

A/R DES/GN COMPANY

***SINKO***



# Integrated Report 2025

**SINKO INDUSTRIES LTD.**

# A/R DES/GN COMPANY

## “Create a comfortable environment and support social activities”

This is the purpose (raison d'être) of the SINKO Group, which provides air conditioning as social infrastructure.

Based on this purpose, we work daily to enhance air quality in order to universally provide reliability and satisfaction to customers, society, and employees.

With “prolific creativity and quality to be proud” as our Management Philosophy, the SINKO Group is an unmatched air conditioning expert that has solved a variety of air conditioning issues by leveraging not only strong product capabilities but also its abundant know-how.

Air is an invisible factor that may be noticeable only when it becomes uncomfortable.

We focus on the quality of air and create an air quality that is comfortable for people and things in all types of spaces with varying conditions, in other words, we design air quality.

We will continue to provide optimal air quality, viewing our mission as being an AIR DESIGN COMPANY that supports Japan's air conditioning infrastructure.

### Why

Why do we exist in society?

#### PURPOSE

Create a comfortable environment and support social activities

Creating optimal environments for people and things.

This means supporting society's activities such as working, learning, and gathering together with others from behind the scenes, not only through the functions of cities and buildings.

As a company that is responsible for social infrastructure, we continue to stay close to people and society's activities by continuously creating comfortable environments.

### Where

What kind of future are we aiming for?

#### VISION

Universally provide reliability and satisfaction to customers, society, and employees

We believe that it is not surprising companies satisfy customers and employees, and that it is important to contribute to society directly through their corporate activities.

We always aim to gain the trust and satisfaction of all stakeholders.

### What

What do we do on a day-to-day basis?

#### MISSION

A/R DES/GN COMPANY

Our work is not limited to manufacturing air conditioners.

We design air to create optimal air quality for all types of spaces with varying conditions.

That is the essence of our work as an AIR DESIGN COMPANY that supports Japan's air conditioning infrastructure.

#### Management Philosophy

Prolific creativity and quality to be proud

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#### Notes on Forward-looking Statements

The contents in this report that are not historical facts are forward-looking statements and future projections based on plans. These future projections include factors subject to risks and uncertainties, and actual results and achievements may differ from the outlook presented.

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#### Editorial Policy

The Group publishes the Integrated Report for the purpose of communicating to stakeholders, from both the financial and non-financial sides, the Group's creation of value over the medium to long term and the business foundation that supports that. We hope that it helps you to understand the approach to management that the Group is aiming for, and that you will use it as a tool for dialogue with us.

Scope: SINKO INDUSTRIES Group on a consolidated basis (including some non-consolidated figures)

Period covered: Fiscal year ended March 31, 2025 (April 2024 to March 2025)

\* Some parts include information about the fiscal year ending March 31, 2026 (April 2025 to March 2026).

#### Referenced Guidelines

The International <IR> Framework; IFRS Foundation  
Guidance for Collaborative Value Creation 2.0; Ministry of Economy, Trade and Industry

## Key Points for 2025

### Point 1

#### Presentation of Roadmap Toward Our Long-term Vision

We have added a roadmap toward achieving our long-term vision, “VISION 2030: By Air, to the Future,” and structured the content to explain more clearly its relationship with the Medium-term Management Plan “move.2027.”

### Point 2

#### Review of Materiality

While we had already determined ESG materiality as our priority issues, we have comprehensively reviewed our management issues more broadly and reorganized them as materiality. We also explain the process regarding the formulation and review of materiality.

### Point 3

#### Newly Included Special Feature Articles and Roundtable Discussions

We have newly included special feature articles and roundtable discussions regarding the Group's priority measures. Through these special features and roundtable discussions, we aim to provide a deeper understanding of the various measures the SINKO Group is prioritizing and the steps we are taking to enhance the human capital that supports our growth strategy.

# About SINKO INDUSTRIES

The Group's history began with the founding of Sinko Industries Ltd. by Noriyoshi Fujii in 1938. Later, in 1950, SINKO INDUSTRIES LTD. was established. With its strong development capability and flexible adaptability, SINKO INDUSTRIES has achieved growth as a leading manufacturer of commercial air conditioners. In this section, we will look at our history so far and the current situation of the Group.

