TAKASAGO CORPORATE REPORT
2025
Environment-Creator™

TAKASAGO CORPORATE REPORT 2025

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

Environment-Creator™
Takasago
Thermal Engineering

Our global environment is undergoing dramatic change.
We turn this change into opportunity.
We transform challenges into innovation.

New commercials and company introduction videos are available for viewing.

Watch our commercials featuring Rikako Yagi and our company introduction videos featuring employee appearances.

https://www.tte-net.com/english/corporate/advertisement/index.html

Making construction smarter and more attractive through BIM-centered digital transformation

Delivering solutions that drive carbon neutrality through R&D innovation

Driving energy conservation and CO_2 reduction through Takasago Thermal Engineering's technical expertise

Fostering trust to bring Takasago Thermal Engineering's HVAC solutions to many people

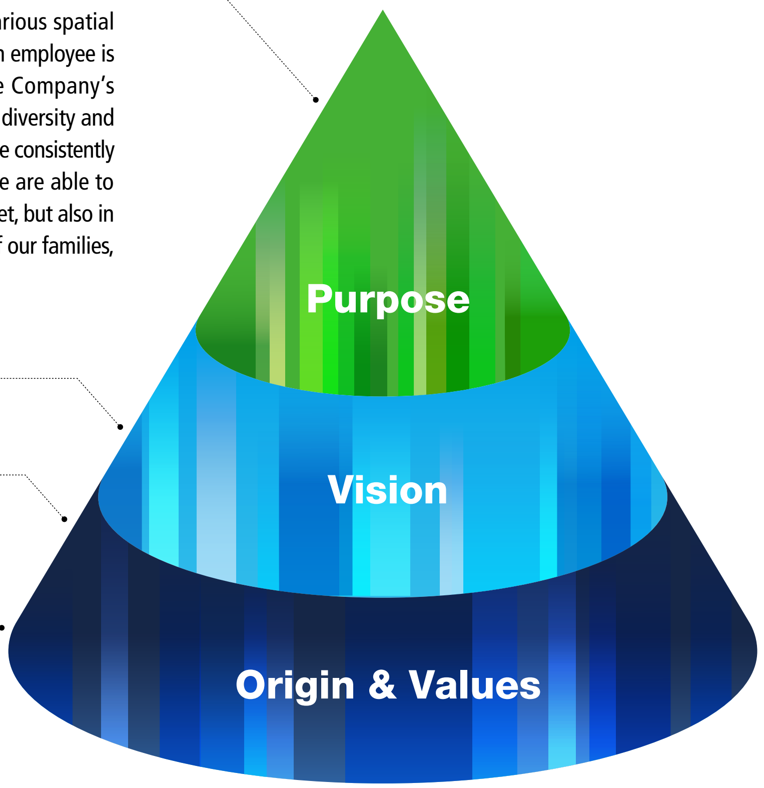
T-Base® transforms both construction industry workplace environments and future global environments

Supporting employees active on the front lines with empathy and understanding

A century of expertise and experience in creating pristine air quality

Delivering optimal and high-quality facilities that only Takasago Thermal Engineering can provide to communities worldwide

Corporate Philosophy



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

TakasagoWay

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

About the Takasago Corporate Report

Composition of key reporting media

Corporate Report
(this publication)

Technology & Services
(website)

https://www.tte-net.com/english/solution/

https://www.tte-net.com/solution/pdf/gat.pdf

- Green Air® Tech

Sustainability
(website)

https://www.tte-net.com/english/sustainability/

- ESG and CSR Activities Report (including data section)
- Corporate Governance Report

Investor Relations
(website)

https://www.tte-net.com/english/ir/

<IR library>
- Brief note on the settlement of accounts
- Securities report
- Shareholder newsletter
- Financial results (English)
- Financial results presentation (reference materials)

For details, see the website of Takasago Thermal Engineering.
https://www.tte-net.com/english/

WE SUPPORT
SUSTAINABLE DEVELOPMENT GOALS

Editorial policy

The Takasago Thermal Engineering Group started to issue the Corporate Report (an integrated report) in 2017, and this is the ninth report. We have endeavored to ensure this report contains useful information for those who are interested in the current situation and medium- to long-term future of the Takasago Thermal Engineering Group. We will continue to improve the quality of the report based on your feedback and suggestions.

- **Target organizations for this report**: Takasago Thermal Engineering Co., Ltd. (all offices both in Japan and overseas) and Takasago Thermal Engineering Group companies
  *The entire Takasago Thermal Engineering Group is referred to as the "Takasago Thermal Engineering Group" or "our Group," and Takasago Thermal Engineering Co., Ltd. alone is referred to as "Takasago Thermal Engineering" or "we."
- **Date of issue**: September 2025
- **Referenced guidelines**: "International Integrated Reporting Framework," International Integrated Reporting Council (IIRC, now the IFRS Foundation)
  "Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation," Ministry of Economy, Trade and Industry (METI)
  "Sustainability Reporting Guidelines" (standards), Global Reporting Initiative (GRI)

Contents

小島 和人

President and Representative Director
Kazuhito Kojima

To become a company that is indispensable to our planet and society, we will continue evolving as an Environment-Creator™ and enhancing our value for the future.

Message from the President

Connecting corporate value to the future through principled management and unwavering belief in our Purpose

When it comes to management, what is most important to me is the conviction that companies should exist for the sake of human happiness, and the commitment to walking the principled path with integrity in accordance with nature's principles. This principled path means confronting the fundamental question of why our company exists, then making decisions and taking actions based on understanding what truly matters. Only through this approach, I believe, can we achieve sustainable corporate growth.

What's important here isn't market capitalization or short-term results but rather managing our business and developing our people while keeping our eyes on future value, all while asking ourselves how we can contribute to the planet and society 10 or 20 years from now. In redefining our company's value and future potential, our 12 directors, including outside directors, have engaged in extensive quantitative and qualitative discussions. Through this process, we've expanded our understanding beyond our core business of providing building HVAC systems to encompass our contribution to the planet through carbon neutrality technologies.

To earn society's trust, companies must face not just their achievements but also their challenges with sincerity. That's why we remain committed to transparent management. Through internal and external communication, we want to share our sincere efforts to create corporate value that benefits both the planet and society while being candid about the gap between where we are today and where we aim to be.

From providing HVAC systems to maximizing customer value through HVAC systems

Our Purpose, "With our revolutionary environmental innovations, we activate the Earth's future," and our vision as an Environment-Creator™, which represents what each employee aspires to and what we collectively aim for as a company, have gained broad social recognition. This is thanks in part to our branding initiatives, including advertisements in airports and train stations nationwide. The response has been remarkable: university student awareness of our company has risen from 21.8% to 33.4%, and employees, their families, and supply chain partners have told us that they can relate to us and feel pride in what we do.

At the same time, we must acknowledge that employee understanding and adoption of our Purpose and vision are not yet where they need to be. This remains a challenge of ours. As an Environment-Creator™, we aspire to go beyond HVAC services and use our technology and expertise to solve challenges facing society and businesses. To turn this ideal into reality, I've been visiting branches nationwide, engaging in dialogue with younger and mid-career employees to help each person discover how this vision connects to their daily work, steadily building understanding through repeated dialogue and implementation.

Adapting to changes in the business environment stemming from population decline in Japan is essential. We recognized this reality early on and have focused on improving productivity by introducing T-Base® and transitioning to an internal joint venture system between branches that allows us to deploy resources more flexibly. Underlying these reforms is a clear vision: evolving from a company that provides HVAC equipment into a company that maximizes customer value through HVAC services.

What we value is not our own sales performance but rather our customers' results, namely, our contribution to enhancing their market competitiveness. For instance, when our HVAC technology helps major semiconductor manufacturers improve quality and efficiency in their production, that's the true measure of our value: our customers' achievements. Our goal is not simply to provide technology but to build the kind of trust that makes customers say, "We want to work with Takasago Thermal Engineering again." By consistently delivering outcomes for our customers through our technology and business, we can achieve both environmental value and customer value. This approach aligns with the concept of revolutionary environmental innovations stated in our Purpose, so, rather than chasing numbers, we are focused on being a company that addresses our customers' essential value. This means evolving from a company that provides HVAC equipment into a company that maximizes customer value through HVAC services.

Achieving both sustainability and strategic growth by reallocating resources and transforming our business portfolio

We've also established a system that can respond to changes in the business environment with speed and flexibility by delegating certain authority to the executive side. While new challenges naturally bring increased risks, we became a company with an Audit and Supervisory Committee in 2023, strengthening our monitoring-based governance structure. We ensure thorough execution that incorporates the risk assessments and multifaceted advice gained through these discussions.

Our Board of Directors actively engages in strategic discussions aligned with our Purpose and future direction, creating a structure that supports sustainable growth. Moving forward, we will stay true to our principle of maximizing customer value while promoting transformation in both business and governance to create new value.

Focusing on maximizing value rather than profits, and making future-oriented management resource investments

Our Long-Term Vision for 2040 sets a target of 40.0 billion yen in consolidated ordinary income. Our current business performance is strong, with consolidated ordinary income forecast at 38.0 billion yen this fiscal year. The majority of this is composed of flow-type businesses such as construction projects. In our next Medium-Term Management Plan, which we plan to begin formulating in 2026, we will review resource allocation and pursue qualitative transformation of our business portfolio. Our goal will not be simple profit expansion but rather achieving both sustainability and strategic growth. While we don't plan to change our strategy itself, we need to carefully examine future trends and consider the details given that the pace of strategy implementation varies by sector. We will also proceed with flexible planning based on future business and market changes, and we will also revise our long-term vision to better align with our strategy as needed.

We recognize that the current boom driven by robust construction demand will not last forever, and what is important now is converting the cash we earn into investments for the future. We believe it is crucial to focus on customer needs, particularly addressing the demand for carbon neutrality.

We are especially interested in locally produced and consumed renewable energy. As a new business, we plan to establish a green hydrogen supply model using locally sourced energy. We are already advancing the development of large-scale water electrolysis equipment and are currently conducting demonstration projects. We aim to grow this into a self-sustaining business that will become central to our 2040 vision.

While green hydrogen production costs remain extremely high and attaining profitability without subsidies is challenging, we are working with multiple companies to build a model that can operate independently of subsidies.

Beyond hydrogen, we have developed Megastock® technology to store and reuse low-temperature waste heat between 80 and 200°C, and we are advancing the development and delivery to customers of environmental technologies including Megastock®. We hope to expand this further and make it another pillar of our 2040 vision.

Our ability to invest in such research and development is one of our strengths. In particular, we have established the Moonshot Program, an internal open-application research system that does not require business viability at the application stage. This provides fertile ground for free thinking and has become a source of our technological capabilities, producing excellent results. We will continue pursuing our Purpose not just through extensions of existing businesses but through both forward-looking research and practical implementation addressing real needs.

Further strengthening investments that drive sustainable growth and making concerted efforts to transform

Based on our 2026 Medium-Term Management Plan: 2026 Step for the FUTURE, which is aimed at achieving our long-term vision, we have promoted structural reforms and growth investments. As a result, our performance has significantly exceeded expectations, and we have been observing better-than-planned results ahead of schedule.

What is particularly encouraging is our investment in human capital. Our Purpose-driven branding has proven successful, contributing to improved recruitment and reduced turnover rates.

Strengthening management through both sustainability management and governance to drive management strategically

Our workforce has grown to 2,471 employees (as of April 1, 2025), and our investment scale has grown from the initial plan of 10.0 billion yen to 30.0 billion yen, clear evidence that we are steadily building the foundation to tackle growth sectors.

Additionally, improved productivity and profitability that leverage our accumulated design and construction expertise are achievements as well. They result from our shift from inter-branch competition to company-wide optimization, enabling flexible resource reallocation and bearing fruit through our structure focused around industrial business and renewals. By accurately grasping customer needs, reflecting them in design and planning, and linking them to problem-solving through construction, we are contributing to qualitative improvement in our earnings structure.

Going forward, we will not let these achievements be temporary. We will continue investing to strategically allocate capital from a flexible, long-term perspective, balancing sustainable growth with making concerted efforts to transform.

Focusing on securing human resources in anticipation of market changes from 2026 onward

FY2024 saw record-high sales and profits, with a gross profit margin reaching 18.8%.

Supporting these results is our internal joint venture system based on inter-branch cooperation. By moving away from the traditional branch-centric approach and implementing support systems for relocations without family, we can now redeploy human resources nationwide, enhancing our company-wide response capabilities.

Meanwhile, for FY2025, our substantial carried-over projects are expected to contribute to sales and profit, but we will continue to closely monitor changes in customer investment appetite in response to trade policies in various countries and fluctuations in financial and capital markets.

Given these market environment changes, securing human resources could become a significant risk factor in the medium to long term. While things are progressing relatively smoothly at present, in Japan, there is a forecast that the working-age population, particularly younger workers, will decline due to the declining birthrate. To secure human capital, it is important to continuously communicate our future prospects, messages, and attractive initiatives and work styles. Additionally, we want to broadly promote the unique value we provide, "HVAC with carbon neutrality," to society through IR activities and other channels.

Promoting effective enhancement of the management system centered on our Purpose

Under our Purpose, "With our revolutionary environmental innovations, we activate the Earth's future," we have worked to strengthen our management system through both sustainability management and governance.

The foundation of sustainability management is creating sustainable value through our core business. For structural challenges such as reducing the burden on the environment starting from the construction stage and labor shortages, we're positioning T-Base® as a base investment and strengthening its deployment. We're also developing circular water systems in partnership with WOTA Corporation, with water resource and disaster response technologies also in our sights for commercialization. For human capital investment, we will continue developing on-site training that is considerate of foreign workers and enhancing our whistle-blower system.

We have conducted engagement surveys for five years, and, since fiscal year ended March 2024, we have introduced an engagement coefficient into executive compensation. By strengthening mechanisms to reflect employee voices in management, we have seen improved turnover rates and rising employee engagement.

Regarding enhanced governance, its effectiveness has improved since we became a company with an Audit and Supervisory Committee in 2023. The Board of Directors has evolved into a forum for strategic decision-making based on management impact. Outside directors visit the company three to four days per month, providing advice based on a deep understanding of the situation on the ground gained through visits to branches and overseas locations, earning strong trust from those on site. The Board's composition brings together diverse expertise from operating companies, law, accounting, and environmental fields, supporting sound decision-making from multiple perspectives. This is another factor in our positive results.

If I were to identify a challenge that we face, it is to improve our female director ratio. We are aiming to reach international standards (30%) by 2030, going beyond numerical targets to achieve genuine diversity.

We will continue refining the systems of ours that support Purpose-rooted value creation and sound management decisions, promoting sustainable management that integrates sustainability and strategy. We are serious about becoming a company that makes people say, "The planet would be in trouble without Takasago Thermal Engineering." Our technology and value must be essential to the future of Earth's environment. That is the corporate value we seek.

With this vision, we will continue creating global value by expanding our HVAC and environmental technologies developed in Japan to Southeast Asia, Mexico, China, India, and beyond, providing solutions tailored to the challenges each region faces. We are setting our eyes not on Japan's future but Earth's future. We will continue asking what we can do for the planet as we strive to enhance our corporate value into the future.

Feature

Tackling the World's First Lunar Hydrogen and Oxygen Production

In recent years, lunar development has been attracting attention. One major reason is the possibility of the Moon holding a large amount of water, which could serve as a resource. If that water can be electrolyzed on the lunar surface to produce hydrogen and oxygen, the hydrogen could serve as fuel and the oxygen could be used for people to breathe, making it possible for people to stay on the Moon for long periods of time.

There is also the idea of having a lunar base, in which the Moon would be used as a future relay station for missions to Mars and other distant planets. Because the Moon's gravity is only about one-sixth that of Earth, launching from the Moon would also provide the advantage of reducing rocket fuel. Such lunar activities would also require large amounts of hydrogen. For these reasons, water electrolysis technology could play a critical role on the Moon in the future.

We have been working on this project as part of our Long-Term Vision for 2040, which aims to "establish business that will lead to long-term added value," and to show the world that we are expanding our business areas beyond construction as we look toward the next 100 years.

Project overview

- Under Mission 2 of Japan's first private lunar exploration program, this project aims to achieve the world's first production of hydrogen and oxygen on the Moon by electrolyzing water
- We will develop water electrolysis equipment for demonstration on the Moon, which will be launched into space aboard ispace's lunar lander. After landing, the equipment will be the first* in the world to demonstrate production of hydrogen and oxygen on the Moon's surface
- Our equipment on the Moon will be remotely operated from a control center on Earth

*At the time of the planned landing

Lunar initiative

In this initiative, we planned to carry out three demonstrations.

1 Produce hydrogen and oxygen
Be the first company in the world to demonstrate that water can actually be electrolyzed on the Moon's surface to stably produce hydrogen and oxygen. If successful, this will be a major first step toward lunar resource utilization.

2 Store hydrogen and oxygen
Demonstrate that the produced hydrogen and oxygen can be effectively compressed and stored. This is an essential technology for future effective energy use on the Moon.

3 Repeated operation and shutdown
Demonstrate that the system of operations can repeatedly start and stop in a stable manner. This is an essential technology to enable on-demand operation and shutdown of equipment in the future.

Photograph of the Moon taken from the lunar lander

Development process

Developing equipment for space was uncharted territory for us. Because of this, development was still progressing through trial and error even more than a year after the project began. Under these circumstances, we gradually established our development structure by seeing what worked, advancing the search for partner companies and development methods while collaborating across departments. After about two and a half years, development finally got on track.

Ordinarily, water electrolysis equipment of this type could be completed for terrestrial use in about six months. However, because the equipment has to withstand the conditions of space and the lunar surface and operate reliably on the Moon while meeting the limited resources and strict constraints of the lunar lander, we needed extensive study and design verification, resulting in a development period of about four years. The result is equipment which we can confidently say is capable of producing hydrogen and oxygen on the Moon.


Concept design model

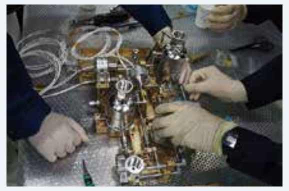

Development test model


Engineering model


Flight model

	December 2019	Signed a corporate partnership agreement with ispace
2020	April 2020	Development project launched Start of initial studies
2021	June 2021	Start of basic design
2022	June 2022	Preliminary design review (PDR)
2023	March 2023	Critical design review (CDR)
2024	January 2024	Pre-shipment review (PSR) (development completed)

Manufacturing and testing of the flight model


Assembly of the equipment


Water electrolysis cell

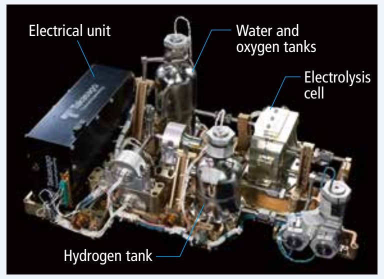
Thermal vacuum testing


Vibration testing

Configuration of the lunar water electrolysis equipment

The main components are as follows.

Electrolysis cell	The central part of the equipment, where electricity splits water into hydrogen and oxygen.
Water and oxygen tanks	Containers for the water before electrolysis and the oxygen gas produced (future air).
Hydrogen tank	Container for the hydrogen gas produced (future fuel).
Electrical unit	The computer section that handles power and communications with the lunar lander and monitors/controls the entire equipment.
Structural support parts (sturdy frame)	A framework that secures all components and protects them from impacts.



Lunar water electrolysis equipment aboard the lunar lander

Technology for withstanding the harsh lunar environment

The Moon has a harsh environment completely unlike that of Earth. Gravity is only about one-sixth of Earth's, there is no atmosphere, and the temperature swings between day and night are extreme. During rocket launch and landing, the equipment must also withstand intense vibrations and impacts.

Our lunar water electrolysis equipment incorporates specialized technology not needed for ground-based equipment to overcome the unique challenges of space and the Moon.

Making use of even slight gravity
The equipment is designed so water and gases can flow smoothly despite the weak gravity, just one-sixth that of Earth.

Keeping the temperature stable
The equipment employs thermal-control technology so the equipment can operate at proper temperatures even in the vacuum of the lunar surface.

Built to withstand impacts
The sturdy structure protects the equipment from the violent vibrations and impacts during launch and landing.

Compact and lightweight
To reduce space-transport costs, the equipment was designed to be just 20 centimeters tall, 45 centimeters wide, and 30 centimeters deep.

A result that forced us to abandon the lunar demonstration

After the lunar lander launch in January 2025, we confirmed that the lunar water electrolysis equipment endured the strong vibrations, impacts, and pressure drop of liftoff and, despite experiencing the severe environment of outer space such as the vacuum of space, high radiation, and weightlessness for about five months, it remained in sound condition till soon before landing. It reached about 1.1 million kilometers from Earth at its farthest point.

After a long journey through outer space, in the early morning of June 6, 2025 (Fri.), ispace, inc. attempted to land the lander on the Moon. However, it was reported that the landing had failed, and the private lunar exploration program Mission 2 came to an end.

While this result led us to abandon the demonstration of hydrogen and oxygen production on the Moon, this lunar endeavor became a decisive step for us, opening the door to space and turning a dream into reality.

Project achievements

Technical advances	Benefits beyond technology
• Deeper understanding of the mechanisms of water electrolysis • Systematic development process for products • Technical capabilities through development that demanded extremely high performance standards • Manufacturing for space technology development	• Strengthening of corporate culture aimed at increasing corporate value • Fostering a mindset ready to take on new businesses (balancing risk-taking and risk management) • Company-wide management capability to drive projects • Skill in finding and collaborating with partner companies

Future endeavors

If we can use the resources on the Moon to produce energy and breathable air, it will open up a future where humanity can explore space more freely and sustainably without relying on transportation from Earth, and expand the areas where we can operate.

Building on everything we gained through this endeavor, we are determined to continue contributing to the future of humankind.

Newspaper advertisement issued after the project's completion

Takasago Thermal Engineering's Value Creation

01

History of Our Value Creation

In November 2023, Takasago Thermal Engineering marked the 100th anniversary of its founding in 1923. Looking toward the next century, we will continue our journey for even more value creation under our Group Purpose: "With our revolutionary environmental innovations, we activate the Earth's future."
Since its founding, the company, mainly covering HVAC system construction and its peripheral fields, has engaged in technological advancement through designs and construction living up to customers' trust and the development and operation of optimum systems and devices. Using technologies accumulated so far, we aim to achieve a decarbonized and sustainable society, and will pursue technological advancement.

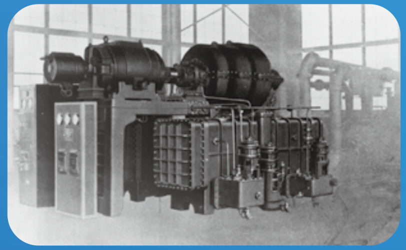
From 1923

Our founding and development of our first domestic products

On November 16, 1923, our predecessor Takasago Heating Works Co., Ltd. was established. In 1924, the year after the company was founded, it installed a temperature and humidity control system in a residence, which is said to be the first air-conditioned private residence in Japan. In 1927, we constructed Mitsukoshi Hall (currently Mitsukoshi Theater), which attracted attention as the first fully air-conditioned and heated theater in Japan.

Large air conditioners of the day that were needed to create cold air had to be imported, and were very expensive because of transport expenses and engineers' travel expenses added to the price of the main body. Due to this, our first president Masanosuke Yanagimachi traveled to the United States. He developed the first domestically-produced product Takasago Ebara turbo refrigerator after years of research. In addition, we developed Japan's first heat pump heating and cooling system and industrial cooling tower.


First domestically-produced cooling tower

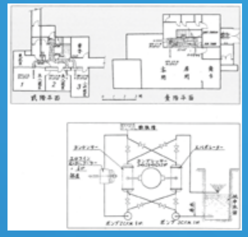

Takasago Ebara turbo refrigerator

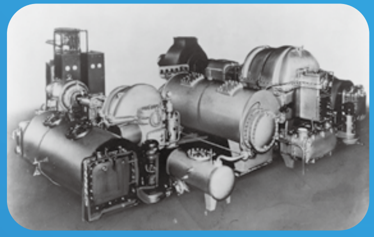
From 1945

Contributing to the postwar reconstruction and period of high economic growth

In 1943, our company name was changed to the current name, Takasago Thermal Engineering Co., Ltd.

Large-scale construction increased as Japan entered the period of rapid economic growth after WWII. We installed air conditioning systems for numerous buildings, including the Tekko Building No. 1 in Yaesu, Tokyo, Tetsudo Kaikan building at the Yaesu exit of Tokyo Station, and Tokyu Kaikan in Shibuya. Later, our company constructed the World Trade Center Building (40 floors above ground in Hamamatsucho, Tokyo), the second skyscraper ever built in Japan.


1932
Japan's first heat pump heating and cooling system was completed


1940
-75°C ultra-low-temperature equipment and ultra-low-temperature turbo refrigerators were developed and delivered

1923 — 1930 — 1940 — 1950 — 1960 — 1970 — 1980

From 1960

Industrial development and technological advancement (development of cleanrooms, etc.)

In response to the growing demand for clean, contaminant-free air at manufacturing and medical care sites in Japan, Takasago Thermal Engineering quickly entered the cleanroom market right from the start. As exchange with foreign countries resumed after WWII, we took every opportunity to gather knowledge of new technologies and products. With the support of an American company, we constructed our first full-fledged cleanroom, the Nihon Denso cleanroom research building, in 1968.

In the 1990s, with the booming DRAM semiconductor market, mass production of lithium-ion batteries began in Japan. A low-humidity environment is essential for the production of these lithium-ion batteries. In order to generate this unique environment, we developed the low humidity environmental control room known as Dry Room®, which is still used to manufacture lithium-ion batteries.


Takasago laminar flow cleanroom

From 1970

Promoting overseas business for globalization

We started our global business by opening a Singapore resident office, a Macao branch, and a Hong Kong branch in 1974. In order to expand our technology overseas beyond national borders, we established our Overseas Business Headquarters in 1980. In September 2018, we expanded our business to 10 countries, mainly in Asia, spreading our area of contribution across national borders.

From 1980

Development of innovative thermal storage technology

Focusing on the supercooling phenomenon, where a liquid does not solidify even when its temperature falls below the freezing point, we successfully developed a new technology called Super Ice System (SIS®) that continuously generates sherbet-like ice.

This ice thermal storage technology was innovation aimed at energy-saving in air conditioning and reducing running costs.


Super Ice System

From 2000

Optimum operations of HVAC and development of energy-saving technologies

In 2005, in response to growing social momentum for energy conservation, we developed the data gathering analysis software GODA® to keep track of the operational state of an HVAC system adequately for its resulting optimum operations. We also developed the Swirling Induction type TAKASAGO HVAC System SWIT® to improve the comfort level of the living environment in large spatial facilities like factories, which also enabled improvement in energy-saving performance and a reduction in system costs. Furthermore, we developed the TCR-SWIT® next-generation cleanroom that enables high-precision control of indoor environments in large-scale cleanrooms, which was previously challenging. In addition to maintaining environments with high precision, this cleanroom also achieves energy efficiency across the entire system and reduces the space required for air conditioning units. Currently, this cleanroom is increasingly being introduced across a wide range of fields, such as semiconductors (including front-end processes) and electronic components.


SWIT®


TCR-SWIT®


Based on the information technology of the time, we developed the world's largest open building automation (BA) system. This was implemented as the central monitoring and control system for Roppongi Hills Mori Tower.

From 2010

Technology made significant advances in the 2010s. The issue of optimizing data center air conditioning systems emerged due to the increased heat generated because of larger amounts of data being processed and the improved performance of ICT equipment. In 2011, as an air conditioning system that fundamentally solves this issue, we jointly developed the IDC-SFLOW® wall outlet type air conditioning system.

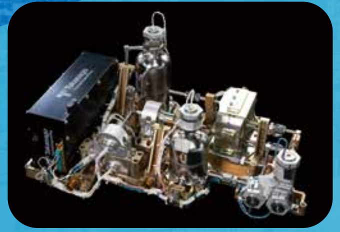
1990 — 2000 — 2010 — 2020 — 2023 100th anniversary

From 2020

Tackling social issues as an Environment-Creator™

Since the development of our Super Ice System ice thermal storage in 1988, we realized the need to expand the use of energy resources further in the future, and around 2006, we began developing hydrogen utilization technology. Through now, we have accumulated experience through demonstration projects with the Japan Aerospace Exploration Agency (JAXA), the National Institute of Advanced Industrial Science and Technology, and the Ministry of the Environment. In April 2020, we launched Hydro Creator®, a solid polymer water electrolyzer that generates hydrogen and oxygen gas from electricity.

Building on our technologies, we successfully developed water electrolysis equipment for demonstration testing on the Moon. In January 2025 the equipment was launched into space aboard a lunar lander. Although the aim was for a moon landing in June 2025, the landing was not achieved, and we were therefore unable to carry out the planned demonstration of hydrogen and oxygen production (water electrolysis). However, this challenge opened the door for us to a new field—space—and became a decisive step toward future technological innovation.


Lunar water electrolysis equipment aboard the lunar lander

Takasago Thermal Engineering Innovation Center

The Takasago Thermal Engineering Innovation Center opened in Tsukubamirai City, Ibaraki Prefecture in 2020. We have achieved carbon neutrality in this suburban area by combining solar power, biomass energy, underground water heat utilization, and battery storage. The entire site has attained ZEB Ready status, and the office building has achieved ZEB status.

With the Center serving as a demonstration site for new environmental technologies, operations aim to feed back the results to society while generating open innovation through connections with the local community and external partners.

In 2022, we opened T-Base® with the aim of transforming the way construction is carried out by shifting from on-site one-off production, namely conventional site-by-site "construction management," to standardized and platform-based "production management." Our goals are to reduce manpower and labor in construction, lower environmental impact, and promote the active participation of diverse human resources, contributing to solutions for the various challenges faced by the construction industry.

T-Base®

The Value Creation Process

Each employee continuously takes on new challenges as an Environment-Creator™, growing alongside diverse talent both within and outside the company. We co-create environmental value with our business partners, driving our value creation process to enhance corporate value.

INPUT

Intellectual capital (non-consolidated)

Number of patents	775 (as of the end of March 2025)
Awards given by the Society of Heating, Air-Conditioning and Sanitary Engineers of Japan	138
Number of qualified employees	
Professional engineers	29
Qualified persons for energy management	170
First-class architects	52
First-class plumbing work operation and management engineers	1,241

*Current employees as of the end of March 2025

Financial capital

Total assets	334.9 billion yen
Shareholder's equity	180.6 billion yen
Equity ratio	53.9%

(as of the end of March 2025)

Social capital

Cumulative income from completed construction	Approx. 9.8 trillion yen
Number of Kowakai* companies	2,072

Human and organizational capital

Number of Group employees	5,858 (as of the end of March 2025)
Overseas bases	1 branch, 9 overseas subsidiaries
Domestic business sites	56

Natural capital (non-consolidated)

Energy consumption (crude oil equivalent)	1,964.8 kl

*Kowakai was organized with our partner companies as the members in 2003 to enhance cooperation with the partner companies working on the construction sites. The organization shares information on quality, health and safety, environmental conservation, and other subjects of management with Takasago Thermal Engineering and also gives such information to the members to ensure proper management.

Areas aiming for carbon transition of buildings (steady reduction of CO_2 emissions)

Areas aiming for carbon neutrality (activities to achieve zero CO_2 emissions)

Business efficiency

Environmental equipment manufacturing and selling business

Construction business

Carbon neutrality business

Equipment maintenance and management business

DX

DX

DX

DX

Important matters

- Solving social issues through business: Carbon transition/ Carbon neutrality
- Creating a diverse workforce that takes on the challenge of value creation
- Building a value chain to co-create environmental value
- Alignment of business domains through DX
- Establishment of a business domain system tailored to social needs

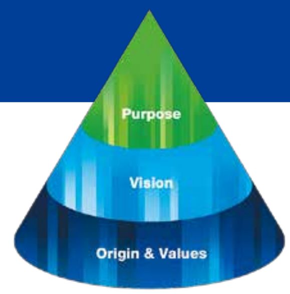
Core business

Growth business

Expansion of business fields

Corporate Philosophy ➤ P. 03

Purpose	With our revolutionary environmental innovations, we activate the Earth's future.
Vision	Be an Environment-Creator™.
Origin & Values	Origin: Contribute to society through social harmony and creative solutions. Values: TakasagoWay



OUTPUT & OUTCOMES

Provision of comfortable spaces friendly to people

Air conditioning designed to maintain human health and create comfortable living environments across various spaces (general air conditioning)

Environment for the manufacturing of high-quality products

Providing production process environments with highly controlled cleanliness, temperature, and humidity, such as cleanrooms and Dry Rooms® (Industrial air conditioning)

The most advanced energy-saving operation

Optimal integrated facility management and solutions that solve customer challenges (eco-tuning and energy conservation)

Technologies that contribute to the global environment

Applying our accumulated technical expertise to new fields to create solutions that address social issues

Results in FY2024

(fiscal year ended March 31, 2025)

Consolidated net sales	381.6 billion yen
Consolidated ordinary income	34.9 billion yen
ROE	16.0%
Consolidated dividend payout ratio	40.1%
Dividends per share	167 yen
Bond rating (JCR)	A

CO_2 reduction (compared to 2019)

Scopes 1 and 2: Direct emissions and indirect emissions from purchased energy	24.4% reduction
Scope 3: Other indirect emissions	1.0% reduction

Co-creating Environmental Value with Business Partners

Long-Term Vision for 2040

Create our PLANET, Create our FUTURE

Sustainable enhancement of corporate value through the value creation process cycle

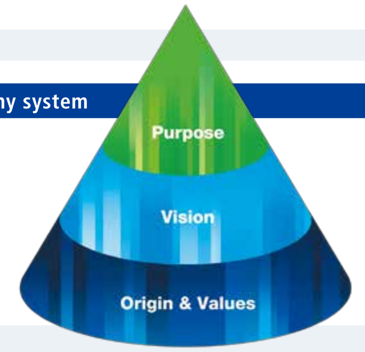
Material Issues (Materiality)

Material issue identification process

In response to the social issues raised in ISO 26000 and the SDGs, we have identified material issues (materiality) that we should address through our business activities as a company with the Group Purpose, "With our revolutionary environmental innovations, we activate the Earth's future."

In May 2023, we announced our Long-Term Vision for 2040, which includes the resolution of materiality as an Environment-Creator™. In our 2026 Medium-Term Management Plan announced around the same time, we set materiality as a non-financial KGI and KPI to be addressed. We will speedily identify material issues (materiality) to which we should give priority through the following process and update them where appropriate while also considering the current social conditions and changes in the business environment.

Philosophy system



Identification of social issues to be solved through business activities

ISO 26000 / Social issues such as the SDGs

Declining birthrate and aging population, declining population, nursing care issues, long working hours, food loss, aging social infrastructure, changes in career development, etc.

*ISO 26000: International standard on social responsibility

Specifying of issues identified as material issues (materiality) according to the process

STEP 01 Identification of challenges
Identify social challenges with reference to the SDGs, ISO 26000, and other international guidelines

STEP 02 Assessment of the challenges
Assess the challenges from the two perspectives of importance for our Group and importance for stakeholders

STEP 03 Prioritization of the challenges
Prioritize the challenges our Group will tackle and consider the KPIs of actions

STEP 04 Determination of material issues
Present the challenges, the action plan, and KPIs at the Management Council, etc., verify the adequacy, and determine material issues

Promotion mechanism to realize our vision (sustainability): Reform of management methods

Elevating to a structure that promotes addressing our key materiality, long-term vision, and Medium-Term Management Plan across divisions to create value throughout the Takasago Thermal Engineering Group

What we envision

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 are the cornerstone for expansion of environmental creation business areas, and ensure that all our employees act as a 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.

Initiatives to achieve our vision

	Initiative	Materiality
1	Solving social issues through business: Decarbonization and reduction of environmental impact	Climate and nature-related
2	Creating a diverse workforce that takes on the challenge of value creation	Wellbeing
3	Establishment of a business domain system tailored to social needs	Climate / Foundation
4	Building a value chain to co-create environmental value	Business infrastructure
5	Alignment of business domains through DX	Business infrastructure

Medium-Term Management Plan Vision Plan (Sustainability)

Transformation to an Environment-Creator™ company

Human resources and company transformation	Business model transformation
Develop professional human resources as an Environment-Creator™	Achieve the social implementation of green energy supply equipment (equivalent to a total of 5,000 kW)
Reform personnel system to support employees (evaluation and compensation, multi-track career system)	Propose a carbon transition of -15,000 t-CO_2 per year (order received)

FY2024 plan and achievements for material issues

Themes		Goals	Main indicators	FY2024 KPIs	Achievements
Climate and nature-related	CO_2 emissions reduction	Promote carbon neutrality with environmental technologies	1. CO_2 emissions amount 2. Rate of hybrid leased vehicles	1. Scopes 1 + 2 Results compared to FY2022 -8.4% Scope 3 Results compared to FY2022 -5.0% 2. Vehicles targeted for lease renewal 100%	● At the Sustainability Promotion Committee and Future Strategy Council: ・Discussion of more aggressive measures and ways to approach avoided emissions as an Environment-Creator™ ・Sharing of the need to improve efficiency in gasoline use and trial-operation power efficiency
	Waste, plastic reduction, etc.		1. Reduction of materials from time of start of building construction	1. 10% reduction from time of construction start Recycling rate of industrial waste at construction sites of 85% or higher	● Ongoing T-Base® implementation (Tokyo subsidy project) ・Building of a recycling loop for waste plastics at construction sites ・Ongoing progress toward first certification for recycled plastics
	Other		1. SSBJ standard disclosure 2. CDP Corporate Questionnaire	1. Preparation for disclosure in FY2028 2. Measures to achieve an "A" rating in the CDP Corporate Questionnaire	● SSBJ response (formerly TCFD) ・Disclosure of financial impacts ・Beginning of TNFD assessment ● CDP Corporate Questionnaire "A" rating ● Selected as an A-rated Supplier Engagement Leader ● GX League and JCLP participation and information gathering
Wellbeing	Engagement	As an Environment-Creator™, collaborate with diverse talent inside and outside the company to co-create environmental value with business partners	1. Engagement survey	1. "Opportunities for growth" engagement indicator: +4 points, etc.	● Engagement surveys conducted four times a year, showing improvement mainly in the engagement indicator
	Diversity promotion		1. Percentage of male employees who took childcare leave (at least one week) 2. Engagement survey	1. 90% or higher (targeting 100% by around 2030) 2. Monitoring of the "diversity acceptance" index	● Raised the position ceiling for area employees from manager to general manager ● Held TWP 2025 (group events, role-model talk sessions, various training programs, career lectures at Sagami Women's University, site visits, etc.) ● Opinion exchange meetings held for various employee groups (senior citizen human resources, mid-career professional hires) ● Cross-cultural presentations by international employees ● Asu-Challe! Academy program held at the Kyushu Branch
	Human rights		1. Supply chain human rights due-diligence initiatives	1. Due diligence carried out for all Kowakai Excellent Partners	● Due diligence carried out for Kowakai Excellent Partners (49 companies, 100% response rate) ● Enhancement of human-rights literacy for executives and employees
Business infrastructure	Reduction of shares held for policy purposes	Support for realizing our mission and vision and driving growth through governance, finance, and other business foundations	1. Net asset ratio	1. Less than 15% by the end of March 2027	● As of the end of March 2025: 17.6% (net asset ratio down 5.3 points year on year)
	Dialogue with stakeholders		1. Number of dialogues 2. Number of IR events and participant trends	150 participants or more (including 5 new participants)	● Meetings with 522 people from 206 companies in FY2024 (including 136 new contacts) ● Numerous events such as domestic and international securities firm conferences, on-site facility tours/IR Day, and financial results briefings

Co-Creative Value with Stakeholders

Initiatives for sustainable development with multiple stakeholders

To solve social issues through our business activities in line with our Group Purpose which states, "With our revolutionary environmental innovations, we activate the Earth's future," it is essential to engage in co-creation with multiple diverse stakeholders.

To this end, we are implementing various mechanisms to encourage co-creation with our stakeholders.

Takasago Thermal Engineering

Initiatives for employees

- Launch and implementation training for a new personnel system
- Establishment of an expert site manager program to accelerate the development of outstanding young engineers who will drive core businesses
- Enhancement of job-specific benefits (increased benefits for on-site technical staff, new benefits for sales staff, etc.)
- Childcare leave for up to 28 days with salary and bonus payments provided
- Employee engagement survey, analysis, and improvement activities implementation (➤P. 61)
- Introduction of "Environment-Creator Time," allowing employees to devote up to 5% of working hours to voluntary self-improvement such as obtaining professional certifications
- Diversity promotion (➤P. 65)
- Holding of TakasaGo! Woman Pride event to promote women's workplace participation

Initiatives for partner companies

- Efforts to appropriately negotiate and pass on labor costs
- "Excellent Partner" certification system
- Recruitment support for partner-company employees
- Free lending of power tools
- Management seminars focused on developing the next generation of managers
- Regular online training sessions to present the latest construction techniques and provide safety education
- Distribution of 24,000 wearable heatstroke prevention devices
- Free provision and recycling of helmets used on construction sites

Initiatives for shareholders and investors

- Holding of financial results briefing sessions, individual IR meetings
- IR events for analysts and institutional investors (IR Day: site and facility tours), creation of opportunities for dialogue with outside directors
- Holding of events for individual shareholders
- Creation of opportunities aimed at institutional investors for dialogue with outside directors
- Timely disclosure, enhancement of information disclosed
- Overseas IR meetings
- Answering questionnaires of ESG research companies

Initiatives for communities and society

- Donations to disaster areas, recovery support, etc.
- Sponsorship activities to promote sports, arts, and culture
- Employee participation in environmental conservation, educational support, and volunteer activities
- Opening of the Takasago Thermal Engineering Innovation Center as a venue for local education and exchanges
- Endorsement of "Business for Marriage Equality," an initiative by three non-profit organizations in Japan working to achieve marriage equality (legalization of same-sex marriage)
- Sponsorship of the Tokyo Pride festival and parade organized by NPO Tokyo Rainbow Pride

Strengthening engagement with other stakeholders

- Branding promotion (airing of TV commercials and transportation signage ads, etc.)
- Revamp of the company's introductory video
- Endorsement of international initiatives on climate change, etc.

Enhancing Earning Power

02

2026 Medium-Term Management Plan

The Group will proceed with its efforts to achieve its Long-Term Vision for 2040 in three phases. The first four years, constituting phase 1, are positioned as Step for the FUTURE -Four years to embark for the future-. During this time, we will use our revenue base from our core business, which is supported by T-Base® (➤P. 39) and DX (➤P. 41), as a foundation and utilize the funds and data we gain from it for continuing investment aimed at building up our future business.

Basic policies and strategies of the 2026 Medium-Term Management Plan

Basic policies of the 2026 Medium-Term Management Plan:
Step for the FUTURE -Four years to embark for the future-

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

Phase 1 2023-2026
Four years to embark for the future

Phase 2 2027-2030
Four years to achieve growth

Phase 3 2031-2040
Ten years to make rapid progress

Basic policies

Business model transformation

We aim to secure stable earnings by strengthening our earning power in the construction business, which is the backbone of our Group. We will then invest the earnings generated by the construction business to build businesses that will lead to long-term added value.

01 Enhance earning power based on our construction business
Strengthen on-site capabilities to improve earning power

02 Establish business that will lead to long-term added value
Promote carbon neutrality with environmental technologies

Company and human resource transformation

The source of our Group's value creation is the executives and employees working for Takasago Thermal Engineering. We will develop human resources to transform our business model and encourage them to put this business model into practice.

03 Invest in human capital, the source of our value creation
Invest in human resources to achieve business model transformation

Under the basic policies of the 2026 Medium-Term Management Plan, we will focus on 1. Enhance earning power based on our construction business, 2. Establish business that will lead to long-term added value, and 3. Invest in human capital, the source of our value creation. The Takasago Thermal Engineering Group will transform itself to be an Environment-Creator™ company. We will also invest in human resources and provide organizational support so that each executive and employee who implements these policies will become an Environment-Creator™.

Partial (upward) revision of target management indicators in the 2026 Medium-Term Management Plan

Initially, in FY2023, the year in which we formulated the Medium-Term Management Plan, our KGIs for FY2026, the final year of the Medium-Term Management Plan, were to achieve consolidated ordinary income of 20 billion yen and consolidated ROE of approximately 10.0%. In terms of our non-financial indicators, we aimed for Scopes 1 and 2 CO_2 emissions reduction of 16.8% compared to FY2022 in order to realize a decarbonized society, which should be a priority for our Group. To achieve this goal, we set KPIs and have been working on them.

For FY2024 (fiscal year ended March 2025), amid robust construction demand in both manufacturing and non-manufacturing sectors, our initiatives to enhance earning power were even more successful, and results exceeded some of the final-year target management indicators that had already been revised upward in May 2024.

Accordingly, with comprehensive consideration of factors such as the future business environment and progress of initiatives, we have raised certain key target management indicators for FY2026, as announced on the next page (upward revision in May 2025).

