To keep a beautiful earth
for the future through
Takasago Thermal Engineering technology –
that is our mission.
Results from the First Year of the Medium-term Business Plan “iNnovate on 2016”

Last year, looking forward to marking the 100th anniversary of our founding in 2023, the Takasago Thermal Engineering Group launched its Long-term Management Plan “GReeN PRIDE 100” along with the Medium-term Business Plan, “iNnovate on 2016,” as the first step towards achieving the Long-term Management Plan. Under the Medium-term Business Plan, we have set out main policies as follows: (1) enhancement of on-site construction capabilities, (2) reinforcement of on-site sales capabilities, (3) human resources development and reform of personnel system, (4) promotion of development of new business domains, (5) reinforcement of Group management in Japan, and (6) promotion of globalization. Having completed the first year of the plan, I would like to explain the results.

With regard to enhancement of on-site construction capabilities, we are promoting systematic on-site management through drawing up early-stage construction plans and work schedules. We have also established the Technical Academy aimed at developing technicians with high comprehensive capabilities, where systematic training is carried out according to the number of years an employee has been with the company, with a view to nurturing reliable field representatives.

As for reinforcement of on-site sales capabilities, in order to develop sales engineering that will identify latent needs of clients and address their concerns, we have selected and begun to nurture the human resources that will form the core of this effort in the future.

With regard to human resources development and reform of the personnel system, we are continuing to promote training specific to job grade, theme, and skills, while beginning discussions on a new personnel system.

In development of new business domains, in cooperation with Group company Takasago Marusei Engineering Service Co., Ltd., we have launched a service using no water discharge flushing method that reduces the burden on the ecosystem by eliminating wastewater discharge produced during HVAC pipe construction. Furthermore, we have entered into business and capital alliance with TSUKISHIMA KIKAI Co., Ltd. with the aim of expanding business related to the supply and effective use of energy both in Japan and abroad, as well as joint development of new technologies and new products.

As reinforcement of Group management in Japan, on October 1 last year, we reorganized our subsidiaries with the aim of building the value chain throughout the life cycle of a building, and established Takasago Marusei Engineering Service Co., Ltd., which undertakes the comprehensive equipment management business, including maintenance. Additionally, in April this year, we established the new Group companies Management Division at head office as a division that exclusively promotes Group management.

Regarding promotion of globalization, in order to accelerate further development of international business, the former International Business Division has been upgraded to the status of International Business Head Quarters, and we have reinforced the management system by clarifying the respective roles of the business management, technical engineering, and sales & marketing divisions. Moreover, as an expansion into new business areas, we established a local subsidiary in Mexico in February this year, which began full-fledged operations in May.

The business climate surrounding our Group is changing every day, and while domestic business are performing well due to the lively domestic construction market associated with the recovery of the Japanese economy and the decision to host the Olympics, as well as the trend in the manufacturing industry to return to Japan following on the weak yen, a lull has been seen in international business. While responding to these changes in the business climate, the entire Group will unite in an effort to achieve the Medium-term Business Plan.

Towards Improving Medium to Long Term Corporate Value and Realizing a Sustainable Society

There are calls for reinforcement of corporate governance as a mechanism for transparent, fair, timely and decisive decision-making, with the aim of linking this to growth strategies to restore the earnings power of Japanese corporations, as evidenced by Japanese version of the Stewardship Code and Japanese version of the Corporate Governance Code that was made a listing rule by the Tokyo Stock Exchange in June this year. Furthermore, the government has announced its decision on the proposed target of a 26% reduction in greenhouse gas emissions in fiscal 2030 compared to fiscal 2013 levels. As a listed company, and as an environmental solutions company, we bear an ever-increasing responsibility toward society, and we will respond appropriately to these environmental changes.

Driven by the Internal Control Committee established this fiscal year, we are carrying out reinforcement of the Group’s internal control management system through measures such as implementation of the PDCA cycle for corporate ethics and risk management systems, while also promoting “fair and highly transparent management” by enhancing our systems based on the aims of the Corporate Governance Code. As environmental solution professionals, we are also promoting activities that help “contribution to environmental conservation” and “further improvement of customer satisfaction” through our core business, and our major initiatives are introduced in the special feature articles in this report.

Furthermore, having adopted a spirit of social contribution and mutual respect among people in our company policy and management principles, we will make even greater efforts on “realization of employee satisfaction” based on the results of the newly-conducted employee satisfaction survey, while promoting “harmony with society” through initiatives such as local environmental activities and active disclosure of information.

Positioning CSR activities at the core of our management, the entire Group will promote the improvement of corporate value in the medium to long term, along with the realization of a sustainable society, as we meet the expectations of our shareholders, clients, and all our stakeholders. We hope that this report will help you to understand the Group’s activities, and we look forward to receiving your support and frank comments.

Top Message
Medium-term Business Plan iNnovate on 2016  First Year Results

iNnovate on 2016

Stakeholders' financial statements

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<thead>
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<th>Year</th>
<th>Consolidated orders received (billion yen)</th>
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<th>Consolidated ordinary income (billion yen)</th>
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First year actual results

Second year forecast (As of August 2015)

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<th>Year</th>
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<th>Consolidated net sales (billion yen)</th>
<th>Consolidated ordinary income (billion yen)</th>
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Final year target

Major policies and first year results

1. Enhancement of the on-site construction capabilities

First year results

- Through implementation of systematic on-site management through early-stage construction plans and work schedules
- Establishment of Technical Academy and start of training of technicians with high comprehensive capabilities

2. Reinforcement of on-site sales capabilities

First year results

- Start of selection and nurturing of employees that will form the core for the development of sales engineering to meet the latent needs of clients
- Implementation of systematic skill-enhancing training for salesperson

3. Human resources development and reform of personnel system

First year results

- Continuation of training specific to job grade, theme, and skills
- Implementation of discussions on a personnel system

4. Promotion of development of new business domains

First year results

- Launch of service using no water discharge flushing method to reduce the burden on the ecosystem by eliminating wastewater discharge produced during trial operation of piping
- Conclusion of a business and capital alliance with TSUKISHIMA KIKAI Co., Ltd. with the aim of expanding business related to the supply and effective use of energy both in Japan and abroad, as well as joint development of new technologies and new products

5. Reinforcement of Group management in Japan

First year results

- Reorganization of subsidiaries with the aim of building a value chain throughout the life cycle of a building. Establishment of Takasago Mansei Engineering Service Co., Ltd. to undertake the comprehensive equipment management business, including maintenance.
- Establishment of the new Group Management Promotion Division to exclusively promote Group management in Japan

6. Promotion of globalization

First year results

- Upgrading of the International Business Division to the status of International Business Group to strengthen the structure with a view to further accelerating development of international business
- Expansion into new business areas through establishment of Latin America Division and local subsidiary in Mexico

Establishment of Technical Academy

Takasago Thermal Engineering's assets are its people.

The Technical Academy was established in fiscal 2014 for the purpose of enhancing technological capabilities and nurturing reliable field representatives.

At the Technical Academy, group educational programs are conducted regularly for technical staff from their 1st to 5th years of employment, which are defined as the period of basic technology training. In particular, in the introductory educational programs for the first six months after joining the Company, employees not only take classes on the basics of design and construction management, but also learn by experience on actual worksites. From the 6th to 10th year, they enhance their skills further through deepening technology education (compulsory). In addition, optional courses are available for all employees, where each person can acquire deeper expertise by taking the appropriate classes when necessary.

The Technical Academy plans a practical curriculum adapted to the workforce in order to quickly train as many reliable field representatives (on-site managers) as possible.

By offering support for human resources development at Group companies as well, we aim to strengthen collaboration and enhance the technological capabilities of the entire Takasago Group.

Technical training at the Technical Academy

1st year to 3rd year (rookies)

4th year to 5th year

6th year to 10th year

11th year onwards

Aiming to be reliable field representatives

Deepening technology training (compulsory)

- Basic technologies (design, construction)
- Equipment construction plans
- Applicable project management
- Safety, work schedule, quality

Deepening technology training (optional)

- Sanitation practice
- CR Advanced
- Hospital facility
- Food facility
- Construction planning
- Technical calculation program

Assistance in obtaining qualifications

Voice of the Director of the Academy

Gorou Takeda

Engineering Division-2, Tokyo Main office

Deepening technology training (Step 1)

Basic technology training

Basic technology training (Step 2)

- Cooling equipment
- Design review
- Energy management
- Specialized Technologies

Preparation for first site

Training (compulsory)

- On-site management
- Renovation
- Construction planning

Voice of the Manager

I think the training for young employees is richer compared to before the Technical Academy was established, because it incorporates on-site practice and other content. Looking at Ms. Kimura, who has completed the new recruit training at the Technical Academy, I think she has shown faster growth than new employees in the past, in that she has been assigned to a worksite as possible, to become an employee who is considered necessary on site.

We learn a wide range of things during training, including an overview of HVAC systems and matters related to on-site project management. This curriculum allows us to supplement anything we didn't understand on the site through classroom studies, and gives us actual, on-site experience of things we couldn't visualize at our desks.

As an engineer, I will work hard to absorb many things as fast as possible, to become an employee who is considered necessary on site.

Voice of the participant

Yuko Kimura

Engineering Division-2, Tokyo Main office

Deepening technology training (Step 1)

Technical calculation program

Voice of the Director of the Academy

Gorou Takeda

Engineering Division-2, Tokyo Main office

Deepening technology training (optional)

Field representatives, who are on the front lines, at worksites, closest to our customers, are the face of the Company. Their reputation is that of the Company; their reputation is our reputation. In order to be a corporate group that is "constantly trusted and relied upon" as stated in the Long-term Management Plan “FUTURE PROIDE 100,” the Technical Academy has created a more practical curriculum to nurture reliable and trusted field representatives.

We learn a wide range of things during training, including an overview of HVAC systems and matters related to on-site project management. This curriculum allows us to supplement anything we didn't understand on the site through classroom studies, and gives us actual, on-site experience of things we couldn't visualize at our desks.

