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Takasago Thermal Engineering Group's Long-Term Vision for 2040

Create our PLANET, Create our FUTURE

May 12, 2023

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Formulation of Takasago Thermal Engineering Group's Long-Term Vision for 2040

The business environment surrounding our company has recently undergone dramatic changes. In particular, there have recently been concerns regarding the shortage of materials and equipment due to the global situation, construction-process delays due to exchange rate effects and labor shortages, soaring labor costs, and other issues. In addition, in response to the *2050 Carbon Neutrality Declaration* announced by the Japanese government, companies are accelerating their carbon neutrality and ESG-related initiatives to more effectively help to achieve a decarbonized society, and—from the long-term perspective—2040 is expected to be a major turning point in terms of the structure of society due to population and climate change issues.

To promptly and flexibly respond to these kinds of changes in the business environment and take full advantage of our diverse values, and create sustainable growth and added value, the Takasago Thermal Engineering Group—based on the corporate mission of *Contribution to society through personal harmony and creativity*—considers it necessary for everyone involved in the group to have something to rely on, and we have therefore defined our purpose as follows: *With our revolutionary environmental innovations, we activate the Earth's future.*

To formulate *Takasago Thermal Engineering Group Long-Term Vision for 2040: Create our PLANET, Create our FUTURE*, we held discussions aimed at improving engagement with all of our stakeholders, including shareholders, investors, customers, suppliers, affiliates, and employees, to consider how our company should be in 2040. As a result, we came up with the following corporate vision for our group: to continue to rely on our air conditioning technologies as our core as we expand our environmental creation business areas and ensure that all our executives and employees act as responsible Environment-Creator by constantly taking on challenges alongside diverse human resources both within and outside our company, mutually enhancing each other to co-create environmental value with our business partners.

In addition, based on upcoming social changes, we will continue to rely on our air conditioning equipment business as our core as we implement group reforms aimed at linking our four business domains—① construction business, ② equipment maintenance and management business, ③ carbon neutrality business, and ④ environmental equipment manufacturing and selling business—with DX and achieving our vision as a company. Based on perspectives that include market environment growth and the investment return period, we will steadily promote Takasago Thermal Engineering Group's Long-Term Vision for 2040 in three phases in an effort to achieve sustainable growth and improve our medium to long-term corporate value.

May 12, 2023

Kazuhito Kojima

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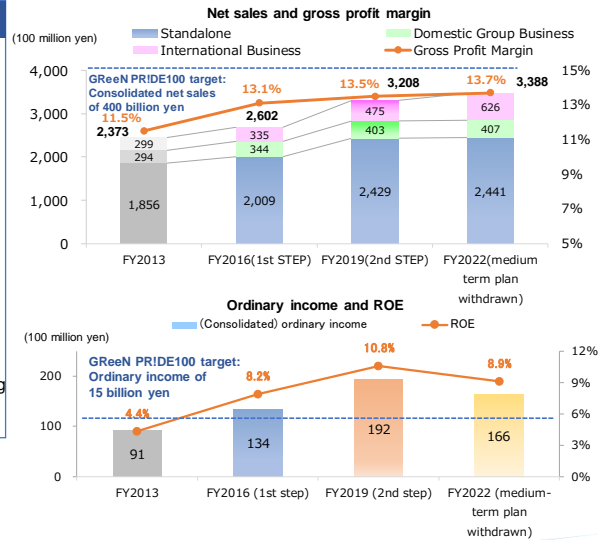
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Retrospective on GReeN PR!DE100(long-term management vision)

Retrospective on GReeN PR!DE100 (FY2014 to FY2023)

management strategies	Results and initiatives
<p>Direction Actively shift to an approach that emphasizes renewal and maintenance</p>	<ul style="list-style-type: none"> Provided one-stop service with TMES (O&M group company)
<p>Deepen existing markets in overseas and take on the challenges to develop new markets</p>	<ul style="list-style-type: none"> Acquired ICLEAN** and became a consolidated subsidiary Established Takasago Mexico
<p>Shift to a customer-oriented sales style to improve customer satisfaction</p>	<ul style="list-style-type: none"> Optimized company-wide order receiving
<p>Actively utilize M&A and alliances to expand into new business areas</p>	<ul style="list-style-type: none"> Executed capital and business alliances to expand business areas Established a subsidiary running PFI business (microgrid business operations)

➔ We are using the growing importance of ESG and carbon neutrality initiatives as an opportunity to accelerate our investment in environmental business specifically at decarbonization as well as human capital, the source of our competitiveness.



