

May 13, 2025

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Notice Concerning Revision of Target for the 2026 Medium-Term Management Plan

Takasago Thermal Engineering Co., Ltd. (the “Company”) hereby announces that the numerical targets for the 2026 Medium-Term Management Plan has revised as the resolution has passed at the meeting of the Board of Directors held on May 13, 2025 in view of the most recent trends of its performance. Details are outlined below.

1. Detail of the revision

		Revised targets for the fiscal year ending March 31, 2027 (This Revision)	Previous target (Before revision)	FY2024 Results (As reference)
KGIs	Consolidated ordinary income	40 billion yen	30 billion yen	34.9 billion yen
	Consolidated ROE	Approximately 15%	Approximately 12%	16.0%
KPIs	Consolidated gross profit margin	19% or more	17% or more	18.8%
	Investment in human capital	30 billion yen increase *increase of more than 350 employees	15 billion yen increase *increase of 220-250 employees	10 billion yen increase in total *increase of 274 employees

Reason for revision

The Company has been promoting activities which lead to establishment of solid revenue base and enhancing profitability of construction business, establishment of new business to increase value in long term, and investment in human capital as a source of value creation, as the strategies for growth in 2026 Medium-Term Business plan.

The performance for the fiscal year ended on 31st Mar 2025 was so strong as the targeted KGIs and KPI announced on 14th May 2024 has achieved ahead of schedule, as the results of strategies for growth and current market demand. With comprehensive consideration about current business environment and progress of the strategies, the Company hereby announces the upward revision for KGIs and KPIs as described above. And continue to strive for further value creation. Please find attached material for further information.

(Note) The information about future forecast in this document are based on currently available information held by the Company, and on certain premises considered as reasonable by the Company. Therefore, please note that actual results may differ from the forecast.

End

Revision of numerical targets of 2026 Mid-term business plan

The grounds for revision of numerical target (KPI, KGI) of 2026 Mid-term business plan

Target and results
→ Achieved ahead of schedule

Strong market demand from manufacturing and non manufacturing both sector

Improvement of profitability as a results of various initiatives from order to installation stage

Further investment in human capital as a source of value creation and establishment of four business domains

	Item	FY2023 Results	FY2024 Results	Target before revision (※Announced May 2024)
KGI	Consolidated Ordinary profit	26.1B	34.9B	30B
	ROE	12.8%	16.0%	Approx.12%
KPI	Consolidated Gross profit margin	16.5%	18.8%	17% or more
	Investment in human capital	Approx.4B Increase headcount at 129 (Net)	Approx.6B Increase headcount at 145 (Net)	Approx.15B Increase headcount 220-250 (Net) (In 4 years)

To revise some KGI, KPI and capital allocation in view of latest situation

Numerical target of Mid-term business plan (FY2023~2026)

KGI (FY2026)

Enhance earning power

Consolidated Ordinary profit **JPY40B**
(30B)^{※5}

Improve capital efficiency

Consolidated ROE **Approx. 15%**
(Approx.12%)^{※5}

Contribution to global environment

CO₂ emission (compare with FY2022)
• Scope 1・2・・・△**16.8 %**^{※1}
• Scope 3・・・・△**10.0 %**^{※2}



KPI

1. Enhance earning power in construction business

- By improving productivity
- By maintain or improve profitability at order booking
- To achieve consolidated gross profit margin **19.0%** (17.0%)^{※5} or more

2. Establishment of new business to increase value in long term

- Equip green energy plant (Equivalent to 5,000kW^{※3} In total)
- Making proposal for carbon transition △15,000t-CO₂ per annum

3. Investment in human capital as a source of value creation

- Increase headcount more than **350**^{※4} (From 220 to 250)^{※5}
- Development professional expert
- Reformation of HR regulation
- To invest **Approx. 30B** (15B)^{※3※5}

※1 The ratio required to achieve 1.5℃ target

※2 The same in accord with ※1

※3 In total during 2026 Mid-term business plan

※4 From end of FY2022 to end of FY2026

※5 Target before revision

Enhance earning power in construction business

1. Enhance earning power in construction business

Initiatives strengthen earning power from grassroots

- Improving productivity
- Profitability at order booking

Target FY2026
■ Consolidated gross profit margin **19.0% or more**
(17.0% or more)^{※2}

■ Initiatives to achieve target

■ Improving on-site job productivity

- ① Reforming business process (T-Base[®]、DX)
- ② Improving work process (Develop standard specification for industrial project, renewing SOP、more proposal for design and specifications)