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Air conditioning experience facility SINKO AIR EXPERIENCE SPACE  
(scheduled to open in the fiscal year ending March 31, 2026)

## Expansion of Exhibition and Testing Facilities

The Group is working to enhance its exhibition and testing facilities in order to deepen understanding among various stakeholders regarding the latest technologies in the air conditioning industry, the products offered by the Group, and more, as well as to emphasize its appeal to customers who are actually considering purchases.

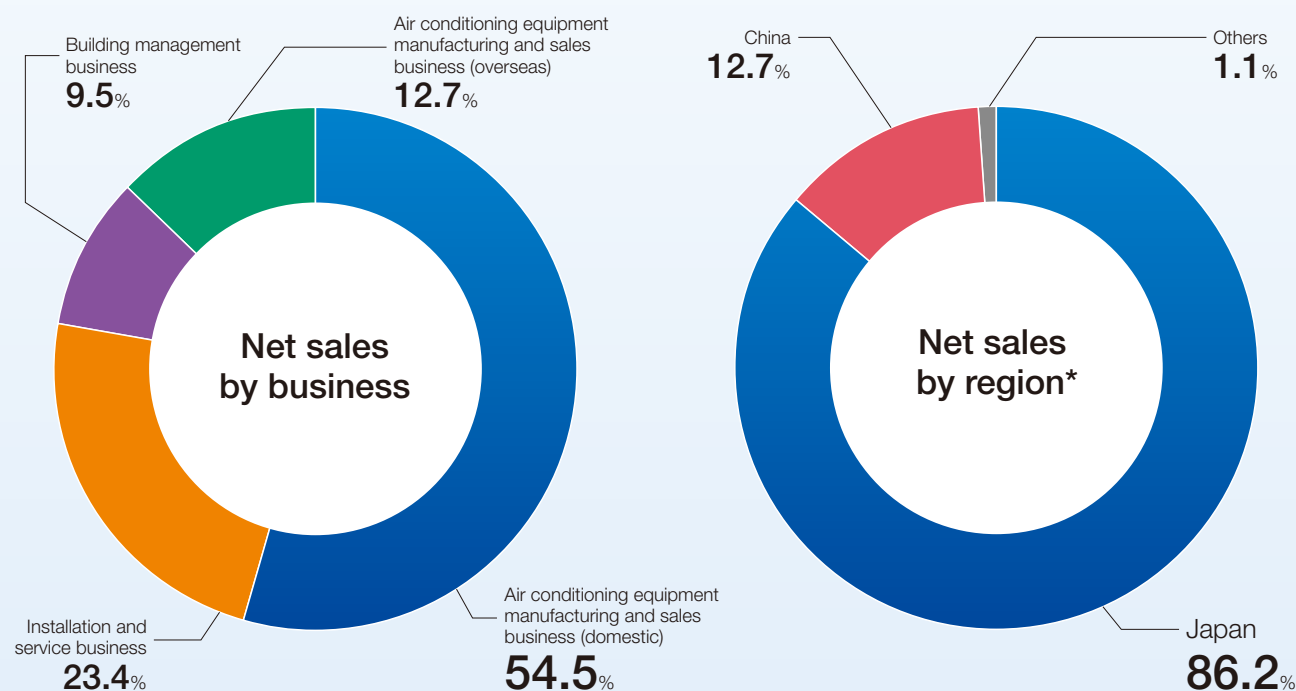
In addition to the SINKO TECHNICAL CENTER and Comprehensive testing facility: SINKO AIR DEVELOPMENT LAB located on the premises of the Kanagawa Factory, as well as SINKO AIR DESIGN STUDIO in Neyagawa-shi, Osaka, in the fiscal year ended March 31, 2025, BAC BASE, a demonstration facility of cooling towers for data centers and plants operated by Group company BAC JAPAN CO., LTD., newly opened on the Kanagawa Factory premises. Furthermore, an air conditioning experience facility, SINKO AIR EXPERIENCE SPACE, where visitors can actually see gymnasium air conditioning systems and factory heat countering products on which we are currently focusing on, is scheduled to open on the Kanagawa Factory premises in the fiscal year ending March 31, 2026.