Numerical targets for the Medium-Term Management Plan (2023-2026)

(The figures in red are the revised targets; those in parentheses were the original target figures as of May 2023)

KGIs (FY2026)

Enhance earning power
Consolidated ordinary income:
40 billion yen (30 billion yen)*5

Improve capital efficiency
Consolidated ROE:
Approximately 15% (approximately 12%)*5

Contribute to the global environment
Reduce CO_2 emissions (compared to FY2022)
- Scopes 1 and 2: -16.8%*1
- Scope 3: -10.0%*2

KPIs

01 Enhance earning power based on our construction business
- Enhance earning power through productivity improvement
- Maintain and improve received-order profit margin
  Achieve a consolidated gross profit margin of at least 19.0% (17.0)*5 through these measures

02 Establish business that will lead to long-term added value
- Achieve the social implementation of green energy supply equipment (equivalent to a total of 5,000 kW*3)
- Propose a carbon transition of -15,000 t-CO_2 per year

03 Invest in human capital, the source of our value creation
- Increase employees by at least 350 people*4 (220–250 people)*5
- Develop professional human resources
- Personnel system reform: About 30 billion yen (15 billion yen)*5 in investment for the above initiatives*3

*1 The reduction rate necessary to achieve the 1.5°C target *2 The reduction rate for Scope 3 in accordance with the target of *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 *5 Target values indicated in May 2024

2026 Medium-Term Management Plan: Background of the partial review of target management indicators (KGIs and KPIs)

2026 Medium-Term Management Plan: 2024 KGI/KPI results → Most KPIs/KGIs (FY2026 targets) achieved ahead of schedule

- Strong construction demand in both manufacturing and non-manufacturing sectors
- Progress of the optimized company-wide order receiving strategy and measures to enhance earning power at the construction phase
- Further investment in "human capital as a source of value co-creation" and "establishment of the four business domains"

	Item	Results in FY2023	Results in FY2024	Original target values *Announced in May 2024	2026 Medium-Term Management Plan FY2026 plan (after revision)
KGIs	Consolidated ordinary income	26.1 billion yen	34.97 billion yen	30 billion yen	40 billion yen
KGIs	ROE	12.8%	16.0%	Approximately 12%	Approximately 15%
KPIs	Consolidated gross profit margin	16.5%	18.8%	17% or more	19% or more
KPIs	Investment in human capital	About 4 billion yen Increase of 129 employees*1 (single-year result)	About 6 billion yen Increase of 145 employees*1 (single-year result)	15 billion yen increase Increase of 220–250 or more employees (total over the four-year plan)	30 billion yen increase Increase of 350 or more employees (total over the four-year plan)

*1 Difference between the number of employees at the start of the next fiscal year and the number at the start of the relevant fiscal year

FY2024 activity results and future plans related to the Medium-Term Management Plan KPIs

01 Enhance earning power based on our construction business

- By strengthening order receiving-strategy from a company-wide optimization perspective and improving integrated construction management capabilities, the gross profit margin of our construction business improved from 13.7% in FY2022 to 16.5% in FY2023, and further to 18.8% in FY2024 (+2.3 percentage points from FY2023), contributing to enhanced earning power. As a result, FY2024 consolidated ordinary income exceeded the FY2026 KGI target of 30 billion yen. Given this improved earning power and changes in market conditions, we have decided to revise upward the FY2026 consolidated ordinary income target. ➤ About business overview P. 32
- As growth investments aimed at higher productivity, we are enhancing the functions of the T-Base® Project, which reforms the construction process. We are also advancing development and operation of PLANETS (development code name), a SaaS platform using BIM to reform business processes, and FaciTas, an operations and maintenance management tool for industrial facilities. Going forward, we will continue to strive for improved productivity.

➤ About T-Base® P. 39 ➤ About digital transformation (DX) P. 41

02 Establish business that will lead to long-term added value

- Looking toward entry into the carbon neutrality market, we have begun a demonstration project at Kirin Brewery Company's Hokkaido Chitose Plant, aimed at transitioning energy from fossil fuels to green hydrogen from June 2026, as the social implementation of Takasago Thermal Engineering's large-scale water electrolysis equipment (100 Nm³/h unit). We will continue field testing and business development for the social implementation of technologies that contribute to the carbon neutrality business. ➤ About demonstration project utilizing green hydrogen P. 54

03 Invest in human capital, the source of our value creation

- To secure human resources who are the source of our value creation, we set a goal under the Medium-Term Management Plan (2023–2026) to increase our non-consolidated number of employees by more than 350 people over the four-year period. By strengthening recruitment activities through revising hiring standards for both new graduates and mid-career professionals, and further enhancing retention efforts, we achieved an increase of 153 employees in FY2024 (measured from the beginning of FY2024 to the beginning of FY2025). We will continue to develop professional human resources and allocate them to build the four business domains envisioned by our Group. ➤ About human capital strategy P. 57

Financial and Capital Strategy

While maintaining a balance between capital efficiency and financial soundness, we will allocate cash generated through enhanced earning power and other measures to growth investments and shareholder returns, leading to sustained improvement in corporate value.

Basic policy on financial strategy

To achieve the Group's Long-Term Vision for 2040 announced in May 2023, the current Medium-Term Management Plan period is positioned as a phase for strengthening the construction business and investing the generated cash into growth areas aimed at business area expansion (with a partial revision of KPIs and KGIs in May 2025 due to the early achievement of certain targets).

As stated in the basic policy on financial strategy, we will continue to make efforts to sustainably enhance corporate value by keeping a close eye on capital efficiency, financial soundness, and shareholder returns.

Basic policy on financial strategy

Enhancement of earning power	• Consolidated gross profit margin of 19% or more* • Consolidated ordinary income of 40 billion yen*
Enhancement of human capital and growth investment	• Increase the number of employees by 350* or more, personnel system reforms, and human capital investment • Investments in carbon neutrality business, construction process transformation, and research and development activities
Capital efficiency improvement and financial soundness	• Consolidated ROE of approximately 15%* • Maintain a rating of A (Japan Credit Rating Agency (JCR), long-term issuer/bond rating)
Shareholder returns	• Payout ratio of 40% and progressive dividend policy • Flexibly acquire treasury stock

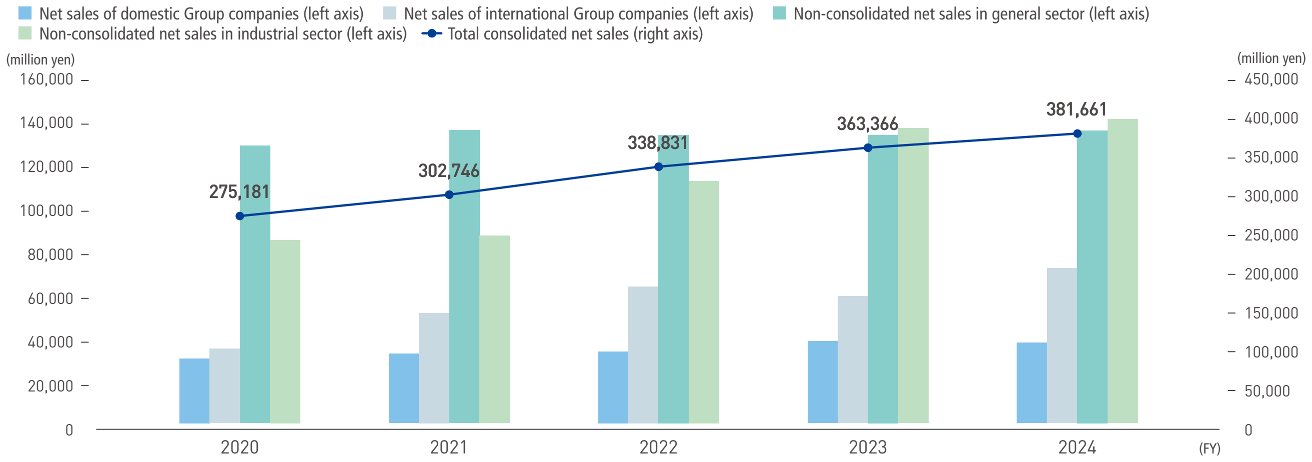
*KGIs and KPIs revised in May 2025

Earning power and cash flows, and initiatives to further strengthen them

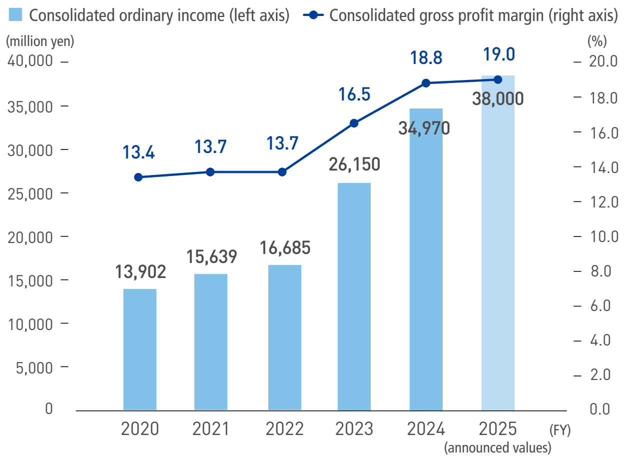
Regarding our core construction business, we responded flexibly to strong demand primarily in the domestic market through a through an optimized company-wide order receiving system, system, while various productivity improvement measures including T-Base® proved successful. With improved net sales and gross profit margin on sales as the main factors, consolidated ordinary income for the fiscal year ended March 2025 reached a record high for the fourth consecutive year. In the domestic market, we handle a wide range of HVAC equipment projects in both the general and industrial sectors. In recent years, however, we have focused on technically challenging environmental and energy-saving proposals within the industrial sector.

➤ Our initiatives in the equipment construction business in the domestic market P. 33

Consolidated net sales and net sales by segment



Changes in consolidated ordinary income and consolidated gross profit margin

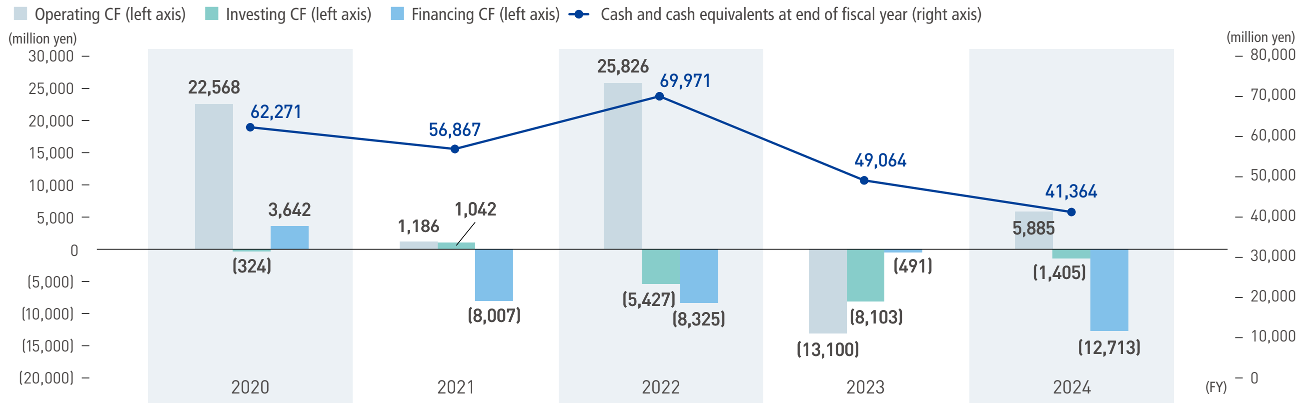


Regarding domestic Group companies, net sales showed a slight increase, partly due to the reduction of two consolidated subsidiaries through the sale of equity interests in FY2023. However, international Group companies have continued to grow, including through our investment in India's ICLEAN in 2015. In June 2025, we invested in a local company in Thailand to further advance our facilities maintenance and management business, which is one of the business domains under our Long-Term Vision for 2040. Going forward, we will continue to aim for further added-value creation and growth in various areas both domestically and internationally, with a focus on HVAC equipment technology.

➤ Our initiatives in international business P. 37

Cash flows are influenced by the seasonal nature of the business and individual project contract payment terms, with a considerable time lag occurring between receipts and payments. In addition, there are impacts from the recent increase in the scale of construction projects, earlier payments to partner companies, and changes in terms from notes and electronic receivables to cash, among others. However, we respond to funding needs through flexible execution of borrowings and other measures. In our business operations, we are working on balance sheet management that takes capital efficiency into account, such as striving for early collection of accounts receivable through negotiation of contract terms including advances and progress payments.

Changes in cash flow

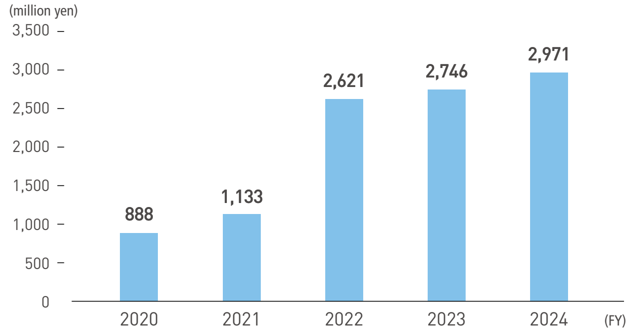


As measures to achieve sustained growth, we are investing in research and development for further added-value creation, the T-Base® project aimed at transforming our construction business process, and BIM and core systems for digital transformation, among others.

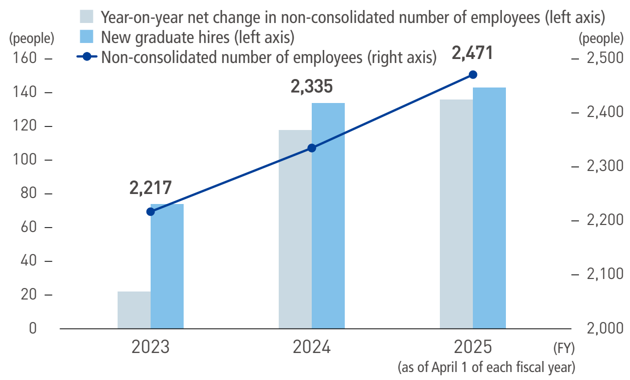
At our company, our employees are our greatest asset and the key to improving corporate value. Therefore, our Medium-Term Management Plan identifies strengthening human capital as an important goal. Beyond reinforcing recruitment, implementing systematic and planned training and education, and developing personnel systems to create a comfortable work environment where individuality and talent can flourish, we are also conducting activities with employee engagement in mind in establishing our Purpose and conducting branding activities.

➤ Our initiatives toward technology research and development P. 47
➤ Our initiatives to strengthen human capital P. 57

Changes in R&D expenses



Non-consolidated number of employees and new graduate hires



Balance of growth investments and shareholder returns, capital efficiency, and financial soundness

We have planned our capital allocation of cash generated through business operations during the four-year period of the current Medium-Term Management Plan with a policy of balancing growth investments and shareholder returns aimed at sustained improvement in corporate value while taking into account capital efficiency and financial soundness (revised amounts were implemented simultaneously with the revision of some KPIs and KGIs in May 2025).

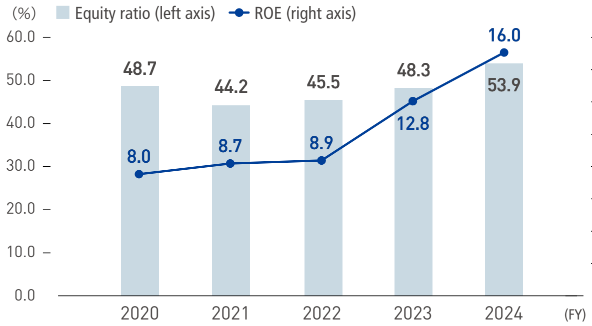
Capital allocation

Cash inflow 4 years: Total of 147 billion yen	Cash outflow 4 years: Total of 147 billion yen
Created by business 137 billion yen	Growth investment 90 billion yen or more • Investment in human capital • Carbon neutrality business • Reform of the construction process • DX • M&A, etc.
Sale of cross-shareholdings 10 billion yen	Shareholder returns 50 billion yen or more (Payout ratio of 40%, including treasury stock acquisition)

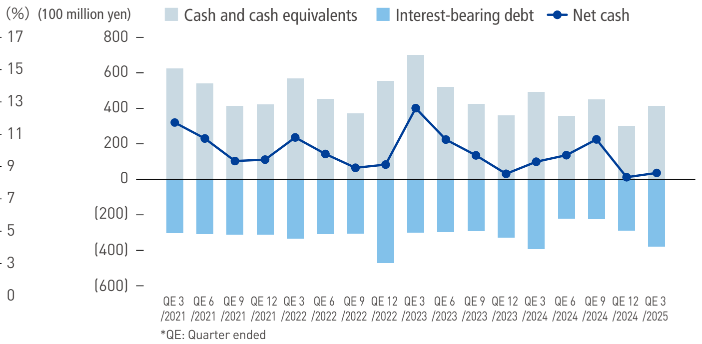
Driven by strong business performance, our ROE has grown from 8% in FY2020 to 16% in FY2024, while our equity ratio has remained at around 50%. Net cash, calculated as cash and cash equivalents minus interest-bearing debt (borrowings and bonds), fluctuates due to various factors. However, by improving capital efficiency through growth investments and shareholder returns while considering financial leverage, we have reduced our net cash levels.

In addition to improving profitability, we aim to achieve high capital efficiency through balance sheet and equity management, including sale of cross-shareholdings and implementing share buybacks.

Equity ratio and ROE trends



Trends in cash and cash equivalents, interest-bearing debt, and net cash

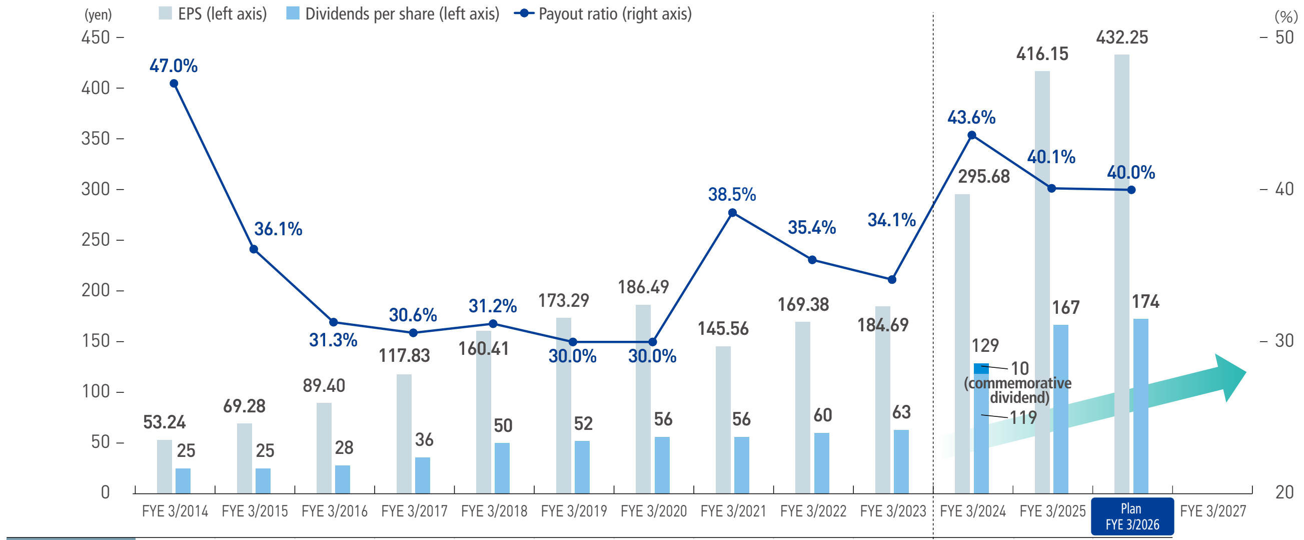


Our shareholder return policy is based on dividends, targeting a payout ratio of 40%, with progressive dividend increases in line with sustainable profit growth.

Regarding treasury stock acquisition, our policy is to implement them flexibly based on financial soundness and capital efficiency, taking comprehensive account of market trends and growth investment opportunities. We executed 8 billion yen's worth of treasury stock acquisition between April and June 2025.

As one of the KGIs in our Medium-Term Management Plan, we have raised our ROE target from around 12% to around 15%. Going forward, we will continue aiming for sustained corporate value enhancement while maintaining the balance between capital efficiency and financial soundness.

Shareholder returns *EPS and dividends-per-share figures are pre-stock split



	FYE 3/2014	FYE 3/2015	FYE 3/2016	FYE 3/2017	FYE 3/2018	FYE 3/2019	FYE 3/2020	FYE 3/2021	FYE 3/2022	FYE 3/2023	FYE 3/2024	FYE 3/2025	Plan FYE 3/2026	FYE 3/2027
Total payout ratio	75.3%	74.7%	61.4%	30.6%	31.2%	54.0%	60.3%	38.5%	87.6%	34.1%	40.2%	40.0%		
Treasury stock acquisition amount (million yen)	1,146	1,877	2,009	—	—	3,000	4,000	—	6,000	—	—	—	8,000	

2026 Medium-Term Management Plan: Step for the FUTURE -Four years to embark for the future-

Financial soundness (JCR rating) (as of June 27, 2025)

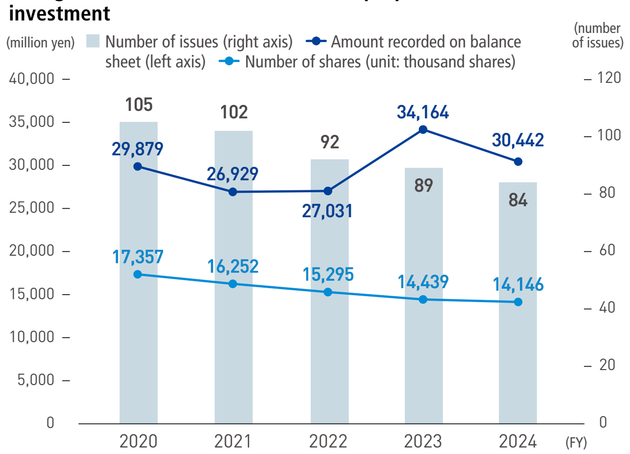
Rating agency	Long-term issuer rating	Bond rating	Domestic CP
Japan Credit Rating Agency, Ltd. (JCR)	A (Positive outlook)	A	J−1

Reduction of shares held for policy purposes and diversification of shareholder composition

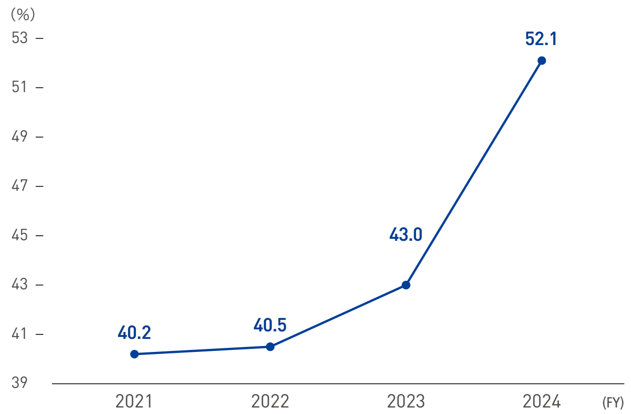
With regard to investment shares held for purposes other than net investment, our policy in principle is to not hold such shares, with the exception of cases where the maintenance and development of strategically important collaborations and business relationships are recognized as a means to sustainably enhance corporate value. With regard to shares already held, we conduct periodic and ongoing assessment of the appropriateness of holding these shares, and the Board of Directors reviews the assessment results. Our policy is to consider basically reducing our holdings of shares that are no longer deemed significant, and we will reduce the net asset ratio to 15% or less during the period of the current Medium-Term Management Plan.

As capital markets focus increasing attention on how listed companies handle cross-held shares, we proposed reviewing cross-shareholding arrangements to shareholders who hold our shares as policy holdings. In February 2025, we executed a secondary offering of our shares held by financial institutions and other entities. Through this offering, we communicated our growth story to institutional and individual investors both in Japan and overseas. The offering reduced the proportion held by financial institutions and domestic corporations while increasing foreign ownership, resulting in a more diversified shareholder composition. In October 2025, we also implemented a stock split to improve share liquidity and create a more accessible investment environment. Through these initiatives, we will continue working to create an environment accessible to a broader range of investors and to build and maintain a diverse shareholder composition.

Changes in investment shares held for purposes other than net investment



Free float ratio*



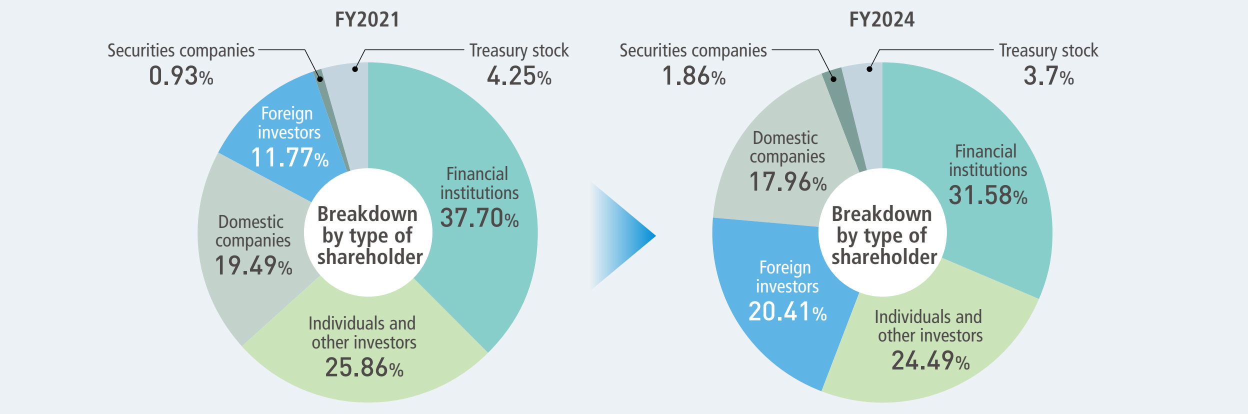
*Ratio excluding stable shareholders based on our internal criteria

Changes in net asset ratio of investment shares held for purposes other than net investment (million yen)

FY	2020	2021	2022	2023	2024
Net asset ratio	24.7%	22.7%	21.0%	22.9%	17.6%
Net assets	135,849	136,897	147,165	167,231	184,283
Sale amount	1,791	2,278	1,148	3,658	6,432

*Net asset ratio and sale amount include deemed holdings

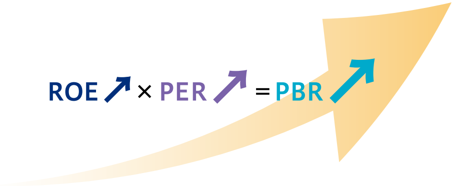
Shareholder composition trends



Toward realizing management with awareness of cost of capital and stock price

While we aim to exceed the cost of capital required by equity markets and have set ROE as a KGI, our FY2024 ROE increased from 12.8% in the previous year to 16%, further expanding our equity spread (ROE minus cost of capital).

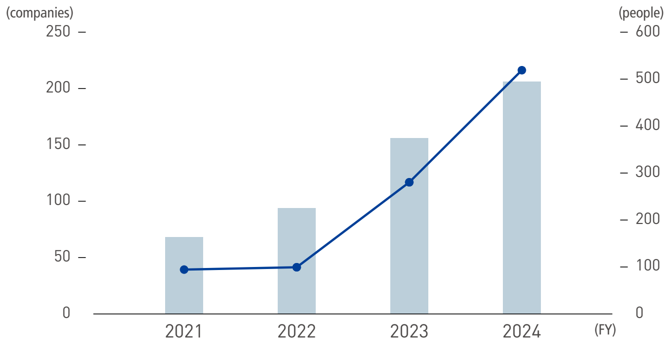
We view IR activities as contributing to appropriate valuation of our stock price and reducing our cost of capital. Beyond regular press releases and website communications, we actively create various opportunities for dialogue with institutional investors and analysts both in Japan and overseas, working to communicate information to deepen understanding of our business, growth strategy, and non-financial value.



Results in FY2024

- Financial results briefing sessions for institutional investors and securities analysts (3 times per year)
- Individual IR interviews (206 companies per year; 522 individuals total)
- IR small meetings (5 times)
  Site tours and tours of our facilities (Takasago Thermal Engineering Innovation Center and T-Base®) for institutional investors and securities analysts
- Overseas roadshow for our secondary offering (UK, Hong Kong, Singapore)
- Participation in conferences organized by securities companies (2 times, 1 time overseas)
- Coverage in TV programs, newspapers, magazines, and various other media

Changes in IR interviews



Cross-departmental exchange and human resource development

Within our corporate headquarters departments, we hold regular meetings where departments discuss ideas and challenges for improving operational efficiency and enhancement across departmental lines.

By bringing topics to the table and exchanging opinions, we aim to leverage each other's specialized knowledge and experience to enhance work quality and broaden and elevate our perspectives on our work.

We will share the opinions and insights gained through constructive dialogue with our shareholders and investors internally and work to incorporate them into our future activities. We will go on promoting two-way communication with an emphasis on transparency and fairness, and your candid comments would be appreciated.

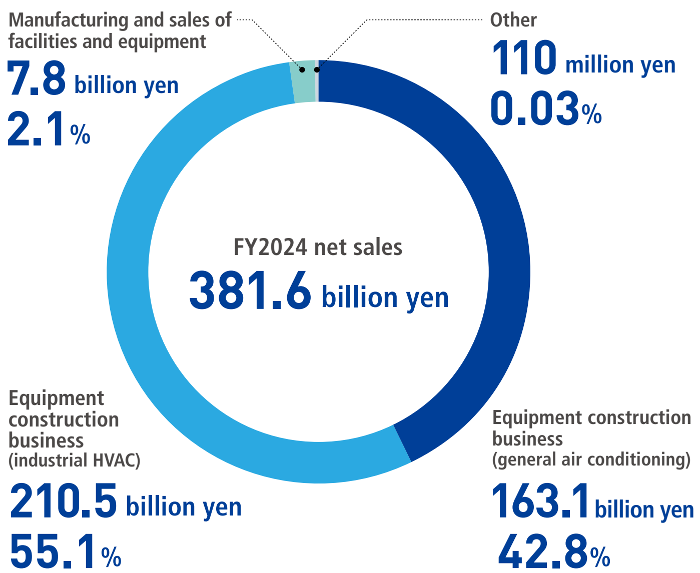
Director and Executive Officer
Chief Executive Officer of Finance & Investor Relations Department,
In charge of Corporate Operations Headquarters

Masatoshi Morino

Business Overview

We will work to build a solid earnings foundation in the equipment maintenance and management business as well as the air conditioning equipment manufacturing and selling business with the air conditioning equipment business at the center, and to build a foundation for our carbon neutrality business going forward.

Sales by segment



Equipment construction business (general air conditioning)
Air conditioning in spaces such as office buildings, high-rise buildings, commercial facilities, hotels, leisure facilities, and underground shopping areas aimed at maintaining human health and creating comfortable living environments

Equipment construction business (industrial HVAC)
Air conditioning aimed at providing production process environments with highly controlled cleanliness, temperature, and humidity, such as cleanrooms and dry rooms

Manufacturing and sales of facilities and equipment
Design, manufacture, and sales of air conditioning equipment

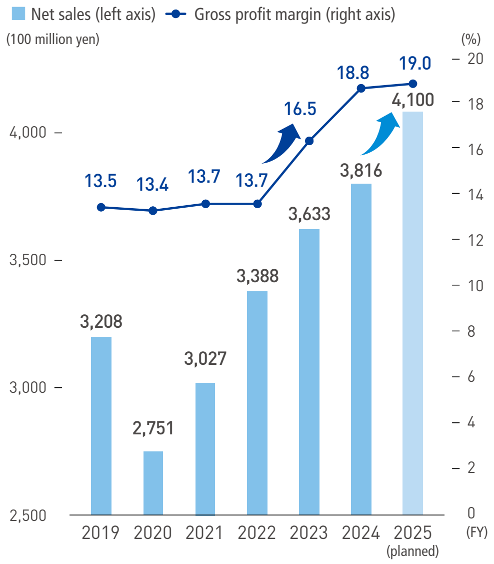
Other
Operations such as insurance agencies

Strengths
- Design and proposal capabilities related to energy conservation, as well as environmental technologies and know-how
- Development of one-stop services
- Track record of construction for existing customers
- Partnerships with partner companies

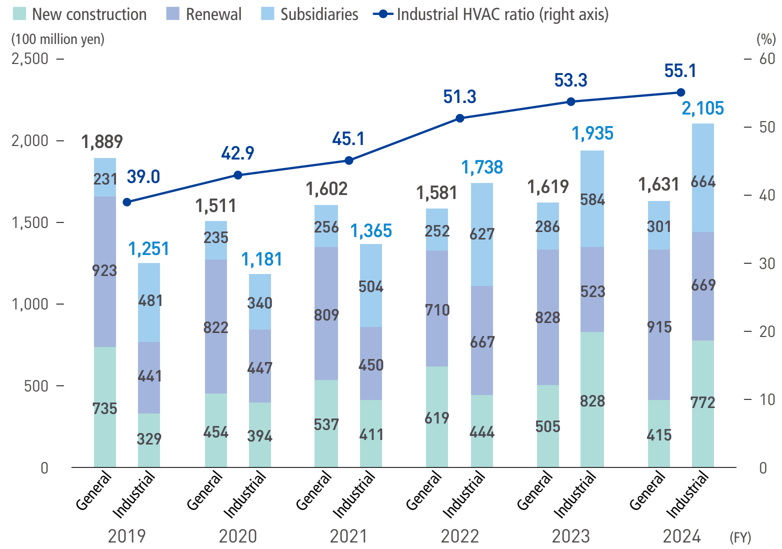
Risks
- Skyrocketing costs for materials, equipment, and labor; delays in delivery of materials and equipment; and delays in processes
- Shortage of construction technicians due to the increase in the size of construction projects
- Decrease in existing workforce due to the application of overtime caps

Opportunities
- Increase in construction demand, centered on factories and large-scale redevelopment projects
- Increasing demand for energy conservation and decarbonization
- Increasing demand for renewal construction work

Changes in consolidated net sales and gross profit margin



Revenue by content and revenue of subsidiaries, and industrial HVAC ratio



Equipment construction business

Demand for construction in the industrial air conditioning field, particularly related to semiconductors, and large-scale urban redevelopment is likely to remain steady, while there is expected to be further increasing demand for a decarbonized society.

We will strive to meet growing demand and the new needs of our customers by promoting our optimized company-wide order receiving activities.

Director and Executive Vice President
Chief Executive Officer of Sales & Marketing Headquarters
In charge of Research and Development Headquarters

Hiroshi Kubota

We will strive to enhance the value we provide based on our accumulated technological capabilities and know-how in order to respond to the increasing scale of construction and to contribute to the reduction of environmental impacts from the field of air conditioning equipment. In addition, we will reform our production processes and utilize BIM and IoT technologies to enhance resilience of our earnings foundation.

Director and Senior Managing Executive Officer
Chief Executive Officer of Technical Engineering Headquarters
In charge of Companies Management

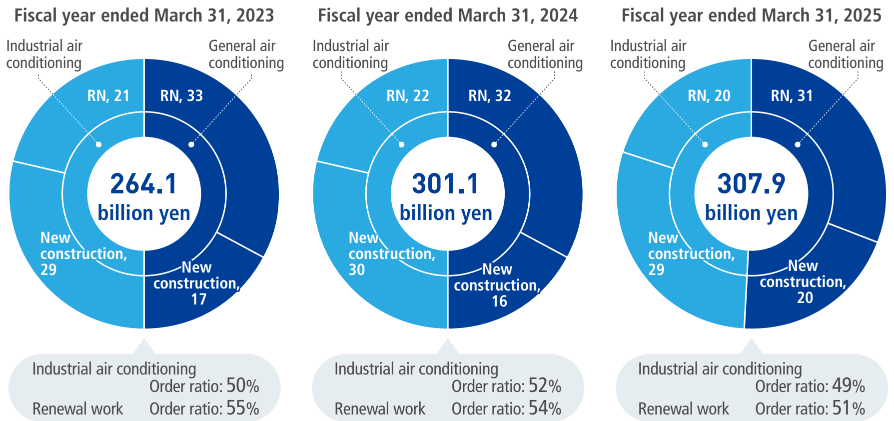
Tadashi Kamiya

Optimized company-wide order receiving activities

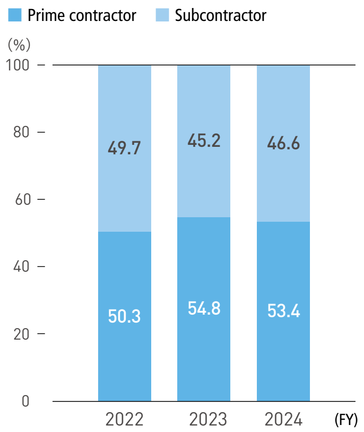
With the recent notable trend of construction projects growing larger in scale, we are planning and executing an order receiving plan that takes into account the construction system from a company-wide perspective in order to respond to the abundant amount of sales information in both the general and industrial air conditioning fields.

With regard to semiconductors, where capital investment has been active, we will work to capture construction demand by leveraging our proprietary technologies, as well as to win orders at a high level in the general air conditioning field and to increase the ratio of orders for renewal work.

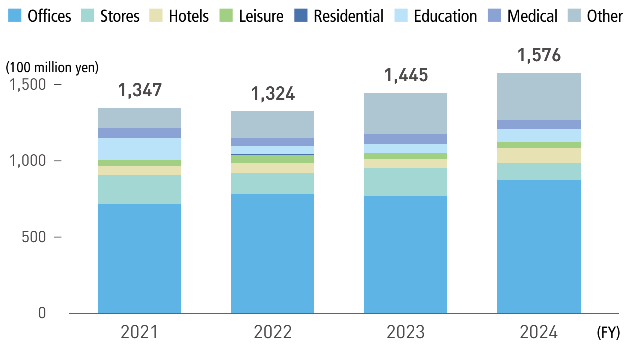
Construction work orders by construction type (non-consolidated)



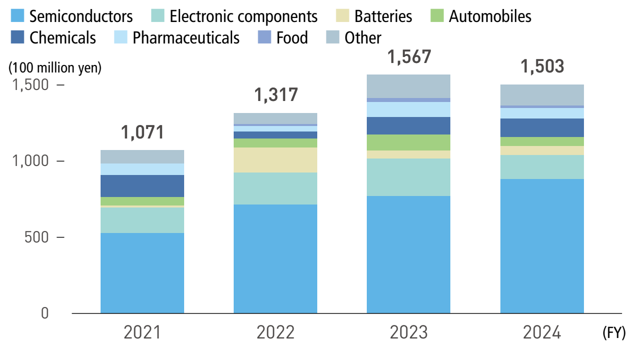
Non-consolidated: Prime contractor/ subcontractor ratio



Breakdown of industry categories for orders received in the general air conditioning field (non-consolidated)

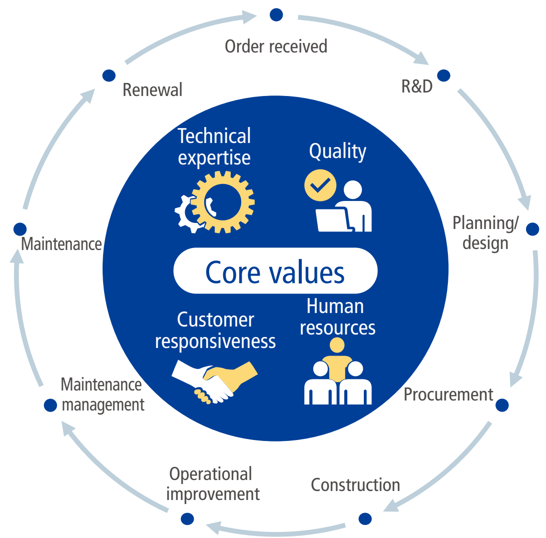


Breakdown of industry categories for orders received in the industrial air conditioning field (non-consolidated)



Providing solutions throughout the entire value chain

We identify customer challenges from the planning and design stages of construction projects and aim to grow the entire value chain through collaboration among Group companies, from research and development to construction, maintenance management, and maintenance, with the goal of providing solutions that address these challenges.



Strengthening partnerships with partner companies

We established the Excellent Partner (EP) system in FY2024 with the aim of strengthening collaboration with partner companies. We also recognized those companies among our EP partner companies that made outstanding contributions with the Excellent Partner Award.

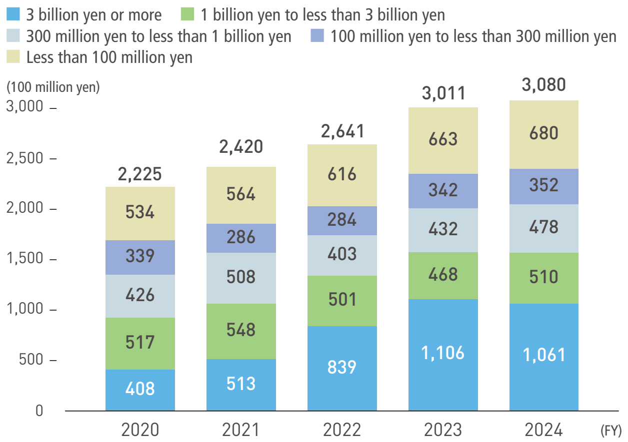
We are advancing other initiatives to strengthen our partnerships as well.

Non-consolidated: Breakdown of order amounts in equipment construction business

With the recent expansion in the scale of construction projects, the proportion of large-scale projects in the orders received and carried-forward construction categories has been increasing. We will work to improve productivity through the accumulation of design and construction know-how for large-scale projects.

In addition, we are maintaining the same level of orders received as in the past for projects under 100 million yen.

Orders received by scale



Recruitment support	Support for introducing "Sukedachi Shain," a job matching platform for the construction industry, for partner companies
Construction support	Free lending of construction tools
	Free lending of helmets to partner companies
	Online education
Financial support	Change of payment conditions

Business Overview

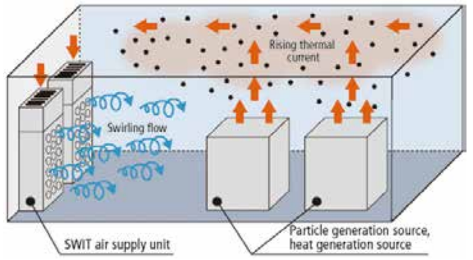
Technical refinement in the equipment construction business

TOPICS

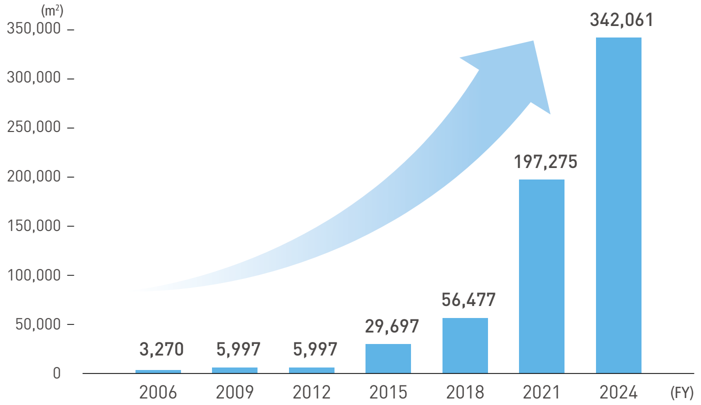
TCR-SWIT® Swirling Induction Type TAKASAGO HVAC System for cleanrooms

TCR-SWIT® is our proprietary technology that makes it possible to construct cleanrooms, which are vital for industrial air conditioning, in a very short construction period while reducing energy use, CO_2 emissions, and costs.

Within the Takasago Thermal Engineering Innovation Center, we have established experimental and verification facilities to confirm the functionality of these new technologies. In recent years, usage has been growing, particularly in large-scale factories centered on semiconductors, and we are expanding our delivery track record.



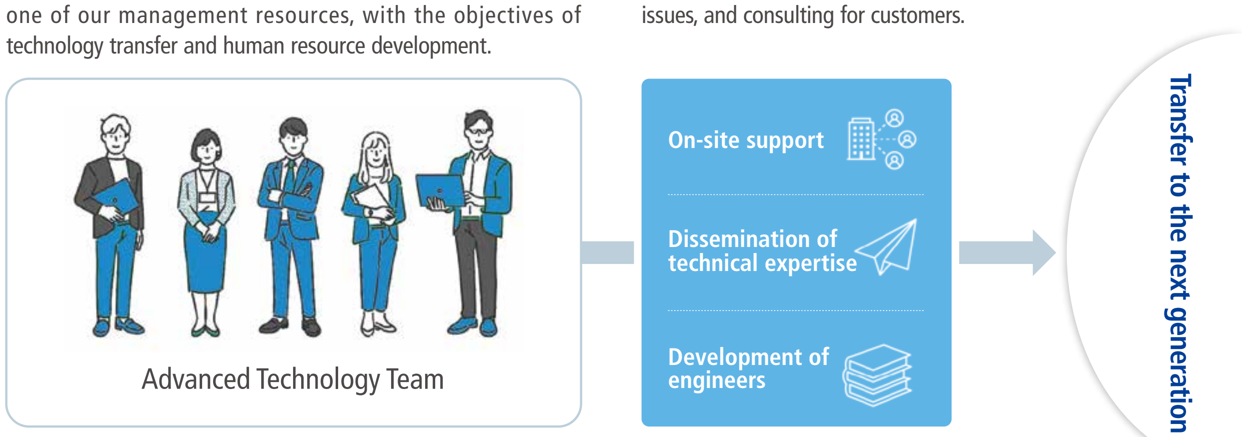
TCR-SWIT® delivery track record (installed area)



Technology transfer and human resource development: Advanced Technology Team

The Advanced Technology Team is a group of professional engineers who promote company-wide advancement of technology for each building application and operational support. The team consolidates and deploys technology, which is one of our management resources, with the objectives of technology transfer and human resource development.

Teams are organized by field of specialty and engage in multifaceted activities on the internal company site, including visualization and standardization of technology, dissemination of technology through specialized journals, resolution of on-site issues, and consulting for customers.



Equipment maintenance and management business, and environmental equipment manufacturing and selling business

Equipment maintenance and management business

TMES Corporation

Based on the facility equipment maintenance business, TMES proposes cost-effective facility solutions for diverse building applications in response to changing times.

As an environmental solution partner, the company has created and provided unique value by building an "optimum total facility management" model that utilizes remote monitoring and advanced operations to achieve both stable facility operation and minimization of life cycle costs (LCC).

This model is based on advanced facility management centered on preventive maintenance and deploys facility diagnostics, management of electrical, air conditioning, and plumbing and sanitary systems, and eco-tuning. Through meticulous maintenance based on a track record spanning years, it achieves energy conservation and efficiency, creating an optimal environment that takes the entire facility life cycle into consideration.

In addition, the Takasago Thermal Engineering Group is developing business tools that leverage IoT, AI, and other technologies, as well as products that contribute to the realization of a decarbonized society. Through the use of cutting-edge technologies and communication technologies, we are expanding advanced one-stop services for facilities, accelerating our initiatives for the SDGs and contributing to the resolution of social issues.