*Intersegment transactions in net sales have been eliminated.

** Integrated Cleanroom Technologies Private Limited (India based company)







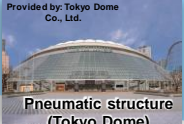


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Under GReeN PR!DE100, our long-term management vision, we successfully provided one-stop construction-work service and achieved optimal customer-oriented and company-wide order receiving, and we improved our ordinary income from 9.1 billion yen in FY2013—before the start of our long-term management vision—to 16.6 billion yen (+7.5 billion yen) in FY2022.

In addition, in an effort to achieve future growth beyond our company's 100th anniversary, we achieved M&A aimed at expanding and stabilizing our international business revenue, and we invested in new businesses utilizing environmental technologies.

100 years of innovation and TTE's strengths

To support the foundations of both industry and society, we have conducted business centered on *air conditioning equipment*.

<p>Establishment and growth</p>  <p>First President Masanosuke Yanagimachi</p>	 <p>Japan's first sirocco fan</p>	<p>Taking on challenges and developing</p>  <p>Innovative HVAC systems</p>  <p>Japan's first turbo refrigerator</p>	<p>Developing products and achieving breakthroughs</p>  <p>Dry room systems for industrial battery manufacturing</p>  <p>Japan's first industrial cleanroom</p>  <p>Provided by: Tokyo Dome Co., Ltd. Pneumatic structure (Tokyo Dome)</p>	<p>Reaching 100 years</p>  <p>High-purity hydrogen production system Hydro Creator®</p>  <p>Construction process reform: T-Base® project</p>
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In a time when there was no accessible technical data, we took advantage of our design and construction equipment to compile technical information and established pioneering *air conditioning technologies in Japan*

Takasago Thermal Engineering Group's strengths cultivated over the last 100 years

Ability to innovate in response to the needs of the times and social changes

Technologies

Environmental technologies

Engineering capabilities

Human resources

On-site capabilities

Expertise

Value chain

Existing customer construction results

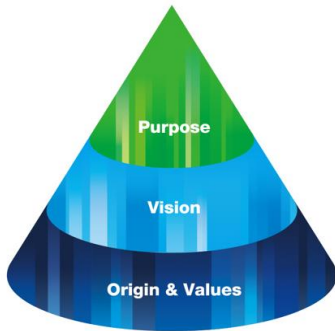
Partnerships with affiliates

Takasago Thermal Engineering got its start as Takasago Heating Works Co., Ltd. in 1923. In a time when there was no accessible technical data, we took advantage of our design and construction equipment to compile technical information and established pioneering *air conditioning technologies*.

We consider our *ability to innovate in response to the needs of the times and social changes*—which we have cultivated over the course of our 100-year history—to be one of our key strengths, and, to support the foundations of both industry and society, we conduct business centered on *air conditioning equipment*.

Takasago Thermal Engineering Group's purpose and philosophy

To mark our 100th anniversary, we have defined our purpose, to provide a spiritual home for all those who gather in Takasago Thermal Engineering Group.*



Purpose

With our revolutionary environmental innovations, we activate the Earth's future.

Takasago Thermal Engineering synchronizes the air to various spatial environments, creating endless possibilities. Moreover, each employee is part of a tradition of pride and expertise built over the Company's 100-year history, and we continue to expand the spirit of diversity and co-creation through harmonious relationships with others. We consistently pioneer paradigm-shifting environmental innovations. We are able to create optimized spatial environments not only on this planet, but also in space. And we are profoundly dedicated to the wellbeing of our families, our fellow human beings, and all life on Earth.

Vision

Be an Environment-Creator™.

Origin

Contribute to society through social harmony and creative solutions.

Values

Provide value **beyond** expectations.
Act with fairness, confidence, and **pride**.
Build **trust** to create enduring relationships.

* We defined our purpose based on questionnaires covering all employees, online discussions, a purpose formulation working group, discussions with the management, and other measures every employee could participate in.

To mark our 100th anniversary, we have defined our purpose, to provide a spiritual home for all those who gather in Takasago Thermal Engineering Group .

During the definition process, we implemented various measures focused on proactive participation by employees in order to comprehensively consider our company's purpose.