As an engineer, I will work hard to absorb many things as fast as possible, to become an employee who is considered necessary on site.

Gorou Takeda

Engineering Division-2, Tokyo Main office
Corporate Profile

About Takasago Thermal Engineering

Corporate Data

Company name: Takasago Thermal Engineering Co., Ltd.
Head office: 6-27-30, Shinjuku, Shinjuku-ku, Tokyo 160-0022
Representative: Atsushi Ouchi, President
Established: November 16, 1923
Capital: ¥13,114 million
Net sales: ¥24,582 million (Consolidated, Fiscal year ended March 31, 2015)
Number of employees: 4,471
Listed: First Section of the Tokyo Stock Exchange

Description of Business

Design, construction, manufacturing, installation, and maintenance management of HVAC systems, classroom and related systems, DHC systems, co-generation systems, electrical and instrumentation systems, plumbing and sanitation systems, discharged heat recovery systems, high precision HVAC systems, consulting services related to energy saving and environmental measures, businesses related to greenhouse gases emissions rights trading, energy supply business, power generation business, water treatment business, other types of environmental control systems and thermal engineering systems.

Review of Technology

1. As constructors (professionals)

Since the foundation of the Company in 1923, our business purpose has been heating construction work. Starting with the "entertainment hall auditorium cooling (Mitsubishi)" and "entire building heat pump heating and cooling (Kyo-O Dental)" we have constructed various HVAC systems for many famous buildings. From 1960 onwards, when cooling began to be the ordinary, we have the largest number of construction results in the business, including comfortable HVAC for department stores and skyscrapers such as the World Trade Center, high quality HVAC for buildings such as the New National Theatre, Tokyo, and the National Art Center, Tokyo, and HVACs for large spaces such as Tokyo Dome and Kyoto Station. We have also worked on the world's largest DHC system at Oshika Expo site and Shinjuku Fukakusa (subcenter area).

In addition, we also have many proven results in process HVAC construction, starting with temperature and humidity conditioning equipment at a rayon plant before World War II (Tajimi). Since 1970, we have worked on large scale clean rooms for electronic components manufacturing such as LCD and for pharmaceuticals manufacturing, and recently we are also working on facilities such as dry rooms, which are necessary for the electronic machinery manufacturing processes.

In any era, we will respond to the requirements of the customers and will continue to work as skilled constructors for new or renewal installations.

2. As developers (pioneers)

When the Company was first established, it was necessary for us to rely on imports for HVAC machinery. In Article 3 of the company's Articles of Incorporation, it was stated that we performed the "import and sales of foreign made equipment for heating and cooling." However, in order to construct equipment that the customers could really be satisfied with, we needed to produce the machines and equipment ourselves.

Starting with the Takasago and Libra type centrifugal refrigerating machine produced in 1950, the first to be made in Japan, we went on to develop many products including air washers, sirocco fans and cooling towers.

We have continued to develop many systems and devices, including the water heat source HP MAC® in response to demands for individual control of HVAC in 1971, the sea thermal storage system SIE® to support leveling of electric power usage, and the clean room system TCR® and energy saving dehumidifier WINDS® for dry rooms, in response to demands from the industrial market.

The spirit of the founder that "If there is not something good enough then we must make it ourselves" has been passed on to today.

3. As environmental solution professionals

Through HVAC equipment required for comfortable office environments, industrial HVAC systems making full use of high technology that are essential to the manufacturing industry, and energy saving, CO2 reducing technology for the preservation of the global environment and as a service provider, we have constantly been an industry leader in creating the spaces required by our clients and changing lives.

In 2012, the "TOC-5 FLOW®" energy saving HVAC system for data centers received the Special Judges’ Prize at the "Green IT Award," and "SWIT®" received the Director General Prize of Agency of Natural Resources and Energy at the "Energy Conservation Grand Prize for excellent energy conservation equipment.”

Our technology ranging from creation to operation of equipment has been highly evaluated across the boundaries of the construction and equipment industries.

Through further development of the technologies we have accumulated thus far, we will continue to consolidate the capabilities of the entire Takasago Thermal Engineering Group, and as a global company, we will seek to be environmental solution professionals providing solutions and consulting from the client’s point of view.

List of Awards from the Society of Heating, Air Conditioning and Sanitary Engineers of Japan

From 1963 to 2012, we have received a total of 116 awards from the Society, including 55 Technology Prizes, two 10-Year Prizes, 10 Academic Paper Prizes, 48 Technology Promotion Prizes, and 10 Merit Prizes.

Patents

We have the top number of acquired patents which is an indication of the technological capabilities of our company as of April 29, 2015, 1,724 patents (utility models/designs/trademarks), including 483 patents in Japan and 240 overseas.
Overseas Affiliates

**Takastraco Vietnam Co., Ltd.**
- Date established: March 19, 2007
- Shareholder composition: Engineering 100%
- Number of employees: 78
- Description of business: Design and construction of clean rooms and ventilation systems, etc., and associated services

**Takastraco Thermal Engineering (H.K.) Co., Ltd.**
- Date established: January 11, 1980
- Shareholder composition: Takasago Thermal Engineering 67%
- Number of employees: 30
- Description of business: Design and construction of HVAC, ventilation, electrical and sanitation systems and clean rooms and buildings, etc.

**Takastraco Constructors And Engineers (Beijing) Co., Ltd.**
- Date established: November 3, 2014
- Shareholder composition: Engineering 100%
- Number of employees: 49
- Description of business: Design and construction of HVAC, ventilation, electrical and sanitation systems and clean rooms and buildings, etc.

**Takastraco Thermal Engineering Co., Ltd.**
- Date established: November 11, 1980
- Shareholder composition: Takasago Thermal Engineering 30%
- Number of employees: 17
- Description of business: Design and construction of HVAC, ventilation, electrical and sanitation systems and clean rooms and buildings, etc.

**Takastraco Singapore Pte. Ltd.**
- Date established: March 3, 1994
- Shareholder composition: Takasago Thermal Engineering 78%
- Number of employees: 136
- Description of business: Design and construction of HVAC, ventilation, electrical and sanitation systems and clean rooms and buildings, etc.

**Thai Takasago Co., Ltd.**
- Date established: March 11, 1990
- Shareholder composition: Engineering 100%
- Number of employees: 77
- Description of business: Design and construction of HVAC, ventilation, electrical and sanitation systems and clean rooms and buildings, etc.

**PT. Takasago Thermal Engineering Indonesia**
- Date established: November 19, 2013
- Shareholder composition: Engineering 100%
- Number of employees: 43
- Description of business: Design and construction of clean rooms and HVAC systems, etc., and associated services

**Takasago Engineering India Pvt. Ltd.**
- Date established: February 4, 2014
- Shareholder composition: Engineering 100%
- Number of employees: 5
- Description of business: Design and construction of clean rooms and HVAC systems, etc., and associated services

**TAKASAGO ENGINEERING MEXICO, S.A. DE C.V.**
- Date established: November 1, 2011
- Shareholder composition: Engineering 100%
- Number of employees: 7
- Description of business: Design and construction of HVAC, ventilation, electrical and sanitation systems and clean rooms and buildings, etc.
Group Companies in Japan

The Takasago Thermal Engineering Group provides one-stop service for comprehensive energy solutions centered on HVAC systems, spanning the life cycle of various equipment and systems from planning to design, construction, after-sales service, and renewal.

NIPPON PMAC CO., LTD.

Nihon Kaihatsu Kosan Co., Ltd.

Nakagawa Center Bldg., 2-7-4, Nakagawa, Shibuya-ku, Tokyo 151-0073  Tel: 03-5308-6511

Takasago Marusei Engineering Service Co., Ltd.

Nippon Flöda Co., Ltd.

Nihon Setsubi Kogyo Co., Ltd.

Description of business
1. Real estate business
2. Life and non-life insurance agency
3. Rental business
4. Energy service business
5. Merchandise sales business
6. Planting business

Description of business
1. Design, manufacturing, import/export, sales and maintenance of HVAC equipment
2. Design and construction of refrigeration systems and sanitation systems
3. Design and construction of HVAC and plumbing environmental equipment
4. Design and manufacturing, import/export, sales, and maintenance of HVAC equipment
5. Design and construction of various pipes for air conditioning systems and building facility systems
6. Design and construction of various systems for food production equipment and gas appliance for stores

Description of business
1. Design, manufacturing, sales, import/export and installation of HVAC and ventilation devices, dust collectors, pneumatic refuse conveying system, total heat exchanger and devices related to clean rooms
2. Other associated services
3. Design, manufacturing, sales, import/export and installation of HVAC and ventilation devices, dust collectors, pneumatic refuse conveying system, total heat exchanger and devices related to clean rooms
4. Other associated services

Nikken devices, firefighting devices, security devices related to clean rooms

Description of business
1. Design and construction of HVAC and plumbing and sanitation systems
2. Design and construction of refrigeration systems
3. Design and construction of HVAC and plumbing and sanitation systems
4. Design and construction of HVAC and plumbing and sanitation systems

SPECIAL FEATURE

Special Feature 1: JR East Tokyo Station
Special Feature 2: No Water Discharge Flushing Method
Special Feature 3: Meiji’s Ice Cream Plant in China (Guangzhou)
BEMS™ “GDoc®” Introduced at JR East Tokyo Station
Optimizing Facility Operation for HVAC Area of Over 250,000 m²

*BEMS: Building Energy Management System

JR Tokyo Station is one of Japan’s main terminal stations that handles more than 500,000 passengers per day. East Japan Railway Company (JR East) has introduced Takasago Thermal Engineering’s BEMS “GDoc®,” (Green energy management Doctor) in order to improve the efficiency of and to optimize energy use in a station building HVAC area with a total floor area of approximately 265,000 m² and the maintenance of HVAC and ventilation equipment. The aim is to achieve both comfortable HVAC and ventilation within the station and to save energy through the visualization of energy consumption and the operation status of facilities.