TMES company site
https://www.tm-es.co.jp/

Environmental equipment manufacturing and selling business

NIPPON PMAC Co., Ltd.

As a pioneer in individual air conditioning, NIPPON PMAC has spent half a century since its founding challenging itself to offer air conditioning units and develop products that meet the various needs that the times demand of air conditioning, based on individual heat pump systems using water heat sources and air heat sources. In addition, the company has earned an excellent reputation by delivering responsible products and services through a direct, integrated system, from a thorough inspection system to post-delivery maintenance and renewal.

In 2023, the company jointly developed Fresh Cool®, an air conditioning unit for gyms, with Takasago Thermal Engineering, and it has already been installed in public gyms in Ibaraki Prefecture, Kanagawa Prefecture, Ehime Prefecture, and other locations.

It uses a displacement air conditioning system that efficiently air-conditions only the occupied zone and is superior in energy efficiency compared to conventional air conditioning systems. In addition, because air conditioning uses fresh outside air and can perform ventilation simultaneously with cooling and heating, natural ventilation from opening windows is unnecessary. The balloon-shaped outlet, made of cushioned wall material and vinyl material with numerous small holes, is designed with safety in mind while maintaining quietness with wind speeds that do not affect sports competitions.

It is effective at preventing heat stroke during indoor exercise as well as handling heat and cold and preventing infectious disease when using gyms as evacuation shelters.

Through these initiatives, the company will contribute to solving issues facing local communities and creating sustainable environments.

Fresh Cool® air conditioning equipment for gyms

NIPPON PMAC company site
https://www.pmac.co.jp/eng/

International Business

Building on over 50 years of history and experience, we aim to make international business a core business of the Takasago Thermal Engineering Group.
We will achieve further growth by realizing independent management of each local subsidiary and tackle the challenge of new businesses as an Environment-Creator™ based on stable revenue sources.

Business environment and strategies

Since the recovery from COVID-19, there have been challenges such as U.S.-China trade friction, the Trump tariffs, and a slowdown in investment in the electronics industry, including semiconductors and components. Despite this, our international business has grown steadily, supported by demand from active investment in industries such as semiconductors, electronic components, and battery production in many countries. Our presence in the countries where we operate continues to increase.

In FY2024, while orders at our China subsidiary reached only about 50% of the target, our receipt of large project orders at other subsidiaries enabled us to achieve both order and sales targets overall, despite regional differences in investment conditions.

With the Japanese name of our "International Business Headquarters" changed from FY2025, we will advance activities toward further growth with it as a key "profit center" within the Group. In addition, directly under the Headquarters we will establish a new Business Strategy Division alongside the Management, Sales, and Engineering Departments. The Business Strategy Department will plan and formulate growth strategies to build the four business domains set out in our Long-Term Vision for the international market and will strengthen the structure to ensure the effectiveness of post-merger integration (PMI) processes.

Business model reform

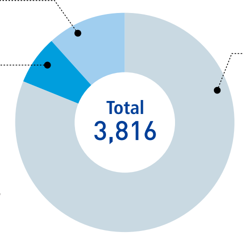
Present
- Construction business | Equipment maintenance and management business
- Environmental equipment manufacturing and selling

Goal
- Carbon neutrality business
- BIM promotion
- Construction business | Equipment maintenance and management business
- Environmental equipment manufacturing and selling

Present
Specialized in construction business. Equipment manufacturing is being carried out by iClean Tech.

Evolution to the next generation
- Enhancing resilience of the construction business
- New development of the maintenance business
- iClean Tech manufacturing expansion plus more
- Overseas manufacturing and sales of our original products
- Collaboration with local manufacturing companies
- Collaboration with local companies
- New investment in the construction and carbon neutrality businesses
- BIM promotion

Sales by region (Unit: 100 million yen)



Construction business

With air conditioning technology at the center, we will further expand our core business in the construction business area by leveraging our technology and experience in the design and construction of buildings, electrical equipment, and utility equipment.
We will also contribute to carbon transition (low carbon emissions and decarbonization) toward carbon neutrality (CN).

01 Enhance earning power
Toward more stable management and independence

Promotion of TAW activities
TAW: Technical administration work (construction management work)

FY2026 target: Stable management and independence of local subsidiaries
FY2025 target: First step toward NS-led operations
Key reinforcement measures:
1. Promotion, guidance, and implementation of activities led by NS*
2. Improvement of quality control to eliminate complaints due to problems across all subsidiaries
3. Enhancement of safety management to achieve zero accidents and zero damage across all subsidiaries

*NS: National staff (locally hired employees)

- Setting of goals and promotion of initiatives that match the actual situation of each local subsidiary
- Holding of regular meetings with the International Business Headquarters

➡ Sharing of information to achieve highly productive activities

To the next stage

Utilization of BIM	Overseas version of T-Base®	Collaboration with Japan
Promotion of BIM utilization and anticipation of 10D BIM	Consideration of realization in Thailand	Strengthening of collaboration with the Engineering Department and Quality, Environment & Safety Control Division

1. Sharing information on battery and semiconductor customers
2. Strengthening of sales and administrative human resources
3. Strengthening of human resource exchanges between Japan and overseas

02 Business expansion
Advancing to the next stage by leveraging our 50 years of history

Moving into new business areas
Exploring new fields in various countries

Hong Kong	Malaysia and Thailand	Malaysia and Vietnam
Cleanrooms	Data centers	Construction work

With support among local subsidiaries, each subsidiary is undertaking projects in fields that had not previously been a main focus.
➡ We will build the second and third pillars of our business!

Collaboration with carbon neutral business and new business
Collaboration with new businesses by leveraging advantages as a pioneer
Receive EPC orders related to carbon neutrality through cooperation between the sales and engineering departments

Core business ↔ CN business ↔ New business

Organizational revitalization and tackling new things!

Fresh ideas centered on NS + Right decisions by specialists = Maybe even some fun along the way...

03 Strengthening human capital
Toward overseas expansion in phase 2 of the Long-Term Vision for 2040

Continuation of training opportunities between Japan and overseas
- Acceptance of the second group of trainees from China to Japan (plans for third group to undergo design training)
- Implementation of short- and long-term overseas trainee programs from Japan to each local subsidiary


Building appealing international business
- Active roles for advisors and contracted employees, not limited to training and knowledge/technology transfer
- Realization of overseas assignments for female global employees

ONE TEAM

Stronger ties among local subsidiaries as well as among technical specialists
- Holding of vice president meetings (DMD meetings)
- Revitalization of association of building engineers (collaboration with Japan and involvement in construction projects in each country)


Establishment of association of international building engineers
Building a group of specialists and providing support to Japan as well as overseas

Equipment maintenance and management business

In the overseas equipment maintenance and management business, where our Group currently has no presence, we plan to stabilize operations by capturing stock business and build a foundation for future overseas carbon neutrality business.

Step 1 Energy conservation proposals to untapped areas through collaborating companies

- Customers: Local companies, government-affiliated facilities, etc.
- Good relations
- Collaborating companies: Integrated FM service; Facility construction (centered on electricity); Social infrastructure (maintenance/ management)
- Takasago Thermal Engineering: Proprietary energy conservation technology
- 7D BIM: Link with BIM and use for building life management

Use of equipment maintenance and management business as a point of contact to win new air conditioning construction orders from new customers such as government agencies

Step 2 Business expansion of collaborating companies in Southeast Asia / Collaboration through local subsidiaries in various countries

- Japan
- China, Hong Kong
- ASEAN, India
- Mexico

Collaborating companies: Integrated FM service; Facility construction (centered on electricity); Social infrastructure (maintenance/ management) ↔ Takasago Thermal Engineering

Expansion of our coverage area for integrated FM services and social infrastructure maintenance/management together with the companies acquired in Step 1

Environmental equipment manufacturing and selling

We will promote the commercialization of manufacturing and sales of environmental equipment and devices at iClean Tech. In addition to our products, we aim to commercialize the manufacturing and sales of equipment in new areas.

1 Manufacturing of dehumidification machines in India and meeting the needs of battery-producing customers

Demand for secondary lithium-ion batteries (LIB) in the Indian market: Expected to grow at an average annual rate of 52.5%

Maintain the no. 1 market share for Dry Room®
(including the capability to support increasingly large Dry Room® environments)

	Production volume	Market forecast
2027	43.1 GWh	410.0 billion INR (697.0 billion yen)
2030	116.0 GWh	1,107.0 billion INR (1,881.9 billion yen)

Environmental equipment manufacturing
Overseas deployment of Takasago Thermal Engineering's proprietary technologies

1. **ODM and OEM* production**: With high priority, we are promoting ODM and OEM production of Takasago Thermal Engineering's proprietary technology products through interactions and meetings with companies whose main business is the manufacture and sale of air conditioning-related equipment
2. **Strengthening of collaboration with domestic Group companies**
   - Future overseas expansion and manufacturing of domestic Group companies
   - Search for partner companies that can serve as recipients

*ODM: Original Design Manufacturing; OEM: Original Equipment Manufacturing

2 Manufacturing and sales of materials and equipment for the Takasago Thermal Engineering Group at iClean Tech (IC) and expansion in Southeast Asia

Takasago Thermal Engineering's unique product group → Development and manufacturing at IC → Sales in India → Sales in Southeast Asia

While maintaining the business currently being promoted by iClean Tech, we will promote prototyping, commercialization, and sales of new commercial products (dehumidifiers, SWIT® and SWIT® air conditioners, and other medical and pharmaceutical-related equipment).
In addition, we will continue collaboration with the research and development team in Japan to enable overseas production of products that leverage our proprietary technologies and to carry out technology transfer.

Carbon neutrality business

In addition to our core business, we provide Takasago Thermal Engineering's unique services by incorporating new elements such as green hydrogen and connecting (Tsunagu) the generation, storage, and consumption of energy. By doing so, we will contribute to carbon neutrality as demanded by our customers and society.

Carbon neutrality business in international business
- Establishment of new areas for generating and storing energy, and strengthening of core business for consuming energy
- Establishment of an energy management system (EMS) that connects (Tsunagu) generation, storage, and consumption of energy
- Activities underway for EPC contracts and energy service provider (ESP) contracts

Promotion methods
Reduction of CO_2 emissions (energy conservation), which is a waypoint toward carbon neutrality, is handled by each site with current resources.
For energy creation, energy storage, and EMS, the Carbon Neutral Business Development Division collaborates with local subsidiaries to promote business development.

1. Identification of collaboration and investment models
Expansion and acceleration of business scope and regions
1. (Joint) investment in and collaboration with ESCO and ESP companies
2. Collaboration with and development of municipal FM business
3. Identification of models for each region (country)

2. Development of hydrogen-linked business model
Development of Hydro Creator® and hydrogen technology
1. Development of green hydrogen supply model
2. Development of green hydrogen + fuel cell model
3. Development of hydrogen utilization business model

3. Human capital and organizational strengthening
Building a future system through training and collaboration
1. Recruitment and development of specialized human resources
2. Collaboration with Carbon Neutral Business Development Division
3. Establishment of SPC management company

Enhance Earning Power Based on Our Construction Business

Reform of Our Construction Business Process with T-Base®

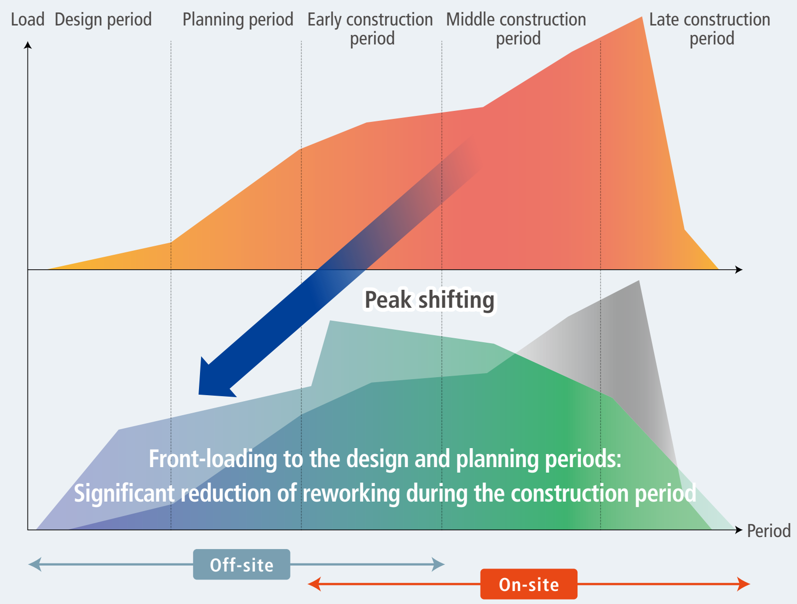
The T-Base® Project, now entering its sixth year in 2025 since its start in 2020, aims to address challenges in the construction industry such as the decline in the working-age population, work style reforms, and contributions to the environment. In this project, as our reform of the construction business process, we are building new systems that leverage technical expertise, conducting front-loading before construction, and reviewing processes from the order receipt and design stages. This approach aims to resolve various challenges related to on-site human resources, quality, safety, and environmental contributions, with the goal of contributing to the creation of an appealing future for the construction industry.

Challenges surrounding the construction industry and our initiatives

"Reform of the construction business process" is an initiative to shift the construction approach from on-site one-off production unique to the construction industry, namely site-by-site "construction management," to platform-based "production management."

Through these efforts, we aim to reduce manpower and labor in construction, as well as reduce the environmental impact of construction activities, thereby contributing to the resolution of industry challenges.

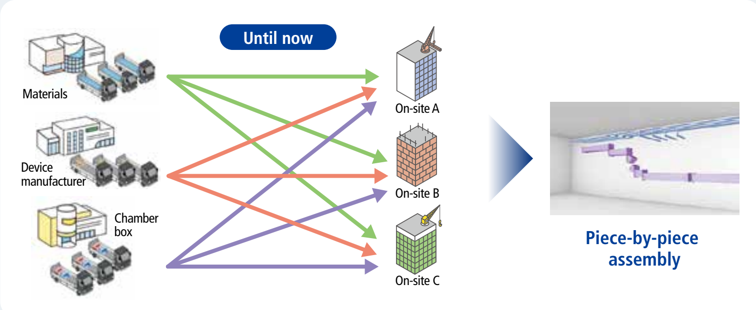
In May 2022, we opened T-Base®, a facility that serves as the core of our planning, production, and logistics. Centered on this facility, we have been developing and manufacturing standardized products and new unit construction methods, as well as developing a central production system linking our partner companies, suppliers, and worksites.

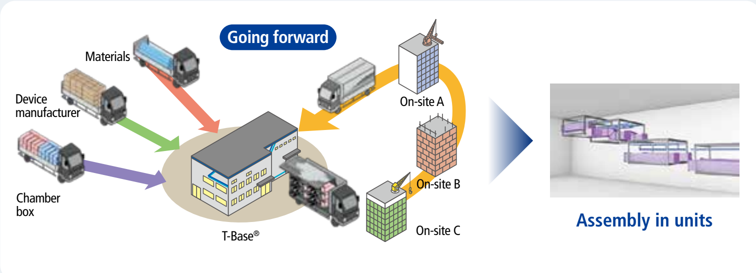


Functions and effects of T-Base®

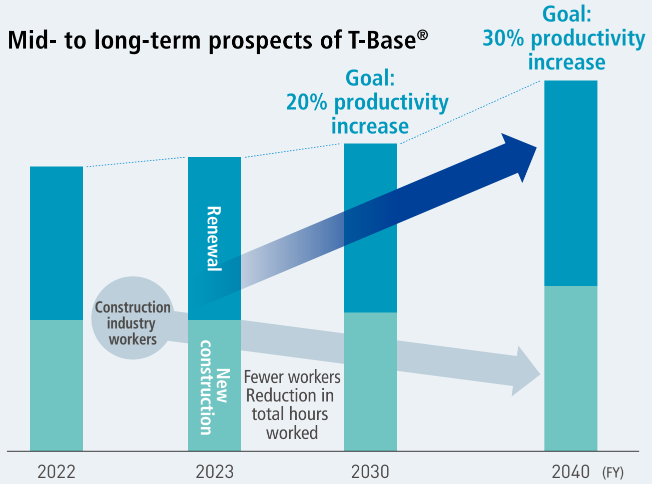
T-Base® is a platform aimed at reform of the construction business process. Until now, construction sites (on-site) involved creating individual blueprints for each project, resulting in one-off construction for each site. Going forward, by utilizing T-Base®, we will standardize common and repetitive areas and tasks regardless of the site and handle production and supply off-site away from the construction sites.

This approach will reduce on-site labor, level out on-site process schedules, and improve construction quality. This will also create job opportunities at off-site facilities for human resources who have not previously worked in the construction industry, contributing to the promotion of active engagement of diverse talent.



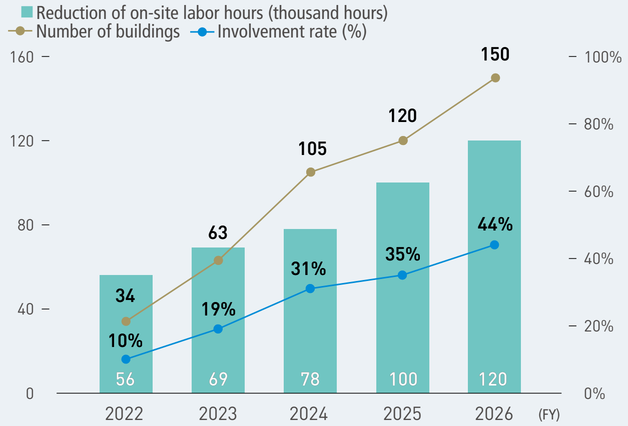


Mid- to long-term prospects of T-Base®



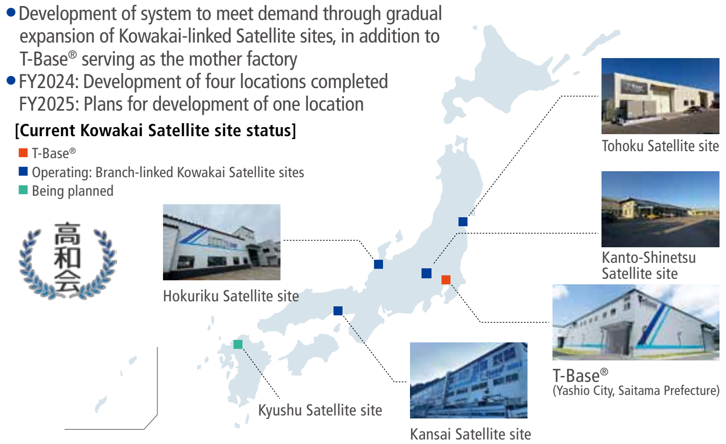
By developing the options brought about through T-Base®, which can be used for both new construction and renovation as well as general or industrial projects, we aim to improve productivity and thereby address the anticipated decline in the construction workforce due to the projected decrease in the working-age population.

Targets of the Medium-Term Management Plan period



FY2025 KPIs
- Number of buildings involved: 120
- Reduction of on-site labor hours: 100,000
- Number of units produced: 8,000

FY2025 plan

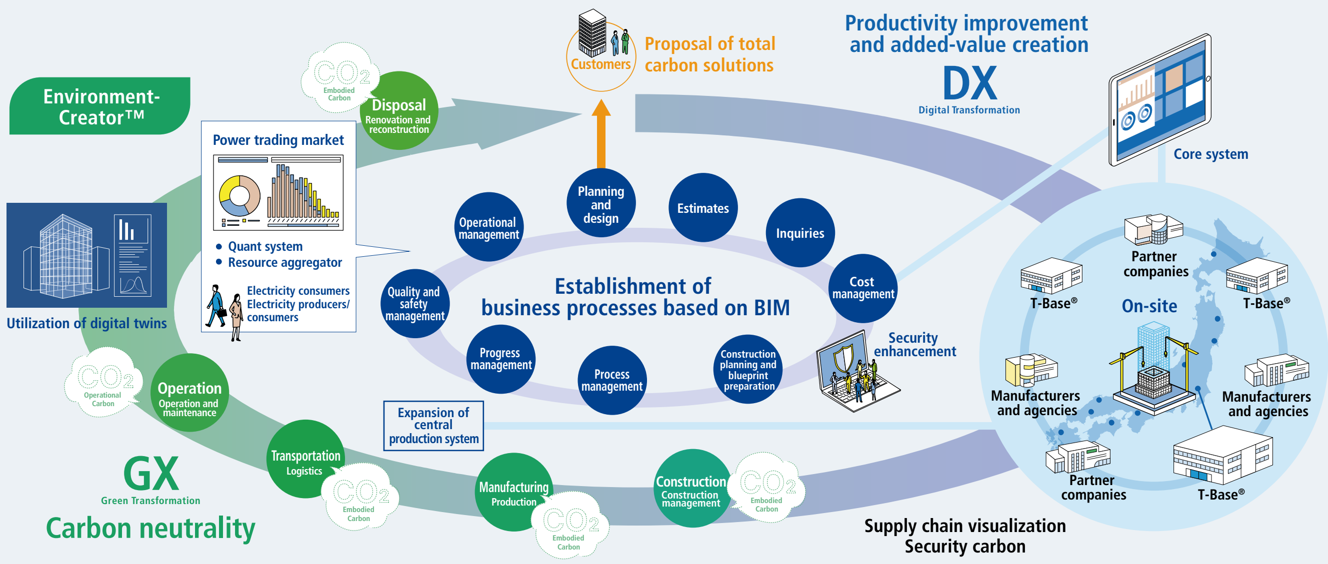
Implementation measures	Item	Details
Improve productivity by expanding industrial project options and accelerating standardization	Expand standardized options and strengthen coordination between sales and design	• Incorporation of T-Base® standard drawings and specifications into design projects • Expansion of industrial project options Water-cooled/air-cooled chiller units, pump units, and multi-units
Optimize production and supply by manufacturing in collaboration with Kowakai Satellite sites	Build a standardized unit design scheme and link it with BIM	• Consideration of design automation to reduce lead times in order to promote implementation and deployment at sites • Data development to support collaboration in the production stage with Kowakai and manufacturers • Ongoing consideration of output of drawings for the construction stage
	Build and operate Kowakai Satellite sites	• Development of system to meet demand through gradual expansion of Kowakai-linked Satellite sites, in addition to T-Base® serving as the mother factory • FY2024: Development of four locations completed FY2025: Plans for development of one location **[Current Kowakai Satellite site status]** 
Develop a digital platform for construction sites centered on the central production system	Expand the introduction of the central production system	• Promotion of internal development centered on medium-scale and larger projects • Selection of target projects and promotion of use of partner-company workers on-site • Start of discussions with manufacturers and agencies on introduction schemes (Q1 results: 42 projects; 195 manufacturers and agencies) • Continuing verification of mutual data integration with BIM
Engage in initiatives for the future of the construction industry, including environmental contributions and DE&I	Make environmental contributions in the construction business	• Rollout and testing at nationwide Satellite sites of a scheme for sorting and recycling waste plastic and visualizing CO_2 reduction amounts • 50% of production workforce involving human resources outside of the construction industry, including women and seniors

Reforming Our Core Business Based on BIM and Establishing/Utilizing Our Digital Foundation

Promotion of BIM to Simultaneously Achieve Digital Transformation and Green Transformation

Overview of our DX strategy

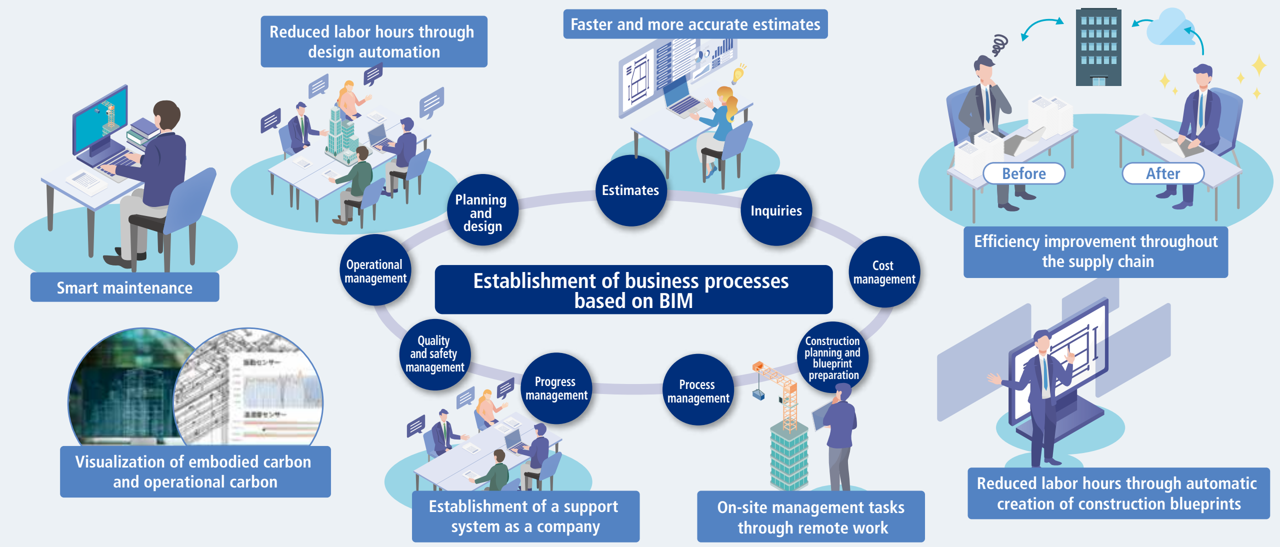
Under our Long-Term Vision for 2040, we aim to address carbon transition for building environments and carbon neutrality of the global environment. Through co-creation with many business partners, we will build up our four business domains, linking each domain with DX. While accelerating the DX initiatives that have been underway, we will also realize GX (green transformation) throughout the building life cycle, clearly paving the way to being an Environment-Creator™.



Core business reform and DX-driven work style reform by establishing/utilizing our digital foundation based on BIM

By implementing BIM at an early stage, we aim to bring about a fundamental transformation of business processes throughout the entire building life cycle, from planning and proposal to design, construction, and operational management, while enhancing productivity through the use of digital technology.

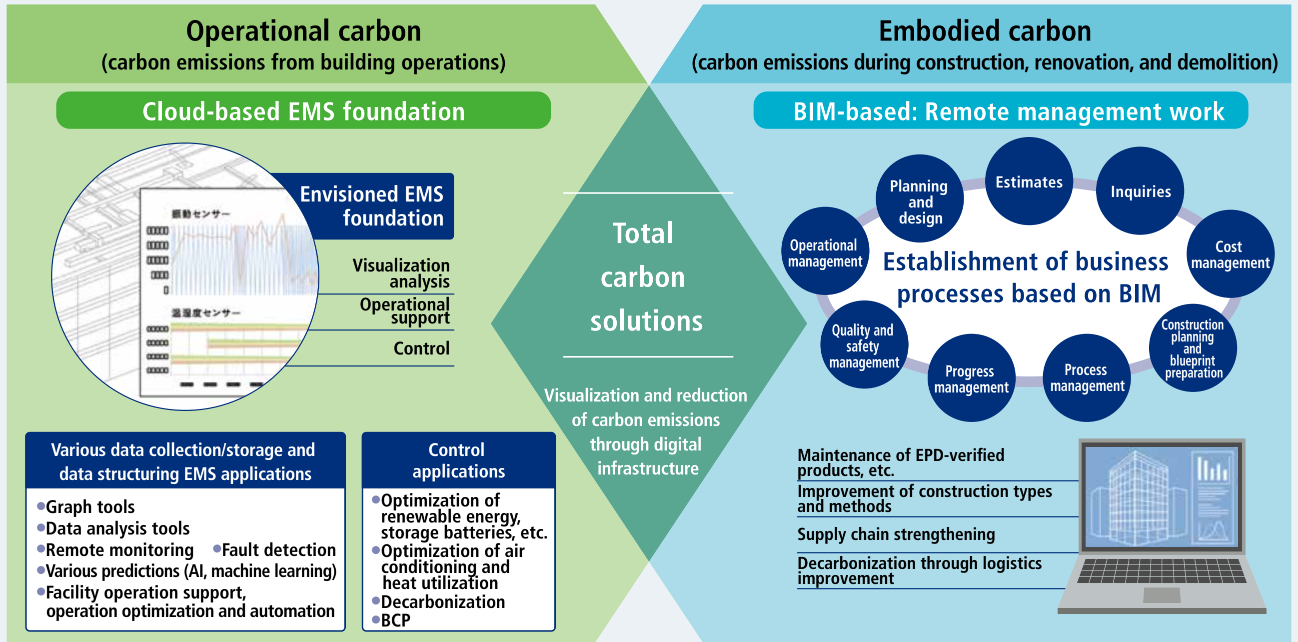
We are beginning to utilize various digital platforms, including our core system and SaaS groups linked with BIM. This will allow us to consolidate and centralize tasks that were previously handled individually by each branch, office, or construction site, as well as to provide remote operational support, thereby improving productivity, advancing operations, and diversifying work styles.



Achieving green transformation using data generated from BIM, EMS, and other sources

Carbon emissions occur at various stages of a building's life cycle, including during construction, renovation, demolition, and after building operation starts.

By utilizing building data and operational data based on BIM, we aim to strengthen our ability to propose total carbon solutions for carbon optimization throughout the building's life cycle. Through this, we will work together with our customers to achieve GX.



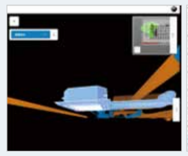
TOPICS

Expansion of on-site operation of PLANETS (development codename), focusing on areas related to construction management work

Focusing mainly on areas closely related to construction management, such as process management, progress management, and quality management, we are expanding the on-site operation of PLANETS. As of the end of FY2024, trials had been conducted at about 50 sites. Users have expressed strong interest and expectations, recognizing PLANETS as an initiative that can contribute to improving conventional operations. Based on on-site feedback, we will continue making improvements to evolve the system so it becomes even better.

Quality control

Progress management



Development of FaciTas, which supports DX of customers' facility operation management, for launch in 2026

FaciTas consolidates scattered facility information, such as BIM data utilized and accumulated through PLANETS during construction, 360-degree images, equipment ledgers, defect and maintenance histories, central monitoring, and IoT data. This service makes facility information "visible, understandable, and usable for the future," solving the various facility operation challenges of customers such as ensuring stable equipment operation, optimizing life cycle management (LCM), and addressing shortages of human resources for facility management. Trial implementations are underway in locations such as semiconductor/electronic component plants, pharmaceutical research laboratories, and hospitals, with full-scale service provision scheduled to begin in 2026.

Achieving Our Vision
03





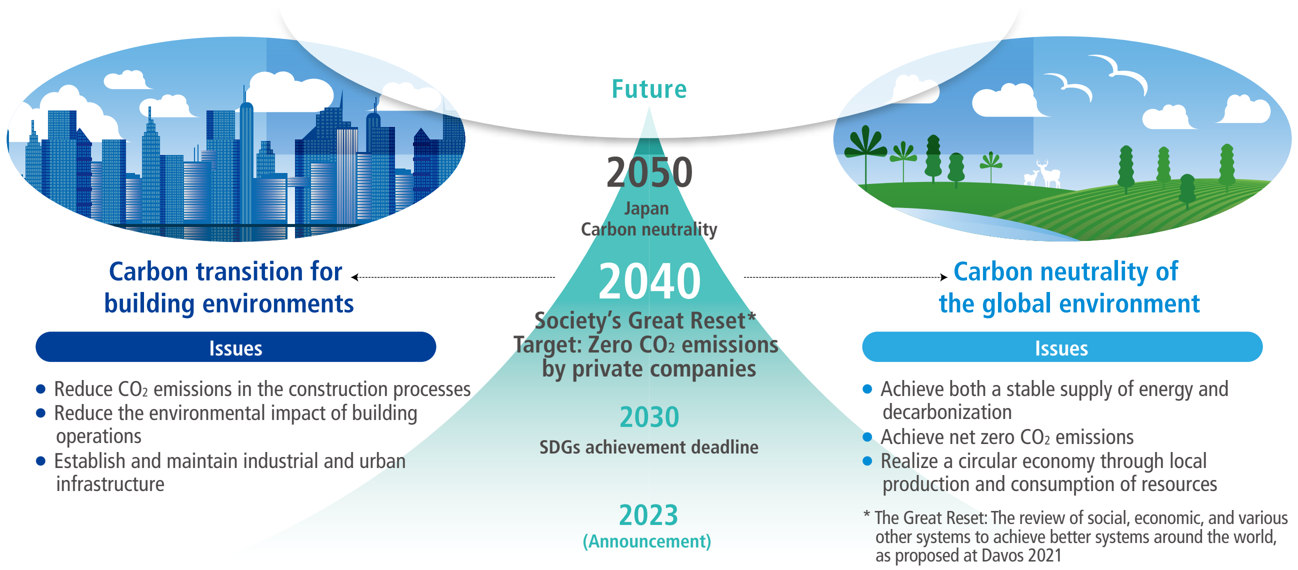

Takasago Thermal Engineering Group's Long-Term Vision for 2040

As the business environment surrounding our company undergoes dramatic changes, from a long-term perspective, we predict that the year 2040 will be a major turning point in terms of the structure of society due to population and climate change issues. With an eye on the changes ahead, the Takasago Thermal Engineering Group has formulated our Purpose and Long-Term Vision for 2040 in order to create sustainable growth and added value by leveraging our diverse values. As an Environment-Creator™, each executive and employee of the Takasago Thermal Engineering Group will take on the challenge of solving the issues of society in the future and embody our commitment to shaping the future with our partners.

Takasago Thermal Engineering Group helps resolve future social issues

The Japanese government's "2050 Carbon Neutrality Declaration" has spurred companies to further accelerate their carbon neutrality and ESG initiatives toward realizing a decarbonized society.

In order to solve social issues for the future to come, we are making efforts for "carbon transition for building environments" and "carbon neutrality of the global environment" by leveraging our abundant experience, achievements, technologies, and knowledge we have cultivated through our HVAC business.



Four business domains aimed for in the Takasago Thermal Engineering Group's Long-Term Vision for 2040

Toward resolving the issues of society in the future, we will aim to be a company that creates environmental value by improving our business efficiency with our existing air conditioning technology at the core, expanding our environmental creation business areas, and having each of our employees continue to take on challenges as an Environment-Creator™, our Group's vision, together with diverse human resources inside and outside the company.

To this end, we have established four business domains based on future social changes. By aligning them through digital transformation (DX), we will transform ourselves into a corporate group that can realize solutions to the issues of society in the future.

Four business domains

1. Construction business

Based on the technology we have cultivated for 100 years in Japan and overseas, with air conditioning equipment at the core, we will realize carbon neutrality in building environments while constructing building environments that are optimal for our customers.

2. Equipment maintenance and management business

As the Takasago Thermal Engineering Group has expertise in building equipment, we will implement activities toward achieving carbon neutrality in the operational phase of buildings, which accounts for the majority of environmental impact.

3. Environmental equipment manufacturing and selling business

In order to reduce environmental impacts, we will manufacture and sell products used in air conditioning equipment and industrial air conditioning, as well as develop, manufacture, and sell products that optimally design air conditioning units suited to customers' facilities and that achieve green energy and energy conservation.

4. Carbon neutrality business

We will optimize each of the stages of energy generation, storage, and consumption for customers who aim to become carbon neutral.

Three phases toward realizing our Long-Term Vision for 2040

We will advance toward 2040 in the following three phases. During the first four years (2023-2026), we will use our construction business revenue base as a foundation and utilize the funds we gain from it for investment aimed at building up our business domains toward resolving issues in society in the future.

The following four years (2027-2030) will be positioned as four years to achieve growth. While we see growth in our construction business overseas, for which growth is expected, we will confirm the effects of business investment toward carbon neutrality and the monetization of environmental technologies and products we have developed using our technology.

The final 10 years (2031-2040) will be positioned as 10 years to make rapid progress. We will establish business segments that contribute to carbon neutrality and make them new pillars of earnings as future businesses.

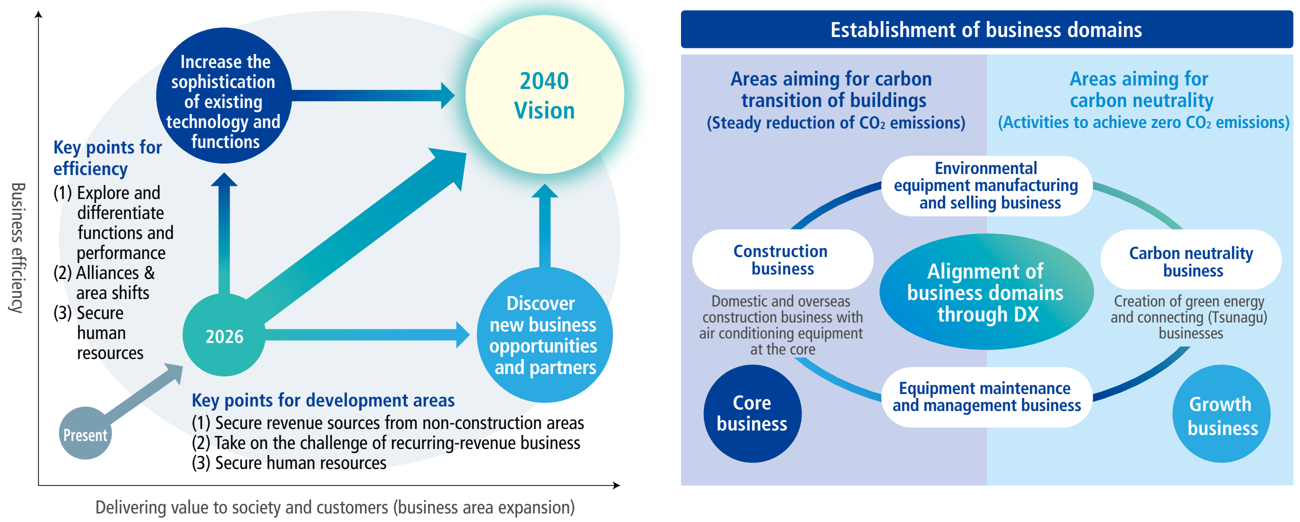
Through the three phases, we aim to achieve ordinary income of 40 billion yen*1 in the first phase that ends in FY2026.

(*Upwardly revised KGI value as of May 2025)

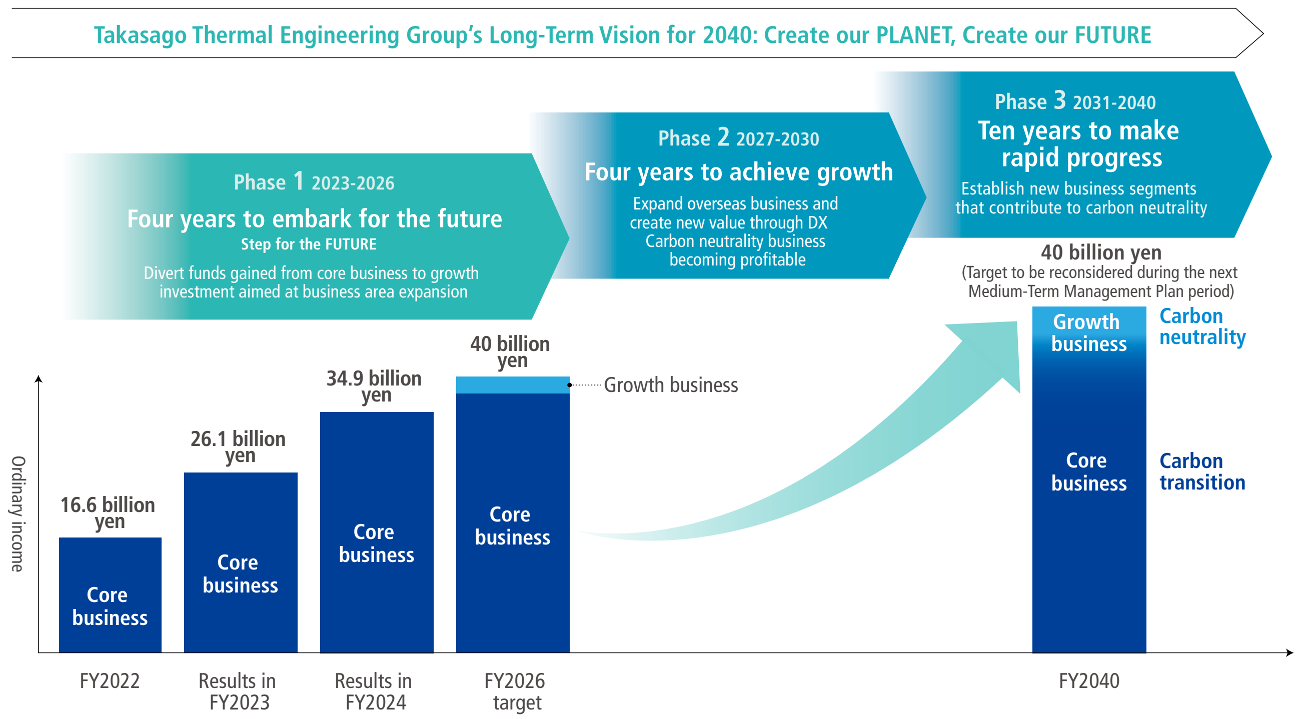
Then, we will aim to become a corporate group that envisions ordinary income of 40 billion yen*2 in FY2040.

(*2 Target to be reconsidered when formulating the next Medium-Term Management Plan)

The Takasago Thermal Engineering Group's Long-Term Vision for 2040 and four business domains



Three phases toward realizing our Long-Term Vision for 2040



Research and Development

Basic approach

Five years have passed since the Takasago Thermal Engineering Innovation Center opened in Tsukubamirai City, Ibaraki Prefecture. The Research and Development Headquarters operates the center as a base for research and development and as part of the functions of the head office.

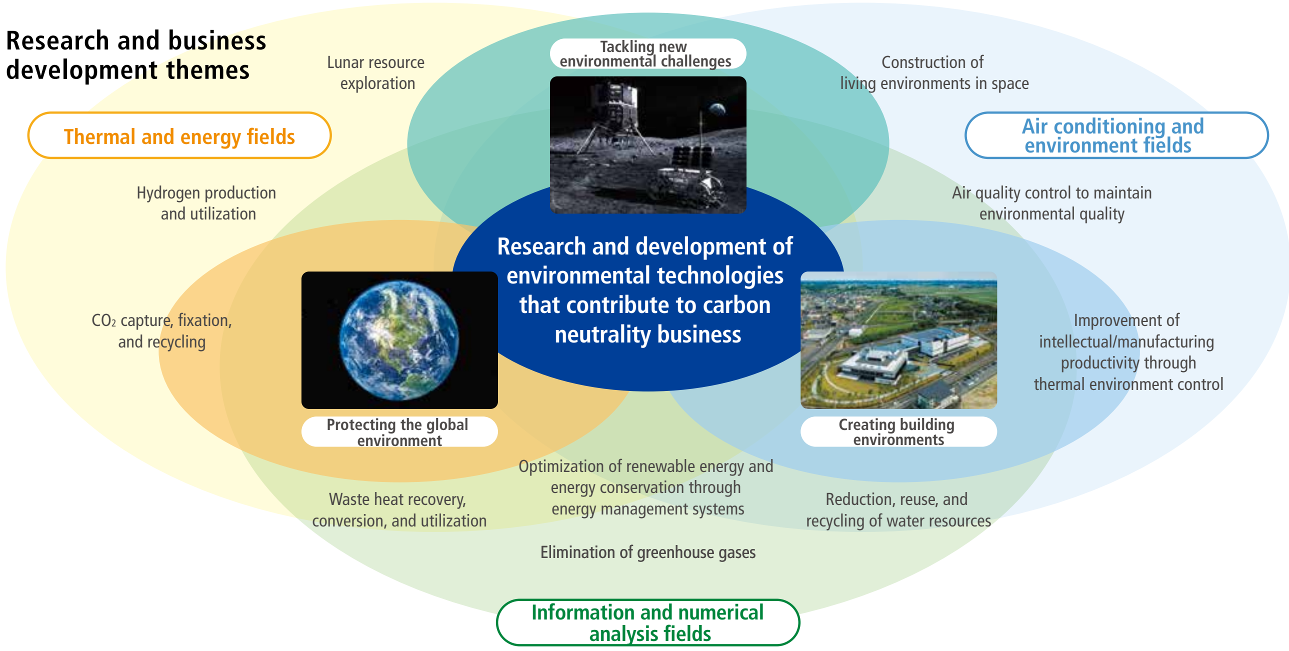
The themes of our research and development are centered on our "three plus α" pillars of "Creating building environments," "Protecting the global environment," and "Tackling new environmental challenges." We have worked to create technologies and products that help to realize a decarbonized society, protect the global environment, improve productivity, reform work styles, and meet other diverse customer needs.

Specifically, we are working on the development of technologies for utilizing renewable energy and unused energy, the development of resource recycling technologies, and the performance improvement and verification of technologies introduced at the Takasago Thermal Engineering Innovation Center.

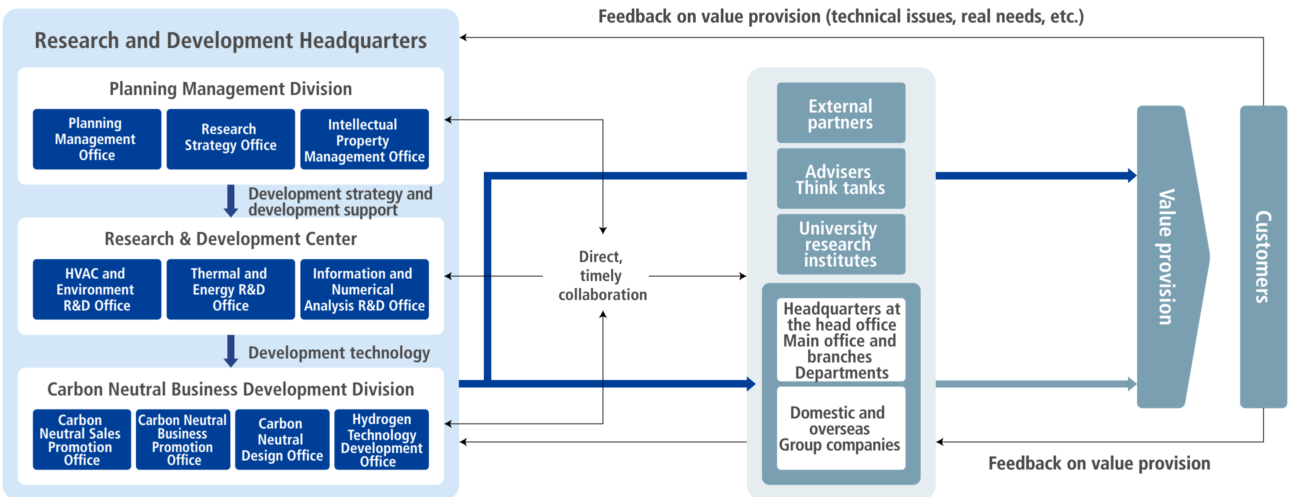
In particular, we have positioned hydrogen energy utilization technology, which is expected to contribute to the promotion of decarbonization, as a key development issue, and are promoting the development of related technologies as well as business development.

