

SINKO INDUSTRIES LTD. (TSE Prime Market
Stock Exchange Code: 6458)

Medium-term Management Plan “move.2027”

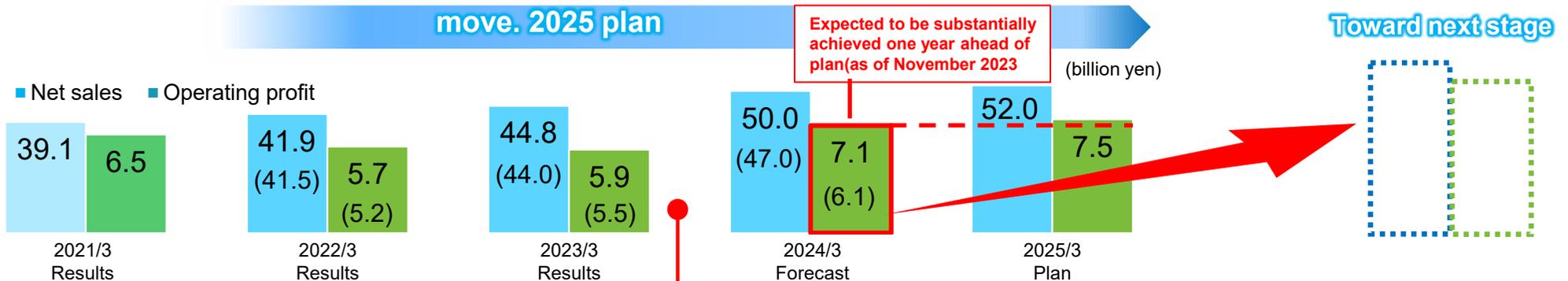
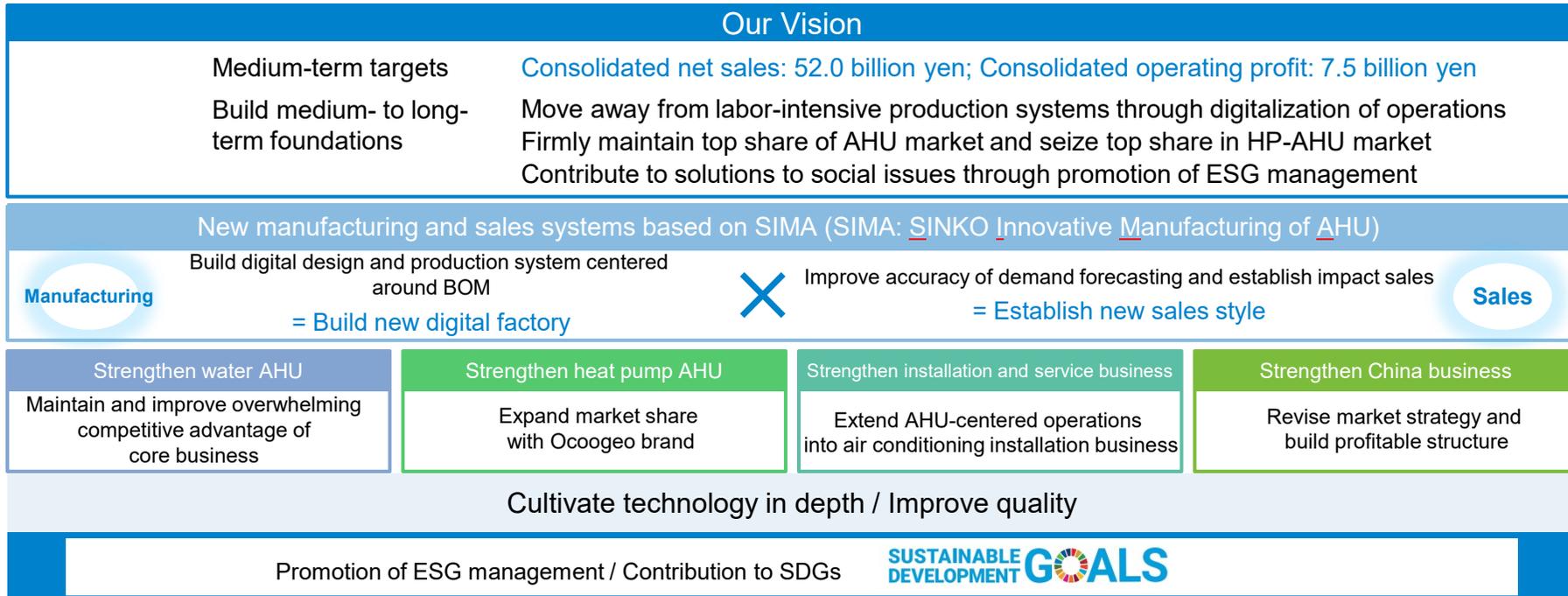
(Fiscal year ending March 31, 2025 – Fiscal year ending March 31, 2027)

Initial release: November 29, 2023

Revised : May 14, 2024

Review of move.2025 (FYE 2022/3 – FYE 2025/3)

- KGI (operating profit) is expected to be achieved one year ahead of the plan. Since the establishment of move.2025, the path toward advancing into the industrial air conditioning and data center air conditioning businesses has become clear, and we have reached a stage where we should take on a more aggressive approach.
- At the request of TSE, we will aim for management that is more conscious of cost of capital and return on capital, while investing for growth.