Supporting Optimal Energy Management of HVAC and Ventilation Equipment

At JR East Tokyo Station, concourses and platforms have been added above the ground and underground as required accompanying the building of new lines, and as a result HVAC and ventilation equipment management is roughly divided into three systems. Because the above factors have a significant effect on energy consumption such as heat source use efficiency. “GDoc®” displays not only graphs for understanding the actual state, but also an operational assessment and advice. Artificial intelligence (a rule engine) that provides optimal operation conditions in consideration of the outer air and secondary side indoor trends was introduced in 2015 to provide a comfortable HVAC and ventilation environment and facility operations information that would save more energy.

Appropriate Advice on Facilities Operations From the Unique Artificial Intelligence of “GDoc®”

For factors that have a significant effect on energy consumption such as heat source use efficiency, “GDoc®” displays not only graphs for understanding the actual state, but also an operational assessment and advice. Artificial intelligence (a rule engine) that provides optimal operation conditions in consideration of the outer air and secondary side indoor trends was introduced in 2015 to provide a comfortable HVAC and ventilation environment and facility operations information that would save more energy.

Supporting Facility Operations Management in Order to Achieve a Station Environment That Saves More Energy and is More Comfortable

Due to the nature of railway stations, comfortable HVAC and ventilation must be constantly provided 24/7 for the comfort of users, the safety of trains, and stable transport. Takasago Thermal Engineering will support facility operations management of HVAC and ventilation equipment to contribute to facility operations management so that JR East Tokyo Station will be a safe, comfortable, and energy-saving facility.

Voice of the Client

Mr. Kiyoshi Akijama
Chief of Quality Technology Section, Tokyo Machinery Technology Center, Tokyo Branch Office
East Japan Railway Company

At JR East Japan Group, we are working to reduce total energy consumption and carbon dioxide emissions as we strive to maintain a balance between business activities and protection of the global environment. At large stations like Tokyo Station, HVAC equipment consumes an extremely high volume of energy, so the efficient operation of such equipment is essential for reducing energy consumption. With the introduction of the BEMS “GDoc®” by Takasago Thermal Engineering Co., Ltd., it is now possible to optimize HVAC equipment operating conditions and reliably conduct appropriate maintenance, which in turn will make it possible to promote further energy conservation while maintaining a comfortable station, the safety of trains, and stable transport. We will utilize “GDoc®” together with JR East Facility Management Co., Ltd. to promote energy conservation at Tokyo Station which represents our company.
Takasago Thermal Engineering Develops the No Water Discharge Flushing Method. Making Group Wide Efforts to Spread Technologies that Reduce the Environmental Load.

Takasago Thermal Engineering has developed the "no water discharge flushing method" which does not discharge cleaning water in the pre-trial run cleaning process for HVAC pipe equipment. While traditionally, flushing has consisted of cleaning pipes by repeatedly filling and discharging water, because this method cleans the inside of pipes while circulating water, cleaning water that has a large environmental impact is not discharged at all. We promote the adoption of this "no water discharge flushing method" in not only our own projects but also in projects with other companies as a Group initiative aimed at spreading systems with a small environmental load.

"No Water Discharge Flushing Method" that Does Not Discharge Cleaning Water which has a Large Environmental Impact

The flushing of pipes in building equipment construction is a process conducted before trial run adjustments in order to remove objects such as foreign objects introduced at the storage and construction of pipes or slug and zinc oxide occurring from welding work. Traditionally, such as foreign objects introduced at the storage and construction of pipes or slug and zinc oxide occurring from welding work, flushing has consisted of pouring in water and conducting pump circulating several times, and then discharging the water in a manner in compliance with environmental regulations after processing as necessary, such as diluting circulation water containing zinc oxide, etc., with large volumes of water.

Using the "no water discharge flushing method," dirty water that is generated through cleaning work is purified with a water treatment unit and separated to condensed sediment and supernatant water. By returning the supernatant water to the circulation system and disposing only the condensed sediment, discharge of cleaning water with large environmental load is now not required. As a result, not only is the water required for pouring no longer necessary, the cleaning water can also be used as is as cold or warm water for HVAC.

New Method Also Enables a Significant Decrease in Work Times and the Visualization of Flushing Work

In building equipment construction, reducing work time in construction work has become a major issue in recent years together with reducing the environmental load. For traditional flushing, considerable number of days was required for water pouring and pump circulation, however with the "no water discharge flushing method," it is possible to reduce the work days by one-third to one-fifth as pipe cleaning can be conducted with just one water pouring.

In addition, because visual inspections and experience were used to determine completion for traditional flushing, variance was seen in water quality depending on work site. The "no water discharge flushing method," visualizes flushing progress through continuous measurement of turbidity in the pipes and therefore quantitative assessments can be conducted.

Promotion of the Spread of the "No Water Discharge Flushing Method" by the Group

Takasago Thermal Engineering has adopted the "no water discharge flushing method" in over 20 in-house projects up until now, and we have confirmed that we are able to gain the expected effectiveness in aspects including environmental load reductions, work time reductions, and the visualization of flushing work. Currently, the method is being tested by the Group company Takasago Marusei Engineering Service Co., Ltd., and going forward we will focus on expanding this technology that is both environmentally friendly and contributes to lead time reductions by actively promoting orders and work for projects with other companies.

Voice of the Client

Konica Minolta promotes environmentally friendly management with the three green activities of "Green Products," "Green Factories," and "Green Marketing" as important themes at each stage of operation processes. Among these themes, at Green Factories a unique certification system has been established in an aim to promote environmental load reductions in production activities.

We positively regard Takasago Thermal Engineering's no discharge flushing method that we have adopted, as a breakthrough method that eliminates pipe flushing discharge that has a high environmental load, making a particularly important contribution to the environmental theme of biodiversity. We hope that Takasago Thermal Engineering will develop and actively propose construction technologies that contribute to Konica Minolta's environmental management in the future as well.

Voice of the Client

In activities aimed at reducing the environmental load of construction activities, we have made various efforts including the separation of waste and zero emission activities aimed at eliminating the actual generation of wastes. However, in the HVAC pipe flushing process that has been used up until now, while the cleaning water generated was treated as waste water after dilution to a set standard, we were not able to eliminate the actual waste water. However, with Takasago Thermal Engineering's no water discharge flushing method that we have adopted for the first time at our company, there is no cleaning water discharge after flushing and there is only a very small volume of sediment to dispose of, and accordingly we highly regard this method as a construction technology that is friendly to the environment.

In addition, it goes without saying that observing delivery times for clients is extremely important in construction work. In this sense, we believe that this method is truly a breakthrough technology as it can enable work time reductions in the latter half of construction work that tends to be tight.
Giving Full Support for the Launch of a Meiji Ice Cream Plant in Guangdong, China

Production was commenced at Meiji Group’s (Meiji Co., Ltd.) largest ice cream plant in January 2015 in Guangzhou City, Guangdong in order to offer new forms of “Tastiness and Enjoyment” of ice cream to people in China and to contribute to a happy diet and health. Takasago Thermal Engineering received a lump contract covering processes ranging from application work for the Chinese government to design and construction of buildings, HVAC, sanitation, electrical, and utility facilities. We provided full support in order to achieve the launch of the plant within a short period of time.

Using Takasago Thermal Engineering’s Know-how to Contribute to the Local Production of Japanese Quality Ice Cream

The Guangzhou Ice Cream Plant was constructed as the largest ice cream plant in the Meiji Group based on the production know-how accumulated at the Meiji Group’s ice cream production bases, namely the Gunma Plant and Kansai Ice Cream Plant. Because there were environmental issues at the existing plants including issues in which there were heat source load disparities by each production item and operational issues related to equipment such as needs of skilled operators, it was necessary to make improvements that would make operations in China easier. In production equipment and others, Takasago Thermal Engineering provided clean room facilities for the entire ice cream manufacturing process, freezer equipment as the product stock area, and production cold heat source and cold heat medium conveying systems for the entire ice cream production line from materials mixing, sterilization, aging, filling, packaging, and storing. In order to achieve a lower environmental burden and efficient local production, improvements such as automatic control of the ice cream production load with heat source equipment combining small modules and the simplification of system startups and operations were conducted. In addition, efforts were made to reduce CO₂ emissions by adopting natural gas boiler equipment using local natural gas supply lines.

Facility Planning Based on Local Power Supply Conditions

Depending on local power supply conditions, not only overall power reductions are required, but also peak demand reductions. For this reason, Takasago Thermal Engineering adopted highly efficient energy-saving equipment for heat source equipment and conveying equipment, an ice thermal storage system using night power for production coolant equipment, and some LED lighting for the lighting within the plant.

Support on Compliance With Domestic Laws and Regulations of China and Government Application Work

When constructing plants in China, it is necessary to gain approval for many government applications before and after construction, and this process usually takes an extremely long period of time. With its wealth of construction experience in China, Takasago Thermal Engineering has accumulated of abundant know-how in this area as well. We conducted application work and provided support for coordination with the government in cooperation with the client and have contributed to compliance with domestic laws and regulations in China and prompt approval of applications.

Achieved Quick Plant Construction with Hand-over by Area

One of the major challenges with this project was the tight schedule from the start of construction until the launch of production. In response to this challenge, the construction plan was carefully planned together with the customer before starting construction, and the demands for a short construction period were met by demarcating areas where equipment would be delivered and conducting hand-over by each area.

Voice of the Client

Mr. Osamu Kobayashi
Plant Manager, Meiji Ice Cream (Guangzhou) Co., Ltd.

We needed a prompt supply of ice cream produced at a new plant without allowing ice cream products that had been sold in the Chinese market over a period of 20 years to go out of stock, so we requested construction with a tight delivery period that would not allow for any delays. On the other hand, there was a delay in construction start due to a delay in the land acquisition application, and for a time it seemed that we would have no choice but to review the timing for the start of production. Nonetheless, in the end we were able to receive the new plant according to the initial schedule. Takasago Thermal Engineering and we have worked closely together on a daily basis and continuously realized all the measures we could think of to reduce the construction and application period. I believe that this was made possible because we had established a relationship that enabled us to trust each other.