In terms of the organization, under the policy of "Connective research and development, connective business development," there are three divisions: the Research & Development Center, the Carbon Neutral Business Development Division, and the Planning Management Division. There is a system in which the Planning Management Division formulates the development strategy and supports development, the Research & Development Center is responsible for research and development, and the Carbon Neutral Business Development Division links these outcomes to business initiatives for social implementation by leveraging our proprietary technologies created through the research and development. Through further connection with each organization within the Group, we will contribute to the achievement of the KPIs in the Medium-Term Management Plan.

Research and business development themes

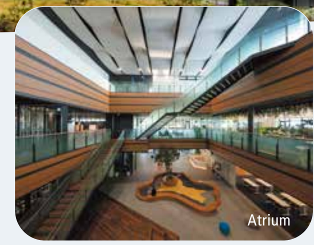


System of connective research and development, connective business development




Panoramic view of the building


Main workplace


Atrium

Takasago Thermal Engineering Innovation Center

Sustainable research facility that balances environmental impact reduction and intellectual productivity improvement

The Takasago Thermal Engineering Innovation Center is designed to embody the concept of sustainable architecture that combines environmental impact reduction with intellectual productivity improvement. It has aimed to achieve ZEB status through the active use of renewable energy and to provide a variety of work spaces that respond to changes in work styles as well as spaces that contribute to communities.

In terms of use of renewable energy, in addition to 200 kW of solar power generation, the Center has introduced 80 kW of biomass gasification power generation fueled by wood chips. It has also achieved carbon-free status by reducing the ratio of electricity received and using green electricity derived from hydroelectric power generation. In addition, the health and comfort of the workers are realized through a desiccant outdoor air processing unit that uses underground water or exhaust heat from biomass gasification power generation, ceiling radiant air conditioning panels, and individual air conditioners that can be operated with personal devices.

Divided into the following four main points, the Center has realized ZEB status by adopting thorough energy-saving technologies and energy-creating technologies not stuck in preconceived ideas. In the indoor environment, human-centric technologies and systems that promote intellectual productivity were proactively adopted to create an environment where employees can actually operate and improve the facility on a daily basis and promptly provide feedback for research and development. In addition, we consider it an important responsibility not only to build buildings but also to communicate and contribute to the local community and society. We have planned and realized the Center to be not only energy independent in normal times but also to provide security to the community even in times of emergency and to be a place for growth in harmony with the local community.

Four main points

Main point 1: Building plan that incorporates passive energy-saving technology New construction technology and sensing/cloud monitoring	Main point 2: Energy planning for ZEB and off-grid electricity
Main point 4: Formation of a base for passing on air conditioning technology and contributing to the local community	Main point 3: Human-centric air conditioning systems, such as personal air conditioning

An open research and development facility

The Takasago Thermal Engineering Innovation Center serves as an "open research and development facility." It has signed a comprehensive partnership agreement with the local government of Tsukubamirai City, with which it jointly holds the Takasago Marche twice a year, totaling eight events by FY2024. We also actively engage in regional collaboration, such as participating in various environmental conservation-themed events and conducting outreach classes at local elementary schools. These efforts contribute to environmental protection and raise awareness of environmental conservation among elementary, junior high, and high school students, the next generation of Environment-Creator™.

In addition, we actively welcome visits from companies, research institutions, and students. These activities help promote the social implementation of our environmental technologies, strengthen engagement with new customers and partner companies, and support the recruitment of talented human resources.

Research and Development

Adsorbent thermal storage system Mega Stock®

The effective utilization of waste heat and other forms of unused energy is required for further energy saving and reduction of CO_2 emissions in industrial areas. While the use of high-temperature waste heat for power and steam generation, etc. is promoted, most low-temperature waste heat of around 100°C is discarded into the atmosphere at present because its uses are limited and the mismatch in time and space between the supply of the heat and thermal demand makes it difficult to use the heat.

To solve this challenge, we have developed and are marketing a new large-scale thermal storage system that recycles waste/unused heat for air conditioning and as a thermal source.

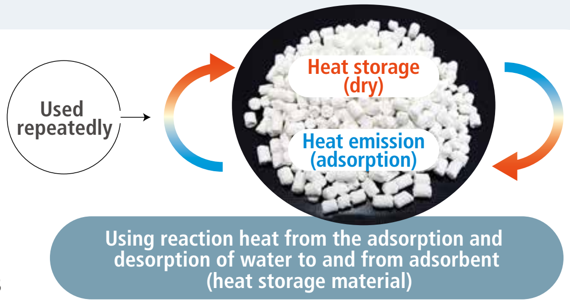
With this system, exhaust heat recovered within plant facilities is stored in a heat storage tank, which enables it to be used in different places and at different times. The heat can be used effectively for dehumidification, air conditioning, drying processes, etc. We also expect to introduce it as an offline heat recovery, transport, and utilization system to recover exhaust heat from sludge and garbage incineration plants of local governments, etc., as well as exhaust heat from factories, and use the heat in the nearby areas.

In FY2018–2019, we launched a demonstration test for the system as a project subsidized by the New Energy and Industrial Technology Development Organization (NEDO) jointly with Hamura City, Tokyo, and five other organizations. We created a thermal storage system using HASClay®, a new high-density heat storage material, to collect full-year demonstration data on the fixed type and the offline heat transport type and demonstrated the storage of waste heat from factories, cogeneration exhaust gas, and waste warm water, as well as the use of heat in production lines and commercial facilities. In FY2023, we introduced this equipment to store and reuse unused low-temperature waste heat produced by the Honjo Factory (west site) (in Yurihonjo, Akita Prefecture), TDK Corporation's largest scale domestic manufacturing and development base.

In 2024, a paper we prepared that summarized the results of researching and developing the above technology won the 62nd SHASE Award for Academic Papers (in the Academic Paper Division) from the Society of Heating, Air-Conditioning and Sanitary Engineers of Japan due to our promotion of the effective utilization of unused low-temperature exhaust heat to significantly contribute to far-reaching heat exchange.

Features of this system

1. Low-temperature waste heat of 80 to 200°C can be stored.
2. The thermal storage density is more than twice that of conventional heat storage (over 500kJ/L).
3. Recovered waste heat can be used for air conditioning (cooling/heating, outdoor air processing, and dehumidification) and supplying hot water.
4. Heat loss from stored heat is minimized (because of the principles of moisture adsorption/desorption reactions).
5. Heat users can substantially reduce their CO_2 emissions.



Desorption of water → Heat storage
Adsorption of water → Heat emission (use of heat)

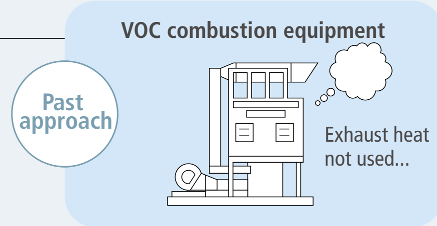
Awards received

- New Energy and Industrial Technology Development Organization (NEDO), 2018 Strategic Innovation Program for Energy Conservation Technologies, Excellent Business Award (FY2019)
- New Energy and Industrial Technology Development Organization (NEDO), 2020 NEDO Energy Conservation Technology Development Award, Excellent Business Award (FY2020)
- Advanced Cogeneration and Energy Utilization Center Japan, Cogeneration Grand Prize 2021 (Industrial Division), Award of Excellence (FY2021)
- Japan Machinery Federation, FY2022 Excellent Energy-Saving and Decarbonization Machinery and Systems Award, Chairman's Award (FY2022)
- The Society of Heating, Air-Conditioning and Sanitary Engineers of Japan, 62nd SHASE Award for Academic Papers, Academic Paper Division (FY2024)

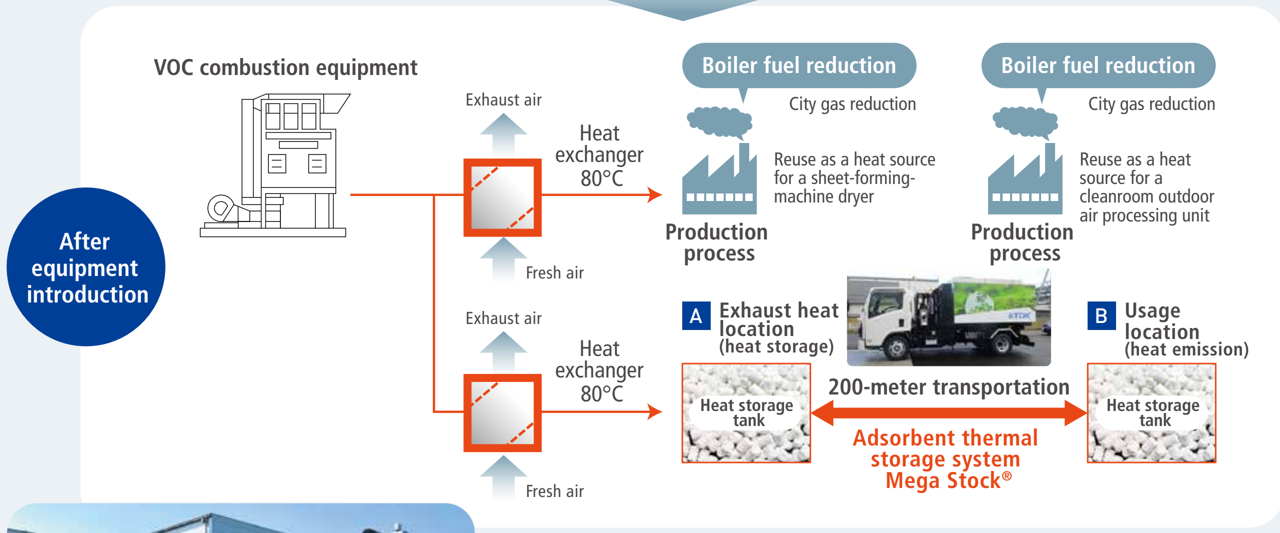
* The fiscal years in parentheses indicate when awards were announced or received.

Utilization example

Offline heat transport at TDK Corporation's Honjo Factory (west site)



Installed equipment system overview



A Exhaust heat location (exhaust heat recovery)

B Usage location (usage of transported exhaust heat)

▸ Subsidies from the Ministry of the Environment are available for the introduction of this system

FY2024 (supplementary budget) and FY2025: Subsidy for Project Costs for Measures to Curb Carbon Dioxide Emissions
(Projects for introduction of renewable energy and acceleration of harmony with local communities by private companies, etc.)
(2) Projects to promote renewable-energy introduction and cost reductions suited to the characteristics of installation sites
⑤ Projects to create leading local models for decarbonization

Subsidy rate: Two-thirds

Viewable on the National Institute of Advanced Industrial Science and Technology YouTube channel "Sansoken Channel (AIST Channel)"
https://www.youtube.com/watch?v=lJ_E3LUVCnc

TDK Corporation's Honjo Factory (West site) introduction press release
https://www.tte-net.com/article_source/data/news/detail/2024/678.html

Leverage low-temperature waste heat anytime, anywhere! Heat-storage system using the adsorbent HASClay
https://www.nedo.go.jp/media/practical-realization/202401TTE.html

Akita Mirai no Tobira (Door to Akita's Future): "What are TDK's CO_2 Emissions Reduction Measures?"
https://www.youtube.com/watch?v=24q17jeGV7A

Closed VOC recycling system

Toluene, ethyl acetate, NMP, and other volatile organic compounds (VOCs) are used in a wide range of fields, including cutting-edge lithium ion batteries, all-solid-state batteries, paints, printing inks, and adhesives.

When VOCs are emitted into the atmosphere, they cause air pollution that includes photochemical smog and PM2.5, so exhaust gas resulting from manufacturing processes has been suitably treated in line with laws and regulations in the past. However, the mainstream incineration method, which treats VOC exhaust gas generated in various manufacturing stages, produces large amounts of CO_2 as the VOCs are broken down by burning. Previously, CO_2 emissions from VOC decomposition were not counted, but from FY2024, from the perspective of global warming prevention and the realization of a decarbonized society, CO_2 emissions from the incineration of solvents containing non-methane volatile organic compounds (NMVOCs) have been added to the calculation scope.*1 As a result, non-incineration treatment of VOCs is now strongly required.

For companies handling solvents, non-incineration treatment of VOCs is recognized as an urgent issue for realizing a decarbonized society, while the need to reduce the release of VOCs that cannot be fully removed into the atmosphere for air-quality protection is also increasing.

Actual equipment for VOCs with low-boiling points

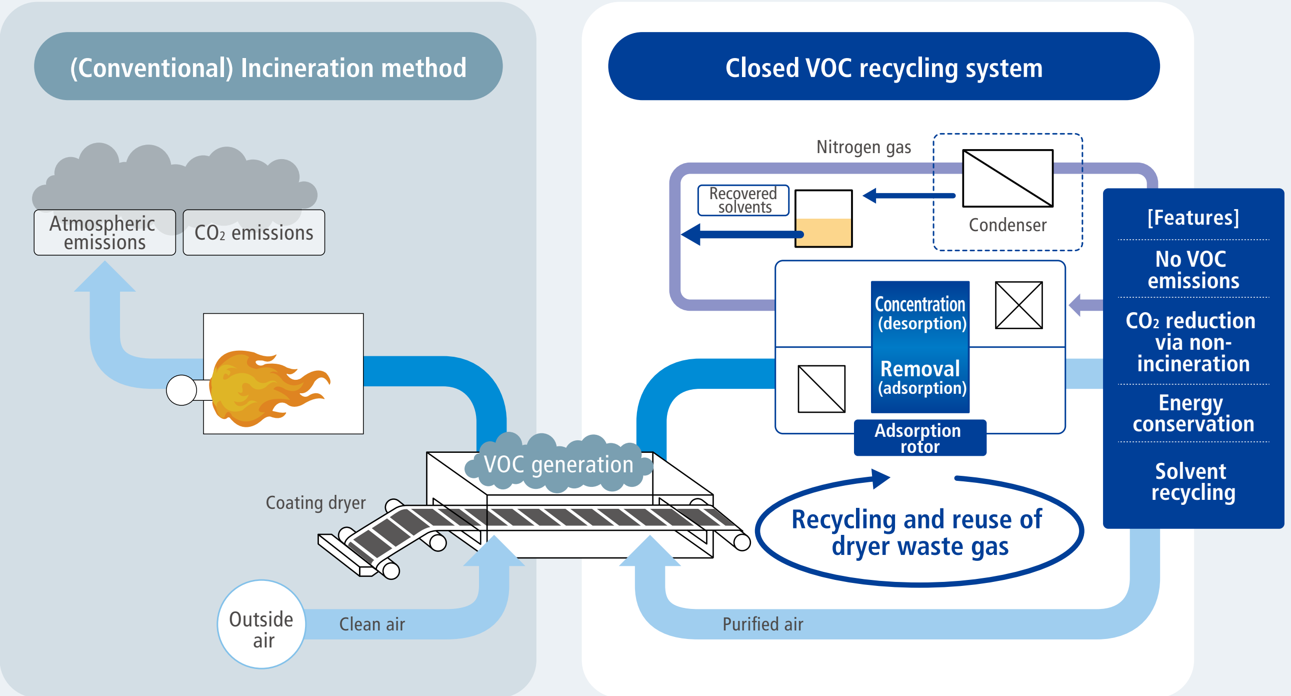
Therefore, we have developed a system that adsorbs for recovery and treats VOCs without incineration while also reducing the amount of VOCs emitted into the air significantly. Our approach uses a closed system that recycles and reuses air for a solvent dryer after solvent recovery. This greatly reduces the emissions of VOCs into the atmosphere while also reducing the energy necessary to heat and dehumidify gas supplied to the dryer, which makes our system outstanding in terms of environmental friendliness and energy-saving performance. In addition, recycling the recovered solvents reduces the emissions of CO_2 during the new-solvent manufacturing process and therefore contributes to resource conservation.

We provide two types of closed systems that differ depending on the VOC boiling point: low-boiling-point and high-boiling-point systems. For low-boiling-point solvents, we are an industry pioneer in terms of achieving a low-boiling-point closed recycling system that features high-density concentration by use of nitrogen gas and ultra-low-temperature liquefaction recovery technology. This system was adopted by one of Japan's leading semiconductor plants and put into full operation in 2025.

In addition, regarding the high-boiling-point solvents used for the manufacturing of lithium-ion batteries and all-solid-state batteries—for which demand is expected to increase as the EV market and storage battery market expand—we have developed a high-boiling-point system that lowers the solvent-concentration rotor regeneration temperature from 130 °C to 80 °C. This system was likewise adopted by the core research facility of a battery manufacturer and went into full operation in 2025. We can achieve further energy-saving and CO_2 reductions by deploying our closed VOC recycling system, which incorporates our Dry Room® system—which uses an energy-saving dehumidifier and has contributed to reducing the manufacturing costs of secondary batteries up until now—and our solvent concentration rotor that can regenerate at low temperature ranges.

By promoting the non-incineration treatment system capable of achieving CO_2 and VOC emissions reduction simultaneously, we will go on contributing to global environmental preservation.

VOC gas treatment method



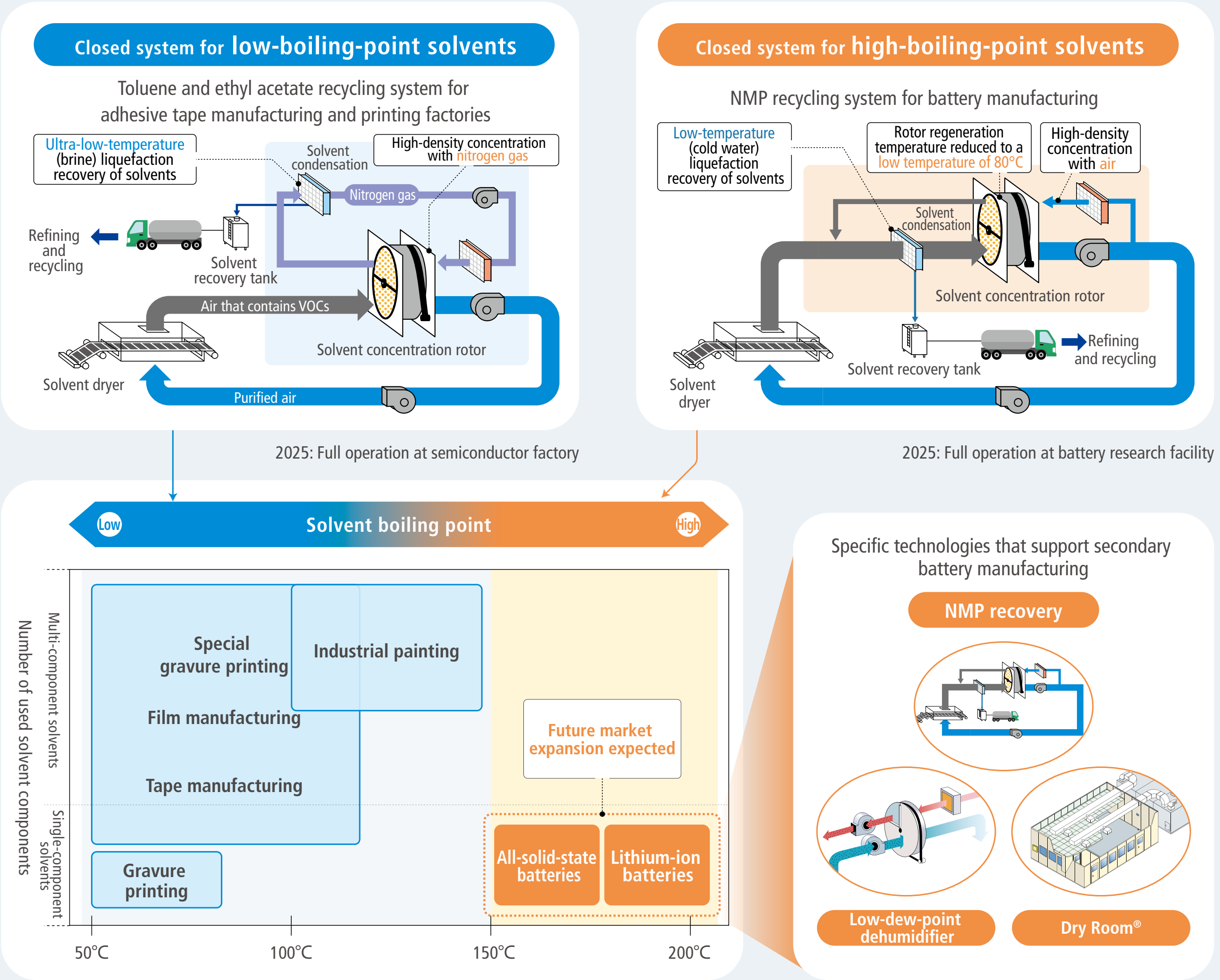
Awards received

- Japan Air Cleaning Association, 38th Annual Technical Meeting on Air Cleaning and Contamination Control, Chairperson's Encouragement Award (FY2022)
- National Institute for Environmental Studies/Nikkan Kogyo Shimbun, 48th Environment Award, Award of Excellence (FY2021)

* The fiscal years in parentheses indicate when awards were announced or received.

*1 Greenhouse Gas Emissions Calculation, Reporting, and Disclosure System

Closed VOC recycling system line-up

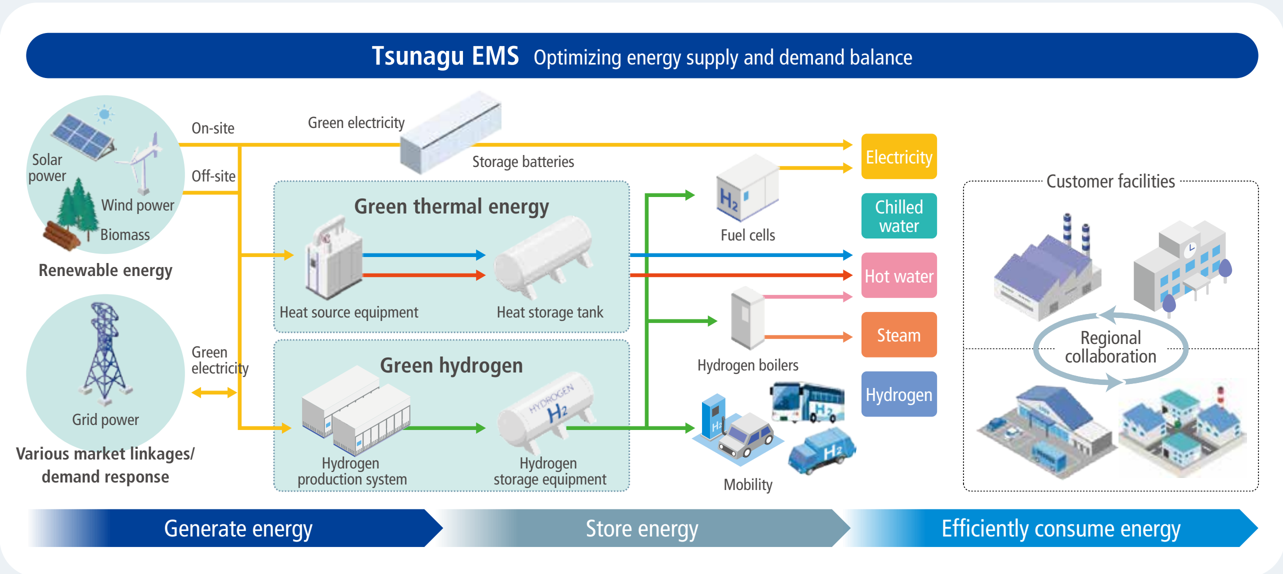


The "Tsunagu EMS" energy management system

The Japanese government has officially declared its commitment to achieving "carbon neutrality by 2050," setting an ambitious goal of net-zero greenhouse gas emissions, which has accelerated corporate initiatives toward carbon neutrality. Amid these developments, maximizing the introduction and effective utilization of renewable energy has become an urgent priority in Japan. In particular, efforts to utilize renewable energy at the corporate and local government levels are accelerating, with the implementation of decarbonization centered on energy management systems (EMS) making progress.

Our Long-Term Vision for 2040 positions carbon neutrality-related businesses as a growth area, and we aim to provide energy systems that meet customer and societal needs by engaging in each phase of energy—generation, storage, and consumption—and by connecting (Tsunagu) them together.

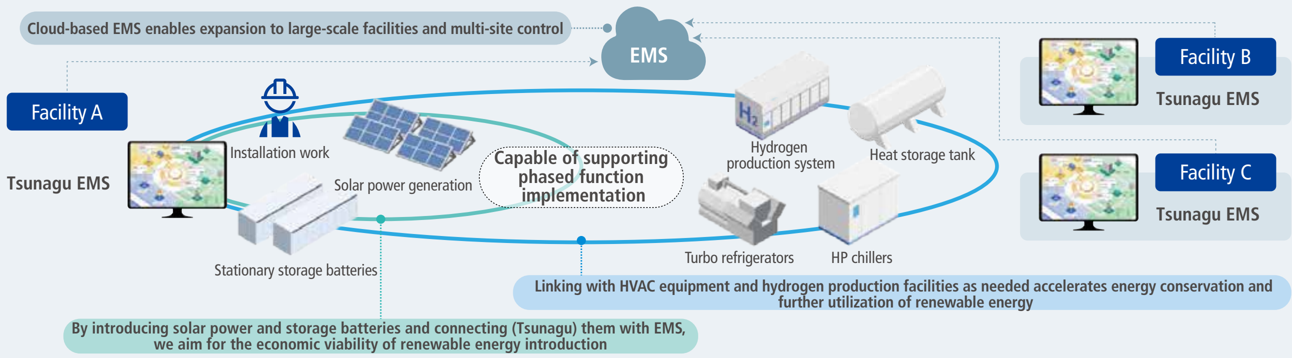
Specifically, we are working to meet the demand for green hydrogen appropriately by using water electrolysis equipment to convert green electricity generated from sources like solar power into hydrogen and store it. At the same time, we are actively developing the Takasago proprietary EMS ("Tsunagu EMS") to connect the production, storage, and use of green energy.



Tsunagu EMS is built as a common platform that combines speed, flexibility, and scalability by adopting the latest system architecture (software technology), making it easy to add or replace necessary functions. This allows for flexible response to the phased introduction of equipment and functions, as shown in the diagram below.

Moreover, Tsunagu EMS offers features such as those outlined in (1) to (3), helping customers to make their green transformation (GX) a reality.

(1) Enables optimal control and operation of customers' electricity and heat in our core business areas through peak cut control and maximizing self-consumption
(2) Achieves optimal control and stable operation in green hydrogen production using large-scale water electrolysis systems
(3) Provides new revenue opportunities through demand response (DR) and virtual power plants (VPP) by utilizing customers' surplus resources



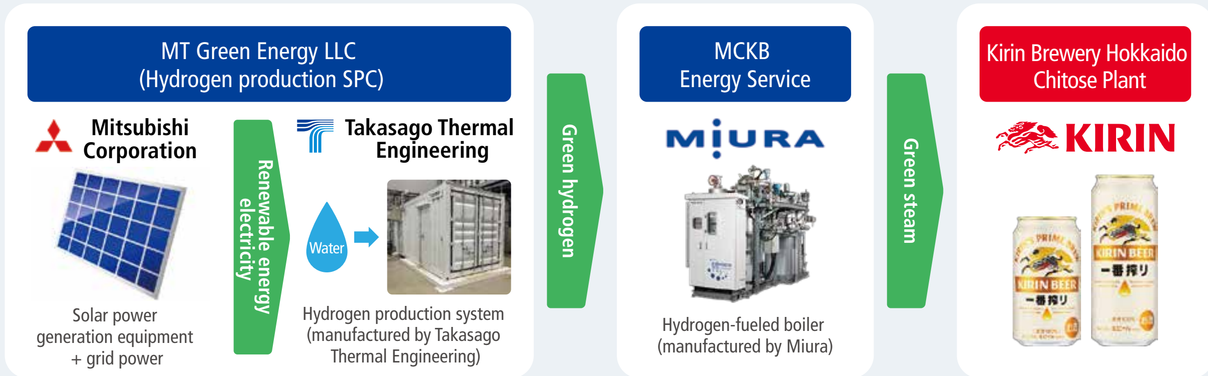
TOPICS

Launch of demonstration project utilizing green hydrogen

Takasago Thermal Engineering, along with Kirin Brewery Company, Limited, Mitsubishi Corporation, MCKB Energy Service Co., Ltd., and Miura Co., Ltd., plans to begin a demonstration project in June 2026 at the Kirin Brewery Hokkaido Chitose Plant. This project will convert part of the fuel for steam boilers from fossil fuel-based to green hydrogen-derived sources, utilizing green hydrogen-derived steam in the beer production process. Beer production requires large amounts of steam for heating processes such as boiling wort. In this demonstration, we will switch part of the boiler fuel from city gas to green hydrogen, substituting up to approximately 23% of annual heat demand with hydrogen and reducing greenhouse gas (GHG) emissions by an estimated 464 tonnes. The project is scheduled to run for 10 years starting in June 2026, during which time we will verify the effectiveness of the GHG emission reductions and technical issues of transitioning to green hydrogen.

Additionally, we and Mitsubishi Corporation have established a special purpose company, MT Green Energy LLC, which will participate in this project as the green hydrogen manufacturer and supplier. Moreover, we plan to deploy our newly developed large-scale water electrolysis system (100 Nm³ unit) for the first time. This initiative represents the first project under Carbon Neutrality, one of our four business domains, making it highly significant. It also marks our entry into a new business field: hydrogen supply. Looking ahead to the expansion of hydrogen utilization, we will advance our green hydrogen supply business and contribute to the global environment.

Demonstration project framework



Hydrogen production system

Intellectual Property Management

The objectives of our intellectual property strategies are to appropriately protect intangible assets that result from our capital investment—including technologies, data, know-how, organizations, systems, and relationships—and to maximize the profit we gain from such assets. To achieve these objectives, our Intellectual Property Management Office carries out activities that support building businesses aligned with our management policies.

Mission

Under the Takasago Thermal Engineering Group's Long-Term Vision for 2040, we have spelled out the need to reform our Group and achieve our goals by pursuing DX-related cooperation in four business domains to respond to the social environment surrounding our Group: (1) construction business, (2) equipment maintenance and management business, (3) environmental equipment manufacturing and selling business, and (4) carbon neutrality business. Our 2026 Medium-Term Management Plan, which is phase 1 of our strategy, includes various measures such as reforming our construction business processes (the T-Base® project), establishing carbon neutrality business based on water electrolysis equipment, researching and developing environmental technologies, developing digital infrastructure based on BIM, and developing human resources, which are the source of our value creation. The mission of our Intellectual Property Management Office is to support the development of these four business domains set forth in our Long-Term Vision.

We promote strategic intellectual property management based on three key policies: "proactive IP activities" to maximize business opportunities and profits, "protective IP activities" to prevent business risks in advance, and building a sustainable framework to continuously drive these efforts.

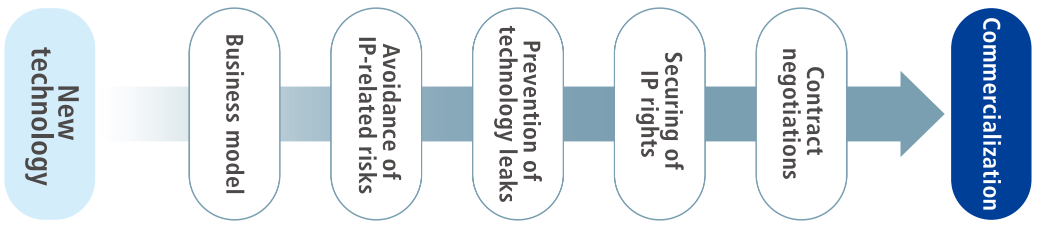
Commercialization support system

The Intellectual Property Management Office is organized within the Research and Development Headquarters with the aim of strengthening commercialization support.

Currently, with the Research and Development Headquarters as its core, we have a system in which IP specialists are stationed at key divisions such as our Technical Engineering Headquarters (T-Base®) and the Engineering Department. The Intellectual Property Management Office works with divisions on commercialization projects while embedding an intellectual property strategy perspective throughout those divisions.

Commercialization support covers the entire process from the creation to the market launch of new technologies. The Intellectual Property Management Office considers intellectual property and intangible asset utilization plans as well as business model plans, conducts competition analysis from the perspective of our intellectual property strategies, avoids IP risks, comprehensively manages technology information, strengthens our IP capabilities with an eye to competition, concludes contracts with suitable conditions, and otherwise provides support alongside related divisions.

This support system not only enables the rapid protection and utilization of new technologies but also helps raise IP literacy among personnel in each division through collaboration with IP specialists. We are expanding these initiatives to Group companies both in Japan and overseas, driving the sustainable growth of the entire Group.



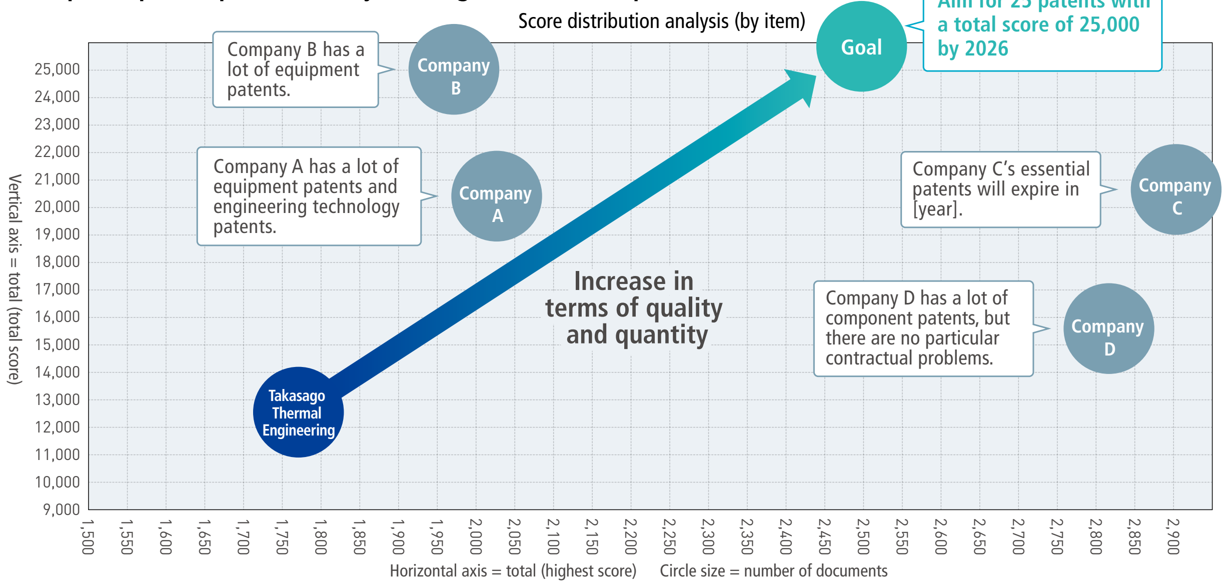
Enhancing our patent-related capabilities

Differentiation from other companies is essential for an engineering firm to maintain a competitive edge. Using patents to prevent imitation of the company's proprietary technologies is one of the most important intellectual property measures.

Takasago Thermal Engineering conducts IP landscape analyses for the technology fields in each of the four business domains set forth in our Long-Term Vision. These analyses visualize our technological position relative to competitors and clearly define targets for both the quality and quantity of the necessary patent rights.

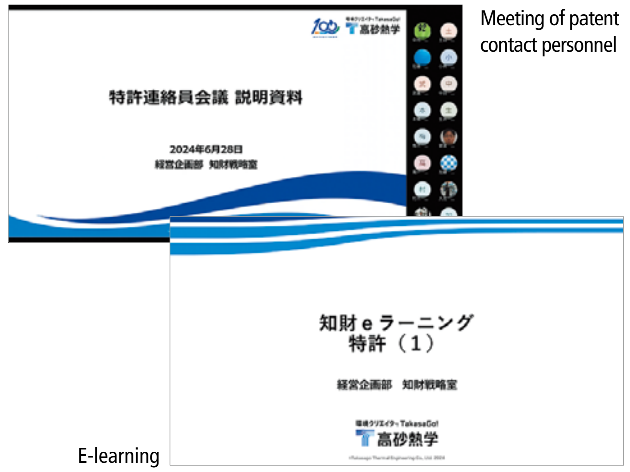
To achieve these targets, developers, the Intellectual Property Management Office, and external partners collaborate from their respective perspectives to develop and identify unique proprietary technologies, aiming to secure essential patents. Furthermore, in addition to our core businesses, we are also actively obtaining patents in related business areas to build a high-quality, strong patent portfolio.

Example of patent position analysis using the IP landscape



Protection of engineering know-how

The intangible asset of technological know-how on design, procurement, and construction is an important management resource for engineering companies. To protect our engineering know-how, it is necessary to ensure that every engineer who creates such expertise is vigilant against technology leaks, and to ensure the implementation of suitable confidentiality management as well as the signing of non-disclosure agreements whenever necessary. We therefore have our patent contact personnel—who consist of engineers—hold regular meetings, at which they confirm points to keep in mind in order to prevent the leakage and misappropriation of technical know-how accumulated on a daily basis. In addition, our patent contact personnel spearhead efforts to conduct awareness-raising activities at each site, distribute leaflets, and implement other education targeting every employee through e-learning and other approaches.



Meeting of patent contact personnel
E-learning

Sustainable intellectual property framework and digital transformation (DX)

Our 2026 Medium-Term Management Plan strengthens investment in human resources, who are the source of medium- to long-term value creation, and seeks to transform our business model. To support this transformation, the Intellectual Property Management Office has clearly defined the skills required of IP specialists and is cultivating more advanced professional talent. We are placing particular emphasis on hiring and training young and mid-level professionals to enhance our medium- to long-term organizational sustainability. In addition, for research and management tasks, we are actively investing in DX by introducing AI and management tools, thereby enabling a shift toward higher value-added activities.

Utilization of intellectual property

Improving productivity at construction sites is a common challenge across the HVAC industry. We actively promote the spread of productivity-enhancing technologies, such as new construction methods and on-site management tools, through equipment and material manufacturers and IT tool vendors to the industry as a whole.

When deploying these technologies, we place importance on mutually-beneficial co-existence with every company in the value chain, including equipment and material manufacturers, IT tool vendors, and sales agencies. The amount we recover for development costs continues to grow each year.

In addition, we have established a mechanism through our intellectual property management system that allows all employees to share useful on-site know-how, thereby promoting its application in on-site operations.

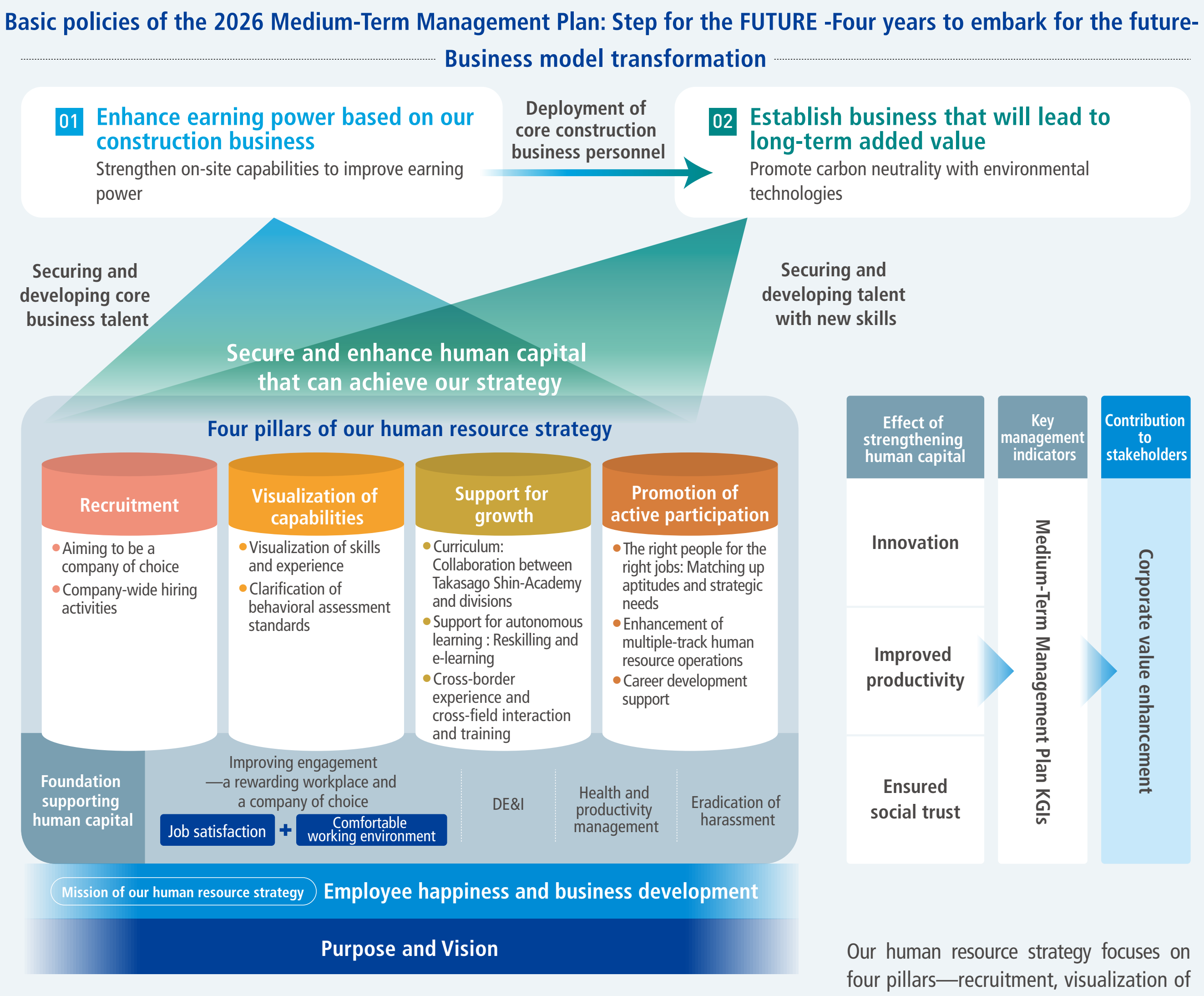
Strengthening Human Capital at Takasago Thermal Engineering Group

Basic policy on human resource management

Based on our philosophy that "people are our greatest asset," we conduct human resource management based on human resource development and respect for people. To continuously create new value through our business activities and contribute to society, we must be a company that grows day by day. Based on our belief that this goal is supported by people who continue to grow, we develop talent with integrity and strong ethical values who autonomously take on challenges.

We also foster a corporate culture in which people recognize and respect each other's diversity regardless of gender, sexual orientation, gender identity, nationality, disability, or other attributes, and create a work environment where individual human resources are healthy and vibrant and can maximize their abilities.

Human resource strategy that achieves our management strategy



Company and human resource transformation

03 Invest in human capital, the source of our value creation

Invest in human resources to achieve business model transformation

Our human resource strategy focuses on four pillars—recruitment, visualization of capabilities, support for growth, and promotion of active participation—to strengthen the human capital that supports our management strategy and ultimately enhance corporate value. As the foundation for this, we also emphasize improving engagement, DE&I, and health and productivity management, etc.

Recruitment | Visualization of capabilities | Support for growth | Promotion of active participation

Recruitment

We view the four pillars of our human resource strategy—recruitment, visualization of capabilities, support for growth, and promotion of active participation—as integrated human capital management initiatives. These initiatives represent our commitment to supporting the careers of the talent we recruit, establishing development systems, and contributing to society as an Environment-Creator™.

Our initial initiative, recruitment, is conducted fairly and equitably regardless of gender, nationality, disability status, or other factors. For example, we accept overseas university students for two-month internships, as well as interns with disabilities, opening our doors widely to deepen mutual understanding before employment. Moreover, we actively recruit young people (new graduates and mid-career hires) and women, which are challenges for the construction industry as a whole, working to become a company chosen by society.

Recruitment results for the past three years (breakdown)

		2023		2024		2025		Past 3 years	
		Number	Percentage	Number	Percentage	Number	Percentage	Total number	Percentage
Domestic	Men	43	58.9%	81	60.4%	89	68.5%	213	62.6%
	Women	27	37.0%	38	28.4%	30	23.1%	95	29.5%
International students	Men	1	1.4%	11	8.2%	6	4.6%	18	4.7%
	Women	2	2.7%	4	3.0%	5	3.8%	11	3.2%
Total		73		134		130		337	

	Past 3 years	
	Total number	Percentage
Total number of women (including international students)	106	31.4%
Total number of international students	29	8.6%

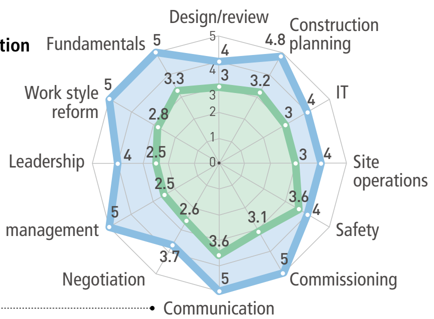
Recruitment | Visualization of capabilities | Support for growth | Promotion of active participation

Visualization of capabilities

To advance human capital management, we overhauled our talent management system in FY2021. We visualize various HR data for each employee and use it for recruitment, training, human resource allocation, and appointment. Starting in FY2023, we established a cross-departmental Human Capital Strengthening Task Force to organize and visualize the skills required for each job category, such as construction, design, administration, and sales.