# At a Glance

## Expanding the range of business through the advancement and strengthening of group management

With “prolific creativity and quality to be proud” as our Management Philosophy, the Group is dedicated to universally providing reliability and satisfaction to all stakeholders through its manufacturing and sale and installation and service businesses of air conditioning equipment, and building management business. Guided by our long-term vision of “VISION 2030: By Air, to the Future,” we will continue to take on the challenge of creating new value to realize a sustainable society.

### Sales Composition **57.0** billion yen (Consolidated: The fiscal year ended March 31, 2025)



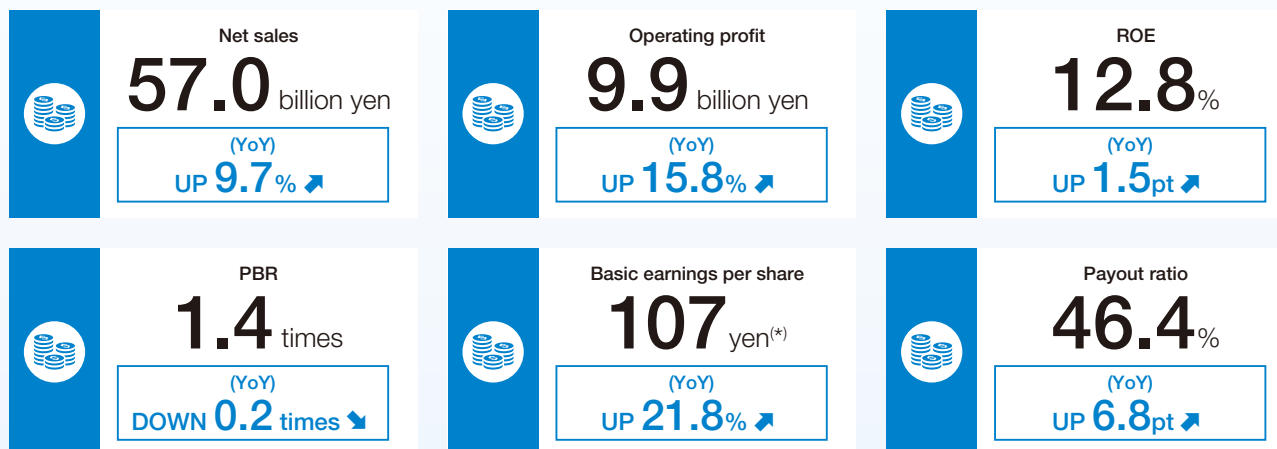
\* Due to rounding, the total of composition ratios in the pie charts may not be 100%.

\* Based on the customer's location.



# SINKO by the Numbers

## Financial

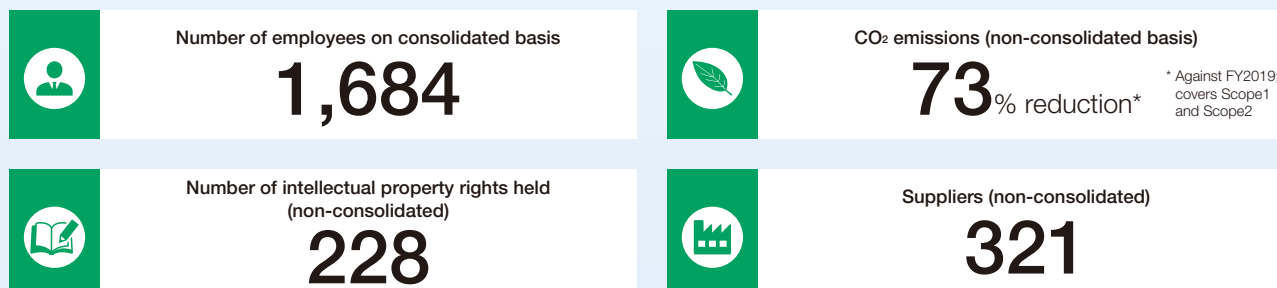


(\*) The Company conducted a split of its common shares on the basis of one share into three shares effective December 1, 2024. Accordingly, basic earnings per share is calculated on the assumption that this stock split was conducted at the beginning of the previous fiscal year ended March 31, 2024.