Currently, we have launched production as planned and are able to stably provide high quality ice cream to Chinese customers. I earnestly believe that this is thanks to the manner in which Takasago Thermal Engineering conducts construction closely with its clients. I am extremely thankful for the results.
Takasago Thermal Engineering has set "Contribution to society through personal harmony and creativity" as its company policy. The company policy expresses what Takasago Thermal Engineering must contribute to its stakeholders through its corporate activities, as well as our commitment that all executives and employees must act so as to complement and cooperate with each other, each and every one making the most of our inventive creativity and sharing a common understanding of the Company’s aims, in order to make that contribution. It is the basis of our fundamental approach to CSR, which positions CSR management at the core of management as an integral part of our business, since we work to increase our corporate value while bearing social responsibility and seeking to realize a sustainable society. In fiscal 2014, we pursued CSR activities based on the five key themes of “fair and highly transparent management,” “further improving customer satisfaction,” “contributing to environmental conservation,” “realizing employee satisfaction,” and “harmony with society,” while thoroughly implementing CSR management through the PDCA cycle, in which activities are regularly reviewed and issues clarified at meetings chaired by the president and then applied to future activities.

With the harmony and creativity of each and every person, we will contribute to the sustainable development of society by providing construction equipment and technologies that save energy and reduce CO₂ emissions aimed at realizing the highest quality air environment and a low carbon society. At the same time, through our efforts under these five key themes, we will improve communication with all stakeholders and fulfill our responsibility as a member of society.
**Major Activities Implemented and Future Targets and Challenges**

**Key Themes**
- Basic Policy (Basic Philosophy)
- Correspondence with ISO26000

**Overall CSR Activities**
- Basic Philosophy on CSR Management
  - "Basic Policy for CSR Activities"
- Basic Philosophy on Corporate Governance
  - "Basic Policy for the Internal Control System"
  - "Basic Policy for Financial Reporting"
- Basic Philosophy on Compliance
  - "Group Action Guidelines"
  - "Group Code of Business Conduct"
  - "Basic Policy for Procurement"
- Basic Philosophy on Risk Management
  - "Basic Policy for Information Security"
  - "Basic Policy for Protection of Personal Information"
  - "Basic Policy on Intellectual Property"

**Fair and Highly Transparent Management**
- Basic Philosophy on Customer Satisfaction
  - "Basic Policy for Environmental Solution Activities (Policy for Green & Eco Activities)"
- Basic Philosophy on Quality
  - "Basic Policy for Quality"
- Health and Safety Philosophy
  - "Basic Policy for Health and Safety Activities"
- Basic Philosophy on Research and Development
  - "Basic Policy for Research and Development"

**Fair Business Practice**
- Basic Philosophy on Consumer Satisfaction
  - "Basic Policy for Environmental Solution Activities (Policy for Green & Eco Activities)"
- Basic Philosophy on Environmental Conservation
  - "Basic Policy for Environmental Conservation"

**Organizational Governance**
- "Basic Policy for Corporate Social Contribution"
  - "Basic Policy for Social Contribution"
  - "Basic Policy for Information Disclosure"

**Further Improvement of Customer Satisfaction**
- "Basic Policy on Customer Satisfaction"
- "Policy for Green & Eco Activities"

**Consumer Issues**
- "Basic Policy on Quality"
  - "Basic Policy for Quality"
  - "Basic Policy for Consumer Satisfaction"
  - "Basic Policy for Research and Development"

**Harmony with Society**
- "Basic Policy on Social Contribution"
  - "Basic Policy for Social Contribution"
  - "Basic Policy for Social Contribution"

**Self-assessment**
- Producing adequate results through precise and accurate activities
- Producing a certain level of satisfactory results through activities
- Facing inadequate results due to insufficient amount of activities

**Targets and Challenges towards Fiscal 2015**
- Place full weight on the activities to solve management challenges, and also accelerate realizations of Group challenges (the policy for CSR activities in Fiscal 2015)
- Promote overall activity themes through the cross-departmental meeting and quarterly follow-ups to facilitate cross-divisional activities.
- Achieve a level of achievements 80% or more for all activity items.
- Reinforce the CICP (the central control system through new establishment and operation of the Internal Control Committee)
- Correspond to the Corporate Governance Code through the Corporate Governance Committee
- Reform the consolidated reporting system to reflect the ultimate common financial information
- Revise the Basic Policy for Internal Control in light of the revised Companies Act
- Improve effectiveness in including expansion system establishment across the Group (fiscal 2015: Corporate Ethics Committee / ISO26000)
- To supply measures to prevent occurrence of violation of appeals (and Act)
- To improve the establishment system of a uniform communication process
- To improve awareness and perspectives of compliance in field business
- Continuously improve and expand preventions by means of Group policy activities
- Develop and establish a system to promote in-house activities
- Conduct measures to prevent information leaks and loss at site offices
- Thorough management of intellectual property

**Further Challenges**
- Reinforce the consolidated accounting system to ensure the credibility of corporate financial information
- Confirmation of appropriate planning of orders and provision of guidance to improve
- "Improvement of the consolidated accounting system to ensure the credibility of corporate financial information" (Fiscal 2015)

**Target Activities for Further Improvement**
- Improvement in readiness to earthquake disasters by establishing the BCP and implementing the BCP training program
- Improvement of safety training and increased awareness of safety risk control methods (Fiscal 2015: 50% of employees)
- Development and deployment of construction skills and new construction methods
- Promotion of participation in and local activities
- Contribute to the creation of a sustainable society

**Resolution of Employee Satisfaction**
- Improvement of work-life balance
- Continuously improve and expand preventions by means of Group policy activities
- "Improvement of the consolidated accounting system to ensure the credibility of corporate financial information" (Fiscal 2015)

**Contribution to Environment Conservation**
- Promotion of recycling of the scale through recycling management
- Promotion of recycling of the scale through recycling management
- Continuously improve and expand preventions by means of Group policy activities
- Stakeholder management
- Facilitate the understanding of institutional investors and private investors about the Group

**Environmental Issues**
- "Basic Policy on Environmental Conservation"
- "Basic Policy on Environmental Conservation"
- "Basic Policy on Environmental Conservation"

**Human Rights**
- "Basic Policy on Human Rights Development"
- "Basic Policy on Human Rights Development"
- "Basic Policy on Human Rights Development"

**Working Practice**
- "Basic Policy on Human Rights Development"
- "Basic Policy on Human Rights Development"
- "Basic Policy on Human Rights Development"

**Participation in and Development of Community**
- "Basic Policy on Social Contribution"
- "Basic Policy on Social Contribution"
- "Basic Policy on Social Contribution"

**Environment**
- "Basic Policy on Environmental Conservation"
- "Basic Policy on Environmental Conservation"
- "Basic Policy on Environmental Conservation"

**Human Rights**
- "Basic Policy on Human Rights Development"
- "Basic Policy on Human Rights Development"
- "Basic Policy on Human Rights Development"

**Takasago Thermal Engineering Co., Ltd. CORPORATE SOCIAL RESPONSIBILITY REPORT 2016**

**Takasago Thermal Engineering Co., Ltd. CORPORATE SOCIAL RESPONSIBILITY REPORT 2016**
Further Enhancement of CSR Management

Basic Policy for CSR Activities

1. For top management to recognize CSR management as their own role, and to set an example for others.
2. To promote fair and highly transparent management by thoroughly informing every employee of corporate ethics and implementing an internal control structure, etc.
3. To actively promote environmental conservation activities as a corporation that professes itself to be an environmental solutions company.
4. To ensure customer satisfaction by providing high-quality products and services that are of use to society while thoroughly implementing safety management.
5. To increase employee motivation and promote skills development in order to improve employee satisfaction.
6. To seek harmony with society by actively engaging in communication with society.
7. To implement a system to promote the above.

Continuous Promotion of CSR Activities

The Company established its “CSR Activities Regulations” in 2005, and, since 2012, has promoted initiatives toward CSR management, including company-wide expansion of activities in line with the five key themes under the “CSR Activities Plan.” The Company revised its CSR Activities Regulations in April 2015, clarifying its intention to promote CSR activities throughout the entire Group.

The Group will fulfill its social responsibility by deepening its CSR management in an ongoing, planned, and all-encompassing manner through repetition of the PDCA cycle to resolve the problems it faces. The policy for CSR activities in fiscal 2015 will be to “place full weight on the activities to solve management challenges, and to accelerate solutions for Group challenges.” All executives and employees of the Group will continue to share the “philosophy” for these various activities as we steadily practice CSR management through the activities of each and every individual.

Enhancing Corporate Governance

Basic Philosophy on Corporate Governance

The Company’s basic philosophy on corporate governance is to “ensure legitimacy, transparency and promptness of management, while increasing management efficiency and earning the trust of society in order to raise corporate value on a medium to long term basis.”

Corporate Governance System

Active function of the Board of Directors, along with enhancement of discussion of important matters and accelerated decision-making process on allocation of management resources by the Management Committee

Directors familiar with the Company’s business and outside directors that serve the role of management supervisors from an independent standpoint are deployed to make active function of the Board of Directors. From fiscal 2014, we have appointed two outside directors for further enhancing the corporate governance system, whereby the Board of Directors, as of July 2015, comprises 12 members including the two outside directors.

The Board of Directors’ meeting is held once a month in principle, and also may be held when needed, to make decisions on important business executions and to supervise directors’ execution of duties in order to enhance management efficiency while ensuring legitimacy and adequacy in business execution. In April 2015, the Company reviewed the then Management Committee Regulations to enhance review of critical management issues and accelerate decision-making process on allocation of management resources, which are conducted by the Management Committee as a subsidiary body of the Board of Directors. In the meantime, the executive officer system is in place, in which executive officers strive to execute their duties flexibly in accordance with the management principles laid out by the Board of Directors, and report appropriate status of such execution primarily through “Executive Officers’ meetings.” The structure to promote Group management has been strengthened since the appointment of Group company presidents as executive officers in April 2013.