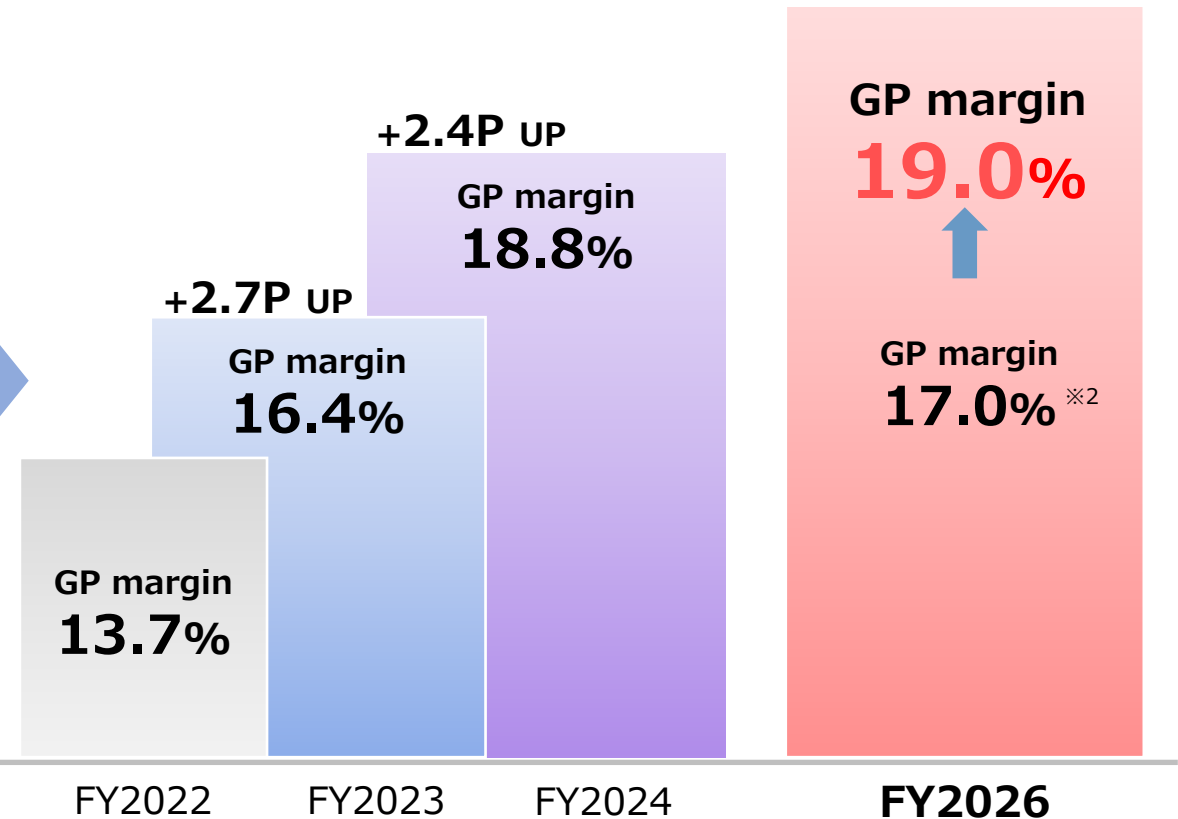
③ Systematic education for engineers

- ④ Strengthen partnership with Kowa-kai^{※1}
(Expand T-Base[®] sites and co-working)

■ Maintain or improve profitability at sales order booking

- ① Accurate estimation and planning for large scale project
- ② Sales operation with flexible resource allocation, and well consider sales order and revenue portfolio building

To create more value



※1 Organization gathered by companies in partnership

※2 Target before revision

Investment in human capital as a source of value creation

3. Investment in human capital as a source of value creation

Investment in human capital for transformation of business model

■ Establishment and execution of human capital strategy

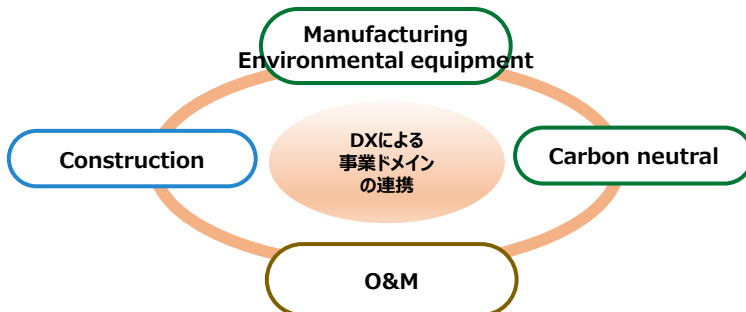
30B^{※1} of investment to carry out initiatives described below ①②③
(15B)^{※1※2}

① To secure talent as a source of value creation (Strengthen recruit and retention)

■ Initiatives to increase headcount

350^{※1} : (220~250)^{※2}

- Reforming recruiting policy (New graduate and carrier)
- Lowering turn over
- Strengthen recruiting activities
- HR allocation for 4 domains for transformation of business model



Securing Talent

Developing Human resource

TTE's HR Strategy



Reforming HR regulations

② To develop professional experts identify the issues and create solution as mission

- Education system for sales/engineers to reach another higher level of mind
- Development of overseas national staff
- Encouraging increasing license points[※] of staffs at 150%

※) License point

The points are granted and managed by Company, for official and company internal qualification.

At Mar 2023 : 12,500 points (Headcount of parent : 2,173)
→ Mar 2027 : 18,700 points (150%) (Same : 2,373人)

【Example of qualification and points】

- 1st class piping construction & management engineer: 2 points
- 1st class architect, Lawyer, CPA : 5 points

③ Reforming HR regulations for better working environment

- Multiple carrier path system
- Optimization of evaluation and remuneration

※1 In total during the period of 2026 Mid-term business plan

※2 Target before this revision

Financial policy and capital allocation

- To create sustainable growth from financials well balanced for stability and efficiency
- To allocate generated cash flow into investment for growth and shareholder return

Basic financial policy

Balance between financial stability and capital efficiency

Capital efficiency	<ul style="list-style-type: none">• ROE approx. 15.0% (Higher return to cost of capital)• Reducing crossholding share less than 15% of net assets
Financial Stability	<ul style="list-style-type: none">• Maintain A rating ※Long term issuer·debt securities Agency : Japan Credit Rating Agency
Investment for growth	<ul style="list-style-type: none">• 90B or more
Shareholder return	<ul style="list-style-type: none">• Target payout ratio 40%• Progressive dividend• Flexible share buy back

Capital allocation

Cash in 4 years : 147B	Cash out 4 years : 147B
Generate by business 137B	Investment for growth 90B or more <ul style="list-style-type: none">• Human capital• Carbon neutral business• Reformation of construction business• DX ·M&A, etc
Selling off of crossholding share 10B	Shareholder return 50B or more (40% of payout ratio, Including buy back)