

# Revisions of 2026 Medium-Term Management Plan Goals

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高砂熱学

# Reasons for Revisions of Some 2026 Plan Goals (KGI/KPI)

Strong manufacturing and non-manufacturing construction demand

Progress with overall order optimization strategy and measures to improve profitability during construction

More investments in human capital, the source of our value co-creation, and for creating a four business domain portfolio

FY2023 KGI/KPI and 2026 Plan

→Some goals were accomplished in FY2023

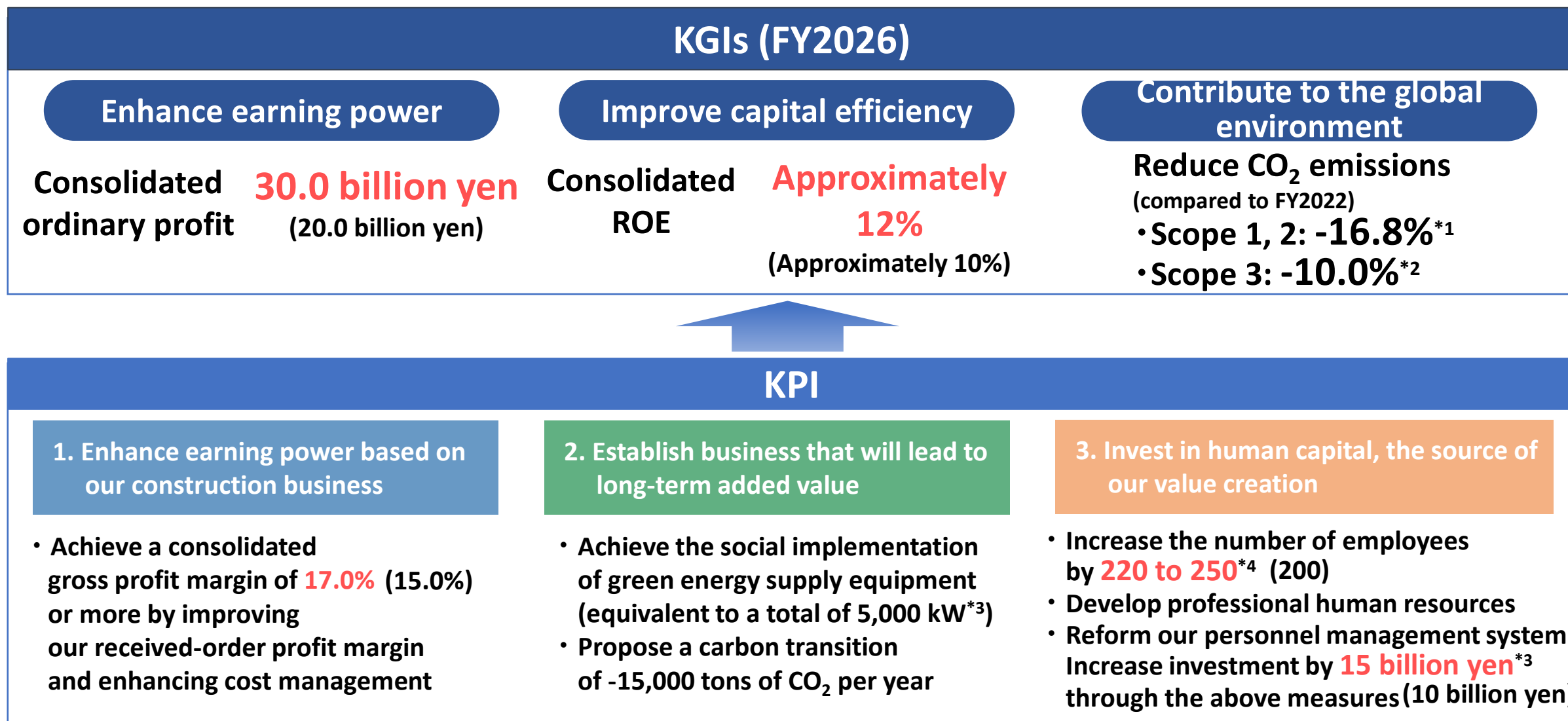
	Item	FY2023 Initial plan	FY2023 Results	FY2026 Initial plan
KGI	Consolidated ordinary profit	17.0 billion yen	26.1 billion yen	20.0 billion yen
	ROE	Approx. 9.0%	12.8%	Approx. 10%
KPI	Consolidated gross profit margin	13.7%	16.5%	15% or more
	Investments in human capital	-	-	Up 10.0 billion yen *Increase the no. of employees by at least 200