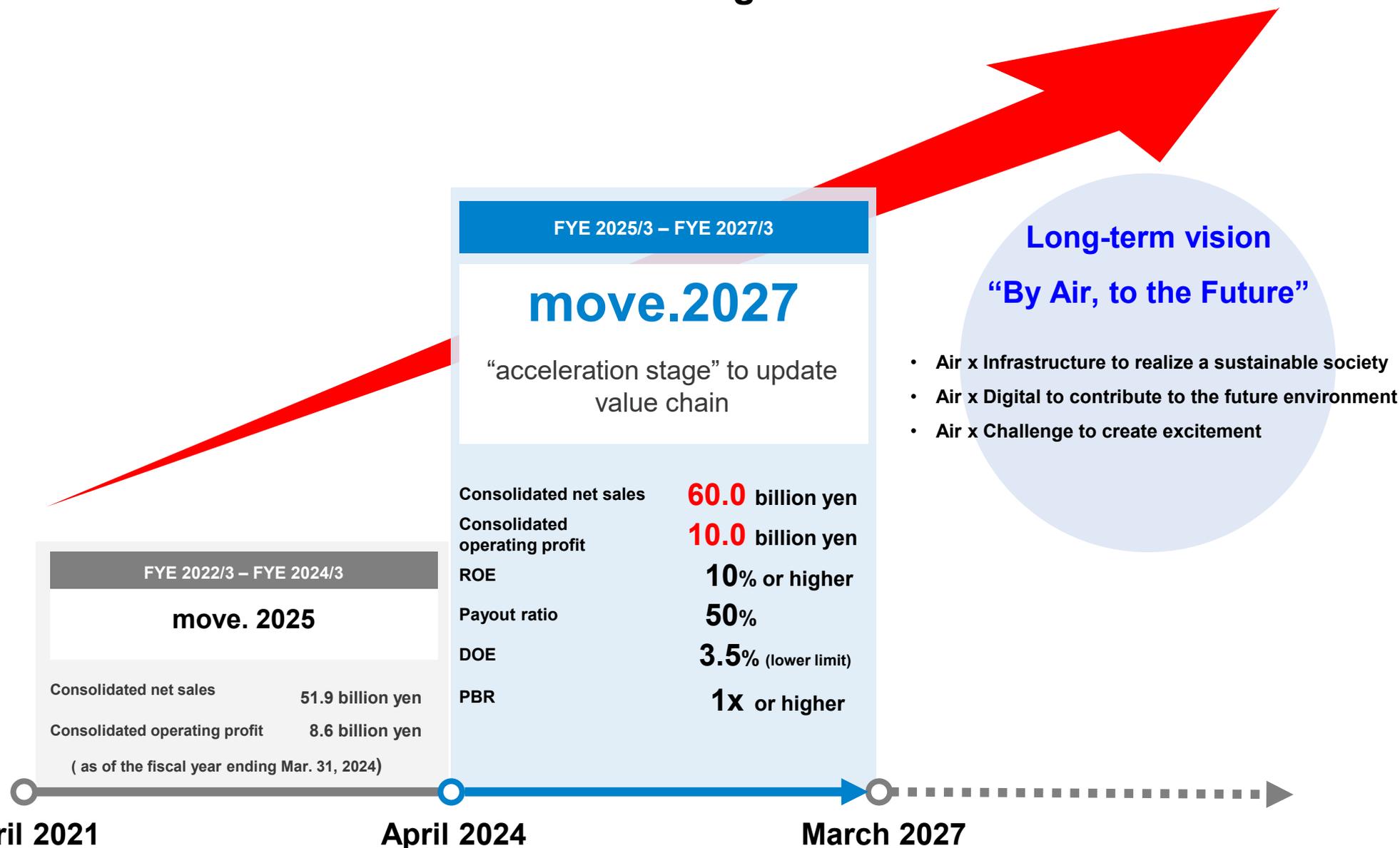
Figures in () are figures in initial plan.

In March 2023, Tokyo Stock Exchange, Inc. announced its "Action to Implement Management that is Conscious of Cost of Capital and Stock Price"

move.2027 as an Acceleration Stage

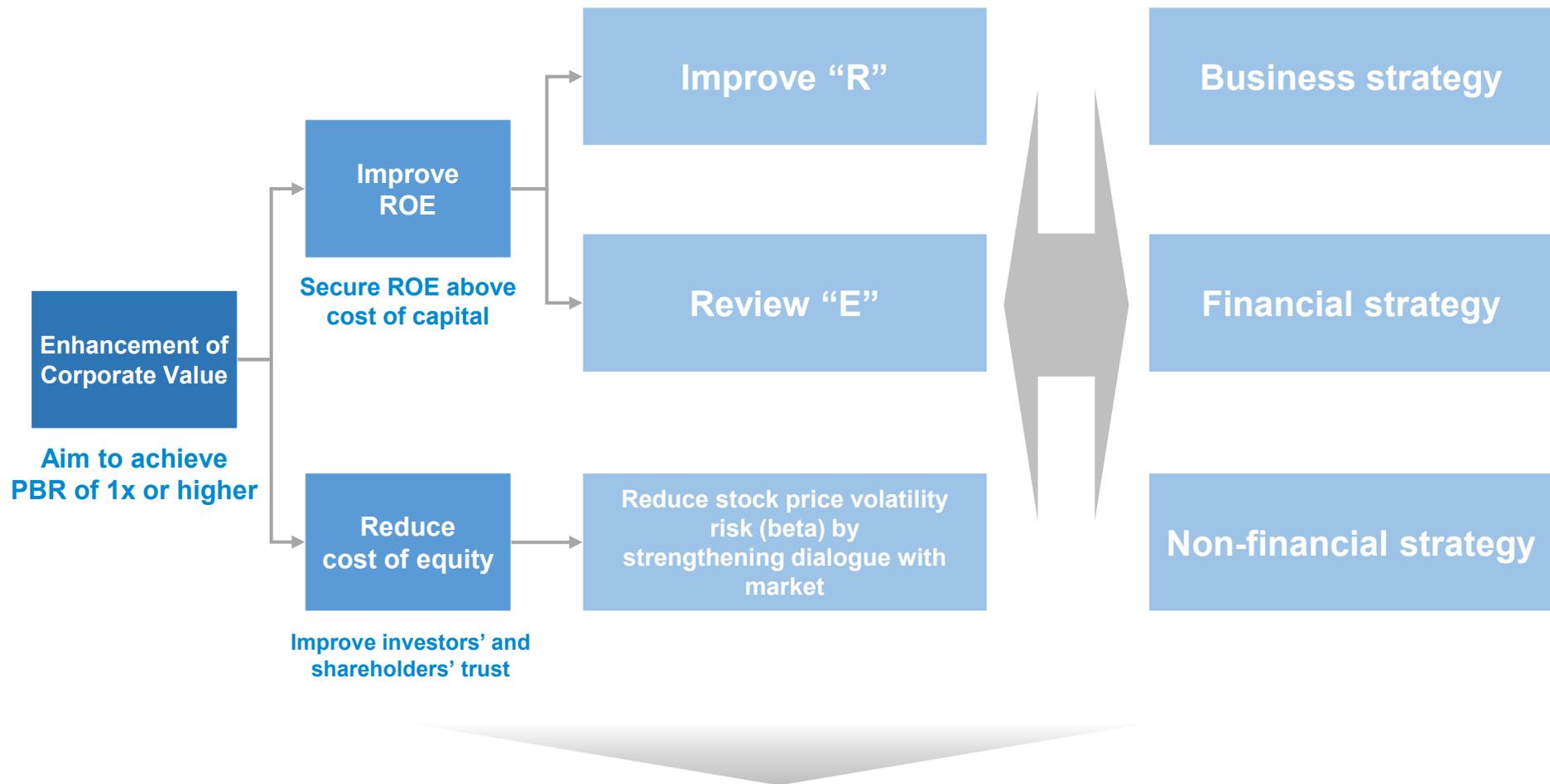
※Revised targets are indicated in red.

■ Approach move.2027 as an “acceleration stage”



Toward Enhancement of Corporate Value

Policies for Enhancement of Corporate Value



**Aim to achieve enhancement of corporate value (PBR of 1x or higher)
by improving ROE and reducing cost of equity**

Vision, Strategies, and Targets of “move.2027”

※Revised targets are indicated in red.