Additionally, our talent management system allows employees to input their career plans, life plans, and personality profiles. This multifaceted information is then utilized in one-on-one meetings with supervisors to support employees' medium- to long-term growth. We are attempting to use HR digitalization not just for efficient management of personnel data but also to improve engagement. We recognize that this strengthens the human capital needed to achieve our strategy.

Skills spider chart (Engineering - Construction management)



Skill	Communication skills
Details	Able to report, communicate, and consult with supervisors and colleagues in a timely manner within the company or office, and share information effectively.
Learning opportunities/ materials	E-learning: Assertiveness and communication

In this way, each skill is linked to learning opportunities, establishing a system that enables autonomous skill development.

Key indicators

Category	Indicator	Unit	FY2022	FY2023	FY2024
Recruitment	Number of employees	People	2,166	2,230	2,365
	Ratio of female employees	%	18.2	19.4	20.7
	Number of new hires (new graduates)	People	98	73	134
	★ Of which, women	People	31	29	42
	Retention rate (3rd year after joining)	%	88.5	92.9	86.7
Visualization of capabilities/ Support for growth	Investment in education and training	Million yen	160	236	343
	★ Total training time	Hours	119,200	103,341	219,346
	Training time per person	Hours	55	46	93
	★ Number of certified professionals	People	1,061	1,174	1,639
	★ Expert assistant site managers	People	0	30	76
	Number of trainees (outside office/overseas)	People	0	0	20
Promotion of active participation	★ Engagement	—	45	51	59
	Pride	—	71	78	80
	Link to strategic objectives	—	46	54	61
	Growth opportunities	—	45	50	57
	Work-life balance	—	40	48	58

Category	Indicator	Unit	FY2022	FY2023	FY2024
DE&I	Number of female employees	People	371	401	461
	★ Ratio of female managers	%	1.9	2.3	2.8
	Percentage of female management candidates	%	6.3	7.5	9.3
	NS managers	People	358	371	370
	Employment of people with disabilities	%	2.6	2.5	2.3
Health and productivity management	Comprehensive health risk level	—	92	89	85
	Percentage of those who had a periodic health checkup	%	100	100	100
	Productivity loss due to presenteeism	Million yen	(2,035)	(1,887)	(1,924)
Support for achieving a balance between work and family life	Rate of return to work after childcare leave	%	100	100	100
	★ Number of persons who took childcare leave	People	72	64	77
	★ Total working hours per person	Hours	2,266	2,197	2,074
	Percentage of annual paid holidays taken	%	68.5	73.8	71.8

★Indicators of particular focus regarding employee growth, active participation, and diversity

Strengthening Human Capital at Takasago Thermal Engineering Group

Recruitment | Visualization of capabilities | Support for growth | Promoting of active participation

Support for growth

OJT (on the job training)

With a history spanning over 100 years (founded in 1923), we have continued to develop as an engineering company centered on air conditioning. The foundation of this is our solid technical expertise. We are visualizing the knowledge and know-how we have cultivated thus far and connecting it to the development of the next generation. The primary means of technology transfer is OJT. Using the aforementioned talent management system, we record OJT learning progress to enable specific direct instruction from senior to junior staff.

OFF-JT (training)

In FY2025, we established Takasago Shin-Academy (TSA) as our internal educational institution. At TSA, we implement numerous technical and management training programs, both mandatory and optional, tailored to each employee's stage of development. Aligned with visualized skill items, we design programs to level up with each successive year, enabling more practical output in terms of both quality and quantity. We also conduct advanced education to develop each individual's strengths and advanced technical training to enhance technical specialization.

	Training by position	Training by purpose	Support for growth
M/S6 (General Manager class)		Technical skills training 106,256 hours	Enhanced 1-on-1 meetings (practical, not just classroom-based)
M/S5 (Manager class)	Human skills training 86,444 hours	Professional skills training 11,215 hours	Career vision training (implemented for junior, mid-level, and senior staff)
C4 (Deputy Manager class)		Purpose dissemination training 9,399 hours	Environment-Creator™ time (time for voluntary self-development)
C3 (Chief class)	Communication skills training 16,892 hours	DX training 5,777 hours	Training by job type and by head/branch office (enhanced direct instruction through OJT)
C2 (staff)			
CF (new employee)		Trainee training 948 hours	Visualization of skills (introduction of talent management system)

*Training hours are part of the FY2025 plan

Rotation system

We conduct rotations within head and branch offices as a form of practical education based on skill items. By gaining experience based on actual work in both technical and management roles, employees feed what they learn from OFF-JT (training) back into their practical tasks.

Trainee system

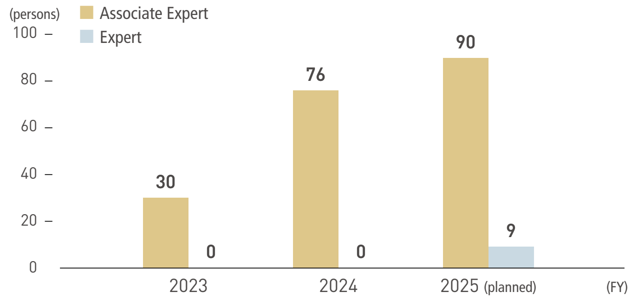
Experience that cannot be supplemented within head and branch offices is complemented by the trainee system. To grow even further, staff engage in cross-boundary learning that transcends branches and national borders. This is a mechanism that fills the experience gap occurring across head/branch offices and domestically/internationally, allowing trainees to take the initiative and seize opportunities for growth. (In FY2024: 30 overseas trainees annually, 70 domestic trainees)

Expert/Professional

We certify on-site management specialists, who are the source of value creation, as Expert Site Managers, making them into visible role models for our technical staff. Additionally, we have established a First-Class Architect Unit as a specialized organization for design and construction supervision, supporting the acquisition of first-class architect qualifications. After obtaining the qualification, unit members handle architect law operations and are actively working as Design Professionals.

*Expert Site Manager is an internal certification granted to those who meet certain requirements in human skills, technical skills, and qualifications, and complete special internal training and pass an internal examination. By FY2024, 76 Associate Expert Site Managers were certified and will undergo certification examinations.

Number of Experts and Associate Experts



Recruitment | Visualization of capabilities | Support for growth | Promoting of active participation

Promoting of active participation

Human resources system reform to create a synergistic growth cycle between employees and the company

We began examining human resources system reform in FY2023 and have been implementing it in phases since FY2024. Under the new human resources system launched in April 2025, we introduced new frameworks in the following areas to create a synergistic growth cycle between employees and the company through employee growth and contributions.

- An evaluation system that supports growth and encourages active contributions → Streamlining the evaluation system and promoting supervisor-subordinate communication
- Compensation, assignments, and development support based on evaluations → Introduction of salary ranges and stronger differentiation based on evaluations
- Strengthening multi-track career paths where diverse talent can thrive → Encouraging contributions in specialized fields as well as management

A synergistic growth cycle between employees and the company centered on evaluation —employee growth and contributions drive company growth

Major revisions and operations related to the human resources system

Item	FY2022	FY2023	FY2024	FY2025
System examination / Internal communication	Current situation analysis and hypothesis of issues	Internal interviews; Internal interviews; Information sessions	Information sessions; Information sessions; Evaluator training for system introduction	Continued evaluator training for system operation and establishment
Introduction of new system			Base wage increase / Review of various allowances; Increase in various allowances for transferred employees / Enhancement of on-site allowances; Establishment of new allowances to promote strategy execution	Commencement of full revision and operation of grade, evaluation, and compensation systems
Visualization of capabilities / Support for growth		Formulation of skill sets; Trial of skills management; Linking skill sets with learning opportunities	Full-scale implementation of skills management; Review and enhancement of education system	

Improving engagement
—a rewarding workplace and a company of choice
Job satisfaction + Comfortable working environment | DE&I | Health and productivity management | Eradication of harassment

Foundation supporting human capital

Further engagement enhancement

We believe that being a rewarding place to work is essential for employees to remain motivated and engaged in their work. At our company, as awareness has grown that our corporate philosophy and business activities contribute to society, a culture has developed where employees approach their work with a greater sense of purpose and pride. In addition, ease of working is also an important element. We have developed a work environment that enables diverse working styles with appropriate balance, supports work-life balance, and allows employees to lead healthy and fulfilling lives.

By accumulating these efforts, we are building a relationship of trust between employees and the company, aiming to build a company that allows each employee to feel motivated and happy while also thriving at work.

Implementation of engagement surveys and working for engagement enhancement

To improve employee engagement, we conduct engagement surveys once per quarter. We analyze the results of these engagement surveys, identify issues, and implement improvements, while also using them as a tool to measure the effectiveness of various company initiatives.

Employee engagement improvement has been incorporated as part of the performance-linked indicators in our executive compensation. As a result of these initiatives, the engagement score has continued to improve over the past three years.

Support for achieving a balance between work and family life

To support employees in balancing work and childcare or nursing care, we have in place a childcare/nursing care leave system, a reduced working hour system, and various holiday systems such as a system of leave for taking care of children. In addition, we have enabled flexible work styles including staggering commuting and teleworking. When it comes to the latter, we have a teleworking system that all employees can use.

We also support men in taking part in childcare actively and encourage male employees to take childcare leave by, for example, allowing them to take a portion of their leave with pay. As part of supporting employees' return to work from childcare leave, we conduct return-to-work interviews and introduce company-operated nursery schools.

Career challenge system (in-house recruitment system)

We have established a career challenge system (in-house recruitment system) to encourage self-directed career development by employees. Under this system, divisions that are promoting new projects in particular post their human resource requirements, and then employees directly apply with the Human Resources Development Division, which provides them with an opportunity to achieve their career goals.

FY2024 Career Challenge implementation projects

T-Base® project	HERE Yotsuya-sanchome project	Human capital investment project
Carbon neutrality business promotion project	Corporate communication project to create the environment	SIS business/product project

Measures to address harassment issues

To prevent sexual and other forms of harassment including abuse of authority and discrimination against pregnant employees, we send messages from top management and clarify our basic policy to never allow any forms of harassment. We have set up consultation counters on and off the company premises to address the matter and also conduct regular questionnaire surveys to check whether there is any harassment in the workplace. In addition, every August is designated as Harassment Elimination Awareness Month, and company-wide training is conducted to raise awareness of harassment prevention.

Health and productivity management

We aim to become a company where all executives and employees are physically and mentally healthy and work energetically (a "wellbeing company").

To ensure that our executives and employees, who are our human capital, can work on business in good health and with satisfaction, we have established the Health Care Management Office as a dedicated department. The Health Care Management Office is staffed by public health nurses, and in addition to accepting consultations on mental and physical health as needed, the Office provides support for balancing work and illness, follow-ups on health checkups, and educational and awareness activities to improve health literacy.

In addition, we aim to foster a corporate culture that values health through monthly publication of Takasago Health News to share the latest health information and promote health awareness, on-site exercise classes at work and nutrition education events at regional worksites where health support is less accessible, and promotion of exercise habits through in-house walking events and other initiatives.

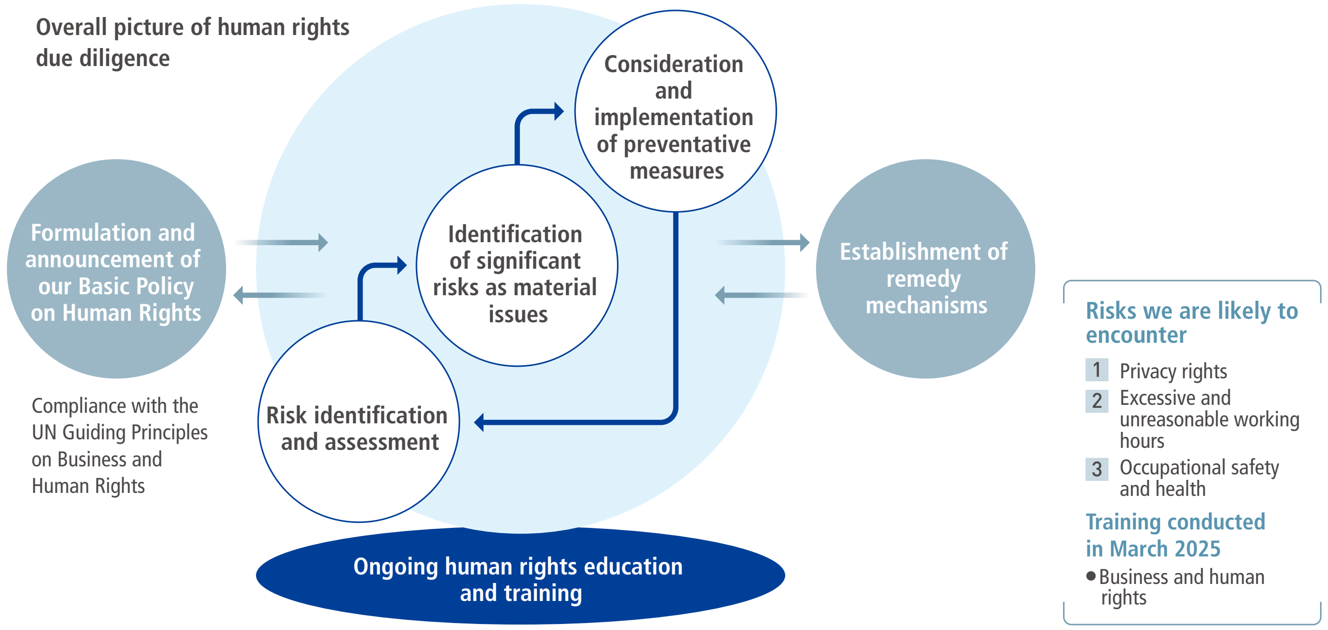
Human Rights

We respect the human rights of stakeholders affected by all our business activities and strive to realize sustainable society throughout our value chain. To clarify our approach to respect for human rights, we formulated our Basic Policy on Human Rights in December 2021 and launched initiatives related to human rights due diligence in 2022.

Human rights due diligence

In FY2024, we conducted e-learning to acquire knowledge on addressing human rights issues required in business, and conducted a human rights violation risk survey targeting our head and branch offices as well as member companies of Kowakai, an organization of our partner companies.

Overall picture of human rights due diligence



Feature

Takasago Shin-Academy

Takasago Academy, our human resource recruitment and training organization, has been given a fresh start. It is now named "Takasago Shin-Academy." Takasago Shin-Academy is a specialized department that handles everything from recruitment to development of human resources.
Its purpose is to fully support each employee's growth so that they can establish their individuality and achieve success.
The Academy provides various forms of support designed to help employees maximize their potential and grow.

What is Takasago Shin-Academy?

The word "Shin" in Takasago Shin-Academy carries seven meanings, as shown in Figure 1. By focusing on these meanings in recruitment and training, the Academy helps pave the way for our company to be an Environment-Creator™.

The logo is structured to represent "heating and cooling" as well as the infinite potential of each employee. It evokes both our technology and our provision of an environment that enables each person to grow in their own way.

タカサゴ・シン・アカデミー

- **Catchphrase:** Communication is ∞ (infinite)
- **Vision:** Environment-Creator™

(Figure 1)

1	真 (Truth)	Shin Purpose Connect: A program to help employees consider their own purpose through reflection on Takasago's Purpose and their values.
2	心 (Heart)	Shin Human Conceptual Skills: Focused on people and psychological safety, covering aspects such as "developing people" and "building organizations."
3	親 (Connection)	Shin Communication: Targeting all employees for everything from communication skills to listening skills.
4	新 (Innovation)	Shin Technical Skills: Training that goes beyond knowledge acquisition to practical output.
5	信 (Trust)	Shin Professional Skills: Helping employees become trusted professionals.
6	深 (Depth)	Shin Trainee: Company-wide experiential learning to deepen skills acquired in group training.
7	進 (Progress)	Shin DX: Development of Takasago digital innovators as data scientists and business producers.

Connecting

A new learning hub: Shin-Training Room

As the center of the Takasago Shin-Academy, we opened Shin-Training Room in Akihabara, Tokyo. This marks the leap from our focus on solely technology to a focus on both technology and education.

Shin-Training Room, a human resource development hub (2025)

Research and development center: Takasago Thermal Engineering Innovation Center (TIC) (2020)

Production management center: T-Base® (2022)

Gathering people together, Shin-Training Room not only focuses on technology and human resources development but also embodies the concept of **"connecting" (Tsunagu)** various elements.

- **Passion:** Purpose, vision, corporate mission, TakasagoWay
- **History:** The past 100 years and the next 100 years
- **Tangible assets:** Domestic offices and branches, overseas bases, TIC, T-Base®, Shin-Training Room
- **Job types:** Technical, sales, administration, R&D
- **Generations:** Young, mid-career, expert
- **Attributes:** New graduates, mid-career professionals, re-employed personnel, international employees, employees with disabilities, Group companies, Kowakai

We are confident that **connecting** these various elements will create new value and contribute to the sustainable development of our Group.

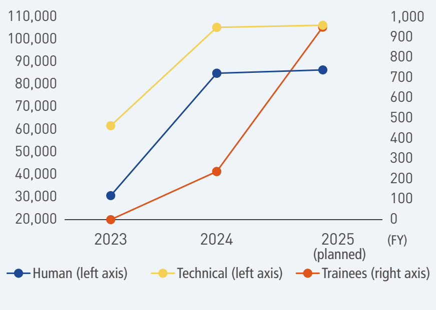
Expanding

Revamp of the training curriculum

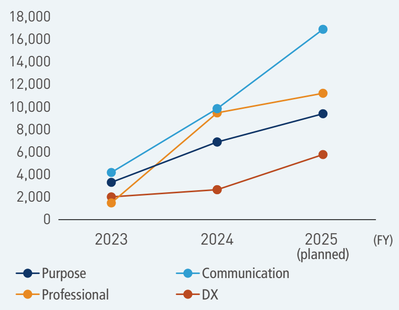
With the establishment of the Takasago Shin-Academy, we have revamped our training curriculum. We have raised both the overall quality and quantity of training, centering on technical training that supports our company's technological capabilities. Moreover, by **significantly expanding communication training**, we strengthen vertical relationships (between supervisors and subordinates), horizontal relationships (among peers), and diagonal relationships (between senior and junior employees). We continue to uphold the traditions since our founding in 1923, connecting the past 100 years with the next 100 years.

Additionally, for our leaders, we provide opportunities to reflect on our Purpose as a personal matter while offering technical and mid-career employees more opportunities to attend professional and DX training to deepen their expertise.

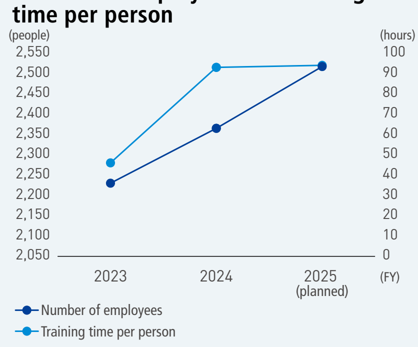
Training time (hours)



Training time (hours)



Number of employees and training time per person



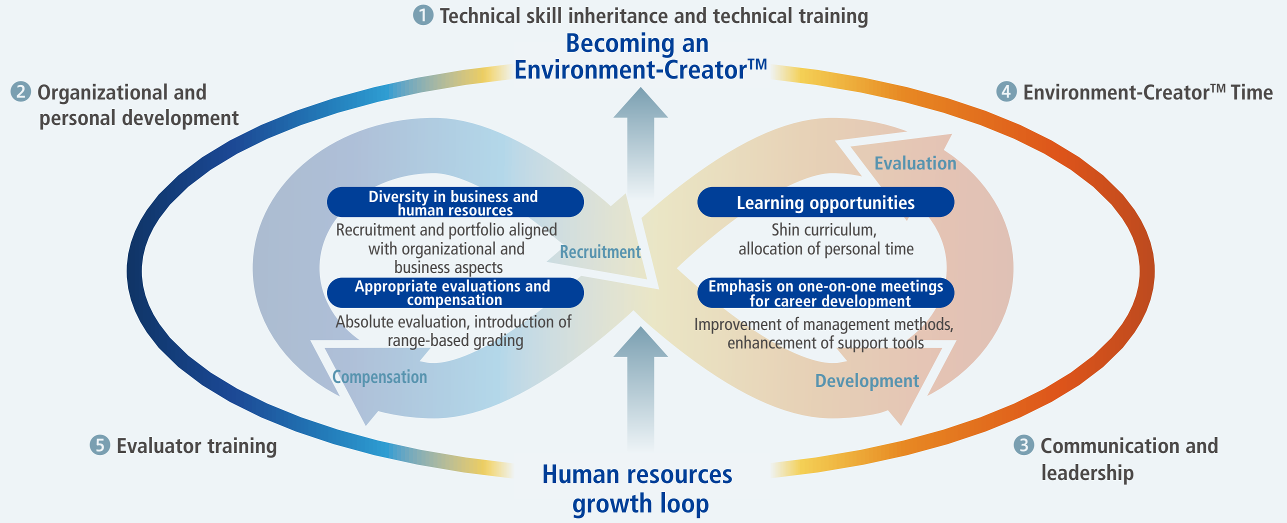
Creating

The story of becoming an Environment-Creator™

We position human resources as our greatest asset and have established a system in which the full spectrum of human capital measures (recruitment, development, evaluation, and compensation) is interconnected and flows seamlessly. To facilitate this flow, we focus on five key initiatives.

❶ Technical skill inheritance and technical training	To pass on the high level of technical expertise we have established to meet customer needs, we created the "On-Site Manager Practical Text," which articulates the know-how accumulated over the years. Training is conducted not only as input but also with a focus on practical output, enabling rapid growth for young employees and continuous **transfer of technical skills**.
❷ Organizational and personal development	Managers learn about **organization and people** when they are promoted to management positions. By combining their own experience with knowledge of the latest trends and know-how, they deepen their insight as leaders.
❸ Communication and leadership	We have established **an all-Takasago system** with domestic, overseas, and Group company cooperation. Specific efforts include increasing opportunities for internal one-on-one meetings, introducing overseas trainee programs, and offering training programs that Group companies can participate in.
❹ Environment-Creator™ Time	We allocate 5% of working hours as Environment-Creator™ Time, a period for employees to plan their future selves and engage in activities that contribute to **personal growth**. Employees use this time for activities such as e-learning and reading to broaden their interests and passions.
❺ Evaluator training	Fair and impartial evaluations enhance our competitiveness. Managers receive specialized training to conduct appropriate evaluations while **aligning strategy with human resources**.

The goal for all employees is to become an Environment-Creator™. We will continue working to develop human resources capable of creating the environments that the Earth and people need.



Promotion of Diversity, Equity, and Inclusion (DE&I)

Takasago Thermal Engineering's management philosophy is rooted in "respect for people," and we promote fair appointment of human resources irrespective of nationality or gender. We have established a cross-departmental team to advance diversity and are working to create a workplace where diverse personnel can fully demonstrate their individuality and abilities.
Our DE&I team identifies issues and implements measures specific to the themes of women, people with disabilities, international human resources, mid-career professional hires, senior citizen employees, and LGBTQ+ people.

Our DE&I logo, which uses the Company symbol as an element

Diversity, Equity & Inclusion

高砂熱学

Holding of TakasaGo! Woman Pride 2024 event

We held TakasaGo! Woman Pride 2024, bringing together about 400 female employees. Building on feedback and opinions from the TakasaGo! Woman Pride 2023 event held in the previous fiscal year, this year's event focused on panel discussions and group work.

In addition to the main event this time, we also held a three-month series of programs open to participation by male employees as well, including talk sessions featuring employees active both inside and outside the company, as well as outside experts speaking about diverse work styles and career development, site visits primarily for female employees without construction management experience, and training sessions on career building and leadership. We will continue this initiative with the goals of encouraging women's ambitions, building networks among female employees, cultivating a culture that respects diversity and encourages self-directed growth, providing development and career opportunities for all age groups, and ensuring that every employee recognizes themself as an Environment-Creator™—personnel who take on the challenge of creating value.

Participation in the Asu-Challe! Academy training program

We held Asu-Challe! Academy, which is now in its third year, for the first time at our regional branches. Alongside our efforts to recruit people with disabilities, we are striving to build a workplace where everyone can thrive. Branch employees who participated in this training learned effective ways to communicate with people with disabilities. We will continue to promote a workplace environment that values diversity and where employees mutually support one another.

Opinion exchange meetings & receptions held at various workshops with different attributes

We deepened our understanding of diversity through opinion exchange meetings with mid-career professional hires, international employees, and senior citizen human resources. Senior citizen human resources expressed expectations for roles that make use of their experience and for flexible work styles, and many are leveraging their experience in their work. Mid-career professional hires requested growth opportunities that leverage their specialties and the establishment of varied career paths, and the number of such high-performing employees is increasing. Dialogue with international employees highlighted the importance of communication support that respects cultural backgrounds, contributing to mutual understanding and the building of global teams.

"Intercultural Understanding and Exchange" workshop for international employees

In FY2024, we held a workshop for international employees at the Takasago Innovation Center. Aimed at fostering intercultural understanding and exchange, it gave participants the opportunity to engage with people from diverse cultural backgrounds and deepen their understanding of other cultures.

Winning a PRIDE Index 2024 Silver award

We strive to eliminate discrimination based on sexual orientation or gender identity and to create a workplace where everyone can work vibrantly and authentically. Our activities are well-received, and we were awarded a PRIDE Index 2024 Silver award following on our award in last year's index. The PRIDE Index is Japan's first evaluation index for initiatives supporting LGBTQ+ and other sexual minorities in the workplace. It was developed by the organization "work with Pride" and sets five indicators. We were conferred our award in recognition of our initiatives for "Policy," "Representation," "Inspiration," and "Engagement/Empowerment." Furthermore, to help achieve marriage equality (legalization of same-sex marriage), Takasago Thermal Engineering endorses Business for Marriage Equality.

work with Pride Silver 2024

bme Business for Marriage Equality

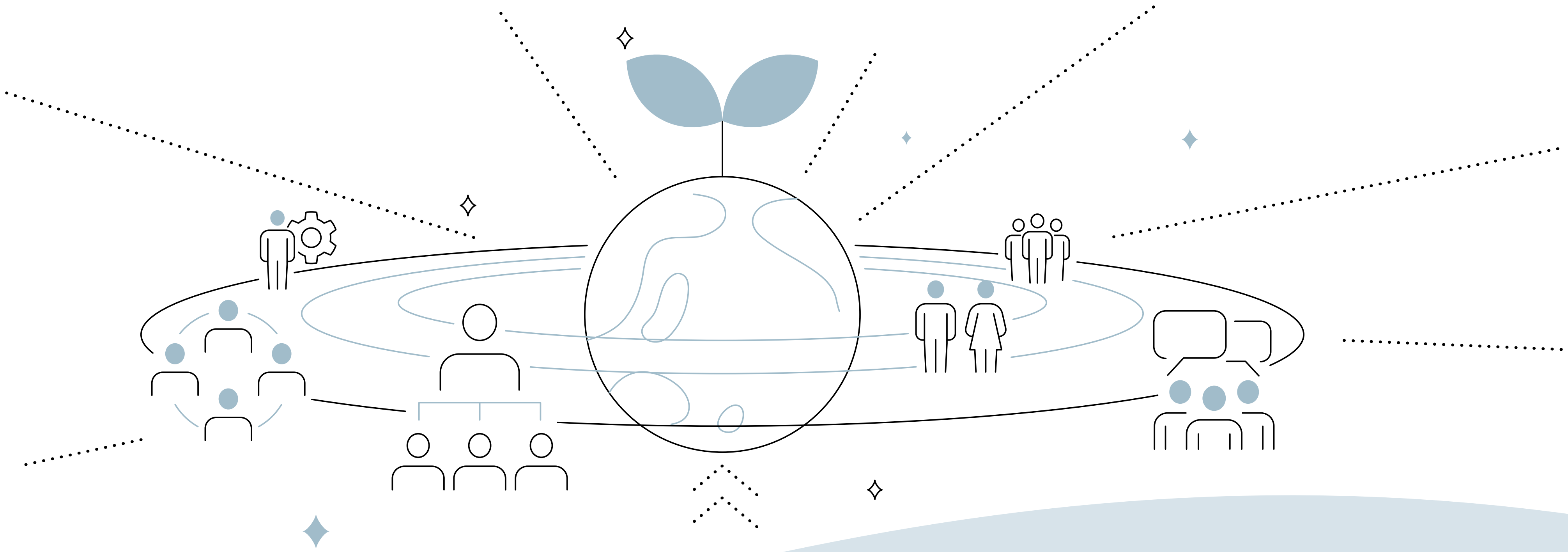
Participation in the Tokyo Pride Parade and holding of LGBTQ+ awareness training

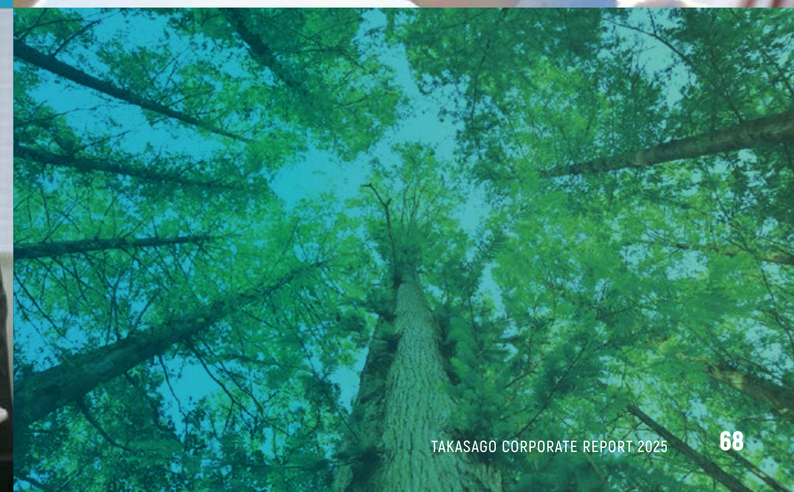
As in the previous fiscal year, we participated in the Tokyo Pride Parade 2025. In addition, we invited Yuli Kim, representative of Inclusion Sensei, to lead a training session promoting understanding of LGBTQ+ people.

About 150 employees participated and deepened their understanding of LGBTQ+ people through the training, which had the theme of creating an inclusive workplace and psychological safety, and included both in-person and online participation as well as viewing of the video later.

Sustainability and Management Foundation

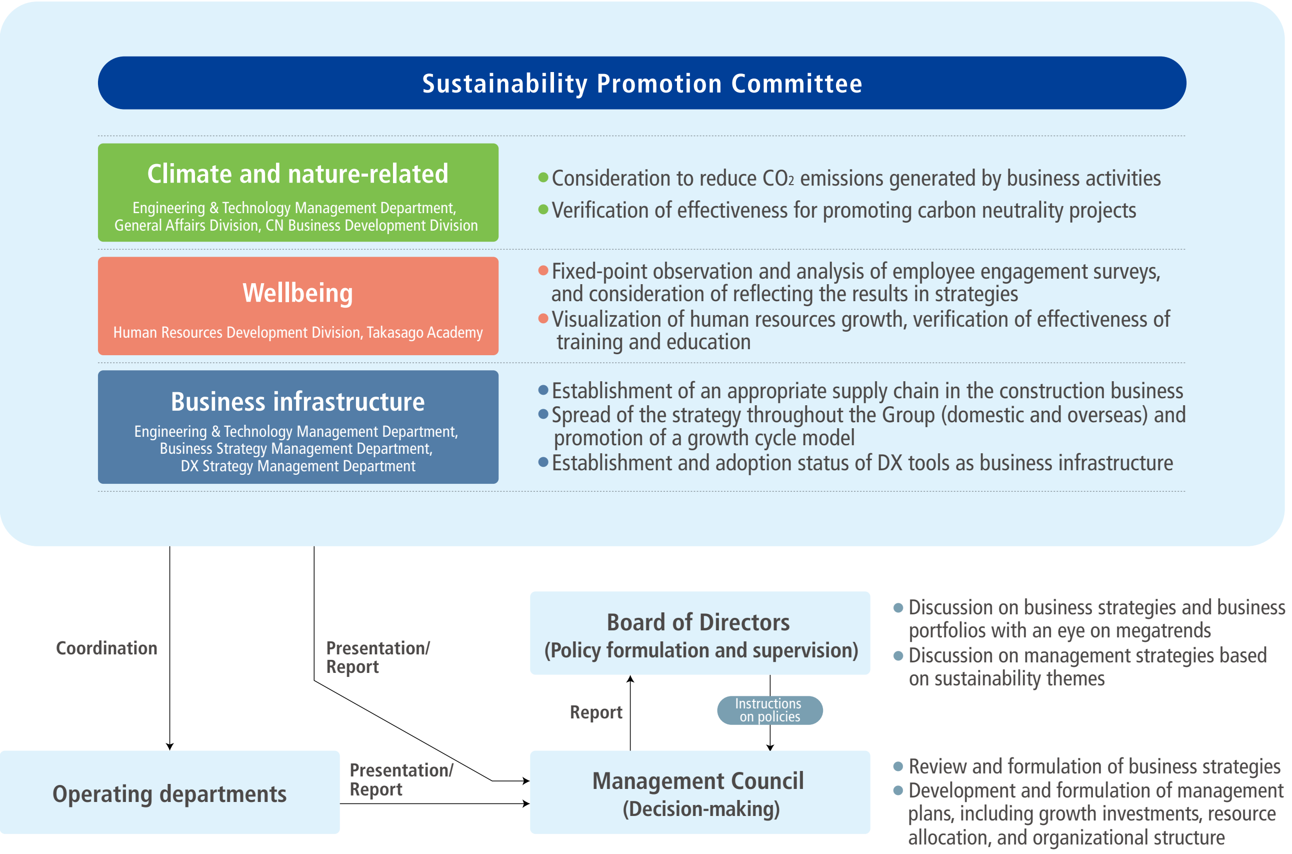
04





Sustainability Promotion System

In FY2024, with efforts centered on the Sustainability Promotion Committee, we developed concrete action initiatives addressing the key material issues (materiality) we identified: "Climate and nature-related" and "Wellbeing." By integrating these initiatives into the responsibilities of each division, we built an effective promotion system. In FY2025, we will hold meetings of the Sustainability Promotion Committee to monitor the execution status of measures in each division, track progress, and share issues. Based on reports from each division, the Committee discusses the effectiveness of the measures and areas for improvement, driving continuous improvements.



Selected for the CDP's "A List," the top evaluation in the climate change field, and recognized as a "Supplier Engagement Leader," the top rating in the CDP's Supplier Engagement Assessment

The international environmental non-profit CDP, which operates an environmental information disclosure system, recognized our initiatives and timely, appropriate disclosure on climate change in FY2024, selecting us for the top "A List" rating.

In addition, we earned the top "A" rating in the Supplier Engagement Assessment and were designated a "Supplier Engagement Leader." The CDP's Supplier Engagement Assessment evaluates companies' efforts to address climate-change issues within their supply chains in five categories: risk management processes, governance and business strategy, supplier engagement, Scope 3 emissions, and targets. The highest-rated companies are designated "Supplier Engagement Leaders." Under our Group Purpose, "With our revolutionary environmental innovations, we activate the Earth's future," we will continue to contribute to realizing a carbon-neutral society as an Environment-Creator™ that creates environments needed by the Earth and people.

Climate CDP A List 2024

Supplier Engagement Leader CDP 2024

TCFD Initiatives and Information Disclosure

We regard climate change as one of the most important material issues and incorporate it into our management strategies to promote climate change countermeasures.

In March 2021, our Group obtained certification for the 2030 WB 2.0°C goal*1 from the Science Based Targets initiative (SBTi) for our greenhouse gas emissions reduction goals. However, under our 2026 Medium-Term Management Plan, we have raised our reduction goals to the 1.5°C level.*2 In line with this, in June 2024, we received certification from the SBTi for the upgrade of our goal to the 1.5°C goal and the 2050 net-zero goal.

The Group will achieve its goals for which we made public commitments through various measures as an Environment-Creator™ to help realize a carbon-neutral and net-zero society.

We have been disclosing progress on these initiatives in this Corporate Report to date. Going forward, we will continue to sequentially enhance the content with reference to the SSBJ standards.

*1 Annual reduction target: 2.5% *2 Annual reduction target: 4.2%

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

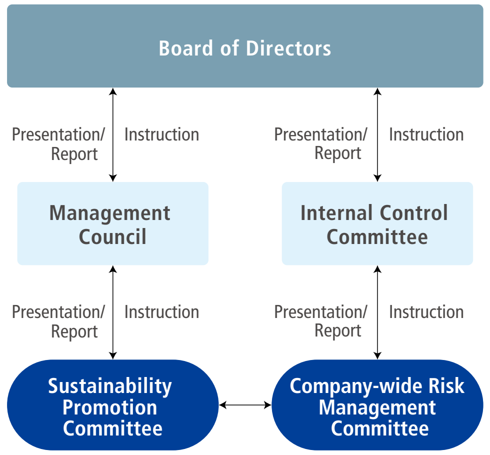
Check our website for details
https://www.tte-net.com/english/sustainability/environment/carbon_neutral/index.html

Governance

In April 2024, we established the Sustainability Promotion Committee to address climate-related initiatives more from a business perspective, linking them to our Purpose and Long-Term Vision for 2040, which was formulated in FY2023, and to the strategies presented in the 2026 Medium-Term Management Plan, which serves as the first step.

The Sustainability Promotion Committee works to clarify both the process and the anticipated financial impacts, recognizing that addressing the sustainability issues identified as material for our Group will lead to medium- to long-term corporate value enhancement. We have shifted to a system in which our headquarters' chief executive officers and general managers discuss the Group's overall medium- to long-term goals and immediate implementation measures, and then submit and report the results to the Management Council and the Board of Directors.

In FY2024, the Committee met seven times, focusing primarily on themes for resolving climate-related issues, which were incorporated into the FY2025 management plan via the Management Council.



Results in FY2024

Meeting	Main agenda items	Details
1st	Sharing of issues and measure directions	Clarification of strategies that contribute to achieving sustainability goals and enhancing corporate value
2nd	Results and forecast of CO_2 emissions	Sharing of FY2023 CO_2 emission results and formulation of an action plan to achieve SBT goals
3rd	Scope 3 emissions reduction plan	Detailing and disclosure of specific reduction measures for business activities
4th	Review of TCFD disclosure content	Executive-side review of TCFD disclosure content in preparation for submission to the Management Council
5th	Scope 1 and 2 emissions reduction plan	Policy for activities to reduce Scope 1 and 2 emissions and consideration of the use of carbon offsets
6th	Examination of activities that contribute to emissions reduction	Evaluation of the content and validity of activities that contribute to CO_2 emission reductions through business operations
7th	Clarification of activity roles and responsibilities	Formulation of the organizational system and consideration of location-by-location goals for activities contributing to Scope 1, 2, and 3 emission reductions

Plans for FY2025

Meeting body	Members	Frequency	Role
Board of Directors	Directors	4 times per year	●Supervision of management and execution ●Supervision of important matters pertaining to climate-related issues and issuance of instructions as needed
Management Council	Directors and General Managers of main office and branches	4 times per year	●Highest decision-making body for business execution ●Resolutions on addressing climate-related issues
Sustainability Promotion Committee	General Managers of head office General Managers of main office and branches, etc.	8 times per year, including 4 on climate-related topics	●Deliberations on important matters concerning climate-related issues as well as resolutions for addressing them ●Presentations and reports to the Management Council
Company-wide Risk Management Committee	General Managers of head office General Managers of main office and branches, etc.	5 times per year	●Identification, assessment, and control of overall business risks categorized as "priority risks," "important management risks," and "other management risks" ●Integrated management of overall risks with recognition that climate-related risks coordinated by the Sustainability Promotion Committee are part of overall business risks

Strategy

The potential business impact assessments and measures for the identified risks and opportunities are as follows. In formulating these measures, possible adverse effects on biodiversity and other factors have been taken into account.

Business impacts and response measures for climate-related risks (transition risks)

Type	Risks	Business impacts*1 1.5°C scenario	Period*2	Summary of measures
Policies and regulations	Increase in operational costs due to the introduction of a carbon tax	Medium	Medium-term	1. Utilization of renewable energy ● Introduce renewable energy at all on-site offices and encourage tenant owners to adopt it ● Introduce a corporate PPA at T-Base® 2. Installation of renewable energy generation equipment ● Install renewable energy generation and battery storage equipment at the Innovation Center 3. Use of low-carbon vehicles ● Adopt hybrid vehicles (HVs) and implement a phased introduction of EVs ● Encourage the supply chain to follow the above measures in line with our basic procurement policy
	Increase in procurement costs due to the introduction of a carbon tax	Large	Medium-term	1. Ongoing green procurement (procuring low-carbon materials and equipment) and adoption of "Top Runner" products (high-efficiency products) 2. Ongoing engagement with suppliers
Technologies	Decrease in orders received due to delay in technological development related to energy conservation (existing field)	Large	Short- to medium-term	1. Accurate identification of stakeholder needs through energy-saving proposals and similar efforts 2. Promotion of company-wide development efforts involving both the R&D and profit divisions
	Loss of revenue opportunities due to delays and increased investment costs of the development of decarbonization-related technologies and services as well as inadequate response to decarbonization-related market needs (new field)	Large	Medium- to long-term	1. Establishment of appropriate business models based on trends of customers and competitors, etc. ● Build microgrid systems to supply energy within local regions 2. Promotion of research and development based on the above and collaboration with business partners ● Develop and implement large-scale water-electrolysis hydrogen production equipment and energy management systems
Reputation	Decrease in corporate value due to inadequate response and disclosure information for climate-related issues	Large	Medium-term	1. Participation in climate change response initiatives 2. Active sharing of information through integrated reports, the company website, etc.

Business impacts of climate-related opportunities and response measures

Type	Opportunities	Business impacts*1	Period*2	Summary of measures
Resource efficiency	Reduction of operating costs and increase in productivity by transforming the construction process	Large	Medium- to long-term	1. Promotion and expansion of T-Base® utilization 2. Expansion of BIM utilization, etc.
Products and services	Increase in revenue opportunities due to increased corporate equipment replacement needs as a result of developments in energy conservation promotion policies and regulations Increase in sales from installation of products that contribute to reducing environmental impact (Swirling Induction Type TAKASAGO HVAC System (SWIT), PMAC products, etc.)	Large	Medium- to long-term	1. Provision of information to customers to understand their needs and implement planned replacements/renewals 2. Proposal for energy-saving measures based on the Group's proprietary design and construction ● Swirling Induction Type TAKASAGO HVAC System (SWIT) ● Closed VOC systems, exhaust heat utilization (Mega Stock), bioreactors ● PMAC products, etc. https://www.tte-net.com/english/solution/swit.html https://www.tte-net.com/english/solution/clean_room.html https://www.tte-net.com/solution/pdf/gat.pdf 3. Collaboration with government agencies, local governments, etc.
Market	Development of new markets by introducing new services and developing new technologies such as green energy supply equipment, including our water electrolysis hydrogen production system (Hydro Creator®)	Large	Medium- to long-term	1. Promotion of R&D for installation of 5,000 kW of green energy supply facilities by 2026 2. Timely and appropriate collaboration with partners as needed for each project
	Creation of advantageous financing opportunities such as green bonds	Large	Medium- to long-term	Consideration of the use, if needed, for above investment ● Procure funds for construction of the Innovation Center through the issuance of green bonds

*1 Business impact is classified as "small," "medium," or "large" based on a qualitative assessment of the estimated financial impact (costs: up to 100 million yen for "small," 100 million to three billion yen for "medium," and three billion yen or more for "large;" revenues: up to two billion yen for "small," two billion to 30 billion yen for "medium," and 30 billion yen or more for "large") (the cost and revenue thresholds for "large" are based on the TSE's timely disclosure standards).
*2 Short-term refers to one year (aligned with the annual management plan), medium-term refers to 3 to 10 years (aligned with the Medium-Term Management Plan), and long-term refers to over 10 years (aligned with the Long-Term Vision).

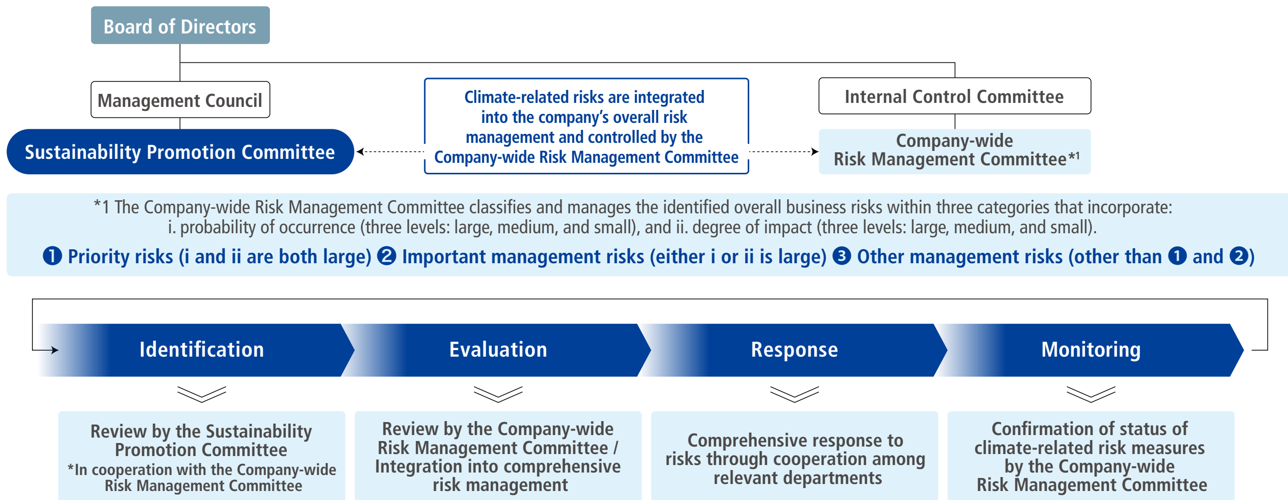
Our Group's 2050 net zero emissions transition plan

From the perspective of ensuring the resilience of our strategies under any scenario, the Group has formulated a transition plan toward net zero emissions in 2050. While appropriately avoiding risks, we will steadily capture business opportunities and work over the medium to long term toward the Takasago Thermal Engineering Group's Long-Term Vision for 2040 goal of ordinary income exceeding 40 billion yen.