Takasago Thermal Engineering Group also shares its purpose with its stakeholders, and we are committed to continuing to take on the challenge of resolving social issues through our business.

Future social issues Takasago Thermal Engineering Group will contribute

To help resolve the social issues of the future, we are working on *the carbon transition for building environments and the carbon neutrality of the global environment.*



Carbon transition for building environments

- Issues**
- Reduce CO₂ emissions in the construction processes
 - Reduce the environmental impact of building operations
 - Establish and maintain industrial and urban infrastructure

Potential market scale

- Construction equipment/renewal* market for contributing to building energy-saving and CO₂ reduction
- Total completed construction amount of 9.2 trillion yen (by the fiscal year ended March 31, 2023)

* Renewal: updates of construction-equipment work, etc.

Future

2050

Japan
Carbon neutrality

2040

Society's Great Reset*
Target: zero CO₂ emissions by private companies

2030

SDGs achievement deadline

2023

Present



Carbon neutrality of the global environment

- Issues**
- Achieve both a stable supply of energy and decarbonization
 - Achieve net zero CO₂ emissions
 - Achieve a sound material-cycle society that uses resources to realise local production for local consumption

Potential market scale

- Decarbonization Leading Areas: 46 areas
Source: *Results of Selection of Decarbonization Leading Areas* (First and Second Round), Ministry of the Environment's website
- Consideration of a plan to invest 15 trillion yen over the next 15 years in the hydrogen supply chain (including ammonia, etc.), including both public and private investment
Source: *Policy Framework to Achieve a Hydrogen Society* (Proposal), Ministry of Economy, Trade and Industry's website

* The Great Reset: the review of social, economic, and various other systems to achieve better systems around the world, as proposed at Davos 2021

In response to the *2050 Carbon Neutrality Declaration* announced by the Japanese government, companies are accelerating their carbon neutrality and ESG-related initiatives to achieve a more decarbonized society.

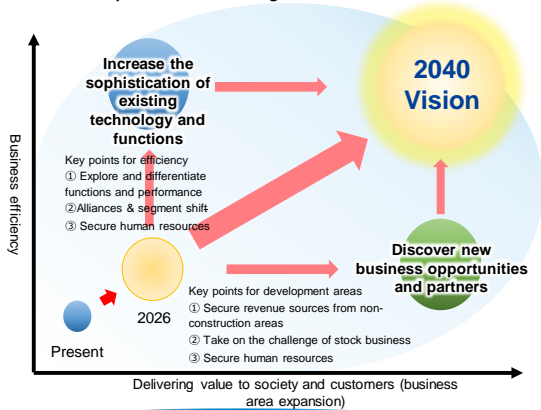
Year 2040 is expected to be a major turning point in terms of the structure of society due to population and climate change issues, and—driven by its awareness of its role in relation to focusing on the resolution of future social issues—Takasago Thermal Engineering Group is working on *the carbon transition for building environments and the carbon neutrality of the global environment.*

Our vision and four business domains (Long-Term Vision for 2040)

Takasago Thermal Engineering Group's Long-Term Vision for 2040: Create our PLANET, Create our FUTURE

We will continue to rely on our air conditioning technologies which is the cornerstone for expansion of environmental creation business areas and ensure that all our employees act as responsible **Environment-Creator™** by constantly taking on challenges alongside diverse human resources both within and outside our company, to co-create environmental value with our business partners.

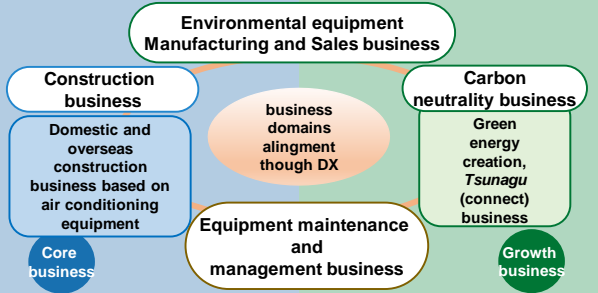
■ Roadmap to achieve our Long-Term Vision for 2040



Establishment of business domains

Areas where we are aiming to achieve a building carbon transition (Steady reduction of CO₂ emissions)

Areas where we are aiming for carbon neutrality (Activities to achieve zero CO₂ emissions)



To help resolve future social issues in line with our purpose, we have formulated the Takasago Thermal Engineering Group's Long-Term Vision for 2040. Our aim is to continue to rely on our air conditioning technologies which is the cornerstone for expansion of environmental creation business areas and ensure that all our employees act as responsible Environment-Creator by constantly taking on challenges alongside diverse human resources both within and outside our company, to co-create environmental value with our business partners.