Vision of “move.2027”

Quantitative targets

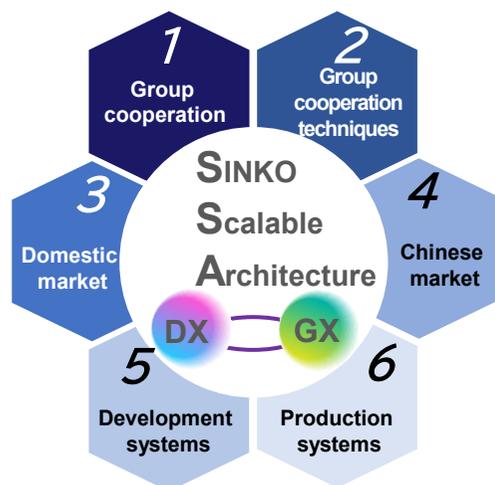
Consolidated net sales	60.0 billion yen
Consolidated operating profit	10.0 billion yen

Qualitative targets

- Continue to lead the industry with best-performing AHU
- Achieve capital cost management to enhance corporate value
- Further promote and deepen ESG initiatives

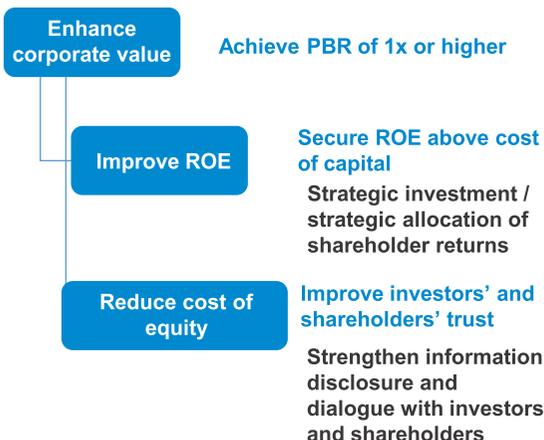
Business strategy

Leverage value chain to expand growth domains and delve deeper into existing businesses



Financial Strategy

Enhance corporate value by improving ROE and reducing cost of equity



Non-financial strategy

Promote non-financial strategy centered on ESG

Mitigate expected climate change risks and seize business opportunities



Human capital management
Create a happy environment for all

Strengthen the effectiveness of corporate governance

Performance figures

Consolidated net sales	2023/3	44.8 billion yen	2027/3	60.0 billion yen
	ROE	2023/3	8.5%	2027/3

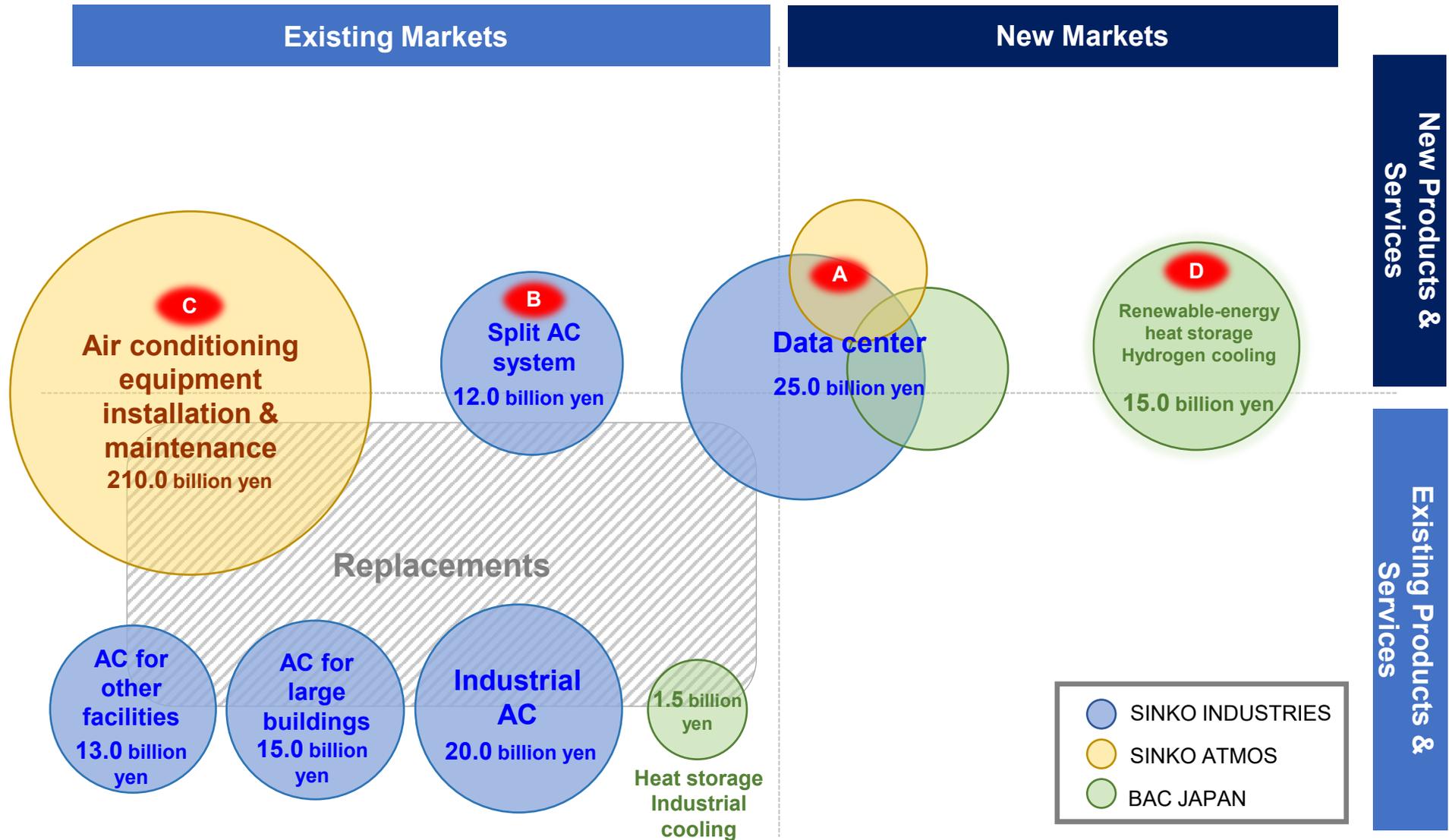
Shareholder returns

Payout ratio	2023/3	31.9%	2027/3	50.0%
	DOE	2023/3	2.4%	2027/3

Medium-term Business Strategy Target Markets

- Starting with expansion of existing markets and products, we will aim to extend business into new domains where market growth is expected

Market Size Matrix for Domestic Air Conditioning-related Domains (Envisaged size in FYE 2027/3)



Medium-term Business Strategy Major Group Market Strategy

- Starting with expansion of existing markets and products, we will aim to increase Group revenue by extending business domains into new markets and products

Group Market Strategy Targets

※Revised targets are indicated in red.