		Results (through 2024)	Through 2030	Through 2050
Greenhouse gas reductions	Scopes 1 and 2	46.7% decrease compared to 2019	2030 target: 46.2% decrease compared to 2019	Net zero
	Scope 3	24.5% decrease compared to 2019	2030 target: 27.5% decrease compared to 2019	
Important measures	Scope 1	Promotion of the use of hybrid vehicles for company vehicles		Promotion of use of electric vehicles for company vehicles, conversion to energy-saving fuel, use of low-carbon energy
			Promotion of use of electric vehicles for some company vehicles	
	Scope 2	Renewable energy generation at research and development centers (Takasago Thermal Engineering Innovation Center), etc.		
		Procurement of renewable electricity (including corporate PPA)		
			Consideration and introduction of power generation facilities using renewable energy	
		Reform of construction processes via T-Base®	Improvement of productivity through promotion and spread of aluminum frame construction method	
		Takasago Thermal Engineering's DX strategy	Improvement of productivity through promotion of BIM, etc.	
	Scope 3	Energy-saving design - Swirling Induction Type TAKASAGO HVAC System (SWIT) - Use of recycled CFCs, etc.		Technological advances in energy-saving design - New technologies for different building applications
		Various demonstration tests at T-Base®	Introduction of low-carbon materials, plastic recycling cycles at construction sites, and improved transport efficiency	
		Use of renewable energy	Evolution of microgrids, etc.	Establishment of new business domains (2040) Carbon neutrality business Environmental equipment manufacturing and selling business Equipment maintenance business
		Waste heat recovery and utilization (Mega Stock®) Water electrolysis system, VOC, ozone wastewater treatment, etc.	Development and implementation of hydrogen-related and decarbonization technologies	
		Energy-saving operations tool GODA®, etc.	Introduction of new energy-management tools	

Risk management

The Group classifies risks into three levels based on probability of occurrence and impact, and evaluates and decides them through the Company-wide Risk Management Committee. These risks are monitored by the Board of Directors via the Internal Control Committee, with climate-related risks also subject to integrated management. In FY2024, we implemented company-wide risk control after identifying five risks as priority risks, including compliance with labor regulations, overruns of construction capacity, and human capital deterioration. Climate-related risks are integrated into this framework and managed together with other business risks.



Targets and goals

(1) Indicators for greenhouse gas (GHG) emissions reduction

Our Group has set the GHG emissions reduction rate as a KGI in the Medium-Term Management Plan, aiming to reduce emissions across Scopes 1, 2, and 3. We have obtained SBTi certification for the 1.5°C target, and by the end of FY2024 achieved reductions of 47.0% in Scope 1, 4.6% (non-consolidated) in Scope 3, and 1.0% (consolidated). As KPIs, we have set targets of installing 5,000 kW of green-energy facilities and achieving annual energy-saving proposals/orders totaling 15,000 t-CO_2 by FY2026. Going forward, we will promote EV adoption, renewable energy procurement, and use of low-carbon materials, while also contributing to emissions reduction at customer facilities. Through these efforts, we aim to help reduce society's overall GHG emissions.

Actual GHG emissions (Scopes 1 and 2)

(unit: t-CO_2)

	Target scope	FY2019	FY2022	FY2023	FY2024	Compared to FY2019
Consolidated	Scopes 1 and 2	11,961	10,727	10,490	9,032	24.4% reduction
	Scope 1	4,794	5,491	4,689	3,926	18.1% reduction
	Scope 2	7,167	5,236	5,801	5,105	28.7% reduction

	Target scope	FY2019	FY2022	FY2023	FY2024	Compared to FY2019
Non-consolidated	Scopes 1 and 2	7,582	5,295	5,339	4,013	47.0% reduction
	Scope 1	3,106	2,801	2,564	1,755	43.4% reduction
	Scope 2	4,476	2,494	2,775	2,258	49.5% reduction

Scope 2 figures are based on the market-based method

Actual GHG emissions (Scope 3)

(unit: t-CO_2)

	Target scope	FY2019	FY2022	FY2023	FY2024	Compared to FY2019
Consolidated	Scope 3	6,129,555	6,294,255	7,007,529	6,064,153	1.0% reduction

	Target scope	FY2019	FY2022	FY2023	FY2024	Compared to FY2019
Non-consolidated	Scope 3	4,874,234	4,753,188	4,892,550	4,647,493	4.6% reduction

(2) Assets and businesses relevant to climate-related risks and opportunities

With regard to carbon taxes—one of the major climate-related risks—if future strengthening of regulations leads to higher tax rates, and assuming taxation based on our FY2024 GHG emissions, the estimated financial impact would be about 155 million yen.

(3) Investments relevant to climate-related risks

Within the current Medium-Term Management Plan period (2023–2026), our Group plans to make growth investments totaling more than 90 billion yen. These growth investments are intended to enable business transformation for our Group as an Environment-Creator™, with a significant portion dedicated to addressing climate-related risks and opportunities.

(4) Internal carbon pricing

When considering future climate-related investments, we are examining the introduction of internal carbon pricing as one of the decision criteria. The set price will be determined with reference to future carbon-price projections published by the IEA.

(5) Incorporation of climate-related indicators into executive remuneration

For executive remuneration, we have established Scope 1 and 2 GHG emissions reduction targets as non-financial indicators for determining performance-linked stock compensation, thereby clarifying the responsibility of executive directors for addressing climate-related social issues. For details, please refer to P. 86.

TNFD Initiatives and Information Disclosure

Governance

Takasago Thermal Engineering regards nature-related risks such as biodiversity loss and depletion of natural resources as material issues, and is promoting responses aligned with the Taskforce on Nature-related Financial Disclosures (TNFD) framework. Going forward, as with climate-related issues, we will discuss nature-related issues in the Sustainability Promotion Committee and establish a system to monitor and respond through the Management Council and Board of Directors. We manage these matters under a system equivalent to reporting in accordance with the TCFD recommendations.

Strategy

Following the TNFD's recommended LEAP approach, we used ENCORE analysis to identify the dependencies and impacts of our business operations and value chain on natural capital, and created a heat map. The results revealed a high dependency on "water supply" and "climate regulation services" from upstream to downstream, as well as impacts on water and soil caused by emissions of GHGs and other harmful substances. Through this analysis, we organized our dependencies and impacts on natural capital as both risks and opportunities, reaffirming the importance of pollution control, water resource management, and the reduction of GHG and non-GHG emissions. We will incorporate these issues into our management strategies to address nature-related risks while pursuing sustainable growth.

Risk and impact management

After reviewing dependencies and impacts, we identified our risks and opportunities and organized our assessments and an outline of measures. Our risk management will expand beyond climate-related issues to include nature-related issues. The Sustainability Promotion Committee and Company-wide Risk Management Committee will identify and assess nature- and climate-related risks based on their likelihood and potential impact size, and will consider appropriate measures. We manage these matters under a system equivalent to reporting in accordance with the TCFD recommendations.

Category		Risks	Timeframe*	Summary of measures
Physical	Acute	Delays or stoppages in the supply of equipment and materials, as well as consequential higher costs and reduced revenue, due to damage caused by intensified natural disasters at business sites	Short- to long-term	● Disperse bases (10 domestic bases plus additional sub-sites (field offices)) ● Create multiple T-Base® facilities ● Implement disaster scenario analysis and countermeasures
Transition	Policies and regulations	Increase in procurement, construction, and facility operation costs due to stronger regulations on water resource use and GHG emissions	Medium- to long-term	● Promote building sustainable, competitive value chains through stronger relationships with suppliers
	Technologies	Higher costs because of shifts to environmentally friendly technologies (if water sources for refrigerants in HVAC systems become scarce, technology development will be needed)	Medium- to long-term	● Regulations on water resource use ⇒ R&D on recycled water ● Stronger GHG regulations ⇒ Development for energy-saving, green energy supply, energy management, etc. https://www.tte-net.com/solution/pdf/gat.pdf
	Market and reputational	Decline in evaluation by stakeholders and corporate value due to impacts on the natural environment and inadequate management responses	Medium- to long-term	● Promote initiatives for more detailed TNFD-aligned analysis and enhanced disclosure ● Strengthen communication of initiatives focused on stakeholders
Category		**Opportunities**	**Timeframe***	**Summary of measures**
Resource efficiency		Reduction in resource consumption and costs due to initiatives to lower environmental impact during construction	Medium- to long-term	● Thoroughly implement a 10% reduction in materials/waste and promote T-Base® use
Products		Increase in revenue due to growing demand for technologies with reduced environmental impact	Medium- to long-term	● Introduce drainless flushing® systems to sites ● Promote plastic-waste reduction and recycling cycles ● Develop new technologies such as water circulation, carbon adsorption, and the P-MAC system https://www.tte-net.com/solution/pdf/gat.pdf
Capital flow and financing		Enhanced evaluation by stakeholders and consequential diversification of financing due to biodiversity measures	Medium- to long-term	● Promote initiatives for enhanced disclosure through more detailed TNFD-aligned analysis ● Financing through sustainability-linked loans / issue green bonds
Resilience		Improved business resilience due to review of value chains via strengthened biodiversity measures as well as diversification of procurement	Medium- to long-term	● Collaborate and build relationships with suppliers

*Short-term refers to one year (aligned with the annual management plan), medium-term refers to 3 to 10 years (aligned with the Medium-Term Management Plan), and long-term refers to over 10 years (aligned with the Long-Term Vision).

Technologies that reduce environmental impact

Our Group services contributing to biodiversity conservation are as follows:

Water use reduction	Drainless flushing® system https://www.tm-es.co.jp/solutions/solution/排水レスフラッシング工法/
GHG emission reduction	TCR-SWIT® https://www.tte-net.com/english/solution/clean_room.html Hydrogen energy use system https://www.tte-net.com/english/solution/hydrogen.html Fresh Cool® air conditioning equipment for gyms https://www.pmac.co.jp/products/freshcool.html
Resource recycling	Adsorbent thermal storage system Mega Stock® https://www.tte-net.com/solution/megastock.html
Reduction of chemical emissions	Closed VOC recycling system https://www.tte-net.com/solution/recovery.html

The technology brochure "Green Air Tech (FY2025 Edition)" lists the technologies and services on the left as well as a variety of others offered by our company.

https://www.tte-net.com/solution/pdf/gat.pdf

Environmental Conservation

Support for realizing a low-carbon society

Our basic philosophy on environmental conservation is to "contribute to the conservation of the global environment while working for the sustainable development of society by fully using environmental conservation technologies and our corporate power." Based on this philosophy, we have established the Basic Environmental Policy to specify rules on the promotion system. We will actively develop energy-saving and CO_2 emission reduction technologies in our business activities and achieve optimal operation of facilities through cooperation with customers to help create a low-carbon society. Meanwhile, we have estimated CO_2 emissions in FY2024 for the external announcement and disclosure of environmental data (CO_2 emissions), etc.

As an Environment-Creator™, we strive to provide environmentally friendly technologies and services in collaboration with all stakeholders.

1. We contribute to the realization of a decarbonized society and circular economy by promoting the efficient use of energy and resources.
2. We work to achieve optimal space environments with high efficiency through active deployment of energy-saving technologies and optimization of building operations.
3. We actively engage in research and development on resource recycling, energy value chains, and other such matters to create new value.
4. We strive for maintaining biodiversity through initiatives to conserve water and forest resources.
5. Through the above, we promote initiatives to address climate-related issues.

CO_2 emissions by scope (results in FY2024)*

Class/category		Scope of the estimation	Relevant activities	Emissions in FY2024 (t-CO_2) Consolidated	Non-consolidated
Scope 1	Direct emissions	Direct emissions from the use of oil, etc. and industrial processes in the company	Gas, oil, gasoline	3,926	1,755
2	Energy-derived indirect emissions	Indirect emissions in association with the use of electricity and heat purchased by our facilities	Electricity, etc. at business sites, offices, etc.	5,105	2,258
3	Other indirect emissions (excluding those which fall under Scope 1 or 2): Design, construction work, etc.			6,064,153	4,647,493
Category 1	Purchased goods and services	Emissions in association with activities up to the production of raw materials and other materials	Ductwork, piping, scaffolding; Main items of HVAC systems (freezers, air conditioners, packaged air conditioners, fan coils, fans)	696,373	555,469
2	Capital goods	Additional construction of production facilities	Capital investment	14,753	11,173
3	Energy-related activities	Minerals required for the generation of electricity purchased by the company	Electricity usage	2,296	1,410
4	Transportation (upstream)	Emissions in association with the transportation of products from suppliers to construction sites	Number of trucks required for transportation	6,358	4,857
5	Waste generated in operations	Emissions in association with the transportation and disposal of general and industrial waste generated by the company	General waste from buildings and offices; Disposal of industrial waste from sites	4,088	4,016
6	Business travel of employees	Business travel	Domestic and international business trips	3,300	3,232
7	Employee commuting	Commuting	Commuting	755	673
11	Use of sold products	Emissions in association with the use of products by users (consumers, business operators)	Facilities for delivery to customers	5,335,406	4,066,002
12	End-of-life treatment of sold products	Emissions in association with the end-of-life treatment of products	End-of-life treatment of purchased products	825	661
			Total	**6,073,185**	**4,651,506**

* An independent third-party assurance has been received from Sustainability Accounting Co., Ltd.

Support for realizing a circular economy

Reduction of waste

We regard waste as precious domestic resources and aggressively strive for 3R* at production sites and offices in order to recover useful resources from waste and utilize it effectively. In addition, waste is comprehensively managed up to the final disposal.

* 3R means Reduction, Reuse, and Recycling.

Achievement of a recycling rate of 89% at sites through separation of construction materials

We worked to reduce construction facility waste from contract work through such initiatives as the use of prefabricated facilities, elimination of packaging, promotion of recycling, and thorough separation of waste. As a result, the overall recycling rate in our 985 contract work sites in FY2024 was 89%, achieving our target. Going forward, we will work for even more separation of waste and materials in order to increase the recycling rate, including promoting initiatives at T-Base®.

Ensuring 100% control of chlorofluorocarbons (CFCs) and industrial waste

We started to recover CFCs in FY1995, ahead of other members of the industry. In FY2024, we recovered 100% of the CFCs to be collected at 653 sites, which weighed approximately 41 tons in total. The amount of CFCs we have recovered since the start of the activities is equivalent to 938 tons. We will continue to control the recovery process completely and strive to recover CFCs to protect the ozone layer, and we will also consider introducing the recycling of CFCs in the future. (Currently being partially implemented)

Preservation of water resources

In consideration of biodiversity and ecosystems, we conduct forest conservation activities such as tree planting through local environmental activities. In order to reduce environmental impact of wastewater from production sites, including reducing waste at offices, we have developed technology for flushing without any water drainage, and are committed to the practical and widespread use of it.

Practical use of technology for flushing without any water drainage

We are conducting various forms of research and development to reduce the impact of effluents and exhaust air on the biological environment during construction and post-completion facility operations. For effluent treatment, we have developed a technique to purify effluents containing zinc eluted from coated zinc as a result of flushing in pipes at the completion of piping and to return the purified effluents to the pipes instead of discharging them. We worked to disseminate the technique and had 36 cases of the introduction into sites in FY2024.

Flushing water purification unit

Targets and achievements of environmental conservation activities

In FY2024, we implemented environmental conservation activities to meet the quantitative target set for each of the activity targets and items in construction sites and offices. The results are as follows:

Goal of the activities	Description of the activities			Control items	Baseline value	Actual result	Evaluation
Contribution to the realization of a decarbonized society	Proposal for energy saving at the design and construction stages	Proposal for energy saving at the design stage	(New construction)	$\frac{\text{Amount of energy saved}^{*1}}{\text{Baseline}^{*2}\text{ energy consumption}}$	10%	60%	✓
			(Renovation)	$\frac{\text{Amount of energy saved}^{*1}}{\text{Baseline}^{*2}\text{ energy consumption}}$	30%	45%	✓
		Reduction of energy used by equipment during construction		$\frac{\text{Amount of energy saved}^{*3}}{\text{Energy consumption in the original design}}$	10%	11%	✓
	Energy saving at offices	Reduction of energy used at the head office, main branches, sales branches, and R&D center		$1-\frac{\text{Energy consumption in the current fiscal year}}{\text{Energy consumption in the previous fiscal year}}$	270 kWh or less per person per month	100%	✓
	Reduction of construction materials	Reduction of the amount of piping, ductwork, and equipment scaffolding during construction		$1-\frac{\text{Amount of reduced materials}}{\text{Amount of materials used for ductwork, piping, and scaffolding in the original design}}$	10%	15%	✓
Contribution to the realization of a society in harmony with nature	Participation in local environmental activities			Local cleanup activities and support for events	One or more activities per office	100%	✓
	Practical and widespread use of technologies that contribute to biodiversity			Trial introduction of flushing technology to clean pipes without any water drainage	30 projects	36 projects	✓
Contribution to the realization of a circular economy	Implementation of activities to generate no industrial waste from construction sites*4			Recycling rate $1-\frac{\text{Final disposal volume}}{\text{Total waste volume}}$	85%	89%	✓
	Thorough management of industrial waste manifests			$\frac{\text{Number of sites managed with manifests}}{\text{Total number of contract work sites}}$	100%	100%	✓
	Thorough management of the CFC recovery process control table			$\frac{\text{Number of sites managed with the CFC recovery process control table}}{\text{Total number of sites recovering CFCs}}$	100%	100%	✓

*1 Properties of a certain scale for which Takasago was substantially responsible for the design. Properties not involving design proposals are excluded.
*2 The baseline value is annual energy consumption equivalent to the baseline in the Act on the Rational Use of Energy or the amount defined specifically for each building.
*3 Buildings of a certain scale (new construction and renovation)　*4 All buildings in contract work

Community Engagement

Takasago Thermal Engineering Forests (forest preservation activities)

In 2016, we rented forests in Gunma Prefecture and Kyoto Prefecture, which we call "Takasago Thermal Engineering Forests" and, ever since then, employees of the Takasago Thermal Engineering Group and their families have been engaged in forest conservation activities in cooperation with nonprofit organizations and municipalities. In other regions, we participate in and continue forest conservation activities organized by municipalities and organizations. In fact, we conduct such activities not only in Japan but overseas as well.

Forest preservation activities in Malaysia (industry-academia collaboration)

There are tree planting activities underway in the Takasago-UNIMAS Educational Forest, a 10-hectare expanse of land on the grounds of the University of Malaysia Sarawak, which is located in Sarawak, Malaysia. These efforts have been ongoing since 2018, and, in November of FY2024, we once again conducted on-site seedling and tree planting activities. A total of around 200 people participated, including Malaysian government stakeholders, Sarawak college students and faculty members, local elementary and middle school students, and Takasago Thermal Engineering Group staff (from the head office as well as our subsidiaries in Malaysia).

With the aim of creating forests that serve as models for rainforest regeneration, supporting university students' research on forest restoration, and contributing to greening efforts and the conservation and regeneration of rainforests in Sarawak and throughout Malaysia, we cultivated and planted a total of 1,000 trees in FY2024.

Community clean-up activities

In addition to forest conservation activities, we actively participate in environmental initiatives including clean-up activities in the municipalities and communities where our branches and offices nationwide are located. Participation extends beyond employees to include their families and joint activities with partner companies from Kowakai.

Launch of the Environment-Creator™ Earthshot Program

As an innovation initiative to address future societal challenges, we launched the Environment-Creator™ Earthshot Program this fiscal year, which aims to discover and support emerging Environment-Creators™ in the fields of sports, culture, arts, and community contribution. As a pioneering effort, we signed a sponsorship agreement with professional golfer Kanako Aoki in February 2025. Ms. Aoki's commitment to transcending conventional boundaries and continuously taking on challenges in new environments strongly resonates with our vision of the Environment-Creator™ and our values embodied in the TakasagoWay, which culminated in this sponsorship agreement.

From FY2025 onward, we will be fully advancing this program in fields beyond sports.

Implementation of cultural, artistic, and educational activities for students and children

We are implementing a number of initiatives aimed at nurturing the next generation.

- Continuing sponsorship and support for festivals, celebrations, and activity groups targeting children
- Participation in hands-on events for children organized by municipalities and others
- Conducting guest lectures at junior high schools, high schools, and universities

Participation in hands-on events for children organized by municipalities and others

Kokoro no Gekijo (Theater of the Heart), a performance to which children were invited
(Organized by: Butaigeijutsu Center and Shiki Theatre Company; Supported by: Agency for Cultural Affairs)

Concert for Children
(Photo provided by: Seiji Ozawa Matsumoto Festival Executive Committee)
Photo: Michiharu Okubo

Making donations based on vending machine sales

For every beverage sold from vending machines installed at some of our construction site offices and branches, we donate 10 yen to organizations dedicated to forest conservation, the Japanese Red Cross Society, and other organizations.

Enhancement of Corporate Governance

We work to achieve sustainable growth and medium- and long-term improvement of corporate value by enforcing effective corporate governance.

Basic approach

Our basic policy of corporate governance is to ensure the legality, transparency, and swiftness of management and to improve management efficiency in order to earn the trust of society and increase our corporate value over the medium and long term.

In light of our Purpose, "With our revolutionary environmental innovations, we activate the Earth's future," we are committed to securing the trust of society by positioning ESG and CSR management at our core to contribute to our stakeholders, including shareholders, employees, customers, partner companies, and local communities through our corporate activities. Additionally, as we regard the enhancement of corporate governance as one of our key management priorities, we work to achieve sustainable growth and medium- and long-term improvement of corporate value through the practice of effective corporate governance.

Evolution of governance enhancement

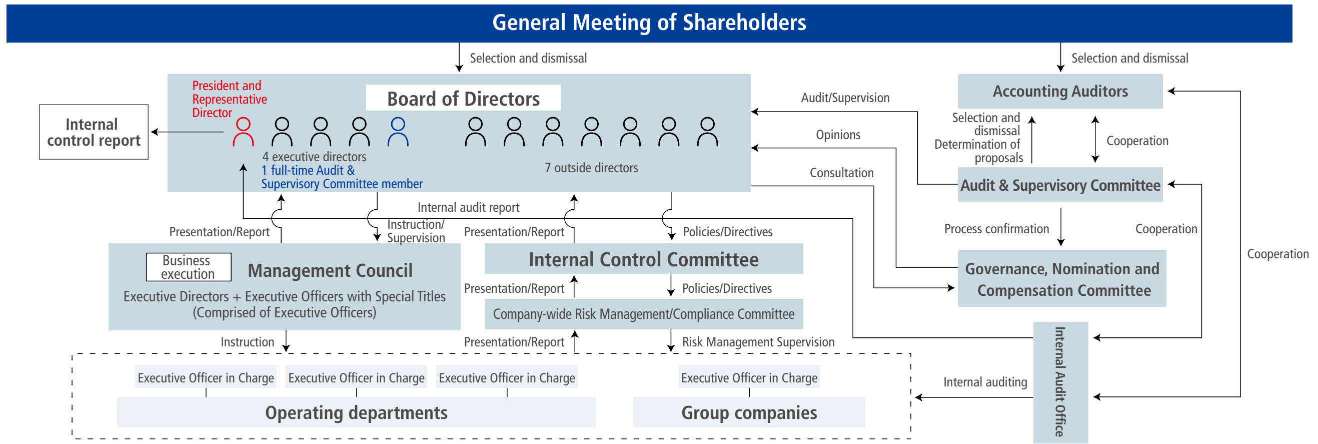
In June 2023, we became a company with an Audit & Supervisory Committee structure, with the aim of building a corporate governance framework that ensures transparency and effectiveness by strengthening both management supervision and business execution functions, thereby pursuing sustainable growth and enhanced corporate value for the Takasago Thermal Engineering Group.

Through a structure that clearly separates management supervision from execution, our management supervision focuses on oversight that incorporates diverse stakeholder perspectives, while our management execution leverages supervisory expertise and appropriate monitoring functions to make business decisions.

		FY2022	FY2023	FY2024	FY2025 (planned)
Institutional Design		Company with Board of Auditors	● June 2023 transition Company with Audit & Supervisory Committee		
Board of Directors Composition	Internal	4 executive directors 1 non-executive director	4 executive directors 1 director serving as Audit & Supervisory Committee member	4 executive directors 1 director serving as Audit & Supervisory Committee member	4 executive directors 1 director serving as Audit & Supervisory Committee member
	Outside	6 independent outside directors	7 independent outside directors (including 3 Audit & Supervisory Committee members)	7 independent outside directors (including 3 Audit & Supervisory Committee members)	7 independent outside directors (including 3 Audit & Supervisory Committee members)
Chairperson of the Board		Non-executive Chair and Director	Independent Outside Director		
Board of Auditors/ Audit & Supervisory Committee Chair		Full-time Auditor	Full-time Audit & Supervisory Committee member		Independent Outside Director
Governance, Nomination and Compensation Committee Chairperson		Mutual election	Independent Outside Director		
(Reference) Year-end Stock Price/ Market Capitalization/PBR		Stock price: ¥2,109/share Market cap: ¥139.7 billion PBR: 0.98	Stock price: ¥4,880/share Market cap: ¥323.9 billion PBR: 2.11[-]	Stock price: ¥5,552/share Market cap: ¥368.7 billion PBR: 2.17[-]	Stock price: ¥-/share Market cap: ¥- billion PBR: -[-]

Corporate governance system

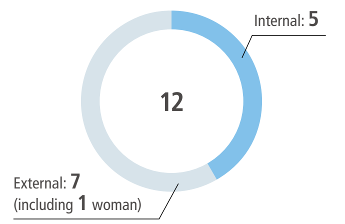
Our company has 7 outside directors (all 7 serving as independent officers) out of 12 directors. We believe that outside directors will further enhance the effectiveness of our governance framework by providing appropriate advisory functions and management supervision from a position independent of business execution and from an external, objective perspective, based on their extensive experience and expertise.



Functions and composition of corporate governance organizations

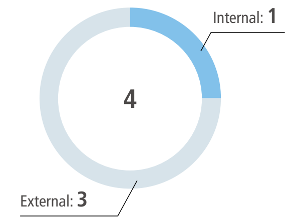
Board of Directors - Met 15 times in FY2024	Chairperson: Independent Outside Director	Composition

The Board of Directors makes resolutions on important matters and supervises directors' business execution in accordance with laws, regulations, the Articles of Incorporation, and Board of Directors regulations.
Outside directors strive to fulfill their expected roles, such as by providing useful observations and opinions at meetings of the Board of Directors and other meetings from an independent, objective position and professional perspectives.
The Board of Directors works to improve management efficiency and ensure the legality and appropriateness of business operations through making decisions on important business execution and supervising the directors' execution of duties.



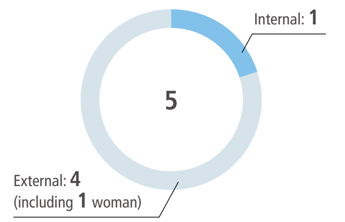
Audit & Supervisory Committee - Met 12 times in FY2024	Chairperson: Independent Outside Director	Composition

The composition of the Audit & Supervisory Committee includes independent outside directors including lawyers, certified public accountants, and individuals with corporate management experience, and the Committee strives to provide oversight from an external perspective. Additionally, effectiveness is enhanced by sharing information among committee members obtained through attendance at important meetings and collaboration with major internal departments. To support these efforts, one full-time Audit & Supervisory Committee member has been appointed.
The Audit & Supervisory Committee conducts audits in accordance with the audit plan and works to audit directors' execution of duties through collaboration with the Accounting Auditors and internal audit department.



Governance, Nomination and Compensation Committee - Met 13 times in FY2024	Chairperson: Independent Outside Director	Composition

The Governance, Nomination and Compensation Committee deliberates on and makes recommendations to the Board of Directors regarding the appointment, reappointment, and dismissal of directors and executive officers of the company, as well as representative directors and auditors of affiliated companies (excluding affiliated companies of low importance to the company). (However, the appointment and reappointment of directors who are Audit & Supervisory Committee members of the company requires the consent of the company's Audit & Supervisory Committee.)
The committee also deliberates on compensation for the company's directors (excluding directors who are Audit & Supervisory Committee members) and executive officers, as well as representative directors of affiliated companies, working to ensure the appropriateness and transparency of compensation.



Management Council

The Management Council is a body established to enhance deliberations on important management matters and accelerate decision-making regarding management resource allocation, and is composed of directors excluding outside directors.

Internal Control Committee

The Internal Control Committee is established to promote the development and operation of internal control systems across the company and our corporate group. It is chaired by the President and composed of directors excluding outside directors.
This committee deliberates on the development of the Group's internal control systems and revisions/abolition of the basic policy on internal control systems based on the status of such development, deliberates on matters to be submitted to the Board of Directors, and makes resolutions on the operational framework for the Group's compliance promotion and risk management, revisions/abolition of the company's compliance and risk management regulations, and the company's annual activity policies for compliance and risk management, while also reporting to the Board of Directors.

Accounting Auditors

The accounting auditing for us is performed by two certified public accountants from KPMG AZSA LLC.
Employees responsible for auditing are rotated appropriately, engaging in the job for up to seven consecutive fiscal years. They are supported by six certified public accountants and 19 others.

Internal Audit Office

The Internal Audit Office is established as a department directly under the President and consists of 8 staff members. Based on the Internal Audit Regulations, it systematically conducts operational audits from an independent position regarding the appropriateness and efficiency of business operations.
For subsidiaries, information exchange and other activities are conducted as necessary. Audit results are reported to the President and Representative Director, and both the measures necessary and the implementation status of improvements are confirmed. The office also evaluates the operational status of internal controls over financial reporting (J-SOX) for the company and important consolidated subsidiaries. The office works to conduct effective internal audits by collaborating with directors who are Audit & Supervisory Committee members, as well as Accounting Auditors.

Enhancement of Corporate Governance

Executives (As of June 18, 2025)

For details on directors' backgrounds, please refer to the Notice of the 145th Annual General Meeting of Shareholders. https://ssl4.eir-parts.net/doc/1969/announcement1/109932/00.pdf

Photo	Name	Position	Attendance in FY2024: Board of Directors	Attendance in FY2024: Audit & Supervisory Committee	Committee membership (◎: Chairperson)	Experience and expertise: Corporate management and management strategies	Technology, innovation, and DX	Environment	Global matters	Sales strategies and marketing	Finance and accounting	Legal matters and risk management	Human resource development and diversity	Reason for selection
	Kazuhito Kojima	President and Representative Director	100% (15 out of 15 meetings)	—	Board of Directors Management Council ◎ Governance, Nomination and Compensation Committee Internal Control Committee ◎	●	●	●		●				Through the execution of the air conditioning equipment business, Kazuhito Kojima has gained abundant experience and deep insight in the design/construction of building equipment relating to the Group's businesses. He has also fulfilled his executive responsibilities through the development of the Group's medium-term/annual business plans and through structural reforms and ESG/SDG-conscious corporate planning operations. We believe that, as President and Representative Director, he can be expected to achieve the Group's sustainable growth as well as medium- and long-term improvement in corporate value and to revitalize and strengthen the functions of the Board of Directors.
	Hiroshi Kubota	Director and Executive Vice President Chief Executive Officer of Sales & Marketing Headquarters In charge of Research and Development Headquarters	100% (15 out of 15 meetings)	—	Board of Directors Management Council Internal Control Committee			●		●			●	Hiroshi Kubota has been involved in the sales sections for many years and currently serves as the Chief Executive Officer of the Sales & Marketing Headquarters, overseeing sales in the HVAC business. With this background, based on his excellent capabilities and insight and abundant experience, he has fulfilled his executive responsibilities through sales section management. We believe that, as Director and Executive Vice President, he can be expected to achieve the Group's sustainable growth as well as medium- and long-term improvement in corporate value and to revitalize and strengthen the functions of the Board of Directors.
	Tadashi Kamiya	Director and Senior Managing Executive Officer Chief Executive Officer of Technical Engineering Headquarters In charge of Companies Management	100% (15 out of 15 meetings)	—	Board of Directors Management Council Internal Control Committee		●	●		●				Through the execution of the air conditioning equipment business, Tadashi Kamiya has gained abundant experience and deep insight in the design/construction of building equipment relating to the Group's businesses. He has also fulfilled his executive responsibilities through business management and productivity improvement in the air conditioning equipment business. We believe that, as a director in charge of business management, he can be expected to achieve the Group's sustainable growth as well as medium- and long-term improvement in corporate value and to revitalize and strengthen the functions of the Board of Directors.
	Masatoshi Morino	Director and Executive Officer Chief Executive Officer of Finance & Investor Relations Department In charge of Corporate Operations Headquarters	100% (13 out of 13 meetings)	—	Board of Directors Management Council Internal Control Committee						●	●	●	Masatoshi Morino has extensive experience working at financial institutions, he possesses advanced level knowledge of not only finance but also business execution in general, and he has fulfilled his executive responsibilities as Chief Executive Officer in relation to finance, accounting, IR, and public relations. We believe that, as the Chief Executive Officer of the Finance & Investor Relations Department and a director in charge of Corporate Operations Headquarters, he can be expected to achieve the Group's sustainable growth as well as medium- and long-term improvement in corporate value and to revitalize and strengthen the functions of the Board of Directors.
	• Outside Shuma Uchino	Outside Director Chairperson of the Board	100% (15 out of 15 meetings)	—	Board of Directors ◎ Governance, Nomination and Compensation Committee	●					●	●		Shuma Uchino has abundant experience and insight as a representative director and CFO of a general trading company. We expect that he can supervise and check business management from an independent perspective based on such experience and knowledge. We also expect that he can adequately perform his duty as an outside director given the reason mentioned above such as offering advice and opinions useful to our business management. Furthermore, as he is not from a parent company, a fellow subsidiary, a major shareholder, or a major client or supplier of Takasago Thermal Engineering, we believe that there is no particular problem in terms of independence.
	• Outside Atsushi Takagi	Outside Director Chairperson of Governance, Nomination and Compensation Committee	100% (15 out of 15 meetings)	—	Board of Directors Governance, Nomination and Compensation Committee ◎	●			●		●			Atsushi Takagi has experience working as an analyst at security firms, considerable expertise regarding finance, and wide-ranging insight regarding the construction sector. We expect that he can supervise and check business management from an independent perspective based on such experience and knowledge. We also expect that he can adequately perform his duty as an outside director given the reason mentioned above such as offering advice and opinions useful to our business management. Furthermore, as he is not from a parent company, a fellow subsidiary, a major shareholder, or a major client or supplier of Takasago Thermal Engineering, we believe that there is no particular problem in terms of independence.
	• Outside Yoko Seki	Outside Director	100% (15 out of 15 meetings)	—	Board of Directors Governance, Nomination and Compensation Committee						●	●	●	Yoko Seki has abundant experience and knowledge as a lawyer and certified public accountant, and we expect that she can supervise and check business management from an independent perspective on business execution based on such experience and knowledge. While she was not involved in corporate management by any other method than serving as an outside officer, we believe that she can adequately perform her duty as an outside director given the reason mentioned above such as offering advice and opinions useful to our business management. Furthermore, as she is not from a parent company, a fellow subsidiary, a major shareholder, or a major client or supplier of Takasago Thermal Engineering, we believe that there is no particular problem in terms of independence.
	• Outside Hideka Morimoto	Outside Director	100% (15 out of 15 meetings)	—	Board of Directors Governance, Nomination and Compensation Committee			●				●	●	Hideka Morimoto has abundant experience and knowledge of public administration and the environment, and we expect that he can supervise and check business management from an independent perspective on business execution based on such experience and knowledge. While he was not involved in corporate management by any other method than serving as an outside officer, we believe that he can adequately perform his duty as an outside director given the reason mentioned above such as offering advice and opinions useful to our business management. Furthermore, as he is not from a parent company, a fellow subsidiary, a major shareholder, or a major client or supplier of Takasago Thermal Engineering, we believe that there is no particular problem in terms of independence.
	Newly appointed Hirotaka Yamada	Director (Audit & Supervisory Committee member)	—	—	Board of Directors Audit & Supervisory Committee	●					●	●	●	Hirotaka Yamada has been engaged in corporate-related operations (finance, accounting, and legal affairs) for profit centers, and from April 2019, served as an executive officer responsible for profit center operations (domestic), contributing to the enhancement of the company's corporate value. He possesses extensive business experience at the company and knowledge of the company's overall management, finance, and accounting. By utilizing these experiences to supervise and check management, we believe that he can adequately perform his duty as a director who is an Audit & Supervisory Committee member.
	• Outside Kazuo Sakakibara	Outside Director (Audit & Supervisory Committee member) Chairperson of the Audit & Supervisory Committee	100% (15 out of 15 meetings)	100% (12 out of 12 meetings)	Board of Directors Audit & Supervisory Committee ◎							●	●	Kazuo Sakakibara has abundant experience and knowledge due to his many years as a public prosecutor and attorney. We expect that he can supervise and check business management from an independent perspective based on such experience and knowledge. We also expect that he can adequately perform his duty as an outside director who is an Audit & Supervisory Committee member such as offering advice and opinions useful to our business management. While he was not involved in corporate management by any other method than serving as an outside officer, we believe that he can adequately perform his duty as an outside director who is an Audit & Supervisory Committee member given the reason mentioned above. Furthermore, as he is not from a parent company, a fellow subsidiary, a major shareholder, or a major client or supplier of Takasago Thermal Engineering, we believe that there is no particular problem in terms of independence.
	• Outside Hiroyuki Hioka	Outside Director (Audit & Supervisory Committee member)	100% (15 out of 15 meetings)	100% (12 out of 12 meetings)	Board of Directors Audit & Supervisory Committee	●		●	●			●	●	In addition to his work experience in compliance promotion, corporate risk response, and general affairs management at an airline company, Hiroyuki Hioka has abundant experience and knowledge as a representative director of a listed company. We expect that he can supervise and check business management from an independent perspective based on such experience and knowledge. We also expect that he can adequately perform his duty as an outside director who is an Audit & Supervisory Committee member such as offering advice and opinions useful to our business management. Furthermore, as he is not from a parent company, a fellow subsidiary, a major shareholder, or a major client or supplier of Takasago Thermal Engineering, we believe that there is no particular problem in terms of independence.
	• Outside Hiroyuki Wakamatsu	Outside Director (Audit & Supervisory Committee member)	100% (15 out of 15 meetings)	100% (12 out of 12 meetings)	Board of Directors Audit & Supervisory Committee						●	●		Through his experience as a certified public accountant at a major audit firm and as an outside auditor at listed companies, Hiroyuki Wakamatsu has not only specialized knowledge in accounting but also broad professional insight and experience in corporate auditing. We also expect that he can supervise and check business management from an independent perspective based on such experience and knowledge. We also expect that he can adequately perform his duty as an outside director who is an Audit & Supervisory Committee member such as offering advice and opinions useful to our business management. Furthermore, as he is not from a parent company, a fellow subsidiary, a major shareholder, or a major client or supplier of Takasago Thermal Engineering, we believe that there is no particular problem in terms of independence.

Enhancement of Corporate Governance

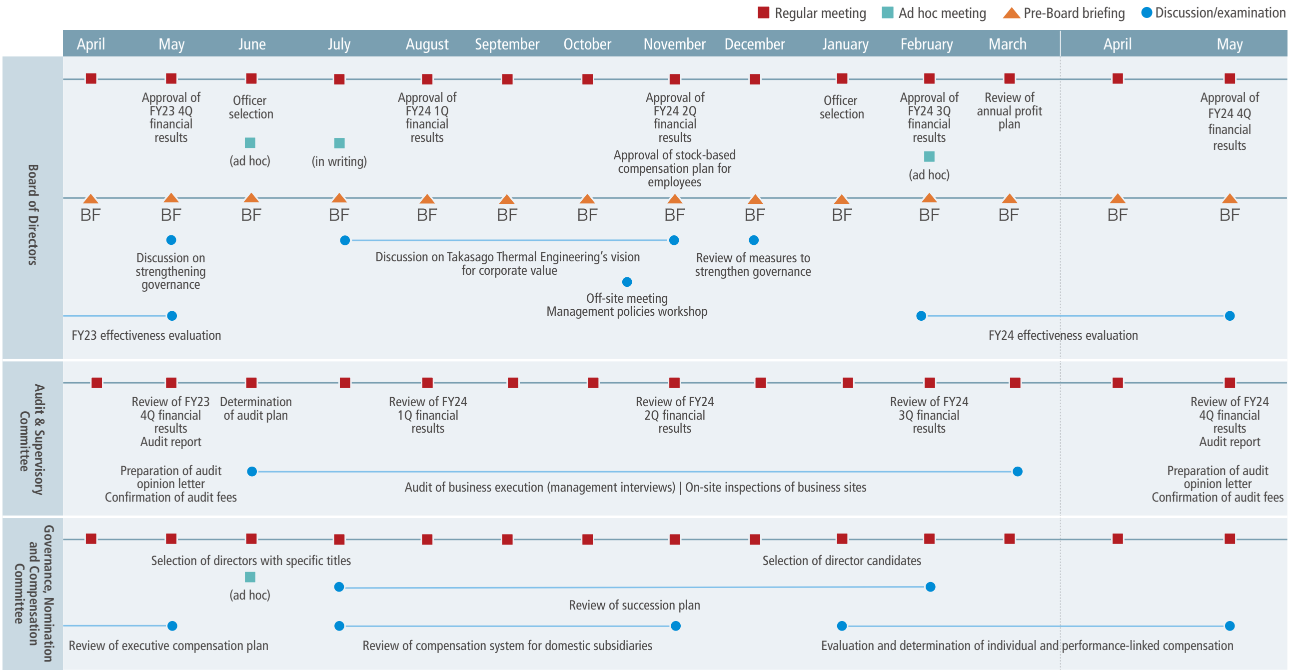
Evaluation of the effectiveness of the Board of Directors and action policies

FY2024 activity status

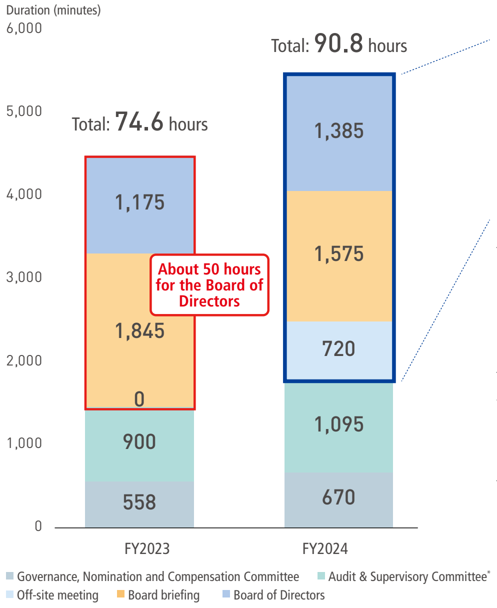
The Board of Directors determines the basic management policies of the Takasago Thermal Engineering Group and supervises business execution. Moreover, to ensure that the Board of Directors, in which outside directors comprise a majority, can fully exercise its supervisory function, we work to deepen each director's understanding of the Group's businesses by implementing Board briefings (BF), off-site Board meetings, and similar.

Also, in an aim to revitalize Board discussions from FY2024, meetings of the Board of Directors have been made much more time efficient through the revision of its agenda setting process. This ensures that sufficient discussion time is allocated for matters requiring Board deliberation.

[Annual schedule of Board of Directors and Committee meetings in FY2024]



[Duration of Board of Directors and Committee meetings, and main content discussed]



*Duration of Audit & Supervisory Committee meeting (excluding time used to audit and review business execution)

[Topics involving discussing the company's target direction] accounted for **70%** of the Board of Directors meeting time

- Report on rule revisions
- Matters concerning the operation of the Board of Directors

- Discussion on defining our vision for corporate value
- Discussion on measures for establishing a control environment
- Revision of Medium-Term Management Plan (May 2024), officer selection, approval of financial results
- Discussion on the effectiveness evaluation of the Board of Directors and examination of Board of Directors' action policies

Off-site Board meetings	**[Members]** Directors (12) + secretariat of the Board of Directors (Corporate Planning Division) **[Discussion content]** (Held as a workshop) • Sharing of the company's history and business evolution to foster understanding of its businesses • Discussion on challenges to be addressed by the Takasago Thermal Engineering Group and possible solutions
Audit & Supervisory Committee	**[Activity status]** (Listed in details of major activities other than attendance at Board of Directors meetings) • Audit of business execution, on-site inspections of business sites • Review of financial results with audit firm • Review of internal audits
Governance, Nomination and Compensation Committee	**[Members]** Outside directors (4) + President and Representative Director; outside directors who are Audit & Supervisory Committee members (3) participated as observers **[Discussion content]** • Evaluation criteria for executive compensation plan, design of compensation system for executives at domestic subsidiaries • Evaluation of executive directors, determination of bonus amounts, and selection of director candidates • Review of succession plan

Framework for improving the effectiveness of our Board of Directors

As part of our initiatives to improve the effectiveness of our Board of Directors, we had all directors take a self evaluation questionnaire and held interviews. The framework was as follows.