## Business



## Non-financial



## TOPICS

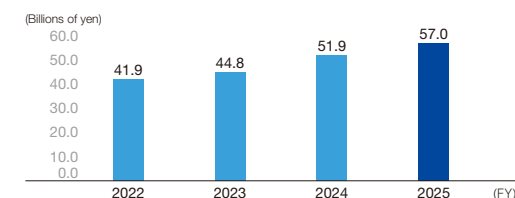
### Best-ever results achieved!

In the fiscal year ended March 31, 2025, we achieved the Group's strongest performance since our establishment in 1950, with net sales of 57.0 billion yen and operating profit of 9.9 billion yen. Our previous record results were net sales of 51.9 billion yen (fiscal year ended March 31, 2024) and operating profit of 9.0 billion yen (fiscal year ended March 31, 2020).

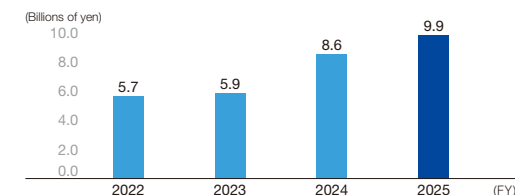
Our payout ratio has also reached its highest ever level, and we will continue to work on improving performance and strengthening shareholder returns.

### Performance trends

#### Net sales trend



#### Operating profit trend



We achieved the performance targets of the previous Medium-term Management Plan "move.2025" (the fiscal year ended March 31, 2022 to the fiscal year ended March 31, 2025) ahead of schedule, and are currently implementing "move.2027" (the fiscal year ended March 31, 2025 to the fiscal year ending March 31, 2027).

# Business of the SINKO Group

## Contributing to improving the value of buildings and solving social issues as a leading company of central air conditioning equipment

The Group continues to lead the industry as a leading company of central air conditioning equipment. With the air conditioning equipment manufacturing and sales as our core businesses, we have supported social infrastructure over many years by expanding our business into the air conditioning installation and service business and various building-related businesses, including the building management business, that contribute to the value enhancement and stable operation of buildings.

The Group is also actively working to solve social issues and aims to contribute to a sustainable society and enhance corporate value through technological innovation and expansion of services.



### Airports

We provide air conditioners that efficiently control air conditioning in the living areas for users even in large spaces, and provide both energy conservation and comfort.

### Office buildings

We provide comfortable spaces for all building visitors, including entrances, offices, and stores, and also contribute to energy conservation and high functionality for buildings.

### Government office buildings

We skillfully utilize existing equipment at renewals and contribute to enhancing energy conservation without compromising economic value.

### Educational facilities

We provide easy installation and operation for gymnasium air conditioning and ventilation, and also support their needs as evacuation shelters.

### LAB

We provide a clean environment through air conditioners that feature precision constant temperature and humidity and high air purity.

### Medical and welfare facilities

We provide optimal air according to the purpose of each room, such as introducing fresh air into patient rooms through Outdoor Air Handling Unit and supplying highly clean air through air conditioners for operating rooms.

### Sports facilities

We provide optimal air conditioning for large spaces using air conditioners with high efficiency plug fans that achieve high airflow and energy conservation.

### Ships

In addition to buildings related to the construction industry, we have gone beyond the construction industry and have gained trust with our technical capabilities to provide air conditioners for ships and patrol vessels.

### Factories

We contribute to the stable operation of factories through means such as reliability supporting 24-hour operations, a diverse product lineup with excellent maintainability, and high-precision constant temperature and humidity control.

### Commercial facilities

We offer ample fresh air intake and low maintenance requirements. We can dehumidify the air and provide a comfortable environment, even with unpleasant outdoor conditions during the rainy season.

### Hotels

We offer an extensive lineup of environmentally friendly fan coil units for guest rooms, and contribute to customer satisfaction with products that excel in energy conservation and quiet operations.

### Data centers

We offer thorough server temperature management through autonomous control. We support stable operation 365 days a year through our production system and service structure, which only a domestic manufacturer can offer.