Furthermore, we have established the Nomination Compensation Committee that comprises the president, vice presidents and outside directors and that conducts discussion on appointment, dismissal and compensation of directors, corporate auditors and executive officers of the Company as well as its subsidiaries.

Audit System

TheCompany adopts the auditor system to ensure legal compliance and adequacy in directors’ business execution. With the addition of one outside corporate auditor in 2014, audits are being conducted by five corporate auditors including three outside corporate auditors as of July 2015. Outside corporate auditors ensure objectivity and neutrality of management audit by stating their opinions from objective and professional points of view.

Furthermore, corporate auditors coordinate with the Internal Audit Office and accounting auditors while exchanging information with directors and corporate auditors of subsidiaries, etc., in an effort to enhance the audit effectiveness.

Internal Control

Basic Policy for the Internal Control System

The Company strives to ensure an adequate and efficient internal control system through the formulation of the “Basic Policy for Developing a System to Ensure Adequacy of Operation,” as well as implementation of specific measures including thorough compliance, risk management, and clarification of the decision-making process.

In April 2015, the Company established the Internal Control Committee comprising the president, vice presidents, Group General Managers at head office, officers in charge of domestic and overseas affiliates to promote the Group-wide internal control system within the Company and the Group companies. Moreover in May 2015, the Basic Policy for the Internal Control System was revised in an effort to develop and reinforce the internal control system of the Group companies.

Establishing Credibility in Financial Reporting

Regarding internal control in respect of financial reporting based on the Financial Instruments and Exchange Act, the Company, as in the previous fiscal year, verifies its effectiveness through assessments by the Internal Audit Office along with audits by the auditing firm. For the purpose of adequate financial reporting and tax return, systematic accounting and tax training is provided to managers and responsible staff in the accounting division. On the other hand, consolidated accounting seminars are organized on a regular basis for the accounting staff in Group companies as an effort to strengthen the Group management control. With a view to enhancing the level of administrative control, the Company hires the service of qualified professionals including CPAs for the preparation of financial reports to ensure credibility of our financial reporting.

Corporate governance system

General Meeting of Shareholders

Electors and their election

Board of Directors

President and President

Chairman of the Board of Directors

Vice Presidents

Internal Control Committee

Board of Auditors

Election and dismissal of directors

Various Committees

Corporate Governance
Enhancing Penetration and Fixation of Compliance

Recognizing that establishing compliance is the foundation of CSR management, we continuously tackle raising awareness and its thoroughgoing implementation in daily operations.

In 2003, “Code of Business Conduct” was established as ethical and behavioral standards for the executives and employees, which in 2011 was developed into “Group Action Guidelines” as a basic guide for the actions for the executives and employees. The Guidelines was further edited into a small booklet entitled “Group Code of Business Conduct” incorporating specific issues and whistleblowing helpline information that can be utilized for daily business and in-house training, etc.

In fiscal 2012, we expanded the scope of employees obligated to submit the “covenant for compliance” from management to all executives and employees, in order to enhance awareness.

In fiscal 2013, we set up the Compliance Office within Legal Services Division, as a section specialized in compliance, and rolled out the “company-wide compliance training” targeting all employees. As part of this program, Compliance Office staff toured Company premises across the country to directly inform managers of the changes in social conditions and the importance of compliance, while these managers in turn served as trainers to their staff and provided training from the perspective of their own lines of work. The training is provided in combination with e-learning-based quiz and others, to help them establish their knowledge.

Meanwhile in fiscal 2013, regretfully, the Company’s violation of Japan’s Antimonopoly Act with respect to its past conduct of business surfaced. Taking the matter seriously, we announced the Declaration to End Collaboration in September 2014, and has been engaged in the company-wide effort for the prevention of recurrence.

Based on this experience, we, in fiscal 2015, will make renewed commitment to rigorous compliance, while reinforcing the compliance system across the Takasago Group.

Continuous Compliance Promotion Activities

We are rolling out company-wide activities focusing on the so-called PDCA (plan, do, check, act), with a view to practicing and establishing compliance.

In particular, we are constantly promoting the main themes of compliance by incorporating them in the compliance program under the Company-wide Corporate Ethics Committee, in an effort to share awareness of the issues, while verifying status of the measures taken by respective head office division responsible for such themes as well as exploring coordination and collaboration with other divisions.

Meanwhile, as part of the whistleblowing system, apart from an internal section dedicated to this purpose, we have established the “broad-based whistleblowing hotline” involving legal advisors and other external professionals, along with the “Whistleblowers Protection Regulations.” We are encouraging the use of this system, through informing every employee of the system and sincere response to each case of whistleblowing, for early detection and prevention of problems.

In fiscal 2015, we will step up our effort to grasp the current status of, and take up the challenges and demand from head office, main branch, branch offices and affiliates both domestic and overseas, with the aim of further enhancing compliance effectiveness. Moreover, our internal control system is reinforced through the establishment of the Internal Control Committee.

Promoting Proper Procurement Trading

We do not only assess the economic rationality of our procurement activities but also comprehensively evaluate the soundness of management at our trading partners (including purchasing and outsourcing partners) for the rational selection, and promote fair, transparent and free competition as well as proper trading in order to perform activities in which social responsibility is fulfilled by each side.

In fiscal 2011, we formulated “Basic Policy for Procurement” for systematic and well-planned procurement activities. Since fiscal 2012, we have set up a “Subcontractor Selection Team” in each branch and promoted the transparency of the subcontractors selection process. All suppliers are briefed about the aim of “Basic Policy for Procurement,” and asked to cooperate with the company in this respect. We have informed them of the policy semiannually since then, on occasions including general meeting of partner companies and Year-end Convention for the Prevention of Work Accidents. Since fiscal 2014, we have conducted questionnaire surveys on the progress status and other initiatives to ensure thorough adoption of the “Basic Policy for Procurement.”

Partner companies that are our main suppliers, are subject to comprehensive assessment on an annual basis, and since fiscal 2013, the Company has launched commendation by the Branch General Manager (Excellent Partner Award) at each branch, as well as commendation by the President (Best Partner Award) at head office, with an eye to building up excellent partnership.

Basic Policy for Procurement

The Company’s basic policy on purchasing and outsourcing transactions has been set as follows:

1. To strive to build good partnerships with our trading partners based on mutual understanding and trust.
2. To provide fair trading opportunities to our trading partners.
3. To select transactions rationally, based on comprehensive assessment in the aspects of legal compliance, product quality, price, delivery date, technological capabilities, environmental conservation, safety and hygiene, soundness of management, etc.

Group Action Guidelines

1. Respect for persons
2. Gaining customer satisfaction and trust
3. Development of relationships with partner companies
4. Timely and appropriate information disclosure
5. Responsibility to the environment
6. Harmony with society
7. Commitment to business activities in each country and region
8. Compliance with laws and regulations
9. Free competition and fair trade
10. Building highly transparent relationships with political community and government
11. Cutting off any relationship with anti-social forces/organizations
12. Respect for intellectual property rights
13. Information management
14. Adequate control over export and import
15. Protection of company property

Basic whistleblowing flow chart

E-learning implemented as part of the measures to prevent recurrence of the violation of Japan’s Antimonopoly Act (Training aid coupled with quiz)
Enhancing Risk Management

Risk Management System
The Company promotes risk management in order to prevent all risks from materializing and, if risks do materialize, namely, when crises do occur, to minimize losses from such risks.

To prevent various risks from materializing, the Company, in accordance with the “Risk Management Regulations,” established the “Risk Management Committee,” which is chaired by the vice president concurrently serving as Group General Manager of Corporate Management Group and positions the president as chief officer in charge. The committee is responsible for the determination of risk management policies, identification of risks, and assessment of such risks based on the probability of occurrence as well as impact to management, along with developing risk mitigation measures and their progress management, all in an effort to ensure risk management effectiveness.

Meanwhile, a system against the possible materialization of risks has been developed in accordance with the “Crisis Management Regulations,” which is designed to minimize damage and loss in such events. In fiscal 2014, the Company selected risks that have the greatest potential impact on the management of the Company as well as the highest likelihood of materializing, and defined them as “key risks to be controlled.” We attempted to mitigate such risks with top priority and strengthened the PDCA cycle verifying the progress and challenges on a quarterly basis. Furthermore, in fiscal 2015, the Internal Control Committee was established in an attempt to strengthen the internal control system including risk management.

Reinforcement of Information Security
In order to prevent leakage of all types of information handled in the process of carrying out our business, including information of customers and suppliers, such as personal information, the Company has formulated policies and regulations, including “Basic Policy for Information Security” representing its stance with respect to information security across the Group, the “Confidentiality Regulations” concerning confidentiality of information and “Guidelines for the Personal Use of Social Media” regarding the use of social media, to reinforce information security.

With the aim to help staff within the Group to increase awareness about information management, and to acquire relevant skills, we have been regularly providing “educational program on information security,” and in its eighth year i.e. fiscal 2014, we conducted such program using the e-learning method, while distributing some 4,000 copies of information security booklet containing the information including the attitude required for information security and its specific measures.

Management of Intellectual Property
The Company’s basic policy on intellectual property management is “to strive to enhance legal protection as well as use of intellectual property, and respect legitimate intellectual property rights of third parties.”

In order to put this philosophy into practice, we have adopted a systematic approach, including the appointment and deployment of “patent liaison” as promoter of intellectual property management at each branch.

While we naturally check for non-conflicts with rights of other companies before we market anything as our product, we also check for intellectual property rights on construction for each project.

Verification whether there is no infringement of other company’s strong patents which have already been granted is done at the blueprint stage of the commencement of construction, as well as at the working drawing stage in intermediate inspection. Furthermore, in the cases of joint-development, we coordinate mutual interests beforehand with the other party, to eliminate the potential cause of dispute.