To achieve our Long-Term Vision for 2040, we will further increase our business efficiency and provide even more value to society and our customers. (Business area expansion)

In addition, under our Long-Term Vision for 2040, we have established four business domains—which are made up of our core business, which includes our ① Japanese and overseas construction business based on air conditioning equipment, ② equipment maintenance and management business, and ③ environmental equipment manufacturing and sales business, as well as our growth business, which includes our ④ green energy creating and *Tsunagu* (connect) carbon neutrality business* —and link them with DX.

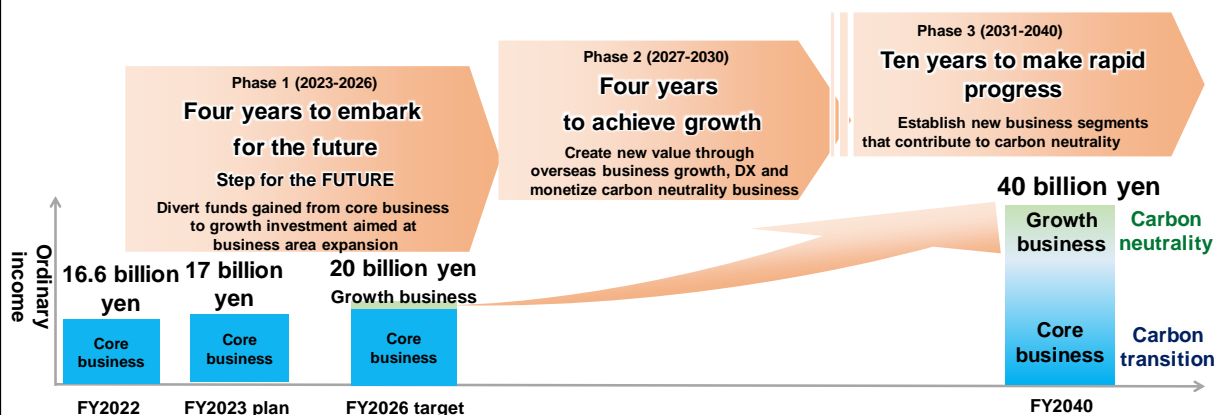
Based on the technologies we have cultivated over the last 100 years, we will also take steps to achieve carbon neutrality for building environments. We have also continuously developed technology using hydrogen to expand such energy utilization during the process of increasing the sophistication of our air conditioning technologies. We will aim to establish carbon neutrality business that contributes to both our customers and the global environment by linking our accumulated experience, know-how, and diverse human resources both within and outside our company.

* **By *connecting (Tsunagu)*** the generation, storage, and consumption of green energy (electricity, thermal, and hydrogen), we will continue to contribute our customers' carbon neutrality.

Three phases to achieve our Long-Term Vision for 2040

We will aim to achieve our Long-Term Vision for 2040 through three phases: (Phase 1) *four years to embark for the future*, (Phase 2) *four years to achieve growth*, and (Phase 3) *ten years to make rapid progress*.

Takasago Thermal Engineering Group's Long-Term Vision for 2040:
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To achieve our Long-Term Vision for 2040, we will promote three phases. During phase 1 (2023 to 2026), *four years to embark for the future*, we will use our core-business (construction business) revenue base as a foundation and utilize the funds we gain to pursue growth investment aimed at business area expansion.

During phase 2 (2027 to 2030), *four years to achieve growth*, we will aim to create new added value through overseas business growth and DX and monetize carbon neutrality business.

Finally, during phase 3 (2031 to 2040), *ten years to make rapid progress*, we will establish new business segments that contribute to carbon neutrality.

Through these three phases, we will aim to reform our group to achieve ordinary income of at least 20 billion yen by FY2026 (phase 1) and at least 40 billion yen by FY2040 (phase 3).

Note on future predictions

The information on future predictions in these materials is based on certain assumptions that are currently deemed reasonable by our company.

Therefore, please note that these predictions might differ considerably from the actual results and are also subject to change without notice.



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