## Business of the SINKO Group



Unit-type air conditioner



Compact air conditioner



Separate-type  
Heat pump air conditioner



All-in-one heat pump air conditioner



Data center air conditioner



Manufacturing site



Showroom



Exhibition facility

### **Air conditioning equipment manufacturing and sales business**

One of the reasons the Group has been supported by customers over many years is our “attitude of continuously pursuing quality improvement without resting on our achievements.”

Air conditioners are critical equipment that support social infrastructure. From the train stations, airports, and large commercial facilities that we use daily, to facilities such as data centers and pharmaceutical factories, air conditioning is indispensable for maintaining the activities of modern society.

The Group’s track record as the top domestic supplier is proof of the trust we have earned from everyone. We always disseminate feedback from customers internally, and this includes insights and customer voices we gain access to by developing products according to customer requests and pursuing new businesses. This growth cycle, realized through the integration of manufacturing and sales, is an integral part of the SINKO brand.



Inspection of air conditioning equipment



Repair and maintenance of air conditioning equipment

### **Installation and service business**

In the installation and service business, our air conditioning professionals provide comprehensive support for existing air conditioning equipment from all aspects, and offer optimal proposals to customers, including deterioration diagnosis, maintenance contracts, improvement work, and renewal work.

Our strength is our comprehensive ability to respond as a team to handle even air conditioning equipment that other manufacturers have discontinued service for, by leveraging our accumulated knowledge, experience, and creativity.



Equipment function maintenance



Security and guarding



Building cleaning

### **Building management business**

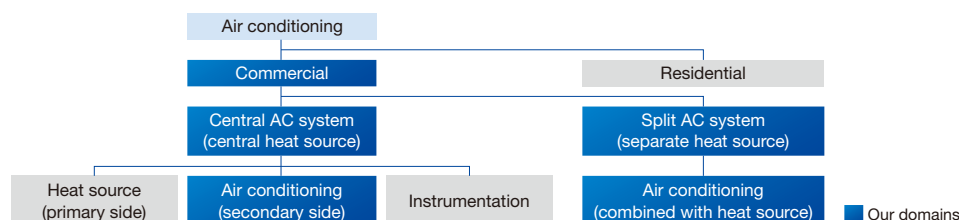
In the building management business, we provide services including routine management, maintenance, cleaning, and security management to owners and operators of building facilities. Our expert staff leverages their abundant experience and skills with sincerity and swift responsiveness to maintain the asset value of buildings and facilities, and provide a comfortable environment for users and residents.

## Business domains and product roles

### Core business domain of the Company

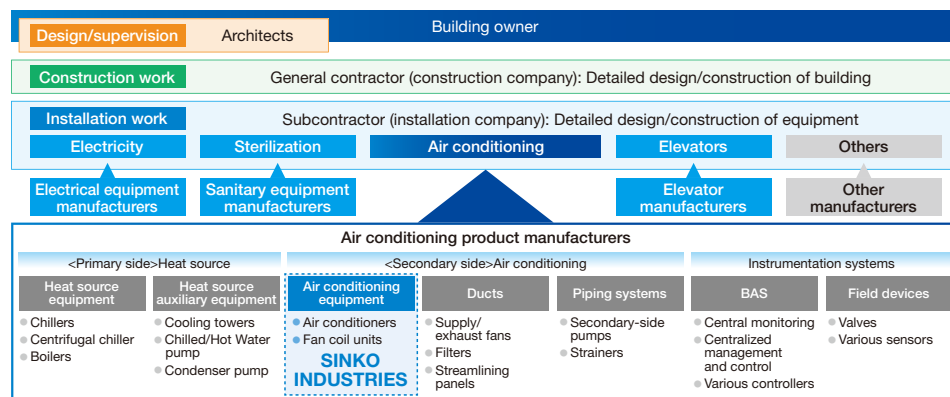
Within the residential and commercial air conditioning sectors, our core business is the manufacture of commercial air conditioning equipment.

We offer both central air conditioning and split air conditioning systems, with the choice of which to use depending on the scale of the building concerned, and these systems provide optimal air quality by controlling indoor temperature, humidity, airflow, and cleanliness.