Basic Policy for Information Security
With a view to gaining trust from all stakeholders, including customers, on the basis of fair and highly transparent management, the Company sets out the Basic Policy for Information Security as follows, for adequate use and protection of information assets held in the course of its business:

1. Scope of application
This Basic Policy shall be applicable to all “information assets” handled by the Company in the course of its business activities, and shall be adopted by “all executives and employees, etc. of the Company and all Group companies,” as well as “business contractors and their executives and employees.”

2. Compliance with laws and regulations
All information shall be handled in compliance with the laws, regulations and codes concerning the protection of information.

3. Development of information security system
To ensure adequate level of information security and its further enhancement, an executive committee responsible for executive management shall be established to develop the information security system in pursuit of continuous improvements.

4. Formulation of internal regulations
Internal regulations in accordance with this Basic Policy shall be formulated to provide clear guidelines for handling information assets.

5. Protection of information assets
The Company shall recognize the importance of information assets held by the Company and conduct the risk assessment in terms of confidentiality, integrity and availability, and strive to ensure adequate protection of information assets through regular audits.

6. Education and awareness building activities
We shall engage in continuous education and awareness building activities for those whose the Basic Policy applies, in order to enhance awareness about information security, while applying rigorous penalties to any leakage of information.

7. Response to accidents
Any information security accidents shall be dealt with appropriately and promptly, in an effort to prevent escalation of damage resulting therefrom.
Promoting Green Air® Activities

The purpose of “Green Air® Activities” is to make our customers’ equipment more energy efficient and to reduce environmental impact while delivering air environment of the highest quality. In fiscal 2011, we established our “Basic Policy for Environmental Solution Activities (Basic Policy for Green Air® Activities)” to promote these activities. In conjunction with this policy, we implemented new initiatives such as “operations follow-up activity,” “Green Air IDC activities,” and the “integrated power saving system,” in addition to our existing “ESCO operation and Consignment business” which guarantees and validates energy efficiency performance. In fiscal 2013, we opened our “GreenAir Plaza” in the Kyobashi area of Tokyo. GreenAir Plaza is a comprehensive exhibition space for the Group, and helps us communicate the benefits of our “Green Air® Activities” more and increase the number of customers.


Our job does not end with construction. After the construction is completed, we promote a follow-up on the operation of equipment, such as tuning for energy conservation, in collaboration with our customers. Through our operations follow-up, we offer a broad range of support to keep equipment in functional condition and to improve efficiency through its operation.

We have set up a dedicated “Customer Center” to perform these operation follow-up measures. The Center performs a detailed analysis of operational data, and utilizes it to optimize operation. (In fiscal 2014, 10 measures were newly implemented.)

Providing Information on Green Air® Activities

Information on “Green Air® Activities” is provided by “GreenAir Plaza,” which was opened in the Kyobashi area of Tokyo where our Company was founded.

GreenAir Plaza contributes to optimal operation of equipment at customer facilities through mutual communication with customers. The Group’s small environmental load products and energy-saving technologies are on permanent display with the aim of promoting and raising awareness of the plaza as a facility of a Group striving to strengthen the environmental solutions business.

Publicity for Solution Technologies

We have issued “SEASON GREEN AIR REPORT” to publicize our solution technologies and information. (4 issues)

Together with our Group companies, we discussed and updated the content of exhibitions to display even more products and energy-saving technologies.

From its opening in July 2013 until March 2015, the plaza was visited by a total of 2,800 customers.
**Basic Philosophy for Safety**

In 2000, the Company defined its health and safety philosophy, “Safety takes top priority in all business tasks.” Under this philosophy, we defined our basic safety policy as, “the employees working for Takasago Thermal Engineering and their families must never suffer from accidents at construction sites.” Based on this policy, we are committed to health and safety activities in the workplace.

**Further Improvement of Customer Satisfaction**

**Offering Quality that Earns Satisfaction and Trust**

**Basic Policy for Quality**

1. To strive to ascertain our customers’ needs and contribute to our customers’ businesses by offering the optimized quality.
2. To comply with all related legal requirements.
3. To promote research and development, and offer cutting-edge quality.
4. To offer services continuously over the life cycle of construction equipment.
5. To promote these policies, it is required to create a structure for pursuing quality control and to commit to its continuous maintenance and improvement.

**Initiatives for Quality Improvement**

Before the commencement of construction, we hold a groundbreaking meeting to ensure and consider the key points of the construction work. In addition, in order to improve construction work, we are pressing ahead with the implementation of construction methods, such as the Ni-Free (Nitrogen Free Brazing) method being promoted by the new Technical Development Division and the no water discharge flushing method described in Special Feature 2. The Technical Academy has been established since fiscal 2014, and technician training and education system has been put in place to enhance the skills not only of our employees but also of all Group companies within the company. Within the system, in addition to placing great importance on job grade-specific training and educational programs aimed at improving the skills of technicians, we also encourage employees to obtain qualifications that help them upgrade their skills. Furthermore, we host a Group-wide presentation meeting of new technologies as well as technology seminars each year to encourage positive competition among technicians and to promote technical improvement and technology exchange.

**Results of Fiscal 2014 Health and Safety Activities**

In fiscal 2014, we were able to meet the priority targets of the Safety and Quality Control Group in every quarter. Nevertheless, 39 accidents occurred (6 accidents resulting in absence from work, 33 accidents not resulting in absence from work), and, while the number of accidents decreased from the previous fiscal year, we did not meet our targets for frequency rate and severity rate. Looking back on this, we will take action to prevent accidents by setting as our safety activity targets for fiscal 2015 “elimination of accidents caused by falling” and “elimination of accidents caused by incorrect handling of heavy equipment,” which directly cause serious accidents, and “elimination of accidents caused by cuts and abrasions,” which have tended to increase in recent years.

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**Fiscal 2014 “Safety and Quality Control Group” Priority Safety Targets and Results**

- **Implementation rate for checking of health and safety management items - Target of 90% or more**
  - Have the main branch, branch offices, and sales branches been educated on the health and safety activity policy, and has the content been understood? Have the workplace leaders and health and safety controllers been trained and instructed in the contents of the Green Book?
  - Emphasis was placed on checking whether workplace leaders and health and safety controllers were trained and instructed in the items they are to implement.
  - Emphasis was placed on checking whether the manual was used as a checklist.
  - Emphasis was placed on checking whether the local KY confirmed to local conditions.
  - Emphasis was placed on checking whether identifying and assessment of risks continued to local conditions when conducting local KY.
  - Has a construction plan been drawn up prior to work involving installation/removal of heavy equipment? (Equipment that is at risk of falling because the center of gravity is high)
  - Emphasis was placed on checking whether fall prevention measures had been studied.

**Results of activities in 1st quarter: Results of activities 97.2%**

**Results of activities in 2nd quarter: Results of activities 94.2%**

**Results of activities in 3rd quarter: Results of activities 94.7%**

**Results of activities in 4th quarter: Results of activities 96.3%**

*Correspondence with ISO26000*
Basic Philosophy on Environmental Conservation

The Company's basic philosophy on environmental conservation is to "endeavor to harness our corporate power and environment preservation technologies, with the aim to contribute to the "sustained development of society while protecting the Earth's environment." Based on this philosophy, in fiscal 2012, we have defined a "Basic Policy for Environment" in order to standardize our structure for promoting environmental conservation. In our business activities, we strive to proactively develop technologies that save energy and reduce CO2, optimize equipment operation in collaboration with our customers, and help to create a low carbon society. We also comply thoroughly with all environmental laws and regulations, and seek to prevent environmental pollution, while working actively to save energy and reduce CO2 internally through efforts of our production sites (including construction sites) and offices.

Contribution to Environmental Conservation

Environmental Conservation Activities

<table>
<thead>
<tr>
<th>Targets and Results of Environmental Activities in Japan in fiscal 2014</th>
<th>Medium-term Target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Activity</strong></td>
<td><strong>Control Items</strong></td>
</tr>
<tr>
<td>Propose energy savings at design and construction stages</td>
<td>Amount of energy saved</td>
</tr>
<tr>
<td>Propose energy saving in design</td>
<td>Amount of energy consumed</td>
</tr>
<tr>
<td>Reduce equipment capacity in construction</td>
<td>Amount of energy saved</td>
</tr>
<tr>
<td>Reduce energy usage at head office, main branches, sales branches, R&amp;D center, and residential facilities</td>
<td>Amount of energy saved</td>
</tr>
<tr>
<td>Introduce fuel-efficient vehicles</td>
<td>Number of fuel-efficient vehicles</td>
</tr>
<tr>
<td>Introduce fuel-efficient vehicles</td>
<td>Material reduction volume</td>
</tr>
<tr>
<td>Reduce energy usage at head office, mainly branches, sales branches, R&amp;D center, and residential facilities</td>
<td>Material reduction volume</td>
</tr>
<tr>
<td>Reduce equipment capacity in construction</td>
<td>Amount of energy saved</td>
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<tr>
<td>Implement green purchasing of office supplies</td>
<td>Amount of energy saved</td>
</tr>
<tr>
<td>Implement green purchasing of office supplies</td>
<td>Material reduction volume</td>
</tr>
<tr>
<td>Participate in local environmental activities</td>
<td>Percentage of individuals</td>
</tr>
<tr>
<td>Participate in local environmental activities</td>
<td>Percentage of individuals</td>
</tr>
<tr>
<td>Implement industrial waste zero emission activity*7</td>
<td>Test deployment of the no water discharge flushing method</td>
</tr>
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</tr>
<tr>
<td>Reduce amount of general office waste</td>
<td>Amount of copier paper used for printing per person per year</td>
</tr>
<tr>
<td>Reduce amount of general office waste</td>
<td>Amount of copier paper used for printing per person per year</td>
</tr>
<tr>
<td>Thoroughly manage industrial waste manifest</td>
<td>Number of adoptions for the year</td>
</tr>
<tr>
<td>Thoroughly manage industrial waste manifest</td>
<td>Number of adoptions for the year</td>
</tr>
</tbody>
</table>

2016 Takasago Thermal Engineering Co., Ltd. CORPORATE SOCIAL RESPONSIBILITY REPORT 34
Educational Programs Based on Individual Career Stages

In light of our mission to create new value, the Company places great importance on the development of human resources. In order to nurture creative personnel that can provide high value-added technologies and solutions at the forefront of a project, we have established an educational scheme to provide practical and multi-lateral training programs based on OJT (on-the-job training) combined with OTJ-IT (off the job training).