Main Themes of Group Market Strategy	Main Players			Market Size (FYE 2027/3)	Group Sales		Group's Aims
	SINKO INDUSTRIES	SINKO ATMOS	BAC JAPAN		Current	FYE 2027/3 Target	
A Data center	○	○	○	<u>25.0 billion yen</u>	2.0 billion yen	5.5 billion yen	<ul style="list-style-type: none"> Leverage SINKO Group value chain to make total products + services proposals Offer stable operation and environmental value
B Split AC system	○	○		<u>12.0 billion yen</u>	2.0 billion yen	3.0 billion yen	<ul style="list-style-type: none"> Ocoogeo (all-in-one HP-AHU) Development and sale of HP-AHU compatible with new low-GWP refrigerants
C Air conditioning equipment installation and maintenance	○	○		<u>210.0 billion yen</u>	10.0 billion yen	12.6 billion yen	<ul style="list-style-type: none"> Actively expand post-installation downstream offerings, e.g. service packages, regular inspection packages Expand electrical work related to maintenance and replacement of air conditioning units
D Renewable-energy heat storage Hydrogen cooling			○	<u>15.0 billion yen</u>	-	0.7 billion yen	<ul style="list-style-type: none"> Storage systems for heat generated by renewable energy Develop market for high-spec cooling systems for hydrogen production processes, etc.

Revenue increase from expansion of business domains into new markets and products

+7.8 billion yen

Deliver Reliability and Satisfaction to Customers

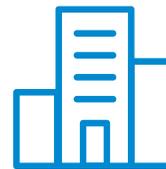
- In the industrial air conditioning and data center air conditioning markets, the reliability and environmental performance of products are crucial. For example, by conducting development that aims for the industry's highest standards of environmental performance for our products, we will aim to raise the value sensed by customers to increase our revenue.

Value Enhancement Policy to Capture Markets

Common elements of value demanded by target markets



High environmental value



Higher building value



Highly reliable operation



Enriched services

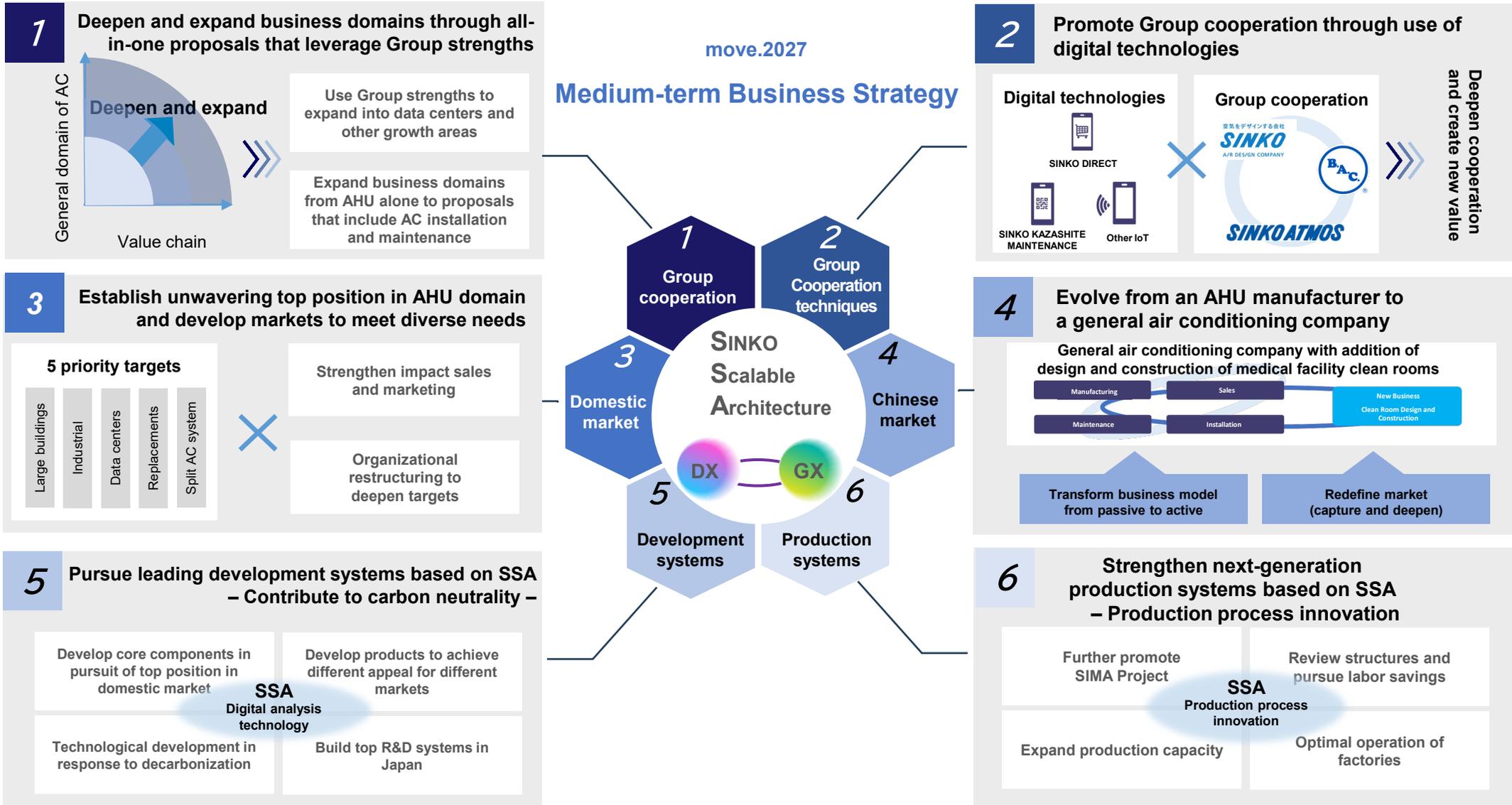
Policy for raising value sensed by customers

- Achieve and deliver industry's highest standards of environmental performance
- Pursue top quality to support stable operation and deliver reliability to customers
- Raise spatial value of buildings through provision of air conditioning expertise
- Increase customer convenience through release of new services
- Deliver higher level of installation services through expansion of air conditioning installation systems
- Offer products that meet demands for energy storage and hydrogen cooling

Overview of Business Strategy

Business Strategy

Leverage value chain to expand growth domains and delve deeper into existing businesses



5. Pursue Leading Development Systems Based on SSA – Contribute to Carbon Neutrality –

- Centered on top-performance core components (fans and coils), we will promote product development in pursuit of top position, based on the dual axes of corporate growth and social contribution

Pursue Japan's top core components that contribute to carbon neutrality

Develop core components

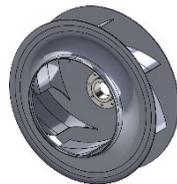


Develop new types of coil

Develop new types of coil that will **increase heat exchange efficiency** compared with previous types. Contribute to downsizing of AHU and achieve energy savings for buildings.