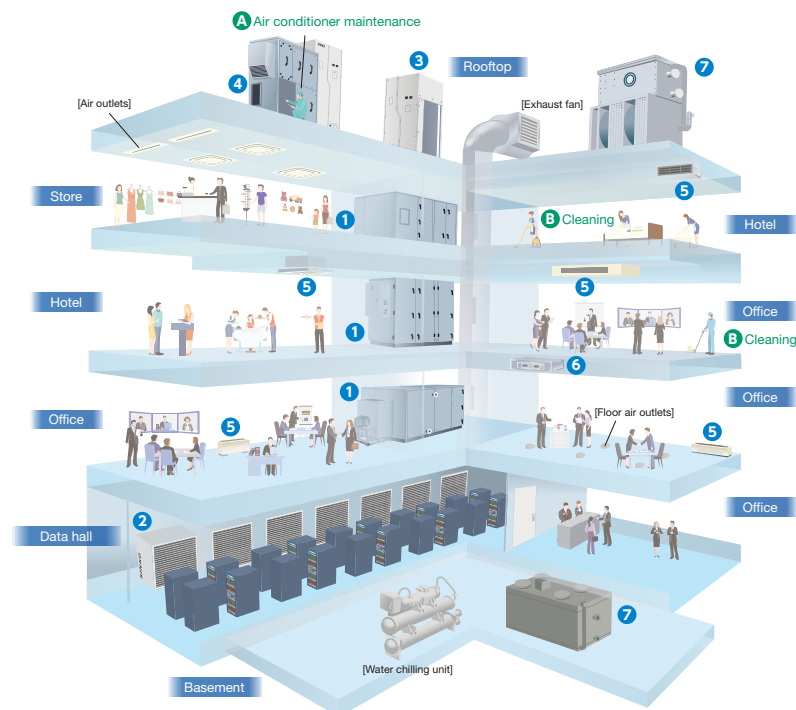


## Industry structure for products of the Company

Installation in commercial buildings involves many companies, including building owners, architects, general contractors, and subcontractors. Within this structure, we mainly receive orders from subcontractors, and then deliver and install equipment we have manufactured at construction sites according to the construction schedules for the buildings.



## Related products and services of the Group



### Business of the SINKO Group

- SINKO INDUSTRIES LTD.  
[1-6] Air conditioning equipment manufacturing and sales business
- BAC JAPAN CO., LTD.  
[7] Air conditioning-related equipment manufacturing and sales business
- SINKO ATMOS CO., LTD.  
[A] Air conditioning equipment maintenance business, etc.
- CHIYODA BLDG. KANZAI CO., LTD.  
[B] Building cleaning business, general management business, etc.

### SINKO Group-related products

- SINKO INDUSTRIES LTD. products
  - ① Cold water air conditioners\*
  - ② Data center air conditioners
  - ③ Outdoor units
  - ④ All-in-one heat pump air conditioners
  - ⑤ Various fan coil units
  - ⑥ Terminal air conditioners
- Products by BAC JAPAN CO., LTD.
  - ⑦ Cooling towers, ice thermal storage

\* Chilled/hot water air conditioners are central air conditioning system (Chilled water system).

# Delivery Records of the SINKO Group

In addition to our outstanding technical capabilities and flexible adaptability, the strength of the SINKO Group is its track record of delivering air conditioning equipment to numerous well-known buildings and facilities both in Japan and overseas since its establishment in 1950.

## Japan



### Azabudai Hills

A community where people can live in harmony with nature as a healthy human being.



### Tokyo International Exhibition Center

Japan's largest international exhibition center.



### Supercomputer Earth Simulator

(Japan Agency for Marine-Earth Science and Technology)

A supercomputer used for research in the field of marine-earth sciences.



### GRAND GREEN OSAKA

Featuring an adjacent urban park, a mixed-use commercial facility where greenery and innovation merge.



### Nakanoshima Festival Tower

A mixed-use complex with twin towers serving as a landmark.



### UMEDA SKY BUILDING

A high-rise building famed for its Kuchu Teien Observatory.



### Nagasaki-shi new office

A new municipal building consolidating nine municipal offices that were dispersed throughout the city into one building.



### JR Nagasaki Station Building (new building)

The gateway to a tourist destination full of exotic charm.



### Central Japan International Airport Centrair

An air gateway to the Chubu area.