2026 Medium-Term Management Plan

Revised some KGI and KPI and allocation of capital

# Medium-Term Management Plan (2023 to 2026) Numerical Targets

(Revised goals in red, initial goals as of May 2023 in parentheses)



\*1 The reduction rate necessary to achieve the 1.5°C target

\*2 The scope 3 reduction rate in line with the target in \*1 above

\*3 The total for the period covered by the Medium-Term Management Plan

\*4 Compared to FY2022 as of the end of FY2026

# Measures to Enhance Earning Power Based on Our Construction Business

## 1. Enhance earning power based on our construction business

Enhance on-site capabilities to improve earning power

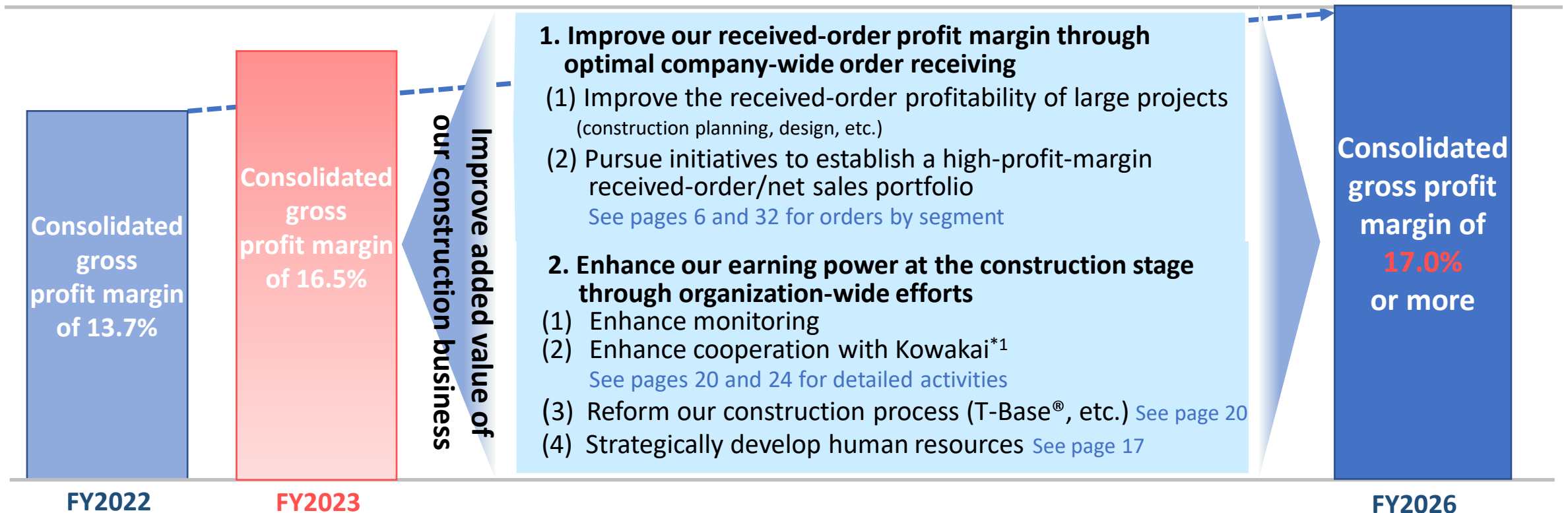


- Conduct order-receiving activities from a company-wide perspective
- Suitably manage construction and improve productivity