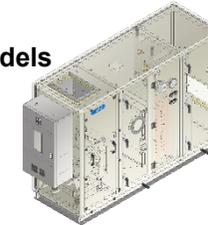
Develop new types of plug fans

Expand line-up of fans with industry-leading efficiency in mass-market segment. Achieve **reductions of both CO₂ emissions during production and power consumption during operation.**



Development of new AHU models

Make units **more compact** by mounting latest devices and through optimized design.



Develop products to achieve different appeal for different markets



Develop AHU for data centers

The **first Japan-made** AHU exclusively for hyper-scale data centers, which is SINKO INDUSTRIES's first development that integrates hardware and software.

Carbon neutrality
×
Japan's top core components

Green AHU



Expand technologies to realize "Green AHU," a new concept in air conditioners.



Proactively adopt sustainable materials. (natural materials, recycled materials)



Develop products that do not use manufacturing methods with high environmental impact, e.g. painting and welding.

Respond to decarbonization



Build comprehensive testing building

Facility that enables testing conditions of JIS/JRA standards and measurement in harsh winter and future extreme heat conditions.

Contribute to raising standards and efficiency of R&D and the improvement of product reliability, including development of AHUs that accommodate new coolants.

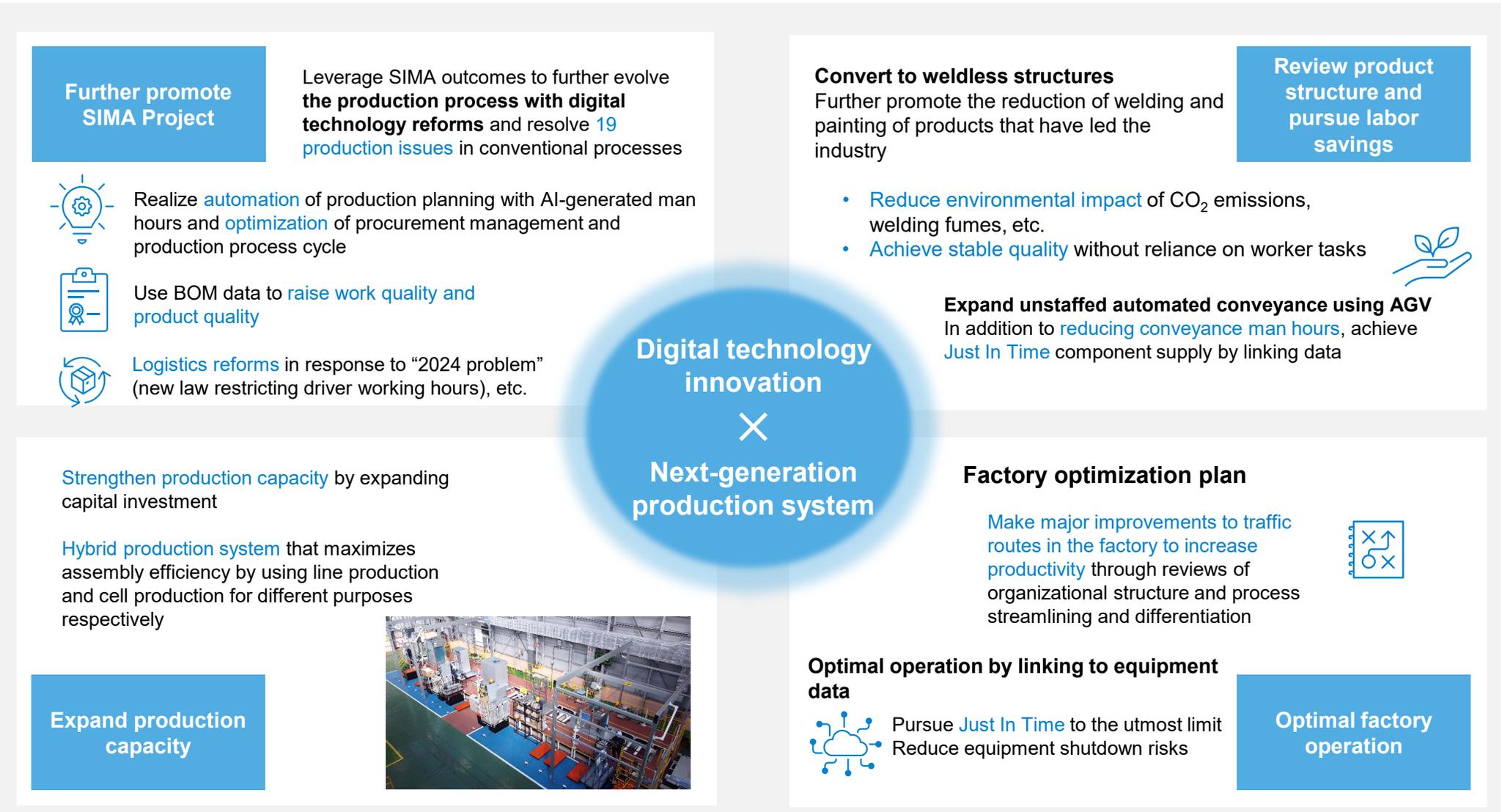
Promote open innovation through collaboration with universities and companies. Extend research fields in light of global trends and increase speed of development.

Strengthen R&D capabilities

6. Strengthen Next-generation Production Systems Based on SSA – Production Process Innovation

■ We will accelerate the adoption of digital data with SSA digital technological innovation and optimize design, production, and logistics processes

Establish next-generation production systems based on SSA



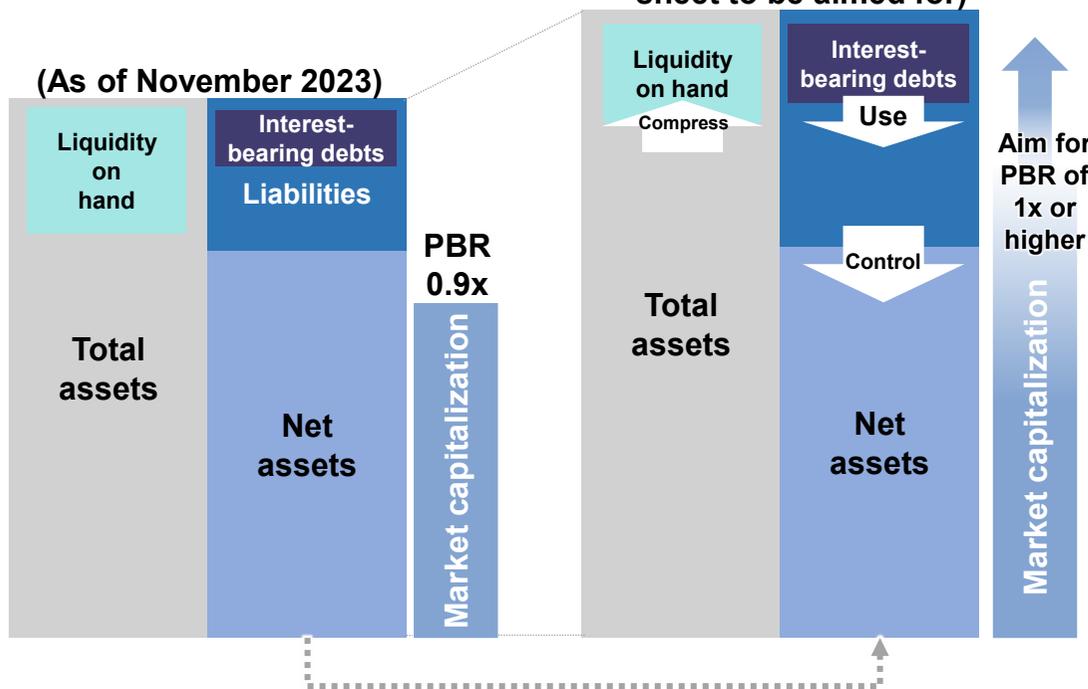
Overview of Capital and Financial Strategies