Questionnaire survey (February)	[Targets] All directors (12) [Response method] Non-anonymous method [Evaluation items] A survey consisting of a total of 25 questions in line with the four themes shown below 1 Evaluation of FY2024 Board of Directors action policies (1) Situation of revitalizing deliberations on important management matters*1 (2) Promote suitable risk-taking on the executive side (3) Create systems to which stakeholder feedback is applied (4) Flesh out governance functions (5) Take action to revitalize discussions by the Board of Directors 2 Operational situation of the Board of Directors 3 Operational situation of statutory committees and important meeting bodies (Audit & Supervisory Committee, Governance, Nomination and Compensation Committee, and Management Council*2) 4 Any other opinions
Interview survey (March)	[Targets] All directors (12) [Listeners] Secretariat of the Board of Directors (Corporate Planning Division) [Interview items] Identification of issues based on the questionnaire survey results, followed by a separate discussion on measures to improve effectiveness
Board of Directors meetings (April to May)	Deliberation on the effectiveness evaluation results by the Board of Directors followed by formulation of action policies to improve the effectiveness of the Board of Directors

*1 The Board of Directors deliberates on matters and then refers matters that show our direction to the executive side. The details are the following five items.
(1) Corporate value (our value creation cycle, which starts with our Purpose), (2) Capital policy, shareholder returns, and shareholder composition, (3) Design, development, and operation of our decision-making process and governance system, (4) Effectiveness of the Medium-Term Management Plan, (5) Strategy for establishing business domains, including affiliates
*2 The highest decision-making body for business execution, composed of executive directors and executive officers

FY2024 effectiveness evaluation results

[Review of the FY2024 Board of Directors effectiveness evaluation]

- As a result of analysis and deliberation on the status of ensuring effectiveness based on the results of the effectiveness evaluation, the Board of Directors confirmed that the effectiveness of the Board, statutory committees, and important meeting bodies has been sufficiently ensured. We have received a substantial amount of feedback from independent outside directors expressing that our operations deserve high praise.

  →The composition of the Board of Directors has been diversified in terms of both size and expertise. By including a majority of independent outside directors, the Board worked effectively as a single team—a partnership between the Board and management executives—with a view to enhancing corporate value.

- Discussions on Takasago Thermal Engineering's corporate value, which are the responsibility of the Board of Directors, were held to indicate the broad direction for corporate strategy, etc. We received feedback that these discussions successfully encouraged a shared understanding of the "corporate value" serving as a target for realizing the company's Long-Term Vision.

  →To further improve corporate value, it is essential to enhance management quality by not only communicating our "philosophy and mindset," but also by carrying out reforms of both the Board of Directors and management executives (executive directors and executive officers).

[Awareness of issues toward our vision for the Board of Directors]

- We recognized the need to more deeply explore the "corporate value" discussed by the Board of Directors toward achieving Takasago Thermal Engineering's value creation story for realizing the Long-Term Vision for 2040.
- While the format of Board of Directors meetings helped revitalize discussions and promote understanding of our business, we recognized that to encourage even greater risk-taking in business execution toward achieving our vision of corporate value, it would be necessary to establish higher-quality business execution systems than ever before.
- To exercise effective supervision over business execution, we recognized the need to discuss the ideal form of the "monitoring board" envisioned by the Board of Directors (such as careful examination of Board agenda items, preparation of key issues, and the delegation of authority as envisioned) to improve the quality of these discussions. We also recognized the necessity of providing opportunities for directors to make use of their experience and skills, thereby further revitalizing discussions of the Board of Directors through the mutual exchange of opinions.
- In enhancing the effectiveness of the Board of Directors, it is essential to strengthen governance functions. We thereby recognized that together with activities to enhance corporate value, it is crucial to work on creating more sophisticated internal control systems and strengthening company-wide risk control systems.

	Evaluation content	Awareness of issues
Effectiveness of the Board of Directors in terms of fulfilling its duties	• Roles of the Board of Directors (decision-making and its monitoring) and management executives were clarified to a greater extent than in the previous fiscal year. • From the perspective of management executives, there may be situations where discussions at Board of Directors meetings seem overly cautious. However, we believe that examining matters from various angles at Board of Directors meetings holds us accountable to external shareholders and other stakeholders. Such cautious deliberation allows for the creation of an environment conducive to better decision-making. • During discussions on corporate value, Takasago Thermal Engineering's stakeholders were organized. • In terms of matters submitted as agenda items for Board of Directors meetings, internal control, risk management, and similar topics are thoroughly discussed. • We held trial off-site Board meetings for the first time, which were judged as having produced satisfactory results.	• We recognized that discussions on important management matters at the Board of Directors have been revitalized, and that activities aimed at transforming management are being steadily implemented. • Going forward, we believe that further revitalization of discussions of the Board of Directors will be possible by not only communicating management policies to management executives, but also receiving feedback from management executives regarding the Board and regularly discussing the opinions and issues raised.
Effectiveness of Board of Directors operations	• It seems that content and materials submitted as agenda items and reported to the Board of Directors have been more substantial than in the previous fiscal year, and that the quality of business execution has been enhanced. • Pre-Board briefings (BF) effectively functioned as opportunities for the Board of Directors, with a majority of outside directors, to deepen its understanding of the Takasago Thermal Engineering Group's businesses, thereby enabling the Board to fully exercise its supervisory function. Therefore, any information asymmetry in decision-making by the Board of Directors is eliminated, leading to revitalized discussions at Board of Directors meetings. • We feel that the Board of Directors is able to engage in free and open discussions together with outside directors, and that there is a stronger sense of unity among Board members. At the same time, we need to be prepared to offer critical feedback from an outside perspective, rather than taking the same viewpoints or stance, and we will continue to operate in this manner. • The director training sessions were effective in discussions on corporate topics (key management matters such as corporate value and human capital) which were deliberated by the Board of Directors, including instructor selection.	• From now on, we will work to improve operations of the Board by shaping key points and issues discussed at Board of Directors meetings (what should be discussed at Board meetings) and clarifying the role of the Board. • Holding Board briefings helped independent outside directors better understand the businesses of the company. While continuing to make use of Board briefings, we will strive to achieve further operational improvements so that opinion-sharing and substantive discussions can be expanded during Board of Directors meetings.
Effectiveness of statutory committees and important meeting bodies	[Audit & Supervisory Committee] • The Audit & Supervisory Committee functions appropriately to enhance corporate value by actively conducting audits, whereby management executives receive feedback from the audit results and improve systems for business execution. [Governance, Nomination and Compensation Committee] • The management compensation system has been designed to include compensation that reflects the company's medium- to long-term performance and potential risks. The system is functioning effectively. [Management Council (the highest decision-making body for business execution, composed of executive directors and executive officers)] • Along with existing members from the Corporate Operation sector, the addition of executive officers from core branches of profit centers has meant that feedback from on-site perspectives is incorporated. This has led to proposals being reviewed from that viewpoint, which is seen as a positive change. • The construction business is being discussed in great detail. Going forward, it is crucial to encourage risk-taking in respect of medium- to long-term business investments aimed at growth.	• In the first year after transitioning to a company with an Audit & Supervisory Committee, we prioritized a first line audit, while in the second year, the focus was on a second line audit. Based on these results, it will be necessary to support the creation of more effective internal control systems and make improvements that allow the Audit & Supervisory Committee to comprehensively audit the entire three line model. • Alongside reviewing the composition of the Management Council, we will further develop and enhance discussions by management executives.

FY2025 action policies

To further promote management aimed at enhancing the corporate value of the Takasago Thermal Engineering Group, the company will strive to further enhance the effectiveness of the Board of Directors in line with the following FY2025 action policies. This is based on the results of the effectiveness evaluation of the Board of Directors, statutory committees, and important meeting bodies, diverse feedback given by individual directors during this process, perspectives from external experts and specialists through training sessions, and similar.

FY2024 Board of Directors action policies

Revitalize deliberations on important management matters (improve operations of the Board of Directors)	Promote suitable risk-taking on the executive side	Create systems to which stakeholder feedback is applied	Flesh out governance functions (legitimacy and adequacy of business execution)	Take action to revitalize discussions by the Board of Directors

Evaluated by the Board of Directors and determined the FY2025 action policies

Policies brought over from FY2024	Policies newly established based on FY2024 effectiveness evaluations		
Discussions on corporate value aimed at enhancing the effectiveness of realizing the Long-Term Vision	Establish a business execution system to promote enhancement of the corporate value of the Takasago Thermal Engineering Group	Discussion on the ideal form of the monitoring board at Takasago Thermal Engineering	Update and enhance internal control systems for further strengthening governance
Taking into consideration examples from leading companies that show a high level of performance in terms of corporate value, we will more deeply explore the "corporate value" achieving consensus among Board members and communicate the management policies and direction for value creation to all executives and employees of the Takasago Thermal Engineering Group.	We will enhance discussions and deliberations by management executives (executive directors and executive officers) who are working to enhance the corporate value of the Takasago Thermal Engineering Group and encourage risk-taking in business execution.	To exercise effective supervision over business execution, we will enhance the quality of Board discussions by carefully examining items approved and reported by the Board and preparing key issues in light of the Board's role, as well as defining the targets for delegating authority envisioned by the Board.	Aiming to improve the supervisory function of the Board of Directors, we will implement measures to enhance the Internal Control Committee, an advisory body to the Board, and create more advanced internal audit systems, along with strengthening company-wide risk control systems.

Succession Plan for the President and Representative Director

In order to ensure the transparency and objectivity of succession by the president and representative director to the successor, the Succession Plan for the President and Representative Director is reported to the Governance, Nomination and Compensation Committee on the successor's education policy, training plan, and plan progress, and the Committee deliberates on the plan. The president and representative director proposes to the Governance, Nomination and Compensation Committee the most suitable candidate to replace him or her, and the Committee deliberates on the matter and reports the results of its deliberation to the Board of Directors.

Training of directors

We believe that the knowledge required of directors can be broadly split into knowing of matters unique to Takasago Thermal Engineering, such as our businesses, finance, and organization, and general knowledge that includes the roles required of directors and their legal and other responsibilities.

Executive directors work to gain a better understanding of general matters, such as our businesses, finance, and organization, through discussions at the Management Issue Review Committee every year. Executive directors and inside directors who are Audit & Supervisory Committee members strive to understand the roles and responsibilities required of executive directors or directors who are Audit & Supervisory Committee members by participating in training by external specialists and similar.

We provide an explanation of matters such as our businesses, finance, and organization to outside directors when they assume their posts and as required, to facilitate the acquisition of knowledge required of our outside directors. As such, we develop an environment for them to fulfill their roles.

In addition, we provide opportunities and services and pay the necessary expenses to acquire and properly update the knowledge required of each director. The Board of Directors regularly checks progress on the training of executive directors and inside directors who are Audit & Supervisory Committee members.

Remuneration of executives

Executive remuneration policy

We consider the compensation we pay to our directors (excluding directors who are Audit & Supervisory Committee members) and our executive officers (called executives below) to be an important strategy in terms of suitably incentivizing them to demonstrate the sort of management leadership necessary for us to achieve our goal of being an "Environment-Creator™."

Basic policies

- Foster a sustainable "growth mindset" by evaluating the demonstration of leadership and suitable risk-taking to establish a compensation plan that enables the realization of suitable returns in line with achievements
- Maintain compensation details and levels effective for continuing to secure talented human resources
- Establish a compensation governance system that ensures independence, objectivity, and transparency, and make sure that executives are accountable to stakeholders

As to the remuneration of directors, we set the upper limit for the total amount of the remuneration, etc. of all directors except for Audit & Supervisory Committee members and all directors who are Audit & Supervisory Committee members based on a resolution at a shareholders' meeting.

To enhance the independence, objectivity, and transparency of the remuneration of executives, we established the Governance, Nomination and Compensation Committee as a voluntary advisory body. After discussions by the Committee, the remuneration, etc. of directors except for Audit & Supervisory Committee members is determined based on a resolution of the Board of Directors. The majority of the Committee is composed of independent outside directors; the Governance, Nomination and Compensation Committee consists of five members, four of whom are independent outside directors.

The remuneration of directors except for Audit & Supervisory Committee members consists of basic remuneration, a bonus as a short-term (annual) incentive, and a stock-based compensation plan (executive remuneration BIP trust) as a medium- to long-term incentive. The composition is set in consideration of the relevant policy.

The remuneration structure for directors, except for Audit & Supervisory Committee members, is fundamentally designed to be highly performance-based. For the president and representative director, variable compensation (bonuses and stock-based compensation) accounts for approximately 60% of total compensation, and further, with stock-based compensation, through which profits are shared with all shareholders, accounts for 30% of that portion. For other directors, variable compensation is designed in accordance with his/her position and role so that it reaches approximately 50%.

Independent outside directors receive only basic remuneration, and there is no bonus or stock-based compensation plan (executive remuneration BIP trust).

The basic remuneration is determined as a fixed amount according to a director's position and is paid each month.

Bonuses serve as an incentive to achieve single-year performance targets and as a way to encourage commitment to the achievement of milestones aimed at realizing our Medium- to Long-Term Vision. Bonuses are paid at a specific time every year and fluctuate within a range of 0% to 200% according to the consolidated ordinary income, consolidated gross profit margin, and individual evaluation of each executive.

Stock-based compensation (executive remuneration BIP trust) consists of performance-linked compensation (60%) and non-performance-linked (stock-price-linked) compensation (40%). Performance-linked compensation is intended to increase executive motivation to contribute to improving our corporate value in the medium to long term. Therefore, this compensation fluctuates within a range of 0% to 200% according to the achievement of performance targets, which is evaluated by using the important indicators called for by our Medium-Term Management Plan and other indicators stipulated by our Board of Directors. The company's indicators are consolidated ordinary income, consolidated ROE, relative TSR (with respect to TOPIX), CO_2 emissions, and employee engagement. Note that, if there are changes in the external environment surrounding the company, a review of our medium- to long-term strategies, or similar circumstances, the indicators and their evaluation weight are subject to change following deliberation by the Governance, Nomination and Compensation Committee and the passing of a resolution by our Board of Directors. Performance-linked compensation is paid a certain period of time after the end of the Medium-Term Management Plan, while non-performance-linked compensation is paid at the time of resignation.

The remuneration of executive officers also consists of basic remuneration, a bonus as a short-term (annual) incentive, and a stock-based compensation plan (executive remuneration BIP trust) as a medium- to long term incentive as in the case of directors except for Audit & Supervisory Committee members. The levels are decided based on a resolution of the Board of Directors after deliberations by the Governance, Nomination and Compensation Committee.

The directors (excluding independent outside directors) and executive officers make efforts to acquire our shares via voluntary contribution through the Official Shareholding Association.

Remuneration, etc. of directors who are Audit & Supervisory Committee members is basic remuneration only, and the amount of the basic remuneration of those Audit & Supervisory Committee members is decided through consultation with the Audit & Supervisory Committee members based on the comprehensive examination of the content, volume, and difficulty of his/her duties, the degree of responsibility, etc. In view of their duties, etc., Audit & Supervisory Committee members receive no bonus or stock-based compensation.

[Overview of the compensation mix (representative director: standard)]

Type of remuneration		Overview, etc.		
		Overview	KPI: weight	Performance-linked range
Fixed (4 : 6)	Basic remuneration (40%)	Fixed monthly compensation determined according to the position	—	—
Variable	Bonus (30%)	Compensation for single-year performance and commitment to achieving milestones aimed at realizing our Medium to Long-Term Vision	Consolidated ordinary income: 50% Consolidated gross profit margin: 20% Individual evaluation: 30%	0%-200%
	Stock-based compensation (30%)	Compensation for commitment to medium- to long-term performance and corporate value improvement	Performance-linked compensation: 60% Consolidated ordinary income: 30% Consolidated ROE: 20% Relative TSR (with respect to TOPIX): 30% CO_2 emissions amount: 10% Employee engagement: 10%	0%-200%
			Non-performance-linked (stock-price-linked) compensation: 40%	—

[Total remuneration, etc. by executive category, total amount of remuneration, etc. by type, and number of eligible executives]
(FY2024: April 1, 2024 to March 31, 2025)

Category		Total amount of remuneration, etc. (million yen)	Total amount of remuneration, etc. by type (million yen)			Number of eligible executives
			Basic remuneration	Performance-linked compensation, etc. (bonuses)	Non-monetary compensation, etc. (stock-based compensation)	
Directors	(excluding Audit & Supervisory Committee members) (excluding outside directors)	492	155	148	188	5
Outside Director	(excluding Audit & Supervisory Committee members)	69	69	–	–	4
Directors	(Audit & Supervisory Committee members) (excluding outside directors)	29	29	–	–	1
Outside Director	(Audit & Supervisory Committee members)	52	52	–	–	3
Total		644	307	148	188	13

(Notes) 1. The amounts of stock-based compensation given above are those recorded as a provision for share awards for the current fiscal year under the executive remuneration BIP trust plan.
The amount of stock-based compensation for the current fiscal year includes an adjustment amount of 113 million yen. This reflects the difference between (i) the average acquisition price of the company's shares including additional monetary contributions and shares acquired by the trust through the disposal of treasury shares following the continuation of the stock-based compensation plan implemented based on the Board of Directors meeting held on August 6, 2024, and (ii) the average acquisition price prior to these additions.
2. The executive remuneration BIP trust is treated separately from the 550 million yen upper limit for compensation of directors (excluding directors who are Audit & Supervisory Committee members) approved by resolution at the 143rd Ordinary General Meeting of Shareholders. The upper limit of the executive remuneration BIP trust was approved by resolution at the 144th Ordinary General Meeting of Shareholders (on June 19, 2024) as 1,800 million yen per three fiscal years. There were four directors (excluding directors who were Audit & Supervisory Committee members and outside directors) at the conclusion of the relevant shareholders' meeting.

Policy for constructive dialogue with shareholders

We strive to encourage understanding of the company's management by providing opportunities for explanations and constructive dialogue with the stock market. We will continue to share information acquired through dialogue within the company and consider incorporating it in processes where necessary.

1 Designation of a member of management or director to oversee all aspects of shareholder dialogue, including the items listed in 2–5 below, to ensure constructive dialogue
We appoint the representative director as the person who controls dialogue with shareholders, the CFO or division manager in charge of IR as the person in charge of handling information, the manager of the Communication Division as the person in charge of timely disclosure, and the manager of the Accounting Division as the person in charge of annual securities reports, etc. (the structure is shown in the schematic diagram of an overview of the system for timely disclosure later on this page).

2 Measures for organic collaboration among internal divisions that assist with dialogue, including Investor Relations, Corporate Planning, General Affairs, Finance, Accounting, and Legal
The above divisions all belong to the Corporate Planning, Corporate Operations, and Finance & Investor Relations departments. Along with sharing information and challenges during regular meetings and collaborating together on a daily basis, divisions strive to appropriately address challenges and other matters.

3 Initiatives related to enhancing means of dialogue beyond individual interviews (e.g., briefing sessions for investors and IR activities)
In addition to financial results briefing sessions, we plan and hold briefing sessions for investors and other opportunities for dialogue as needed. We also participate in events for external investors.

4 Measures for providing appropriate and effective feedback to senior executives and the Board of Directors on shareholder opinions and concerns identified through dialogue
Directors and senior executives will obtain information directly through attendance at briefing sessions for investors, released analyst reports, and other channels and receive reports from responsible sections regularly and when necessary.

5 Policy for managing insider information during dialogues
In order to prevent insider trading, we strictly adhere to the Insider Trading Management Rules, which stipulate regulations concerning matters such as compliance with the Financial Instruments and Exchange Act and other related laws as well as the management of internal information. When we have dialogue, we try to manage the information in a way to avoid being suspected of giving any insider information while disclosing information not selectively but fairly. We set the period from the day following the end of the settlement term (quarterly and full-year) to the date of the announcement of financial statements as a "period of silence." In the meantime, we obtain knowledge on the prevention of insider trading and give education to update the knowledge.

Outline of the information disclosure system

Our internal system for the timely disclosure of corporate information is described below.

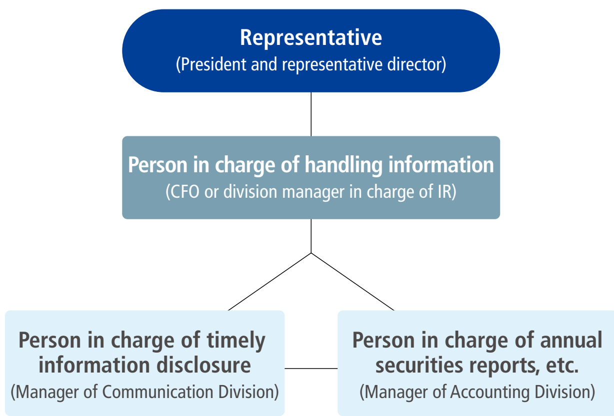
1 The representative and the person in charge of handling the information endeavor to ensure the timeliness, legitimacy, accuracy, and fairness of the information to be disclosed. The information is discussed and reported at the Management Council and Board of Directors meetings as necessary.

2 The person in charge of timely information disclosure complies with the Timely Disclosure Rules and relevant laws on a daily basis and also collects information from related sections in a prompt and comprehensive manner for the execution of his/her duties. He/she also makes efforts to prepare proper disclosure materials and enhance the disclosure by such means as investigation of cases of information disclosure in other companies.

3 Directors who are Audit & Supervisory Committee members and accounting auditors provide advice and instructions on information disclosure to us in addition to periodical audits. We also obtain opinions and other feedback from third-party specialists as needed.

4 We have established the Insider Trading Management Rules and the Disclosure Policy (Information Disclosure Rules) as internal rules as well as the Group Corporate Code of Ethics, which mentions that they must be strictly followed to prevent insider trading and follow Fair Disclosure Rules, including by Group companies.

Schematic diagram of an overview of the system for timely disclosure



The essence of corporate value lies in what cannot be seen. Invisible forces form the foundation for supporting future value creation.

Outside Director
Atsushi Takagi

Closely engaging with management's thinking and the background behind it, and conducting careful, ongoing dialogue, lead to the establishment of an effective monitoring function.

Outside Director
Kazuo Sakakibara

Dialogue

Dialogue with Outside Directors

Corporate value is created through the accumulation, cultivation, and visualization of invisible assets

The value of a company cannot simply be measured by figures such as sales or profit. Intangible assets, such as people, corporate culture, and technology, interact like a chain to shape future corporate value. How we nurture and leverage these assets and build trust with onsite employees is crucial. For this dialogue, two of our outside directors discussed the essence of corporate value from a long-term perspective.

What is the corporate value of Takasago Thermal Engineering? Full-fledged discussions by the Board of Directors to pinpoint the essence

Mr. Takagi: Starting in FY2024, the Board of Directors began full-fledged discussions aimed at enhancing corporate value. I have sensed a steadily deepening mindset of profoundly thinking about Takasago Thermal Engineering's corporate value, while drawing on our own experiences and positions, and keeping an eye on the capital markets and the company's future direction.
Mr. Sakakibara: This change coincides with the shift to a structure in which outside directors serve as chair of the Board and as committee chairs. By incorporating outside perspectives and fostering a mindset of carefully reexamining the company's strengths and challenges, the Board of Directors' discussions have evolved from merely formal reports and resolutions on agenda items to more substantive, in-depth deliberations.
Mr. Takagi: The way corporate value is perceived varies greatly depending on one's role and experience. That is precisely why it is important to deepen the dialogue by bringing diverse viewpoints together. From my background as an analyst at a financial institution, I try to broaden the scope of consideration by bringing in topics such as the differing views of Japanese and foreign companies regarding the value of human capital and customer assets.
Mr. Sakakibara: I deeply resonate with the idea of "asset circulation" that Mr. Takagi raised in the 2022 Integrated Report. Organizational assets nurture human capital, which then generates physical assets, leading to customer assets, and finally returning to the company as financial assets. Monitoring whether this cycle functions soundly is one of the key roles of an outside director.
Mr. Takagi: Corporate value is ultimately expressed as market capitalization—the present value of the future cash flows created in collaboration with employees, customers, partners, and local communities. But underpinning this are intangible assets not captured in financial statements, such as advanced expertise and a culture that embraces challenge. What is important is not only the accumulation of visible assets, but the processes that create them. That includes how we cultivate human and organizational capital and what value we deliver to customers. I believe the true essence of corporate value lies there. The challenge for the Board of Directors is how to support and make visible this invisible chain of value. I see that challenge as central to Takasago Thermal Engineering's unique approach to creating corporate value.

Nurturing a challenge-oriented mindset with an eye on the future: Leading to sustainable value creation

Mr. Sakakibara: To realize our Long-Term Vision for 2040, an important theme is giving corporate value a concrete form and sharing it both inside and outside the company. Key elements of our corporate value are the trust we earn from customers and the solid technological capabilities that support the trust. To enhance these elements further, management and the Board of Directors must not only set the direction but also share values with employees and partner companies, cultivating them together. In particular, aiming for a state in which every employee can explain in their own words "What is the corporate value of Takasago Thermal Engineering?" will help these values permeate the organization and become embedded in our corporate culture. Achieving this requires the steady accumulation of everyday dialogue.
Mr. Takagi: Corporate value is composed of both financial and non-financial capital, and it is vital to harness both in order to create lasting value. Corporate value cannot be measured in the short term; it is built up over a long span of time. It is becoming increasingly important for each employee to understand this significance and see how their own work contributes to creating value.

The company has a culture that embraces challenge, and we have proactively pursued advanced initiatives, exemplified by projects related to space. In realizing our Long-Term Vision, it will become increasingly important not only to pursue results, but also to reexamine the essence of corporate value and the style of management that supports it.
Mr. Sakakibara: A forward-looking, challenge-oriented mindset has consistently been a value cherished by management, and that spirit is gradually spreading to the front lines. Ensuring that this culture takes root, rather than being a temporary trend, is one of our roles as outside directors. By watching over the company from an external perspective and occasionally offering encouragement, we aim to support sustainable value creation.
Mr. Takagi: The importance of invisible capital will only grow from here. I have long been moved by the quote "what is essential is invisible to the eye" from *The Little Prince*, as well as by mathematician Kiyoshi Oka's belief that emotion is at the center of our being. I believe that a culture that supports tackling challenges, people's passion, and a positive spirit flowing through the organization are all unseen forces forming the foundation of corporate value. As an outside director, I must continue sincere dialogue to ensure that such forces circulate soundly within the company, accompanying it faithfully along the way.

Deepening the Board of Directors' monitoring function: Strengthening communication for execution

Mr. Takagi: After Takasago Thermal Engineering shifted to a company with an Audit & Supervisory Committee, our Board of Directors' monitoring function has been further reinforced. Because significant authority is delegated to management execution, the Board must clearly define what "monitoring" means and ensure that the function is carried out effectively. In gathering and verifying information, it is important to organize the content, timing, and format, while maintaining the right balance between giving advice and supervising. By building constructive cooperation based on trust, we intend to make communication with management even more reliable.
Mr. Sakakibara: I believe the effectiveness of the Board of Directors is built on relationships of trust between people. Fulfilling our

responsibilities does not require a simple division of roles, but rather accurate and timely sharing of information. Only when information from the executive side is properly conveyed to the Board can the Board's supervision function truly be effective. For that reason, it is essential for internal and outside directors to cultivate relationships where they can exchange frank views on a daily basis, deepen mutual understanding, and build trust.

Mr. Takagi: At the company, pre-Board briefings and off-site meetings give outside directors opportunities to hear directly about business policies and management's thinking. Discussions that reflect the atmosphere on the ground and the voices of those directly involved are highly meaningful in ensuring deeper monitoring.

Mr. Sakakibara: Through repeated dialogue, we gain insight into the thought processes behind management's views and decisions. By understanding that background, we can go beyond superficial checks and offer more accurate and constructive opinions. I feel that this kind of engagement represents the very form of supervision the Board should pursue.

Mr. Takagi: On the other hand, there are occasions when I sense that our discussions are not fully reaching the front lines. If the background or intent of our remarks is not sufficiently shared, misunderstandings or differences in attitude can arise. Careful, ongoing communication is indispensable to prevent such misalignments and remove the invisible barriers between the Board and management execution.

Mr. Sakakibara: It is also an important responsibility for us outside directors to clearly convey to the executive side what we observe and what issues we are conscious of. By ensuring that the Board of Directors and management execution understand each other's positions and move forward in the same direction, we can establish a solid foundation for creating corporate value.

Practicing effectiveness evaluations that listen to all stakeholders and contribute to corporate value enhancement

Mr. Takagi: Two years have passed since Takasago Thermal Engineering's shift to a company with an Audit & Supervisory Committee, and the system in which outside directors serve as chair of the Board of Directors and as chairs of various committees has become well established. Along with this, I feel that the very functions of the Board of Directors have steadily evolved. In our effectiveness evaluations, in addition to confirming the length and frequency of meetings, we have also confirmed that the depth of discussions is increasing. I view this as clear progress toward enhancing corporate value.

Mr. Sakakibara: In the past, Board of Directors meetings mainly focused on approvals and reports related to business execution, but now the emphasis has shifted to fundamental themes such as "how to enhance corporate value." Even for individual agenda items, it has become standard practice to discuss each in light of the underlying management strategies and intentions, and the quality of our discussions has improved significantly.

Mr. Takagi: It is also important not to be overly fixated on the formalities of Board meetings. What a growing company must pursue is not "form," but "substance." Management needs to have the mindset of continually asking whether the business model is truly meeting the needs of society and customers. Outside directors are expected to discern that essence and provide accurate monitoring.

Mr. Sakakibara: In that regard, I feel the company is highly conscious of how to make use of external opinions and incorporate outside expertise. This focus on substance rather than form may well be the foundation of a corporate culture resilient to change.

Mr. Takagi: Going forward, how flexibly a company can respond to market changes will be a key factor in sustaining growth and competitiveness. In the construction industry, sudden shifts in supply and demand are not uncommon, and there is no guarantee that today's corporate value or stock price can be maintained into the future. That is why building organizational resilience to change will be an important theme going forward.

Mr. Sakakibara: Another challenge is whether there is a gap in awareness between management and the front lines. As efforts for future-oriented transformation advance, it is crucial to engage with mid-level managers who are close to the front lines in order to embed the company's values and direction throughout the organization and eliminate gaps in awareness. When these mid-level managers gain a deep understanding of the company's vision, speak about it in their own words, and convey it to the front lines, this will lead to frontline personnel also sharing that vision.

For that to happen, the company must communicate its values clearly and engage in ongoing dialogue.

Mr. Takagi: Evaluating the effectiveness of the Board of Directors cannot be a closed process either. To truly determine whether such efforts are contributing to corporate value enhancement, it is essential to listen sincerely to the voices of stakeholders, including employees and shareholders. By avoiding an inward-looking evaluation and flexibly incorporating external perspectives, we can further enhance the quality of the Board of Directors.

Fostering corporate value together through dialogue with the front lines from the perspective of an outside director

Mr. Takagi: As an outside director, my role is to ensure that management is sincerely focused on creating corporate value and that necessary risk-taking and resource allocation are being carried out appropriately. For example, important criteria for judgment include how investments in human capital and facilities are made, and how challenges for the future are supported. Toward realizing the vision of being an Environment-Creator™, we outside directors also aim to contribute to value creation by leveraging our respective perspectives.

Mr. Sakakibara: I strongly feel that a common mindset among all outside directors is a deep interest in and respect for the company, paired with a willingness to voice candid opinions when necessary. While valuing this stance, we recognize that corporate value is built on accumulated trust, which can be shaken by even minor triggers. Therefore, we are committed to thoroughly upholding fundamentals such as compliance and risk management, approaching our role with a strong determination to protect corporate value.

Mr. Takagi: At the company, rather than being distant observers, outside directors are actively engaged with management. Even casual conversations over lunch after Board meetings or during transit lead to lively exchanges of opinions, and the trust and understanding that emerge from these interactions strengthen the overall capabilities of the Board.

Mr. Sakakibara: Takasago Thermal Engineering has attractive attributes that cannot be measured by numbers alone. The dedicated mindsets of individual employees naturally resonate with us. That is why we feel motivated to support them and why we want to genuinely advance alongside the company from our outside perspective. Corporate value, which cannot be fully captured by tangible metrics, lives in the culture and relationships among people.

Mr. Takagi: At the core of corporate value, I believe there is capital that cannot be measured numerically. Small acts of consideration and empathetic communication shape the overall organizational climate and move people's hearts. It is precisely these invisible forces that form the foundation supporting future value creation. As outside directors, we also hope to be a presence that can support these forces from within.

Atsushi Takagi

Outside Director

After working at Nomura Research Institute, Ltd., Mr. Takagi served as an analyst at Morgan Stanley Japan Ltd. In November 2019, he became Representative Director of Infrastructure Research & Advisors Co., Ltd., and continues in this role. He has served as an outside director of the company since June 2022, and as Chair of the Governance, Nomination and Compensation Committee since June 2023.

Kazuo Sakakibara

Outside Director (Audit & Supervisory Committee member)

After being appointed a public prosecutor, Mr. Sakakibara served as Director of the Trial Division at the Supreme Public Prosecutors Office, Chief Public Prosecutor of the Osaka District Public Prosecutors Office, Superintending Prosecutor of the Fukuoka High Public Prosecutors Office, and Superintending Prosecutor of the Osaka High Public Prosecutors Office. After stepping down from those roles, he registered as an attorney and joined Anderson Mori & Tomotsune Foreign Law Joint Enterprise, a role he continues to hold today. He has served as an outside auditor at the company since June 2022, as an outside director (Audit & Supervisory Committee member) since June 2023, and as Chair of the Audit & Supervisory Committee from June 2025.

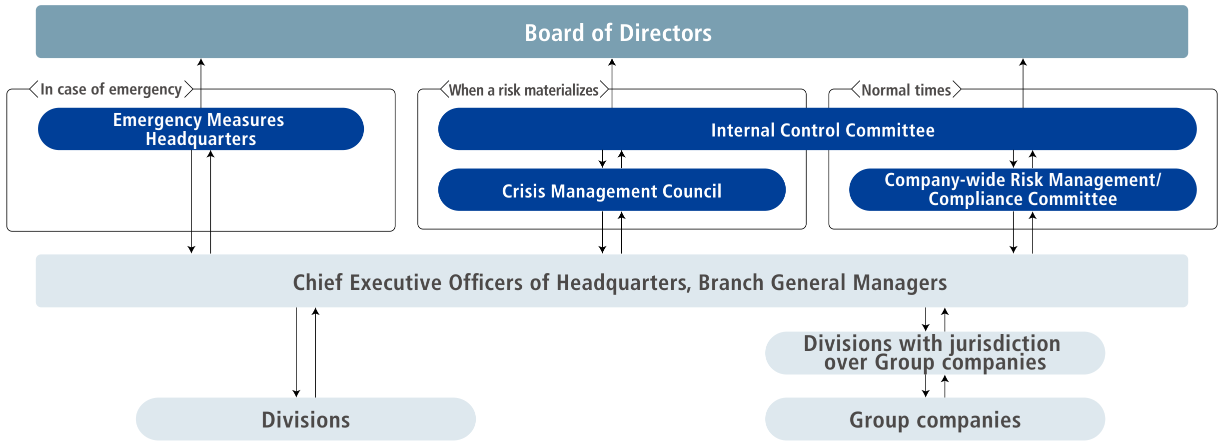
Risk Management

We are committed to measures to prevent management risks from materializing and adequate initial measures and subsequent actions to minimize the impact of crises.

Risk management system

The Takasago Thermal Engineering Group carries out risk management to prevent all risks from materializing and minimize damage in case a risk actually materializes. To prevent risks from materializing, we established the Company-wide Risk Management Committee, which is chaired by the executive in charge of risk management, and in which the President and Representative Director serves as the Chief Officer, in accordance with the Risk Management Regulations. The committee is responsible for the development of the operating policy and plan for the risk management system, the identification of any risks that may have a significant impact on our Group, and the evaluation of the adequacy of measures to address risks. We have developed a system to minimize damage and loss in case a risk materializes to cause a crisis in accordance with the Crisis Management Regulations.

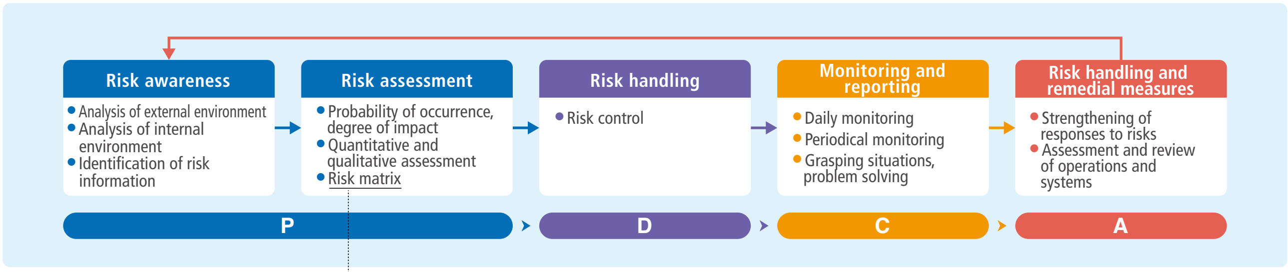
Risk management system

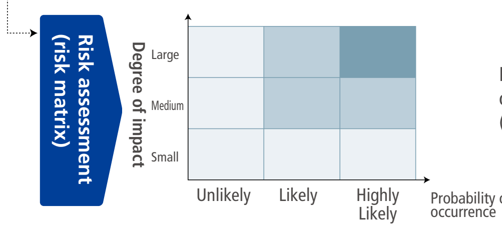


Risk management cycle

In our Group, the Company-wide Risk Management/Compliance Committee is responsible for identifying and assessing risks to determine what risks to prioritize and to make sure that risk awareness is shared on a Group-wide basis. In risk management, we give first priority to the risks that especially have a large impact on business management and can occur with a high probability as focused key risks. By having the Group-wide Risk Management/Compliance Committee, whose sessions take place five times a year, review progress and problems every quarter, we enhance the PDCA cycle that contributes to risk reduction activities.

Risk management cycle





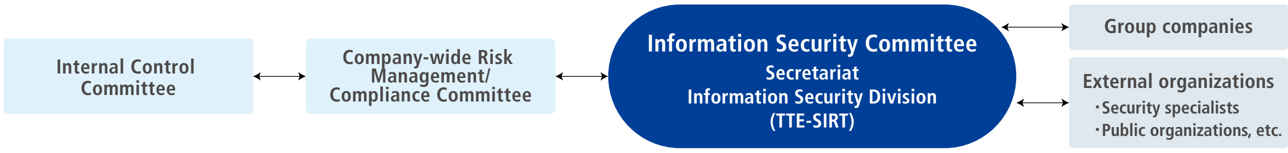
Risks whose impact is large and that are highly likely to occur will be addressed preferentially as priority risks (our Group).

Promotion of information security measures

The Group views information security as an important business issue. To prevent information security accidents such as information leakage surrounding personal information, customers' and partners' confidential information as well as all types of confidential information handled in the process of work, we have the Basic Policy for Information Security in place to maintain and strengthen information security on a Group-wide basis.

Control system

We appoint an executive officer in charge of risk management as the Chief Information Officer responsible for information management across our company and the entire Group. We have also established an Information Security Committee under the Company-wide Risk Management/ Compliance Committee to maintain and strengthen our information security framework.



Education and training

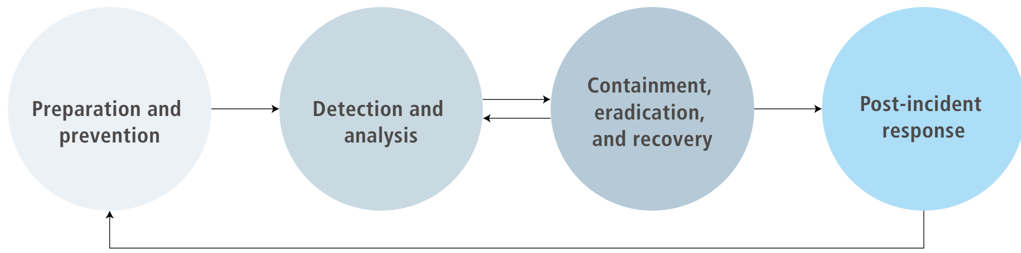
To raise information security awareness, we conduct regular information security education and training.

Education and training	FY2024
New employee training completion rate	100%
E-learning completion rate	100%
Training emails	4,870 people
Other	Dsistribution of pamphlets summarizing key information security points (general/construction site versions)

Information security and cybersecurity risk initiatives

To address the acceleration of the adoption of digital technology and the increase in sophisticated and diverse cyberattacks amid unstable global conditions, we regularly review information security risks and implement initiatives to mitigate these risks.

- Implementation of risk assessment and regular revision of information rules, including rules and regulations
- Technical measures including enhanced authentication, encryption, and malware protection
- Implementation of various monitoring activities using Security Information and Event Management (SIEM)
- Regular inventories of monitoring records and trend analysis
- Collection of threat and vulnerability information as well as implementation of measures in response
- Establishment and operation of Computer Security Incident Response Team (CSIRT) framework



Compliance

We respond to legislation concerning information security at home and abroad, personal information protection, data transfer, among others, and check relevant legislation when needed for appropriate responses and measures.

Business risks and other risks

We have identified the risks below as potentially having significant impacts on the financial conditions, corporate performance, cash flow, etc. of our Group. We will take various measures to address them to reduce the risks.

Business environmental risks (★: priority risks)

Risk item	Assumed impact	Measures to address the risk
Fluctuations in private capital investment	As a result of the suspension, postponement, change, etc. of investment plans of customers, the demand for construction and HVAC systems may fall more than previously estimated.	We will implement comprehensive company-wide measures including the reduction of fixed costs.
Increase in costs and delays in delivery related to procurement of materials and equipment	When material and equipment prices for ducts, piping, heat insulation, refrigerants, and other utility works have sharply risen due to the economic environment but it is difficult to reflect the cost increase on the contract amount, the costs of the construction work may increase more than previously estimated. Construction periods may also be delayed due to longer delivery times.	We will strengthen our procurement function based on the advantage of scale by enhancing the system to control purchases and accelerating the integration of purchases by all offices. We will also address extended delivery periods by proposing to the purchaser to place an order ahead of time or to change the model or system.
Shortage of technical staff and skilled workers	If there is a shortage of technical staff related to construction, we may fail to establish a sufficient construction structure to complete the construction work by the specified construction period and lose the trust of customers as a result.	We will improve productivity through the establishment and use of an outsourcing system, and by streamlining operations and upgrading business processes through the use of DX. We will also secure technical staff through commitment to the recruitment of new workers in contract construction firms and the introduction of the construction career development system promoted by the MLIT.
★ Application of overtime caps	With the start of the application of overtime caps for construction work, a decrease in the total number of hours worked by technical staff and other workers may lead to a reduction in construction capacity.	We will work to improve productivity through means such as transforming the way construction is carried out by shifting from conventional site-by-site "construction management" to platform-based "production management" (T-Base® project).
Overseas business development	We may face various risks in our target countries such as regulations and supervision by authorities including voluntary regulatory bodies, economic and political instability and differences in business practices, as well as intensified competition with competitors that have a competitive edge in a specific country/region or the global market.	We will promote the review of the strategic bases in our international businesses as a whole and implement proper monitoring through the constant exchange of information with overseas Group companies.
Expansion of business fields	In a target market, the technologies we own may not be suitable or we may not be able to achieve the initially anticipated results depending on the speed of the market expansion, the scale of the growth, or difficulty in entering the market.	Through market research on the markets we enter and careful examination of business plans, we will strive to reduce risk and judge whether we need to withdraw from the market or not according to the predetermined criteria.
M&A/Investment	Contingent liabilities may occur or unrecognized liabilities may be found after an acquisition. The possibility to recover invested capital may decline to losing the whole or part of the investment if the revenue cannot be produced as expected due to changes in the business environment, sluggish performance of the invested company, etc.	Before an M&A or investment, we will perform due diligence on details including the financial statements, contractual relationships, and business plans of the target company.
Trends of the financial market / Decrease in the credit strength of our Group	We may fail to raise funds in a timely manner under favorable conditions for our Group, which may constrain the execution of our business.	We will successively communicate and exchange information with financial institutions.
Occurrence of liability for damage or liability for non-conformity	We may be required to pay compensation for damage that is too large to be covered by the umbrella liability insurance carried for unforeseeable circumstances.	To prevent such a situation, we will thoroughly control health and safety through measures such as the provision of instructions on health and safety to sites and the establishment of a proper working environment.
Aging of employees	Decreases in the number of employees are anticipated due to increases in the employees who retire at mandatory retirement age, possibly leading to problems for our future business activities.	We will promote long-term employment by reinforcing the retirement age extension and re-employment systems and increase productivity with labor saving and efficiency improvement through the visualization of techniques by using IoT, etc. We will enhance the use of diverse human resources including overseas personnel.

Risk item	Assumed impact	Measures to address the risk
Appointment of young workers and professional human resources	If we cannot appoint sufficient young workers and professional human resources, it may create problems for the continuity of our business activities.	We will visit universities, etc. in Japan actively, organize recruitment workshops, and conduct an internship program while also increasing professional human resources by employing mid-career workers.
Absence or infringement of patents	The technologies, etc. used in our Group are not protected if we fail to acquire their patent rights and other intellectual property rights. In the meantime, in case we unintentionally infringe any patent rights and other intellectual property rights of others, we may be required to pay compensation for damage.	We will establish a system to thoroughly investigate infringed patents and constantly share information among all departments.
Asset holding	Marketable stocks, etc. involve the risk of price fluctuations. We may suffer an impairment loss due to a significant decline in market prices and post it as an extraordinary loss.	While paying attention to the economic trends, we will consider options, including the sale of the assets we own, to reduce the risk of a decrease in the value of the assets.
Fluctuations in the exchange rate	The financial results, assets, and liabilities of overseas affiliates can be affected by fluctuations in the exchange rate because those figures are converted from the local currency to yen for the preparation of consolidated financial statements.	When conducting a transaction in a foreign currency, we will try to reduce the risk of fluctuations in the exchange rate with foreign exchange reserves and other actions while paying attention to the economic trends.
★ Possession of personal information and confidential information of customers	In case of external leakage, abuse, etc. of information with illegal access, etc., we may be involved in a legal dispute and subject to punishment from supervisory authorities in Japan and overseas.	We will take measures to address cyber-attacks and strengthen IT governance. To enhance our approaches to incidents, we aim to construct a Computer Security Incident Response Team (CSIRT) system while giving relevant training to enhance the information literacy of employees.
Application of legal regulations, etc.	The operation of our Group may be subject to new constraints due to the establishment or revision of legal regulations, withdrawal of approval/license or punishment by supervisory authorities, the establishment or revision of new guidelines or voluntary rules, etc.	We will promote cross-sectoral initiatives for compliance in the Group and report the status of the initiatives to the Company-wide Risk Management Committee, the Internal Control Committee, and the Board of Directors to ensure proper execution of duties while also conducting internal audits to reinforce the compliance system.
Lawsuits, etc.	Our Group may face lawsuits and other claims concerning various issues including the environment, labor and intellectual property rights.	We will try to prevent incidents through the establishment of a crisis management to prepare for emergencies as well as the activities of the Crisis Management Council, while also cooperating with our legal advisors, etc. as needed.
Human rights violations	Insufficient efforts regarding human rights may result in suspension of transactions, claims for damages, and other issues.	We have formulated our Basic Policy on Human Rights, and will establish a human rights due diligence system to prevent or mitigate the risk of human rights violations.
Natural disasters	The occurrence of large-scale natural disasters, such as earthquakes, typhoons and tsunamis, and pandemics of infectious diseases might result in a suspension or significant delay of construction works as well as a decline in the demand for construction due to the slowdown of economic activities in society as a whole.	We will work to improve the accuracy of business continuity planning (BCP) and develop measures to address emergencies.
Climate change	Delays or lack of response to climate change may lead to a reduction in business activities due to a decline in reputation among employees, investors, customers, business partners, and other stakeholders, and a corresponding decline in corporate value.	In order to handle the transition to a decarbonized society, the Sustainability Promotion Committee has been established to constantly monitor changing conditions, review environmental targets, and put in place a system to prevent and promptly address risks before they materialize.