We carry out various training programs for employees at different career stages, ranging from fresh recruits to age-limit retirement. These programs help each employee to attain capabilities and business skills required at the various stages, as well as fostering a deeper sense of ethics. In fiscal 2014, we put particular emphasis on the development of management skills and focused on establishing a foundation in which employees could fully utilize their capabilities upon performing their roles, and conducted a number of programs. These included a “management seminar” designed to nurture next generation leaders, a “general manager seminar” for employees in administrative positions, and a “transformational managers’ seminar” which targeted prospective managers.

Basic Policy for Human Resources Development

Based on the philosophy that “human resources are our largest assets,” as stipulated in the “Basic Policy for Human Resource Development” formulated in fiscal 2011, we have systematically conducted employee training programs in a consistent manner with an eye to encouraging their creative spirits and fostering an organizational culture to nurture these.

Basic Philosophy on Human Resources Development

The Company defines itself as a pioneer in HVAC system construction and its peripheral business domains. In accordance with our company policy “Contribution to society through personal harmony and creativity,” we have been involved in the creation of the best quality product, the development of technology by making use of our incentive creativity, together with the cultivation of superior human resources able to deliver these ends.

Based on the philosophy that “human resources are our largest assets” as stipulated in the “Basic Policy for Human Resource Development” formulated in fiscal 2011, we have systematically conducted employee training programs in a consistent manner with an eye to encouraging their creative spirits and fostering an organizational culture to nurture these.

Basic Policy for Human Resources Development

Based on the philosophy that “human resources are our largest assets,” through systematic and consistent training programs, we are committed to nurturing human resources with a high sense of ethics and an awareness of various issues, that are able to take on challenges strenuously with their creativity and strive to develop not only themselves but also the younger generation.

Respect for Diversity

The Company makes “mutual respect among people” one of its fundamental management principles, and practices fair promotion of employees regardless of nationality or sex. We are seeking to create a workplace where diverse human resources can express their individuality and skills to the fullest and play an active role, while proactively promoting employment of the disabled.

In addition, the Company promotes employment of graduates of a foreign nationality who have graduated from Japanese universities and conducts technical training in Japan for staff employed at Group companies overseas. We expect that the trainees will make use of the technical capabilities they have acquired in Japan, and will become valuable human resources as globalization picks up speed in the years ahead.

Stricter Measures to Tackle Issues of Harassment

To prevent sexual and power harassments from occurring, we have set up consultation counters inside and outside the company premises to address this matter.

By regularly conducting surveys that place importance on the perspective of “understanding other people,” we seek to identify workplace harassment and prevent actions that degrade working conditions.

Furthermore, we carry out training and educational programs for employees at management level, with an eye to raising employees’ awareness about health monitoring, stress reduction, and harassment prevention.

Realization of Employee Satisfaction

Promote Active Participation of Human Resources and their Development

Our vision is to contribute to society through personal harmony and creativity. In line with this, we are endeavoring to provide our employees opportunities to promote self-development and increase their creativity, together with the cultivation of superior human resources able to deliver these ends.

Training Scheme

<table>
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<tr>
<th>Year</th>
<th>Training Scheme</th>
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<tbody>
<tr>
<td>1st year (group employment)</td>
<td>Career improvement period</td>
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<tr>
<td>2nd year (group employment)</td>
<td>Mid-career ranks</td>
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<tr>
<td>3rd year (group employment)</td>
<td>Management level</td>
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<td>4th year (group employment)</td>
<td>Executive management</td>
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<td>5th year (age-limit retirement)</td>
<td>Age-limit retirement</td>
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<th>Training Scheme</th>
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<tr>
<td>Basic technology training</td>
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<tr>
<td>Deepening education</td>
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<tr>
<td>General manager seminar</td>
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<tr>
<td>Management seminar</td>
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<tr>
<td>Career design training</td>
</tr>
<tr>
<td>Assistance in obtaining official qualifications, correspondence education (language learning programs, etc.)</td>
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</table>

Voice of the training course participant (Global Seminar)

I took part in the “Global Seminar,” which is conducted to foster employees who can play a role globally. From the very start, when we were asked to introduce ourselves in English, all of the participants were taken aback and were terribly nervous. However, guided by the teachers who were from foreign countries, and with much struggling, we managed to carry out activities such as role-plays and a group discussion about understanding other cultures in English. Each of the three foreign teachers came from a totally different region of the world, and that itself was an experience in the depth of cultural diversity.

I am now assigned to the International Business Group, and as I interact with local national staff in various countries, I feel that this training was extremely worthwhile since it served as an introduction that allowed me to get to know and understand other cultures before I got started.

National staff training
Initiatives for Social Contribution Activities

Local Environmental Activities

We are actively involved in activities such as local cleanups and forest conservation in various parts of Japan.

Sponsorship and Support for Cultural and Artistic Activities

Towards the promotion of academic studies, research, education, culture, art, and others, we sponsor and support a broad range of activities.

Basic Philosophy on Social Contribution

The Company’s basic philosophy on social contribution is to "fulfill our social responsibility as a "good corporate citizen" by engaging voluntarily in social contribution activities." We pursue harmony with local society by informing all executives and employees of our basic policy and being actively involved in initiatives such as support for activities related to the local environment and arts and culture.

Basic Policy for Social Contribution

1. To be actively involved in social contribution activities as a "good corporate citizen."
2. To cultivate good relations with local communities through organized participation in local activities and other events.
3. To contribute to promotion of culture through cooperation and support for academia, research, education, art, and other areas.
4. To raise individual awareness through support for voluntary social participation by executives and employees.

Sponsorship and Support for Cultural and Artistic Activities

Towards the promotion of academic studies, research, education, culture, art, and others, we sponsor and support a broad range of activities.

- Sponsorship of "La Folle Journée au Japon" (hosted by the Tokyo International Forum)
- Sponsorship of "Saito Kinen Festival Matsumoto" (hosted by Saito Kinen Foundation)
- Sponsorship of "OPERA de L’OITI Japan Tour 2014" (hosted by Tokyo Bunkamura)
- Support for activities of the New National Theatre Foundation
- Support for activities of the NHK Symphony Orchestra
- Support for activities of the Tokyo Philharmonic Orchestra
- Support for activities of the Osaka Philharmonic Orchestra
- Sponsorship of performances of the Kansai Philharmonic Orchestra
- Sponsorship of performances of the Osaka Philharmonic Orchestra

Basic Policy for Information Disclosure

In fiscal 2011, the Company established the "Basic Policy for Information Disclosure" aiming to be a corporation trusted by society through timely and appropriate disclosure to all stakeholders including customers, shareholders, and business partners, of the significant information on its corporate activities as well as information with potential impacts on the decisions to invest in the Company. A system for timely disclosure is also in place for IR-related information under a separate basic policy.

Enhancement of IR Activities

- Basic Policy for IR-related Information Disclosure
  The Company discloses significant information which may have impacts on the investment decisions of its shareholders and investors, in accordance with the "Timely Disclosure Rules" of the Tokyo Stock Exchange. We are also prepared to actively disclose information that does not fall under the Timely Disclosure Rules, as far as it is believed to be beneficial to investors in making their decisions.
- Outline of the Timely Disclosure System
  The representative and the officer responsible for handling information strive to ensure timeliness, legal compliance, accuracy, and fairness of the information to be disclosed, while discussing and reporting the relevant issues as appropriate at the Board of Directors’ meeting.
  The officer in charge of timely information disclosure carries out his/her duty by collecting information promptly and exhaustively from the concerned divisions, and to ensure compliance with the timely disclosure rules as well as relevant laws and regulations. He/she also strives to prepare appropriate disclosure materials and enhance information disclosure mainly referring to the disclosures of other companies.
- Disclosure of IR Information
  Information concerning business plans, track record of business performance, financial results, company shares, and other matters is disclosed on the Company’s website among other media. Meanwhile, briefing sessions on business plans and financial results are organized for securities analysts and institutional investors, in which the outline of the financial results along with the progress of the plans and future prospects are explained by the president. In addition, the Company participates in IR events for individual investors in an effort to promote general understanding about the Company.

Basic Policy for Information Disclosure

We aim to be a corporation trusted by society through providing timely and appropriate disclosure to all stakeholders, of the significant information on our corporate activities as well as information that have potential impacts on the decisions to invest in the Company.

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Basic Policy for Information Disclosure

We aim to be a corporation trusted by society through providing timely and appropriate disclosure to all stakeholders, of the significant information on our corporate activities as well as information that have potential impacts on the decisions to invest in the Company.
**Consolidated Financial Data**

**Consolidated Balance Sheets** (Thousand USD)

- Total assets: 1,886,405
- Cash and time deposits: 318,084
- Notes and accounts receivable: 955,387
- Other current assets: 231,730
- Property, plant and equipment: 156,563
- Intangible assets and equipment: 6,077
- Other assets: 162,251
- Total liabilities and net assets: 1,886,405

**Consolidated Statements of Income** (Thousand USD)

- Net sales: 4,960,339
- Cost of sales: 1,964,138
- Gross profit: 2,996,201
- Operating income: 432,513
- Interest expense: 38,480
- Extraordinary income: 39,577
- Net income: 43,202

**Consolidated Cash Flows** (Thousand USD)

- Cash flows from operating activities: 368,321
- Cash flows from investing activities: 64,247
- Cash flows from financing activities: 486,197
- Net income: 43,202

**Consolidated Financial Highlights**

- Orders received: 2,000,000
- Net sales: 2,000,000
- Ordinary income: 100,000
- Total assets: 1,303,517
- Net assets: 162,251

**Non-consolidated Financial Data**

**Allocation to Stakeholders** (Thousand USD)

- Shareholders: 15,606
- Employees: 48,125
- Business owners: 26,806
- Other: 69,269

**Breakdown of Completed Construction by Purpose** (Thousand USD)

- Business: 374,216
- Industrial: 174,216
- Residential: 12,344
- Entertainment: 34,547
- Medical: 108,226
- Hotel: 102,960
- Retail: 102,989

*Figures are converted into U.S. dollars at the rate of ¥120.27 to $1.