- Conduct bold review of liabilities and capital structure through the enhancement of shareholder returns and use of debt
- Operating cashflow and liquidity on hand to be put primarily toward strategic investments with the aim of sustainable profit growth

Overview of Capital and Financial Strategies

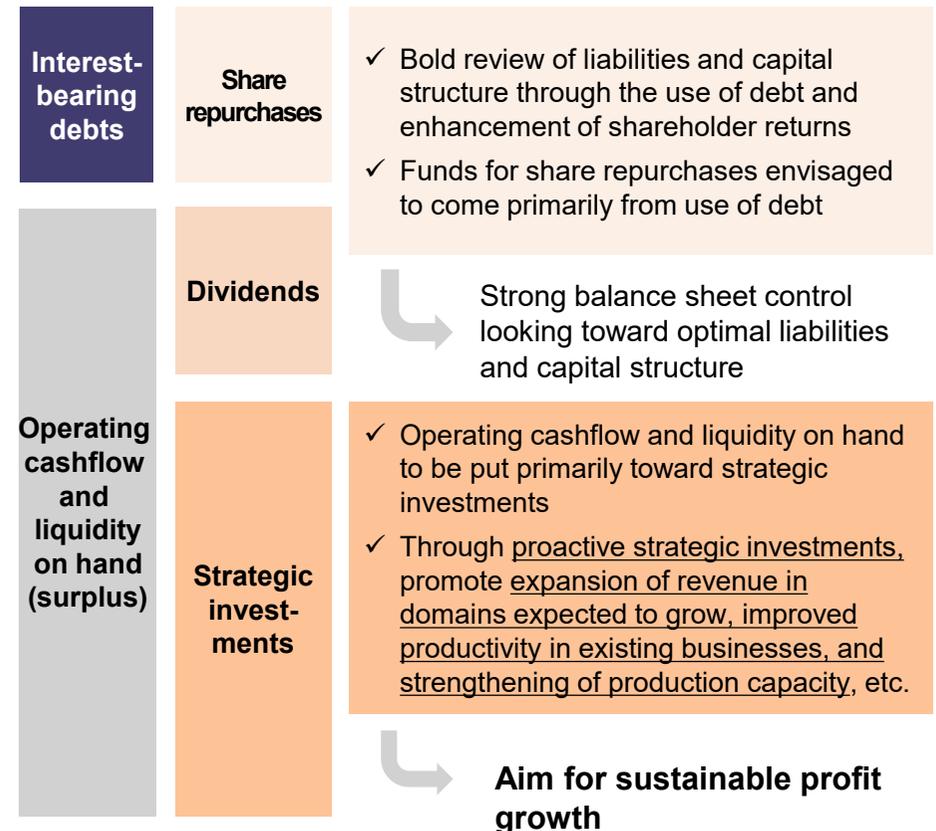
■ Visualization of balance sheet

(Visualization of balance sheet to be aimed for)



■ Visualization of cash allocation

Funds Allocation



Major enhancement of shareholder returns

- Share repurchases: Upper limits of 10.0 billion yen and 5 million shares over five years from FYE 2025/3 to FYE 2029/3
- Increased dividends: Payout ratio of 50%; DOE lower limit of 3.5%

Bold review of liabilities and capital structure through enhancement of shareholder returns and use of debt

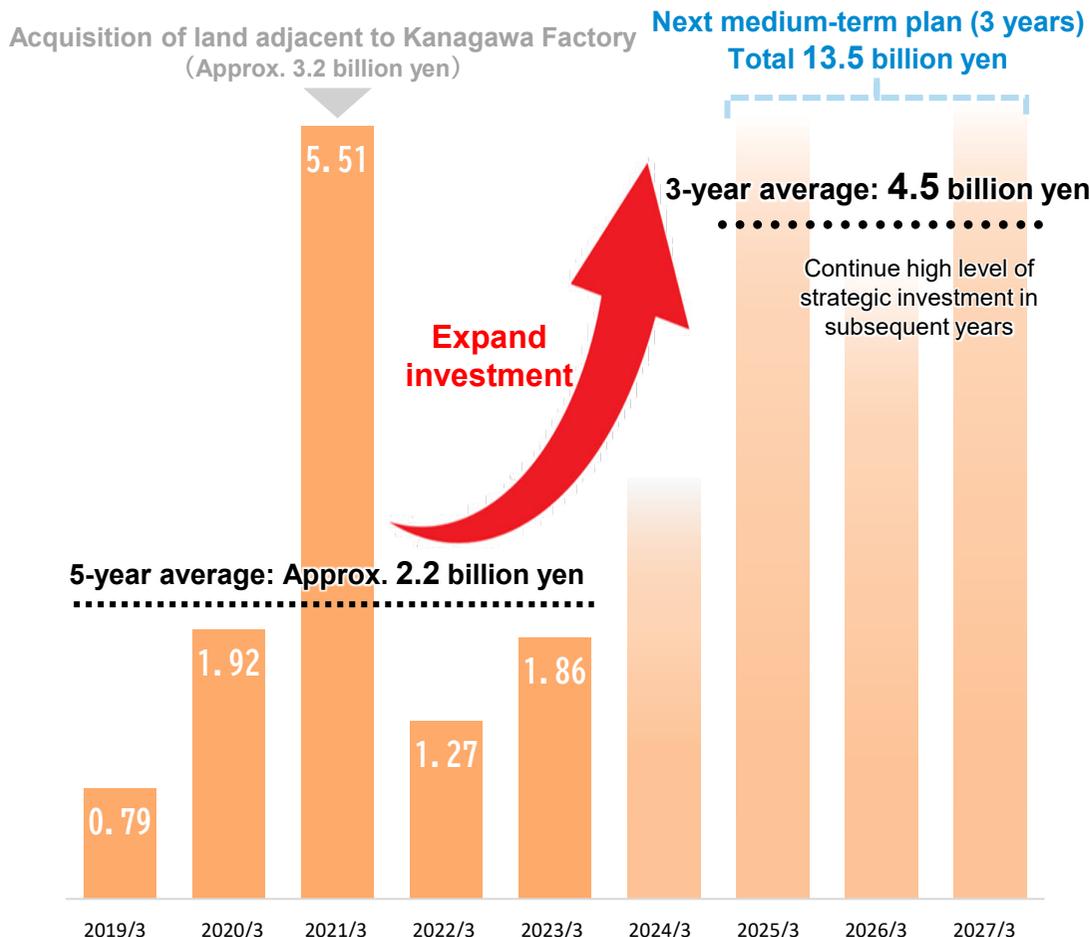
Operating cashflow and liquidity on hand to be put primarily toward strategic investments with the aim of sustainable profit growth

Investment Strategy

- Through proactive strategic investments, promote expansion of revenue in domains expected to grow, improved productivity in existing businesses, and strengthening of production capacity, etc.