Supply of Quality That Generates Satisfaction and Trust

To ensure that our sites can constantly achieve the aggressive target of "the creation of the best product quality," we are committed to initiatives from multidimensional viewpoints.

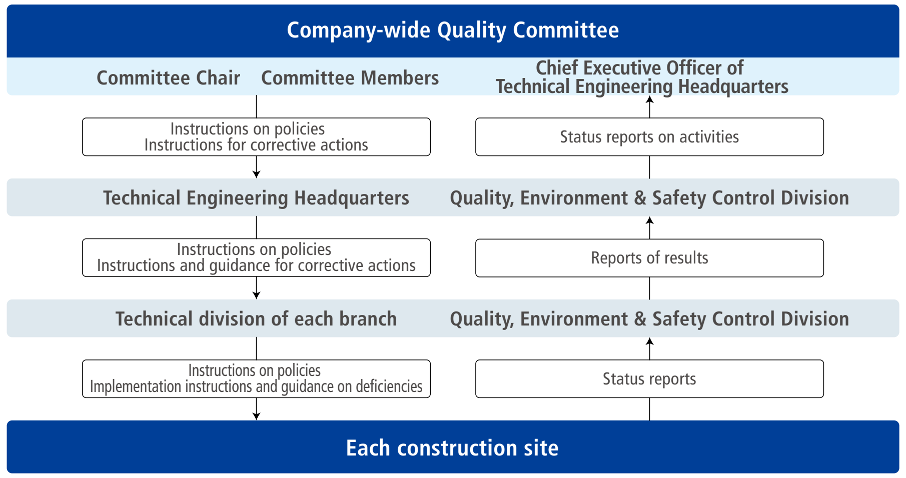
What is the best product quality?

To provide value to customers and get them to realize the value, it is important to consider that customers can realize the value only when they make full use of the goods. Therefore, quality assurance cannot be completed without taking how customers use the goods into consideration. Our organization also has to establish a quality assurance system that not only meets the performance and service specifications required by customers, but also includes the process until customers can realize the value through the provided performance and services. We aim for an ideal quality assurance system where quality is based on the perspective of ensuring that customers can realize the value at the highest level, in addition to the performance of the goods.

Quality Management Policy

Quality control system

Based on the quality management system certification (ISO 9001:2015) obtained, we will improve ourselves continuously so that we can offer quality goods and services to customers as soon as possible. We will also proactively offer proposals concerning CO_2 reduction or energy-saving systems and their operation to create new added value in customers' facilities.



Basic concept for occupational health and safety

Under our established health and safety philosophy, which states that "safety is the top priority in carrying out all business tasks," we strive for health and safety activities on construction sites based on the following basic approach: "The employees working for Takasago Thermal Engineering and their families must never suffer from accidents at construction sites."

Furthermore, our President conducts on-site safety patrols during National Safety Week.

Health and Safety Policy


On-site safety patrol by our President

Cooperation with partner companies

Kowakai was organized to enhance cooperation with our partner companies working together on the construction sites. It consists of the headquarters and branches. The health and safety cooperation committee established in each of them is committed to the communication of information on health and safety technologies, PR activities, and thorough dissemination of relevant laws. The branches implement activities to improve health and safety including the Branch Office Health and Safety Convention.

Kowakai also operates an online system for safety improvement, TKCS-s (Takasago Kowakai Communication Systems-safety), to share safety information.

Analysis and identification of risks and measures to address them

We see the elimination of three accidents leading to serious accidents in recent years as a priority, coming up with actions to prevent them. To take accident-preventing action based on the above policies, we compile concrete activities to pursue in the Health and Safety Activities Policy, which we issue early in each term, to disseminate this information to all technical staff and partner companies. In addition, we include risk assessment in the safety and health management, urging each construction site to focus on prevention of risks and measures against them.

In addition, by actively leveraging digital transformation such as holding various meetings remotely, we promptly share information as widely as possible in an effort to raise employee and partner-company awareness of health and safety activities as well as their risk management level.

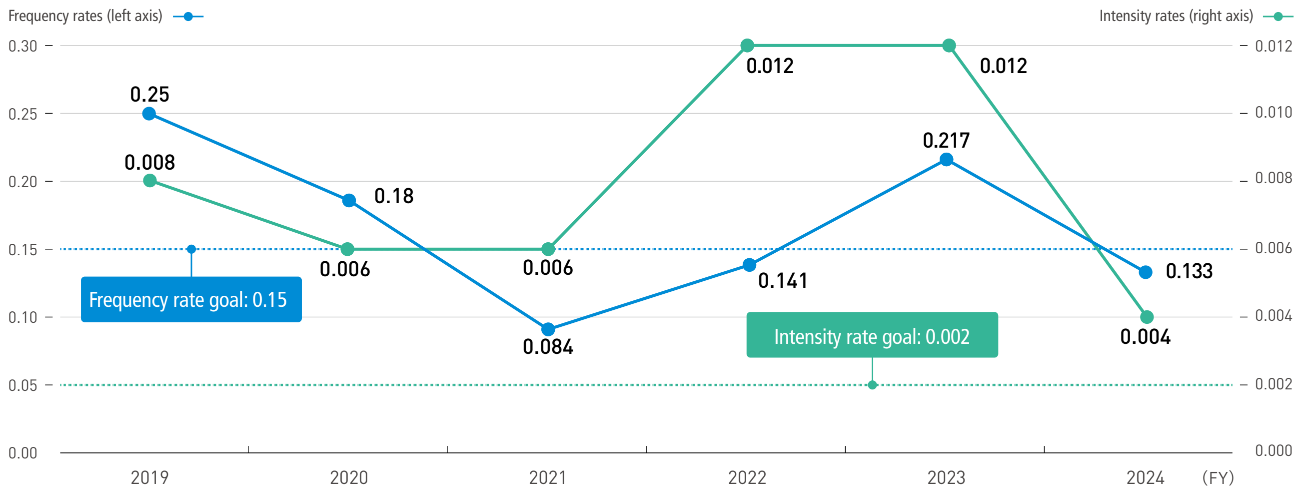
Safety records by year and pursuit of the elimination of accidents

In FY2024, 35 occupational accidents (three lost-time injuries requiring four or more days off work and 32 non-lost-time injuries) occurred. As a result, although we achieved our safety target for frequency rate, we did not achieve our target for intensity rate.

When it comes to the accidents leading to injuries requiring at least four days off in particular, we will incorporate recurrence prevention measures in the Safety and Health Activities Policy after a thorough analysis of causes to promote zero accidents.


Company-wide Safety and Health Conference

Safety performance trends/frequency and intensity rates for the past 6 years



Compliance

Based on our belief that establishing compliance is the basis for strengthening our corporate governance, we continuously strive to provide information on compliance to everyone in an effort to raise awareness and conduct related activities on a daily basis.

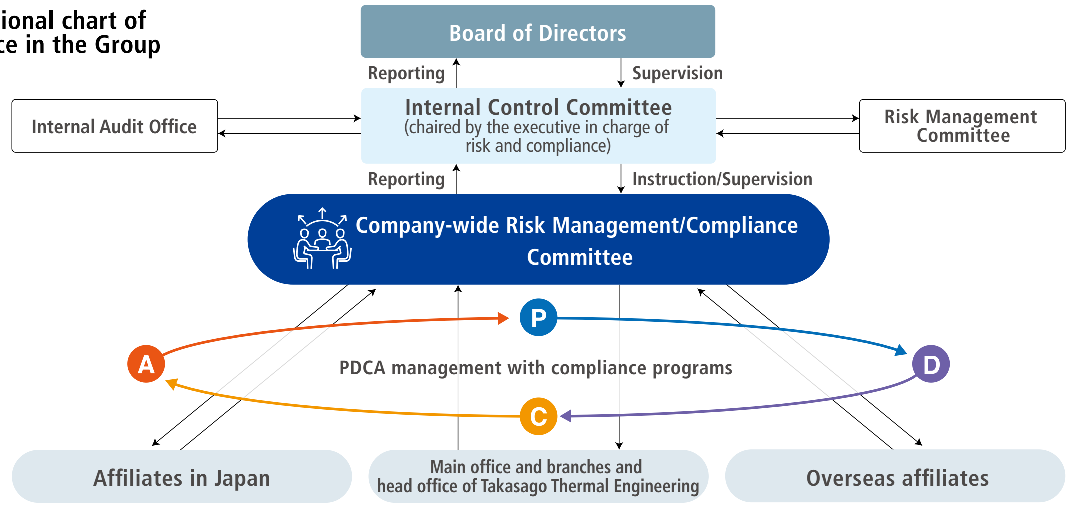
Compliance promotion system

We have set up the Company-wide Risk Management/Compliance Committee chaired by the executive in charge of compliance who oversees risk management in the Takasago Thermal Engineering Group as a whole. This committee takes various measures based on the basic policy on compliance. The Compliance Office, which is a dedicated section, is committed to establishing the compliance system and promoting measures for it including the transmission of compliance-related information to executives and employees and raising awareness of the consultation and reporting channels.

We incorporate compliance with competition laws, a major compliance subject, into our compliance programs, and we work to promote compliance through shared recognition of problems as well as the confirmation of progress on measures and the examination of cooperation and coordination between departments by the Company-wide Risk Management/Compliance Committee.

An executive in charge of compliance and staff in charge of compliance are appointed in each of our affiliates in Japan and overseas to enhance coordination with us and continuously develop the Group-wide system.

Organizational chart of compliance in the Group



Continuous activities to promote compliance

Awareness-raising activities with the Group Corporate Code of Ethics and various tools

We have established the Group Action Guidelines as the basic action guide for executives and employees and digitized the "Group Corporate Code of Ethics" for Group executives and employees to use for daily duties, in-house training, and other purposes.

In addition, we organize various training programs on compliance for not only employees but also partner companies and periodically prepare and distribute compliance-related materials useful for training and self-study at various workplaces. The content of these training programs and compliance-related materials is designed to deepen understanding of compliance by reflecting topics of social interest and questions raised by Takasago employees.

Compliance awareness survey

We conduct a compliance awareness survey once a year to grasp yearly changes and any new trends in the awareness of compliance among employees.

The objective of this survey is to gain an understanding of problems and resolve them as soon as possible. We guarantee the anonymity of our employees to enable them to respond without worry, and the survey questions cover topics that include the existence of harassment and other problematic behavior, relationships with suppliers, employee awareness of ordering, and the in-house situation.

We also revise the questions every year based on recent trends as well as responses from the previous fiscal year in order to gain a more accurate understanding of the situation and take concrete measures to address issues.

The survey results are disclosed to all employees and used for compliance training and other purposes in each department. The analysis of the answers is reported to various committees to share the problems and help develop action policies and measures for improvement.

Maintenance of proper relationships with customers (commitment to the prevention of bribery)

To maintain proper relationships with customers, we have prohibited excessive business entertainment, the offering of bribes to government workers, etc., and the commercial bribery of private customers in the Group Corporate Code of Ethics.

In addition, in consideration of the current international situation and other factors, we conduct regular monitoring and timely reviews of our rules regarding the prevention of bribery and related rules to ensure they are adapted to the latest laws, cultures, and business practices of various countries and remain effective in preventing bribery.

Measures to comply with competition laws

For thorough compliance with the Anti-Monopoly Act and other competition-related laws, we have specified and practiced measures for each of the stages from "prevention" to "detection and early discovery," "response to the occurrence or suspicion of a violation," and "measures to prevent any violations from being forgotten or the rules from losing substance."

We rigorously ensure compliance with competition-related laws, including the Anti-Monopoly Act, and continue to strive to create an environment in which all employees can continuously carry out sound business operations in the market.

❶Prevention	• Clarification of rules with the Basic Rules on Compliance with Competition Law and the Guidelines on Compliance with Competition Law as well as periodical review of them • Enhancement and improvement of training for compliance with competition laws
❷Detection and early discovery	• Checking and storage of records on contact with companies in the same industry • Voluntary inspection by sales sections and management sections • Internal audits or monitoring by legal sections
❸Response to the occurrence or suspicion of a violation	• Establishment of procedures to prevent violations • Development of an in-house investigation system
❹Measures to prevent any violations from being forgotten or the rules from losing substance	• Periodical review and implementation of training in the "Compliance Month" • Report of the status of management and operation of the Competition Law Compliance Program to the Internal Control Committee and the Board of Directors

Whistle-blower system that guarantees independence and anonymity

In addition to the consulting counters within the company, we have established a wide range of reporting channels independent from the chain of command and order in business operations, including external services by a law firm that eliminates conflicts of interest separate from the legal counsel. We also enacted and implement the Rules on the Protection of Whistle-blowers in the Group, which ensures independence and anonymity. Alongside measures to protect whistle-blowers, we encourage the active use of reporting channels.

In FY2024, we received a total of 26 reports through this system, including reports on harassment and opinions to the company.

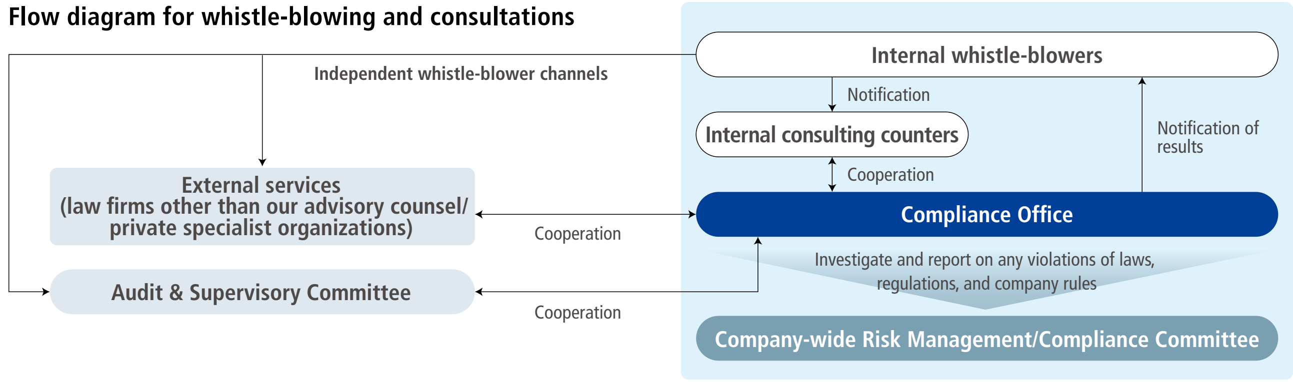
The reports are passed to the Company-wide Risk Management / Compliance Committee and the Internal Control Committee, while the protection of the whistle-blowers is ensured, to identify and remedy problems early. The content of the reports is also reflected in the subjects selected for compliance training and other efforts to maintain and build appropriate systems.

For overseas bases, reporting channels are established in accordance with the laws and languages of the respective countries or regions, and the internal whistle-blower system is thoroughly communicated to employees.

Number of reports made in the whistle-blower system by category

Category	FY2022	FY2023	FY2024
Harassment	4	7	14
Company and supervisor response	5	4	7
Labor management, etc.	0	0	0
Other	1	3	5
Total number of reports	10	14	26

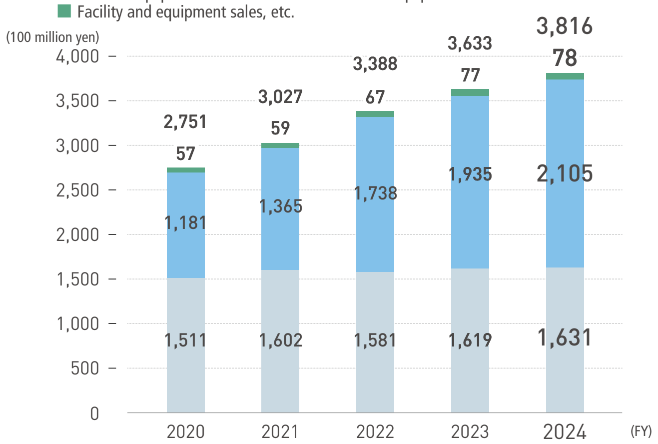
Flow diagram for whistle-blowing and consultations



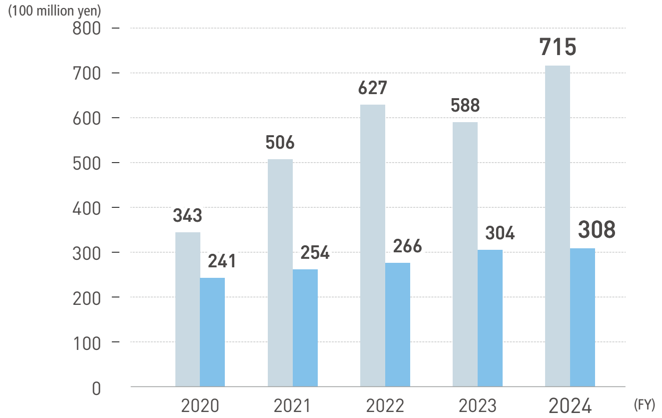
Financial and Non-Financial Performance

Financial performance *Figures are rounded down to the nearest unit.

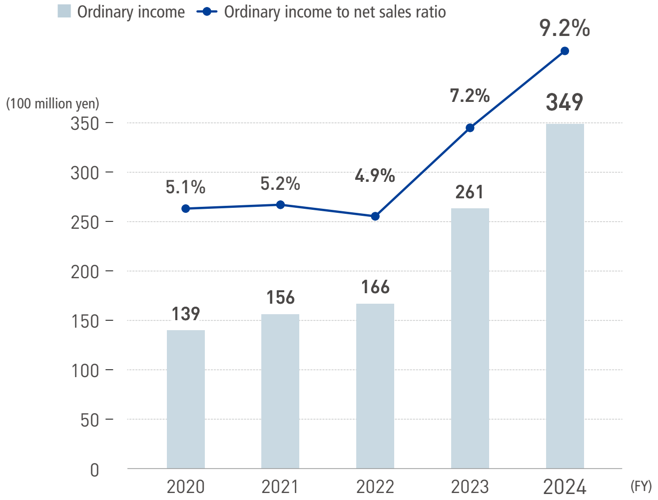
Net sales



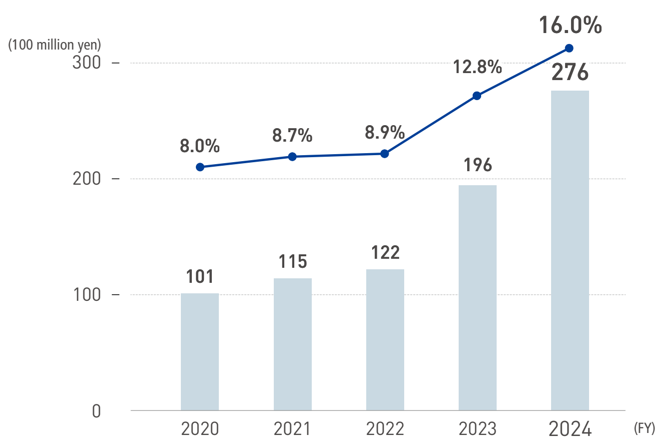
Overseas sales and maintenance sales



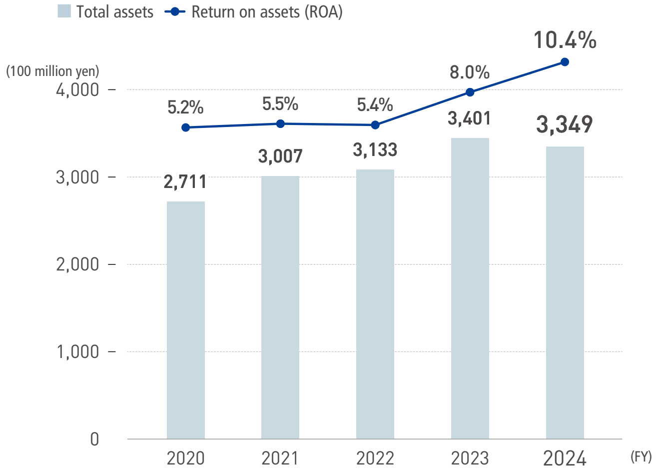
Ordinary income and ordinary income to net sales ratio



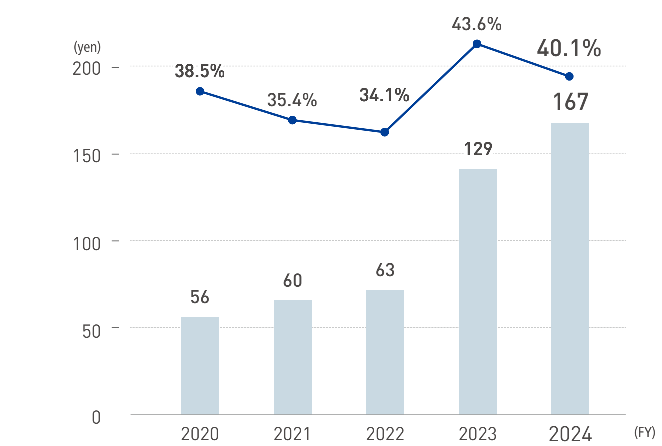
Net income attributable to parent company's shareholders and return on equity (ROE)



Total assets and return on assets (ROA)



Annual dividend per share and payout ratio



Non-financial performance *Figures are rounded down to the nearest unit.

CO_2 emissions and reduction rate (Targets for applying for SBT and results in FY2024)

	Results in 2019 ($t\text{-}CO_2$)	Annual reduction rate	Results in 2024 ($t\text{-}CO_2$)	From the 2019 level	Targets for 2030 ($t\text{-}CO_2$)	From the 2019 level
Scope 1	4,794	(4.2%)	3,926	(24.4%)	2,579	(46.2%)
Scope 2	7,167		5,105		3,853	
Scope 3	6,129,555	(2.5%)	6,064,153	(1.0%)	4,443,928	(27.5%)

*The emissions and reduction targets mentioned above are on a consolidated basis (Takasago Thermal Engineering Group).

Engagement of employees (work style reform, work-life balance, and health and productivity management are on a non-consolidated basis, FY2024 results)

Number of employees

Non-consolidated	2,365
Consolidated	5,858

Work style reform

Total annual working hours per person (Unit: hours)	2,074.0

Work-life balance

Percentage of annual paid holidays taken		71.8%
Number of persons who took childcare leave	Total	77
	Women	17
	Men	60*
Rate of return to work after childcare leave		100%

*Among them, 14 people took leave of one week or less.

Health and productivity management

Percentage of those who had a health checkup	100%
Comprehensive health risk*1	85

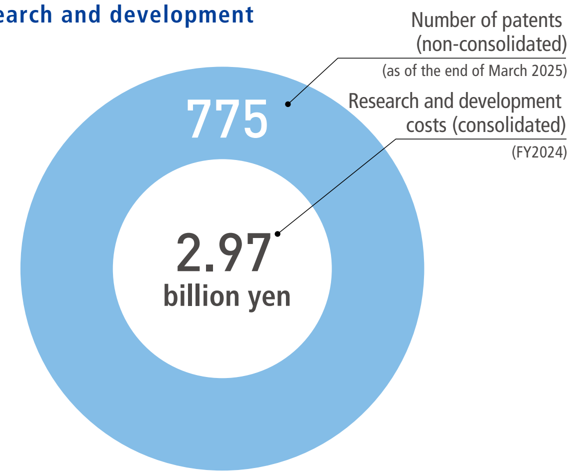
Diversity

Number*2 and ratio of female employees (excluding fixed-term employees)	461 (20.7%)
Number and ratio of newly employed female employees	42 (31.3%)
Number and ratio of female employees who are candidates for managers*3	37 (9.3%)
Number of managers appointed from among local staff	370
Employment rate of people with disabilities	2.33%

As of the end of March 2025

*1 The comprehensive health risk is calculated by Hokendohjin-Frontier Inc., a company that implements stress checks. The average is 100 and a lower value indicates that the risk is lower.
*2 On a non-consolidated basis, except for the number of managers appointed from among local staff
*3 Ratio of deputy managers to all non-consolidated employees

Research and development



Evaluations by external organizations (as of September 30, 2025)

- Long-term issuer rating ········· A (JCR)
- Bond rating ······················ A (JCR)
- ESG ····························· AAA (MSCI)
  ····························· 2.8 (FTSE)
  ····························· A (CDP)

FTSE Blossom Japan Sector Relative Index

2025 Sompo Sustainability Index

Financial Data

*Rounded down to the nearest million yen

Financial data (consolidated)	Unit	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 (FY)
Business results											
Orders received	million yen	265,301	273,464	288,646	333,887	297,883	287,501	340,184	372,774	403,110	**416,147**
Net sales	million yen	251,291	260,204	289,933	319,834	320,893	275,181	302,746	338,831	363,366	**381,661**
Gross profit	million yen	29,526	34,082	39,550	41,877	43,376	36,845	41,396	46,363	59,947	**71,646**
Selling, general and administrative expenses	million yen	20,237	21,699	23,187	24,657	25,476	24,545	27,012	31,036	35,755	**39,231**
Operating income	million yen	9,289	12,383	16,362	17,219	17,900	12,300	14,383	15,326	24,192	**32,415**
Ordinary income	million yen	10,602	13,427	17,461	18,359	19,286	13,902	15,639	16,685	26,150	**34,970**
Net income attributable to parent company's shareholders	million yen	6,650	8,665	11,804	12,609	13,231	10,116	11,535	12,227	19,612	**27,631**
Net income per share	yen	89.40	117.83	160.41	173.29	186.49	145.56	169.38	184.69	295.68	**416.15**
Rate of return on equity	%	6.4	8.2	10.3	10.4	10.8	8.0	8.7	8.9	12.8	**16.0**
Ratio of ordinary income to total assets	%	4.7	5.9	7.0	6.8	7.1	5.2	5.5	5.4	8.0	**10.4**
Gross profit margin	%	11.8	13.1	13.6	13.1	13.5	13.4	13.7	13.7	16.5	**18.8**
Selling, general and administrative expenses ratio	%	8.1	8.3	8.0	7.7	7.9	8.9	8.9	9.2	9.8	**10.3**
Ratio of operating income to net sales	%	3.7	4.8	5.6	5.4	5.6	4.5	4.8	4.5	6.7	**8.5**
Debt equity ratio	times	0.09	0.05	0.14	0.14	0.18	0.23	0.24	0.21	0.24	**0.21**
R&D expenses	million yen	918	903	1,064	945	1,357	888	1,133	2,621	2,746	**2,971**
Capital investment	million yen	2,325	862	3,303	3,962	12,669	4,422	2,552	5,430	3,494	**4,347**
Depreciation and amortization	million yen	840	776	730	824	1,299	1,537	1,739	2,278	2,505	**3,074**
Net sales of general air conditioning equipment	million yen	157,511	162,818	181,341	194,658	188,968	151,115	160,202	158,194	161,961	**163,170**
Net sales of industrial air conditioning equipment	million yen	86,350	88,664	101,373	118,305	125,183	118,137	136,503	173,822	193,532	**210,512**
Manufacturing and sales of facilities and equipment	million yen	7,291	8,572	7,068	6,713	6,588	5,796	5,953	6,722	7,782	**7,859**
Other	million yen	138	148	149	156	153	132	86	91	90	**119**
Overseas	million yen	28,553	33,824	47,343	47,360	47,749	34,311	50,631	62,707	58,850	**71,579**
Maintenance	million yen	20,586	21,739	22,856	23,632	25,056	24,194	25,446	26,653	30,466	**30,818**
Financial positions											
Total assets	million yen	223,267	233,426	264,062	279,743	265,649	271,146	300,736	313,391	340,106	**334,949**
Net assets	million yen	104,613	111,574	124,484	126,208	125,861	135,849	136,897	147,165	167,231	**184,283**
Interest-bearing debt	million yen	9,435	5,527	16,277	17,402	21,733	29,933	33,058	29,815	39,133	**37,737**
Net assets per share	yen	1,392.30	1,487.29	1,637.63	1,704.31	1,757.68	1,907.64	2,009.35	2,151.02	2,476.38	**2,720.64**
Shareholder's equity	million yen	102,325	109,382	120,546	122,060	122,091	132,135	132,897	142,470	164,355	**180,667**
Equity ratio	%	45.8	46.9	45.7	43.6	46.0	48.7	44.2	45.5	48.3	**53.9**
Cash flows											
Cash flows from operating activities	million yen	(1,272)	23,528	6,170	14,892	(6,369)	22,568	1,186	25,826	(13,100)	**5,885**
Cash flows from investing activities	million yen	(5,398)	2,329	(5,685)	(6,069)	(8,187)	(324)	1,042	(5,427)	(8,103)	**(1,405)**
Cash flows from financing activities	million yen	(2,215)	(6,079)	7,107	(7,928)	(4,199)	3,642	(8,007)	(8,325)	(491)	**(12,713)**
Dividends											
Dividends per share	yen	28	36	50	52	56	56	60	63	129	**167**
Payout ratio	%	31.3	30.6	31.2	30.0	30.0	38.5	35.4	34.1	43.6	**40.1**
Ratio of dividends to net assets	%	2.0	2.5	3.2	3.1	3.2	3.1	3.1	3.0	5.6	**6.4**
Number of employees											
Number of employees*	persons	4,576	4,831	5,714	5,912	5,899	5,890	6,018	5,885	5,606	**5,858**
Non-consolidated	persons	1,885	1,950	2,025	2,051	2,064	2,116	2,131	2,166	2,230	**2,365**
Consolidated subsidiaries in Japan	persons	1,999	2,040	2,120	2,218	2,201	2,182	2,198	2,058	1,612	**1,602**
Overseas consolidated subsidiaries	persons	692	841	1,569	1,643	1,634	1,592	1,689	1,661	1,764	**1,891**

*Number of employees is the number of people employed and includes part-time employees, etc. contracted for one year or more as well as executive officers

ESG Data

E Environment

Item	Unit	2020	2021	2022	2023	2024 (FY)
Greenhouse gas						
Greenhouse gas (consolidated) (GHG) emissions (Scopes 1 + 2 + 3)	t-CO_2	4,925,357	5,815,032	6,304,982	7,018,019	**6,073,185**
Scope 1	t-CO_2	3,491	4,453	5,491	4,689	**3,926**
Scope 2	t-CO_2	5,677	6,101	5,236	5,801	**5,105**
Scope 3	t-CO_2	4,916,189	5,804,478	6,294,255	7,007,529	**6,064,153**
Greenhouse gas (non-consolidated) (GHG) emissions (Scopes 1 + 2 + 3)	t-CO_2	3,902,515	4,562,037	4,758,483	4,897,889	**4,651,506**
Scope 1	t-CO_2	2,183	2,334	2,801	2,564	**1,755**
Scope 2	t-CO_2	3,202	2,739	2,494	2,775	**2,258**
Scope 3	t-CO_2	3,897,130	4,556,964	4,753,188	4,892,550	**4,647,493**
Waste						
Total amount of industrial waste discharged	t	20,213	20,790	16,667	19,649	**15,582**
Final disposal volume	t	2,797	2,900	2,128	1,933	**1,782**
Amount of waste recycled	t	17,416	17,890	14,539	17,716	**13,800**
Recycling rate	%	86	86	87	90	**89**
Water resources and contribution to water resource conservation through proprietary technologies						
Amount of water resources input	m^3	24,181	32,484	42,283	128,193	**41,834**
Number of sites with flushing water purification units (reduction of environmental impact from wastewater at production sites)	number	56	52	42	60	**36**
Other						
Green procurement at offices	%	100	100	100	100	**100**
Percentage of main offices and branch offices with lights off during lunch breaks	%	100	100	100	100	**100**

S Society

Item	Unit	2020	2021	2022	2023	2024 (FY)
Promotion of diversity (non-consolidated)						
Number of employees	persons	2,116	2,131	2,166	2,230	**2,365**
Employment rate of people with disabilities	%	2.48	2.57	2.62	2.50	**2.33**
Ratio of female employees	%	14.6	17.3	18.2	19.4	**20.7**
Ratio of female managers	%	1.5	1.6	1.9	2.3	**2.8**
Ratio of female manager candidates (ratio of deputy managers to employees)	%	4.2	5.5	6.3	7.5	**9.3**
Average number of years worked — Men	years	15.5	16.4	16.4	16.4	**16.1**
Average number of years worked — Women	years	12.6	12.3	11.8	11.5	**10.8**
Turnover rate (turnover rate within three years of joining)	%	12.5	6.5	11.5	7.1	**13.3**
Percentage of male employees who took childcare leave*	%	27.7	21.5	85.1	98.1	**96.8**
Ratio of mid-career professional hires	%	9.1	8.9	16.5	16.9	**20.3**
Ratio of foreign national employees	%	3.0	3.0	3.5	4.4	**4.3**

*FY2021 and before: Percentage of males who took at least one day of childcare leave; FY2022 and after: Percentage of males who took at least one day of childcare leave or leave for childcare purposes

Item	Unit	2020	2021	2022	2023	2024 (FY)
Employee training *Calculated from training held by Takasago Academy (excluding training held by the headquarters, main office, and branches)						
Total training cost	million yen	108	92	160	236	**343**
Total training time	hours	76,023	85,528	119,200	103,341	**219,346**
Training cost per person	ten-thousand yen	5.1	4.3	7.4	10.5	**142.0**
Training time per person	hours	35.9	40.1	55.0	46.3	**92.7**
Health and productivity management						
Percentage of employees who received health checkups	%	100	100	100	100	**100**
Comprehensive health risk	—	90	93	92	89	**85**
Productivity loss due to presenteeism	million yen	(1,756)	(1,985)	(2,035)	(1,887)	**(1,924)**
Percentage of employees who received stress checks	%	—	—	98.2	99.2	**98.8**
Occupational safety and health						
Frequency rate — Goal		0.15	0.15	0.15	0.15	**0.15**
Frequency rate — Actual result		0.18	0.084	0.141	0.217	**0.133**
Intensity ratio — Goal		0.002	0.002	0.002	0.002	**0.002**
Intensity ratio — Actual result		0.006	0.006	0.012	0.012	**0.004**
Social harmony						
Contributions to NGOs and NPOs Amount invested in communities	million yen	58	44	40	38	**57**
Number of Kowakai member companies	companies	1,830	1,950	2,080	2,120	**2,072**

G Governance

Item	Unit	2020	2021	2022	2023	2024 (FY)
Compliance and risk management						
Number of employees disciplined or terminated due to corruption, bribery, etc.	persons	0	0	0	0	**0**
Cost of fines and settlements due to corruption, bribery, etc.	million yen	0	0	0	0	**0**
Number of compliance (whistle-blower) reports*	number	8	9	17	19	**31**
Compliance seminars, e-learning, and awareness surveys	number of times held	3	3	3	5	**8**

*Number of reports includes number of consultations

Item	Unit	2020	2021	2022	2023	2024 (FY)
Governance						
Number of directors (after the Ordinary General Meeting of Shareholders)*	persons	11	10	11	12	**12**
Number of outside directors (after the Ordinary General Meeting of Shareholders)	persons	4	5	6	7	**7**
Ratio of outside directors	%	36.4	50.0	54.5	58.3	**58.3**
Number of issues of cross-held shares	issues	105	102	92	89	**84**
Number of cross-held shares	thousand stocks	17,357	16,252	15,295	14,439	**14,146**
Total sum posted on the balance sheet of cross-held shares	million yen	29,879	26,929	27,031	34,164	**30,442**

*In June 2023, we transitioned to a company with Audit & Supervisory Committee. This includes four directors who are Audit & Supervisory Committee members.

Corporate Overview (As of March 31, 2025)

Corporate Overview

Company name	Takasago Thermal Engineering Co., Ltd.	Listed	On the Tokyo Stock Exchange Prime Market
		Address	6-27-30 Shinjuku, Shinjuku-ku, Tokyo, 160-0022
Established	November 16, 1923	TEL	+81-3-6369-8212
Number of employees	2,365 (consolidated: 5,858)	FAX	+81-3-6369-9103
Capital	13,134 million yen		
Financial closing	March		

Business description

- Air conditioning systems
- Clean rooms and associated equipment and devices
- District heating and cooling facilities
- Plumbing and sanitary systems
- Co-generation systems
- Electrical, instrumentation, and communication systems
- Equipment diagnosis
- Failure diagnosis systems
- Dehumidifying/drying systems
- HVAC systems for nuclear energy facilities
- High-precision HVAC systems
- Waste vacuum transfer systems
- Construction work
- Exhaust heat recovery systems
- Heating/cooling systems
- Refrigerating/freezing systems
- Design, construction, production, installation, and maintenance of other environmental control and thermal engineering systems
- Design, manufacture, import, export, sale, and mediation of machinery, equipment, and materials
- Consulting services concerning energy saving and environmental measures
- Business related to greenhouse gas emissions trading
- Purchasing, sale, brokerage, leasing, and management of real estate
- Worker dispatch business
- Security business
- Cleaning business
- Energy supply business
- Power generation business
- Water treatment business

License under the provisions of Article 3, paragraph (1) of the Construction Business Act

Special construction business

- **License No.:**
  (TOKU-2) No. 5708 issued by the Minister of Land, Infrastructure, Transport and Tourism
- **License date:**
  December 4, 2020
- **Duration of license validity:**
  From December 4, 2020, to December 3, 2025
- **Licensed fields of construction:**
  Plumbing, machine and equipment installation, electrical work, telecommunications work, and general construction work

Ordinary construction business

- **License No.:**
  (HAN-2) No. 5708 issued by the Minister of Land, Infrastructure, Transport and Tourism
- **License date:**
  December 4, 2020
- **Duration of license validity:**
  From December 4, 2020, to December 3, 2025
- **Licensed fields of construction:**
  Fire protection facility construction work

Major bases

Major bases in Japan

8 Group companies in Japan

Non-asterisked: Subsidiaries
Asterisked: Affiliated companies

- TMES Corporation
- NIPPON PMAC Co., Ltd.
- Hucoss Co., Ltd.
- Kazusa Environmental Research Center Co., Ltd.
- Ishikari Atsuta Green Energy Co., Ltd.
- Nihon Setsubi Kogyo Co., Ltd.*
- Tomakomai District Heating Co., Ltd.*
- MT Green Energy LLC.*

9 overseas Group companies

- Takasago Constructors and Engineers (China) Co., Ltd. (China)
- Takasago Singapore Pte. Ltd. (Singapore)
- Thai Takasago Co., Ltd. (Thailand)
- T.T.E. Engineering (Malaysia) Sdn. Bhd. (Malaysia)
- Takasago Thermal Engineering (Hong Kong) Co., Ltd. (Hong Kong)
- Takasago Vietnam Co., Ltd. (Vietnam)
- PT. Takasago Thermal Engineering (Indonesia)
- Takasago Engineering Mexico, S.A. de C.V. (Mexico)
- Integrated Cleanroom Technologies Pvt. Ltd. (India)

*Myanmar Branch Office of Takasago Thermal Engineering has been established in Myanmar.

Corporate Overview

Organization chart (as of April 3, 2025)

- General Meeting of Shareholders
- Board of Directors
  - Governance, Nomination and Compensation Committee
  - Audit & Supervisory Committee
    - Audit & Supervisory Committee Office
- President
  - Internal Audit Office
  - Corporate Planning Division
    - President's Office
  - Human Resources Development Division
    - Takasago Shin-Academy
      - International Human Capital Development Office
    - Health Care Management Office
  - General Affairs Division
  - Legal Division
    - Compliance Office
  - Risk Management Division
  - Information Systems Division
  - Information Security Division
  - Finance & Investor Relations Department
    - Accounting & Finance Division
    - Corporate Analysis Office
    - Corporate Communication Office
  - Sales & Marketing Headquarters
    - Sales & Marketing Management Division
      - Sales Management Office
      - Sales & Marketing Management Office
      - Environment Sales Promotion Office
  - Technical Engineering Headquarters
    - Engineering & Technology Management Department
      - Takasago Technical School
    - Quality, Environment & Safety Control Division
    - Process Management Section
    - Takasago First Class Architect Office
    - Design Management Division
    - Customer Center
    - System Technology Management Department
      - BIM Management Office
      - Electrical Instrumentation Division
  - Research and Development Headquarters
    - Planning Management Division
      - Planning Management Office
      - Intellectual Property Management Office
      - Research Strategy Office
    - Research & Development Center
      - HVAC and Environment R&D Office
      - Thermal and Energy R&D Office
      - Information and Numerical Analysis R&D Office
    - Carbon Neutral Business Development Division
      - Carbon Neutral Sales Promotion Office
      - Carbon Neutral Design Office
      - Carbon Neutral Business Promotion Office
      - Hydrogen Technology Development Office
  - Tokyo Main Office
  - Yokohama Branch
  - Kanto-Koshinetsu Branch
  - Tohoku Branch
  - Sapporo Branch
  - Kansai Branch
  - Nagoya Branch
  - Kyushu Branch
  - Chushikoku Branch
  - Engineering Department
  - International Business Headquarters
  - Japanese Group Companies Management Division
    - Property Development Management Division
    - Environmental Solutions Management Office
    - Preparatory Office for Construction of New Base for Environmental Equipment Domain

Stock information

Major shareholders

(top 10)
(as of March 31, 2025)

Shareholder's name	Number of shares owned (thousand shares)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,172	10.60
Nippon Life Insurance Company	4,560	6.74
STATE STREET BANK AND TRUST COMPANY 505001	3,875	5.73
Dai-ichi Life Insurance Co., Ltd.	3,131	4.62
Custody Bank of Japan, Ltd. (Trust Account)	3,059	4.52
Takasago Thermal Engineering Employee Shareholders' Association	2,842	4.20
Takasago Mutual Benefit Society	2,655	3.92
Keiokaku, Ltd.	1,016	1.50
MSCO CUSTOMER SECURITIES	918	1.35
Mizuho Bank, Ltd.	907	1.34

(Notes) 1. The number of shares owned is shown rounded down to the nearest thousand shares.
2. The treasury stock (2,598,502 shares) is excluded from the calculation of the shareholding percentage.
3. The shareholding percentage is rounded down to two decimal places.
4. The treasury stock excludes our shares owned by the executive remuneration BIP trust (588,542 shares).
5. The treasury stock excludes our shares owned by the Employee Stock Ownership Plan (J-ESOP) (381,700 shares).

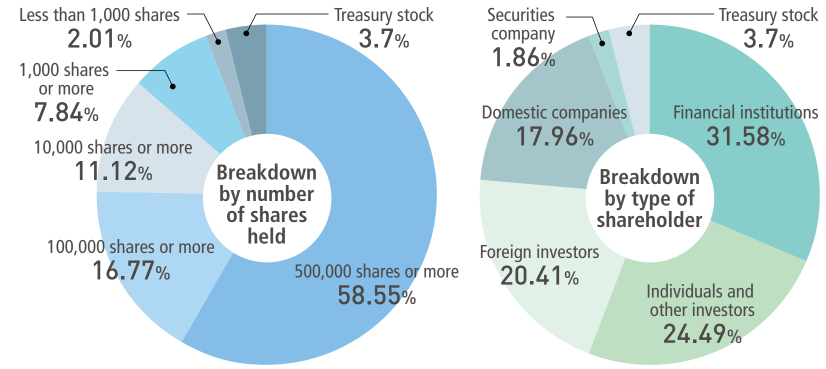
Status of shares

(as of March 31, 2025)

Total number of issuable shares
200,000,000 shares

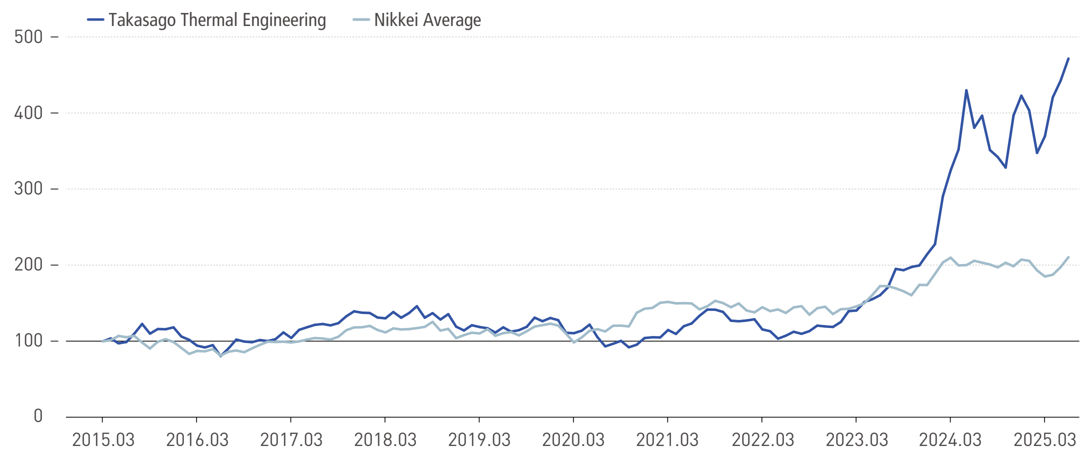
Total number of issued shares
67,640,900 shares
(excluding 2,598,502 treasury stock shares)

Number of shareholders
10,753
(increased by 267 from the end of the previous fiscal year)



Stock price trends

The stock prices of Takasago Thermal Engineering and Nikkei Average are relative values with the prices at the end of March 2015 set to 100.



Initiatives we endorse

Incorporation into external rating and index companies