

Certain assumptions are made regarding the business plans of subsidiaries and associates with respect to the market environment and other factors of each company. These assumptions are determined at the discretion of management based on the best estimates. However, as they may be affected by the results of fluctuations, etc. of uncertain economic conditions in the future, if they have to be reviewed, there may be a material impact on the Non-consolidated Financial Statements.

#### [Notes to Non-consolidated Balance Sheet]

1. Accumulated depreciation

Property, plant and equipment ¥3,476 million

2. Guarantee obligations

The Company guarantees loans payable, etc., made by its subsidiaries and associates under agreements concluded with financial institutions.

	(Millions of yen)
Taikisha (Singapore) Pte. Ltd.	819
Taikisha (Thailand) Co., Ltd.	161
P.T. Taikisha Indonesia Engineering	201
Taikisha Vietnam Engineering Inc.	359
Taikisha Engineering (M) Sdn. Bhd.	101
Taikisha (Taiwan) Ltd.	0
WuZhou Taikisha Engineering Co., Ltd.	98
Tianjin Taikisha Paint Finishing System Ltd.	110
Taikisha Engineering India Private Ltd.	3,064
Tianjin Dongchum-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd.	449
Total	<u>5,366</u>

3. Monetary receivables from and payables to subsidiaries and associates

(Translation)

Short-term monetary receivables	¥4,328 million
Long-term monetary receivables	¥390 million
Short-term monetary payables	¥2,493 million

4. Provision for loss on construction contracts

The costs on uncompleted construction contracts regarding the construction contracts for which losses are expected are reported after they are offset by the corresponding provision for loss on construction contracts of ¥1 million.

**[Notes to Non-consolidated Statement of Income]**

1. Transactions with subsidiaries and associates

	(Millions of yen)
Net sales of completed construction contracts	2,614
Cost of sales of completed construction contracts	5,198
Transactions other than operating transactions (for revenue)	5,158
Transactions other than operating transactions (for expenses)	383

2. Provision for loss on construction contracts included in the cost of sales of completed construction contracts was ¥182 million.

(Translation)

**[Note to Non-consolidated Statement of Changes in Net Assets]**

Type and number of treasury shares as of the fiscal year end

Common shares

998,559 shares

(Note) The number of treasury shares as of the fiscal year end includes 120,700 shares held by Custody Bank of Japan, Ltd. (Trust E Account) as the trust assets of Board Benefit Trust (BBT).

**[Note regarding Tax Effect Accounting]**

Breakdown by cause of deferred tax assets and liabilities

(Millions of yen)

Deferred tax assets:

Allowance for doubtful accounts	74
Provision for warranties for completed construction	62
Provision for loss on construction contracts	98
Provision for retirement benefits	35
Employee pension trust, investment securities	336
Accrued bonuses	1,183
Loss on valuation of investment securities	116
Loss on valuation of shares of subsidiaries and associates	1,812
Loss on valuation of golf club membership	56
Valuation difference on available-for-sale securities	4
Provision for business restructuring	753
Others	399

Subtotal 4,933

Valuation allowance (2,100)

Total deferred tax assets 2,832

Deferred tax liabilities:

Prepaid pension cost	(1,872)
Valuation difference on available-for-sale securities	(5,140)
Others	(196)

Total deferred tax liabilities (7,210)

Net deferred tax liabilities (4,377)

(Translation)

**[Notes regarding Transactions with Related Parties]**

Subsidiaries

(Millions of yen)

Category	Name of company, etc.	Percentage of voting rights, etc., held (or held of the Company)	Relationship with related party	Transaction details	Transaction amount	Account title	Fiscal year-end balance
Subsidiary	Taikisha Engineering India Private Ltd.	Direct holding 57.89%	Concurrently held Officers' posts; Financial support; Ordering to the Company for part of construction work	Guarantee of debt <sup>(note)</sup>	3,064	—	—

Transaction conditions and decision policy thereof:

(Note) Consists of the guarantee for loans payable at said subsidiary and the performance guarantee to the customers of said subsidiary.

**[Notes regarding Revenue Recognition]**

Useful information in understanding revenue from contracts with customers is omitted, as the same information has been stated in “Notes regarding Revenue Recognition” in Notes to Consolidated Financial Statements.

**[Notes regarding Per-Share Information]**

1. Net assets per share ¥3,025.25
2. Basic earnings per share ¥224.68

(Note) The “Accounting Standard for Revenue Recognition,” etc. have been applied as presented in “Notes regarding Change in Accounting Policy” in Notes to Non-consolidated Financial Statements. As a result, for this fiscal year, net assets per share increased by ¥0.74 and basic earnings per share decreased by ¥0.40.

**[Note regarding Significant Subsequent Events]**

This note is omitted, as the same information has been stated in “Note regarding Significant Subsequent Events” in Notes to Consolidated Financial Statements.

**[Other Notes]**

(Note regarding Transactions of Delivering the Company’s Own Stock to Employees, etc., through Trusts)  
With regard to “Note regarding Transactions of Delivering the Company’s Own Stock to Employees, etc., through Trusts,” it is omitted since the same content is stated in “Other Notes” under Notes to Consolidated Financial Statements.

(Introduction of Board Benefit Trust (BBT) for Executive Directors)

With regard to “Note regarding Transactions of Delivering the Company’s Own Stock to Executive Directors through Trusts,” it is omitted since the same content is stated in “Other Notes” under Notes to Consolidated Financial Statements.

(Effects of the spread of COVID-19)

The future outlook of the world economy and market environment for the Company are on a recovery trend due to widespread vaccine rollouts and so on, though they remain highly uncertain because the effects of COVID-19 still continue due to widespread of new variant of COVID-19 and so on.

Under these circumstances, accounting estimates for the valuation of shares of subsidiaries and associates and so on in the fiscal year are performed based on the assumption that capital investment will recover mainly in North America, Japan, China, India and so on in the future.