Investment Strategy

Investment amounts (billion yen)



Note 1. If M&A investment (3.0 billion yen –) is included

1 Related business strategy

3 Domestic market

- Invest in growth domains
 - Strengthening of development and sales systems for data center AC and heat pump AHU
 - M&A investments, etc. for expansion of new growth domains
- Develop new heat storage and hydrogen cooling markets
 - Energy storage systems for renewable energy
 - Development of market for high-spec cooling systems used in hydrogen manufacturing process, etc.

Growth domains & New business

4.8 billion yen – (Breakdown)
 M&A investment: 3.0 billion yen
 Investment in growth: 1.8 billion yen

5 Development systems

- Pursue leading development systems based on SSA
 - Contribute to carbon neutrality
- Develop core components in pursuit of top position in domestic market, develop products to achieve different appeal for different markets, etc.

Existing businesses & Strengthening foundations

8.7 billion yen – (Breakdown)
 Strengthen production capacity: 6.5 billion yen
 SIMA development: 0.9 billion yen
 Capital investment: 0.8 billion yen

6 Production systems

- Strengthen next-generation production systems based on SSA
 - Production process innovation
- Optimal factory operation, expansion of production equipment and capacity, etc.
- Improve both quality and production efficiency with DX

Overview of Non-financial Strategy

- Engage in ESG themes as non-financial strategy and connect them to corporate sustainability

Overview of Non-financial Strategy

ESG Themes

ESG Initiatives



Mitigate forecast climate change risks and capture business opportunities

- Respond to climate change
- Contribute to reduction of environmental impact
- Further expand business opportunities through TCFD scenario analysis



**Human capital management
Create a happy environment for all**

- Human resources development that aims to firmly establish a corporate culture that encourages challenge
- Leverage diversity
- Create a safe and vibrant workplace
- Co-exist with local communities



Strengthen effectiveness of corporate governance

- Ensure diversity in the composition of the Board of Directors
- Make highly transparent information disclosures

Environmental (E): Mitigate Forecast Climate Change Risks and Capture Business Opportunities

- Recognizing responses to climate change through the promotion of decarbonization as our responsibility toward the future and as an expansion of business opportunity, we will contribute to the reduction of environmental impact through our unique technologies and products and achieve net zero CO₂ emissions by 2050.

Response to climate change

Themes	Details	Medium/long-term target
Switch to CO ₂ -free power for operational power consumption	Pursue switch to CO ₂ -free power for use of electric power, which accounts for the majority of CO ₂ emissions from business activities	2030 Total switch
Reduce use of CO ₂ -emitting fuels	Regarding various fuels that emit CO ₂ , pursue switch to heating by electricity as an alternative heat source and pursue reduction of fuel use	2030
Reduce environmental impact related to transportation	Pursue initiatives aimed at reducing environmental impact in logistics, from upstream to downstream, including product design considering improvement of efficiency in transportation and loading	2030

Further expand business opportunities through TCFD scenario analysis

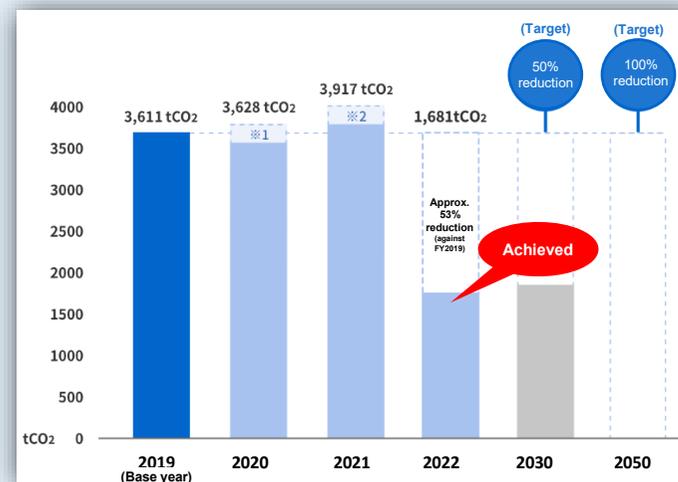
In accordance with TCFD scenario analysis, in both the 1.5°C/2°C scenarios, which envisage the transition to a decarbonized society, and the 4°C scenario, which prioritizes economic activity, the business opportunities for SINKO INDUSTRIES outweigh the risks.

Going forward, we will continue with initiatives for the further expansion and realization of business opportunities and the mitigation of risks highlighted by scenario analysis and increase our resilience to an uncertain future.

Contribution to reduction of environmental impact

- **Provision of environmentally friendly products**
 - Manufacture all products with CO₂-free power
 - Increase percentage of recycled materials used, while working to reduce the amount of materials used in products
 - Contribute to reduction of waste and decarbonization by increasing useful life of products
- **Product development that contributes to decarbonization and enhanced energy conservation of air conditioning equipment**
 - Contribute to reduction of CO₂ emissions by developing products that help with decarbonization and enhanced energy conservation, such as high-efficiency fans and coils that offer industry-leading energy savings and heat pump AHUs that use low-GWP CFCs

CO₂ emissions (Scope1 and Scope2)



2030 target achieved earlier!

Social (S): Human Capital Management / Create a Happy Environment for All

- Positioning human capital as an important asset, we will enhance our employees' dignity and our corporate value by investing in our people, and we will work to create a happy environment for all with the aim of co-existence with local communities.