*The data collection period is from April 1, 2014 to March 31, 2015 for domestic offices, and from January 1, 2014 to December 31, 2014 for overseas subsidiaries.

*Figures are less than one unit are rounded off.
Environmental Data

FY2014 Material Flow

The data collection period is from April 1, 2014 to March 31, 2015.

Production Activities

Amount of principal resource and material for building HVAC systems

- Total volume of cooling equipment: 303,146 kW
- Total volume of heating equipment: 744,154 kW
- Total duct volume: 1,114,626 m²
- Total piping: 5,980 t

- Estimated from amount of major materials: "Manual for Reducing Environmental Impact of Air Conditioning and Plumbing System (The Society of Heating, Air-Conditioning and Sanitary Engineers of Japan)" used for calculation of CO₂ emission

Reduction of greenhouse gas emissions

- CO₂ emissions from production activities
  - Reduction in CO₂ through resource reduction measure in construction: -6,150 t CO₂
  - Reduction in energy-saving proposals at design stage: -4,200 t CO₂
  - Energy saved: -415,400 GJ

Reduction of materials used in construction

- Total CFCs collected: 57.8 t
- Total CFCs collected (Scope 3, Category 1): 5,000 t/CO₂

Reduction of energy used in construction

- Total CFCs collected (Scope 3, Category 11): 22.1 kg/person

Reduction of energy used in design

- Permanence of reduction, reuse, and recycling of resources at offices: 1.13 t CO₂/person

Reduction of energy used in offices

- Reduction from previous fiscal year: -2.0 kg/person

Reduction of energy-saving design proposals

- Number of proposals: 2,130 t CO₂
- Number of proposals: -61,200 t CO₂

Reduction in CO₂ through energy-saving proposals at design stage

- Energy saved: -415,400 GJ

Reduction in CO₂ through reduced device capacity at construction stage

- Energy saved: -47,100 t CO₂

Reduction of energy used in design

- Total energy usage (in crude oil equivalent): 5,980 t

Reduction and thorough management of waste

- Recycling rate: 91.3%

Office energy usage

- Electricity consumption: 4,220,784 kWh
- Gas consumption: 12,160 m³
- Kerosene consumption: 131 kg
- Heat from district heating and cooling: 2,801 GJ

- Total crude oil conversion volume of above energy: 1,216 kℓ (Reporting obligation: 1,500 kℓ)

- Office energy usage: 14,123,604 sheets of copier paper (in A4 equivalent)
- Green purchasing items: 13

Office Activities

- Promotion of reduction, reuse, and recycling of resources at offices: 1.13 t CO₂/person

- Consideration for ecosystems
  - Proposals and implementation of green procurement: 191
  - Green purchasing: 100% of 13 target items purchased

Production Activities

- Company-wide energy usage (in crude oil equivalent)
  - Reduction in energy-saving proposals at design stage: -415,400 GJ
  - Energy saved: -415,400 GJ

- Number of green procurement proposals and adoption rate
  - Number of proposals: 2,130 t CO₂
  - Adoption rate: -61,200 t CO₂

- Number of times managing construction waste
  - General waste: 24.7 t CO₂
  - Reduction from previous fiscal year: -2.0 kg/person

- Number of times CFCs collection
  - Times CFCs collection: -6,900 t CO₂
  - Total amount collected: -108,300 t CO₂

- Reduction in CO₂ through reduced materials
  - Reduction of materials used in construction: -6,150 t CO₂
  - Reduction in energy-saving proposals at design stage: -4,200 t CO₂

- Reduction of energy used in construction
  - Total energy usage (in crude oil equivalent): 5,980 t

- Promotion of reduction, reuse, and recycling of resources at offices: 1.13 t CO₂/person

- Consideration for ecosystems
  - Proposals and implementation of green procurement: 191
  - Green purchasing: 100% of 13 target items purchased

- Office energy usage
  - Promenance of reduction, reuse, and recycling of resources at offices: 1.13 t CO₂/person

- Recycling rate: 91.3%

- Consideration for ecosystems
  - Proposals and implementation of green procurement: 191
  - Green purchasing: 100% of 13 target items purchased
Environmental Conservation Costs 1,245 million yen

Environmental Conservation Effect 3,283 million yen

Trends in Environmental Conservation Costs and Environmental Conservation Effects

Since fiscal 2006 (for the activities in fiscal 2005), the Company has introduced environmental accounting in accordance with the "Environmental Reporting Guidelines for上市公司" set by the Ministry of the Environment, in order to provide information to make appropriate management decisions by analyzing the cost effectiveness of our environmental conservation activities. We have also gained potential advantages as an effective way to enable our stakeholders to understand and evaluate the environmental activities in our business operations.

We quantified the environmental conservation costs and effects upon the calculation of our environmental accounting. Environmental conservation effects are estimated from the monetary amount related to CO2 reductions. We will remain committed to continuing environmental conservation efforts, while staying focused on the costs and effects of environmental conservation.

Mr. Masahiko Kawamura
Senior Research Fellow, General Manager of ESG Research Office
NJ Research Institute

About the CSR report: A “Group CSR Report” with globalization in mind

The CORPORATE SOCIAL RESPONSIBILITY REPORT 2016 of Takasago Thermal Engineering (hereafter, “Takasago”) is composed of the Corporate Profile and Corporate Social Responsibility sections, and is very easy to understand overall. In particular, the Review of Technology, which has been added from this year in addition to the two special sections, expresses pride in the history of Takasago’s HVAC technologies stretching over 90 years seen as three stages of advancement.

Although this review of technology is also the history of Takasago’s development and expansion as a corporate group, the organization covered by the CSR activities report (report markets) is limited to Takasago. In the future, I would like to see this broadened to the Group as a whole, including overseas, because "the time has come for this to be the Takasago Thermal Engineering Group CSR Report" in both name and in reality.

In fact, Takasago is aiming to promote group-wide the “CSR Activities Regulations” revised in April 2015. Currently, the company has begun fully implementing the regulations at Group companies in Japan since the past fiscal year, and, in the future, when the plans developed at the “Group CSR Management Meeting” are included, the CSR report will be more effective by providing readers with information about specific initiatives.

In addition, inclusion of the GRI Guidelines correspondence chart will improve the reliability as a CSR Report. For each reported item, the “Major Activities Implemented in Fiscal 2014” and “Targets and Challenge towards Fiscal 2015” are stated, and the layout can be given high marks for clarity from a POCA perspective.

About CSR content: Making reference to CSR in the Long-term Management Plan and Medium-term Business Plan

Takasago’s fundamental approach to CSR has been firmly established it is made up of five key themes that conform to the framework of ISO26000, an international CSR standard. What needs to be reconfirmed here is the definition of CSR according to ISO26000, "the responsibility of corporations for the impact of their decision making and business activities on society and the environment." Based on this, a company must re-examine whether its own business is aggravating social issues.

When surveying future global business development, I would like you to keep in mind how to promote CSR at Group companies overseas while firming up the foothold of CSR management domestically. That is because Japanese companies that have expanded overseas in the past, whether in developed or developing countries, and regardless of the type or size of the business, have experienced more than a few unforeseen CSR risks, mainly revolving around human rights and labor issues. Therefore, even greater prudence and care are required in CSR due diligence for overseas business.

Last year, along with the “Long-term Management Plan GReeN PR!DE 100”, that looked forward to the 100th anniversary of Takasago’s founding in 2023, the Medium-term Business Plan, “Motivate on 2016”, was launched as the first step towards laying the groundwork for the long-term plan. Thus, considering the approach to set CSR at the core of management and the CSR promotion system, I would like to suggest linking your business strategy and CSR strategy from a long-term perspective, based on a clarified vision of CSR management.

Specifically, with regard to the items implemented for each of the five key CSR themes (page 24), I advise first focusing on the major domestic KPIs, and then incorporating CSR elements when revising the Medium-term Business Plan. This would put the finishing touches on CSR management leading up to the 100th anniversary of our founding, while also encomposing your brand strategy.

In September last year, Takasago announced its “Declaration to End Corruption,” and “Measures to Prevent Recurrence of Violations of Japan’s Antimonopoly Act.” These measures have been put in place and have been implemented, as noted in detail in this report. Compliance is the foundation of CSR management, and it is my hope that these mechanisms will function permanently and lead to the reform of your corporate culture.

In the course of writing this opinion, I was able to visit the GreenAir Plaza in Kyoabashi, Tokyo. Takasago is a technology-oriented solution provider in the HVAC field, and, with a high level of environmental awareness, I look forward to seeing the development of its business strategies in the future based on CSR, which bears aspects of both risk and opportunity, in the global era.

Kosaku Kawahara
Corporate Planning Division, General Manager, CSR Management Office

Opinions

Response to the Third Party Opinion

In this fiscal year’s report, among our CSR activities we focused on “fair and highly transparent management,” and introduced our internal control system that is being put in place including at Group companies. Furthermore, in the special features, we presented specific examples of how we are promoting “contribution to environmental conservation” and “further improvement of customer satisfaction” as environmental solution professionals through our core business.

Under the leadership of our management team, we will continue our commitment to steadily enhance group-wide development of CSR activities following the opinion we have received, while reflecting CSR activities in our management plans and other strategies and linking this to the Group’s sustainable growth and improvement of corporate value in the medium to long term.