**FY2026 target**

- Achieve a consolidated gross profit margin of **17.0%** or more

- Initiatives to achieve a consolidated gross profit margin of **17.0%** or more



\*1 An organization composed of our company's affiliates

# Investing in Human Resources, the Source of Our Value Creation

## 3. Invest in human capital, the source of our value creation

Invest in human capital to transform our business model

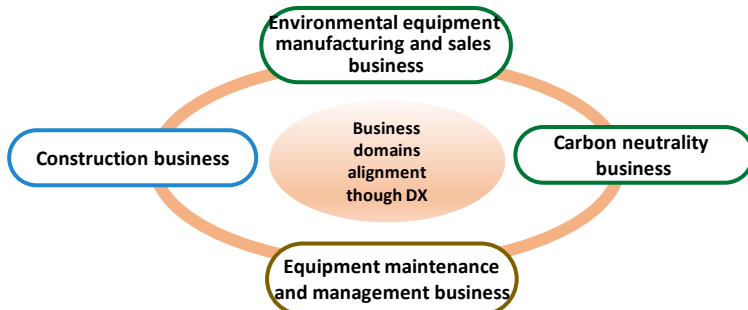


■ Establish and execute our human resource strategy

Increase our investment in human capital by **15 billion yen\*** through the implementation of measures (1), (2), and (3) below

### (1) Secure human resources, the source of our value creation (Enhance acquisition and retention)

- Policies/measures to increase the number of employees by **220 to 250\***
  - Revise our criteria for hiring new graduates and mid-career professionals
  - Enhance retention
  - Enhance fresh graduate hiring activities
  - Use people for measures to establish a four business domain structure in the future



Securing human resources

Development of human resources

Takasago Thermal Engineering's human resource strategy



Personnel system reforms

### (2) Develop professional human resources who are driven by a sense of responsibility to work on resolving issues

- Establish educational systems enabling executives and employees to reach an even higher level of growth (Separate education for engineers and sales representatives)
- Develop local staff at overseas subsidiaries
- Increase the total number of qualification points held by executives and employees<sup>Note)</sup> (Increase the total number of points to 150% compared to the current total)

Note) Improving the total number of qualification points

Our company has set specific numbers of points for professional qualifications (in-house or official qualifications) that employees and executives are encouraged to acquire during the course of their work. Executives and employees who acquire these qualifications are given points. We plan to increase the total number of qualification points possessed by our executives and employees to at least 150% compared to the current total.

March of 2023: 12,500 points (non-consolidated: 2,173 executives and employees)  
→ March of 2027: 18,700 points (non-consolidated: 2,373 executives and employees)

[Examples of points given for different types of qualifications]

- First class plumbing work operation and management engineer: 2 points
- First class architect, lawyer, or certified public accountant: 5 points

### (3) Reform our personnel system to further support working employees

- Achieve multiple-track personnel promotion
- Optimize personnel evaluations and compensation

\* The total for the period covered by the Medium-Term Management Plan



# Financial Strategy and Capital Allocation (Revised numerical targets in red, figures announced as of May 2023 in parentheses)

- We will build a financial foundation that emphasizes a balance between capital efficiency and financial soundness and supports sustainable growth.
- The cash generated as a result will be suitably allocated to growth investment aimed at improving our corporate value as well as shareholder return.

## Basic policy for our financial strategy

Striking a balance between capital efficiency and financial soundness while suitably allocating funds to growth investment and shareholder return

Capital efficiency	<ul style="list-style-type: none"><li>• ROE of approximately <b>12.0%</b> (10%) (We will remain aware of the cost of capital as we pursue improved return on capital.)</li><li>• Cross-shareholdings net asset ratio of <b>15% or less</b></li></ul>
Financial soundness	<ul style="list-style-type: none"><li>• <b>Maintain a rating of A*</b> * Long-term issuer/bond rating Rating agency: JCR (Japan Credit Rating Agency)</li></ul>
Growth investment	<ul style="list-style-type: none"><li>• <b>71 billion yen or more</b> (51 billion yen)</li></ul>
Shareholder return	<ul style="list-style-type: none"><li>• Aim for a payout ratio of <b>40%</b></li><li>• Progressive dividends</li><li>• Flexibly acquire treasury stock</li></ul>

## Capital allocation

Cash in Four years: total of <b>121 billion yen</b> (81 billion yen)	Cash out Four years: total <b>121 billion yen</b> (81 billion yen)
Created by business <b>111 billion yen</b> (73 billion yen)	Growth investment <b>71 billion yen or more</b> (51 billion yen) <ul style="list-style-type: none"><li>• Investment in human capital</li><li>• Carbon neutrality business</li><li>• Construction process reform</li><li>• DX</li><li>• M&amp;A, etc.</li></ul>
Sale of cross-shareholdings <b>10 billion yen</b> (8 billion yen)	Shareholder return <b>45 billion yen or more</b> (30 billion yen) (Including a payout ratio of approximately 40% and treasury stock acquisition)

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