Initiatives for enhancement of social value

Human resources development that aims to firmly establish a corporate culture that encourages challenge

- Improve capabilities to formulate strategies through development of management executives
Expansion and reinforcement of management executive training
- Improve skills in DX idea creation and realization
Hold in-house introductory AI training (for all newly recruited employees)
Develop AI producers
Strengthen recruitment and development of digital professionals (establish new digital center in Nagasaki)

Leverage diversity

- Activities of Diversity Promotion Committee
- Employ diverse people
Actively recruit foreign nationals, persons with disabilities, and women (target: women to make up 40% of new-graduate recruits)
- Make active use of post-retirement-age employees
Second career training

Create a safe and vibrant workplace

- Improve communication
Roundtable talks between junior employees and management executives
Roundtable talks on workstyle reforms in manufacturing divisions
- Support for balancing work with childcare and nursing care of elderly and infirm family members
Activities to make male employees aware of childcare leave
Leave for caring for sick children/support leave
- More diverse workstyles
- Encourage employees to take paid leave (target: 80% or more)

Co-existence with local communities

- Provide learning opportunities for younger generation
Accept internship (30 or more)
Showroom tours for children
- Provide work opportunities for persons with disabilities
- SINKO AIR CONDITIONING RESCUE activities
Support environmental improvements at times of disaster

Create a happy environment for all

Governance (G): Strengthen Effectiveness of Corporate Governance

■ Ensure diversity of the Board of Directors and promote constructive dialogue with stakeholders

Ensure diversity in composition of the Board of Directors

After identifying skills that each person should possess to reflect the management strategy, and considering the operating environment and business characteristics, we select personnel with abundant experience and excellent insight in the areas such as corporate management, sales, manufacturing and technology, and legal affairs and compliance.

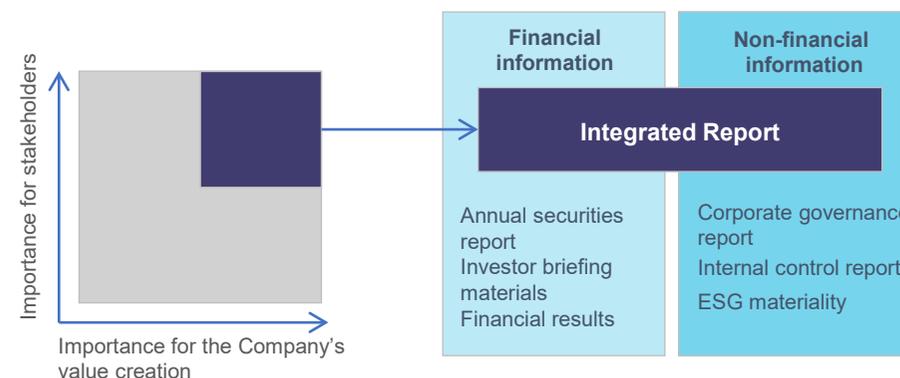
Skills matrix of Directors(as of November, 2023)

			Corporate management	Finance & accounting	Sales, marketing & strategy	Manufacturing, technology & IT	Legal affairs, compliance & risk management	ESG & sustainability	Industry knowledge	Personnel/ labor management & human resource development	Internationality
Directors	Satoshi Suenaga	Chief Executive Officer	●		●			●	●		●
	Tokuji Aota	Representative Director and Deputy President Chief Financial Officer	●	●	●		●	●		●	
	Takenori Taniguchi	Director and Senior Executive Vice President	●			●			●	●	●
	Tomoaki Fujii	Director and Senior Executive Vice President	●		●	●			●		●
	Noriaki Michibata	Director and Executive Vice President	●		●				●		
	Minako Adachi	Outside Independent	●		●						●
	Shinichi Hirano	Outside Independent	●		●					●	●
Directors who are Audit and Supervisory Committee Members	Keishi Kanada						●		●	●	
	Masakazu Sano				●				●		
	Mitsuya Fujita	Outside Independent				●					
	Kenichiro Mizumura	Outside Independent	●	●	●						
	Yoshio Nakagawa	Outside Independent					●				

Constructive dialogue with stakeholders

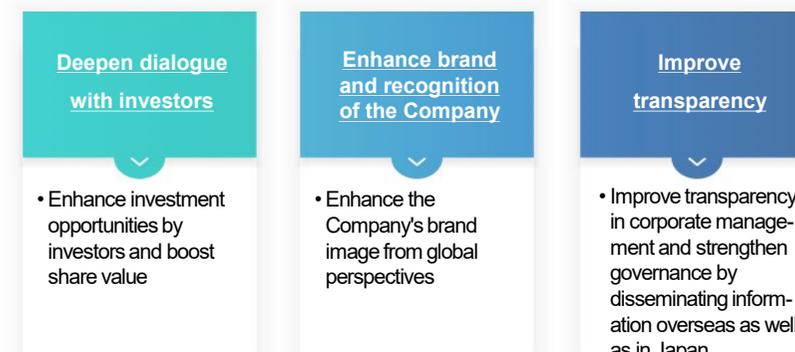
■ Publication of integrated report

In the fiscal year ending March 31, 2025, the Company will start publishing its integrated report covering both financial and non-financial information. The aims of this report are to promote constructive dialogue with shareholders and stakeholders and to enhance corporate value by further increasing management transparency.



■ English version of the Medium-term Management Plan

We aim to help overseas investors gain a deeper understanding of our business by disclosing the Medium-term Management Plan in English.



Management Targets

※Revised targets are indicated in red.

- ROE has been newly set as key indicator. We will aim to achieve a PBR of 1x or higher through management that is conscious of return on capital and cost of capital.
- We will aim for sustainable growth by implementing active strategic investments in addition to a major enhancement of shareholder returns (dividend increases, share repurchases) and a bold review of capital structure.

Management targets

Item	Indicator	FYE 2023/3 (Results)	FYE 2024/3 (Results)	FYE 2027/3 (Medium-term Management Plan targets)	
				(Original targets)	(Revised targets)
Results	Net sales	44.8 billion yen	51.9 billion yen	56.0 billion yen	60.0 billion yen
	Operating profit	6.0 billion yen	8.6 billion yen	8.6 billion yen	10.0 billion yen
	Profit	4.5 billion yen	6.5 billion yen	6.1 billion yen	7.0 billion yen
New Return on capital Capital structure	ROE	8.5 %	11.3 %	10.0 % or higher	10.0 % or higher
	Equity ratio	71.1 %	69.4 %	Aim for 60%-plus level	Aim for 60%-plus level
New Shareholder returns	Payout ratio	31.9 %	39.6 %	50.0%	
	DOE	2.4 %	4.5 %	3.5% (lower limit)	
	Share repurchases	0.55 billion yen	1.00 billion yen	(5 years) Upper limit	10.0 billion yen 5 million shares
New Investment	Strategic investments	1.86 billion yen	3.26 billion yen	Medium-term Management Plan period (3 years) Total: 13.5 billion yen or more¹	

New Newly set as a management target in the Medium-term Management Plan

Note 1: Includes M&A investments (3.0 billion yen)

IR Inquiries

SINKO INDUSTRIES LTD.

Group Business Planning Department, Corporate Planning Division

URL : <https://www.sinko.co.jp/>

Contact URL : <https://www.sinko.co.jp/contactus/>

Notes on forward-looking statements

This material is solely intended to provide information to investors, and it is not intended to solicit sales or purchases.

Forward-looking statements in this material are based on targets and projections and do not constitute promises or guarantees. Please note that the Company's future performance may differ from the Company's current forecast.

In addition, while descriptions related to industries, etc. have been prepared based on data that are deemed to be reliable, the Company does not guarantee their accuracy or completeness.

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