### Fukushima Prefectural Government Office Main Building

A government building that serves as the hub of prefectural administration in Fukushima City.



### Hiroshima Station

The gateway to the Chugoku region bustling with tourists.



### Hilton Okinawa Chatan Resort

A hotel with panoramic views of the East China Sea.

## Overseas



Shanghai Pudong district skyscraper complex

Shanghai



The Capital Museum

Beijing



The Peninsula Hong Kong

Hong Kong



The Venetian Macao

Macao



InterContinental Hotel

Shanghai



Shanghai Pudong International Airport

Shanghai



The Taj Mahal Palace

Mumbai



Mandarin Oriental Bangkok

Bangkok



Peking Union Medical College Hospital

Beijing



Suzhou Center

Suzhou



Marina Bay Sands

Singapore



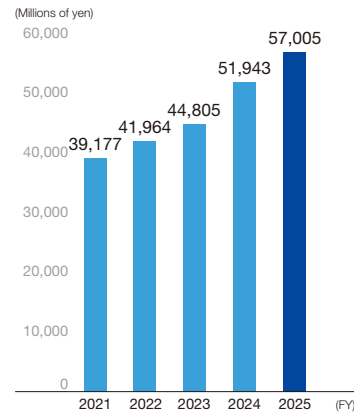
Palm Jumeirah

Dubai

# Financial Highlights

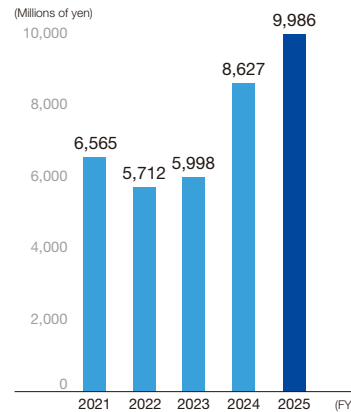
## Net sales

**57,005** million yen



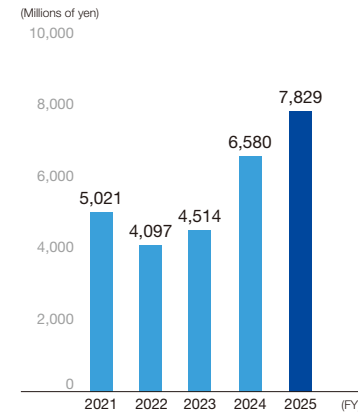
## Operating profit

**9,986** million yen



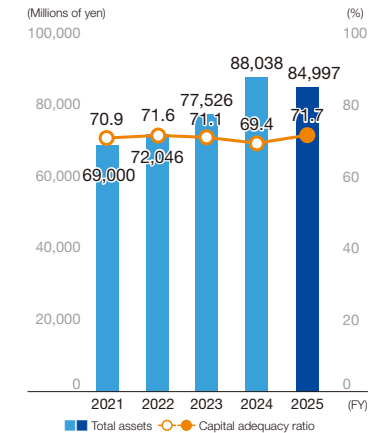
## Profit attributable to owners of parent

**7,829** million yen



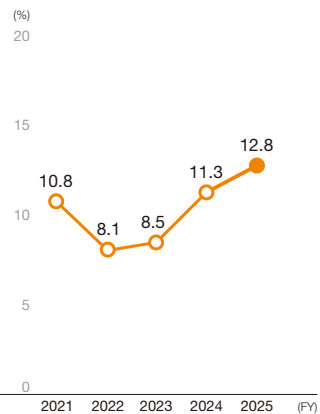
## Total assets / capital adequacy ratio

**84,997** million yen **71.7** %



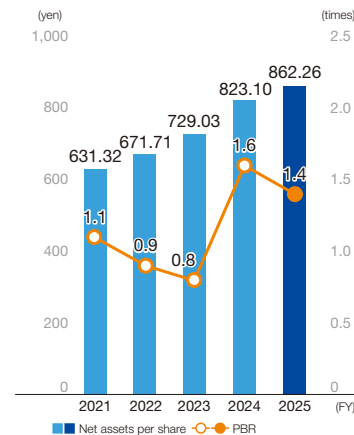
## ROE

**12.8** %



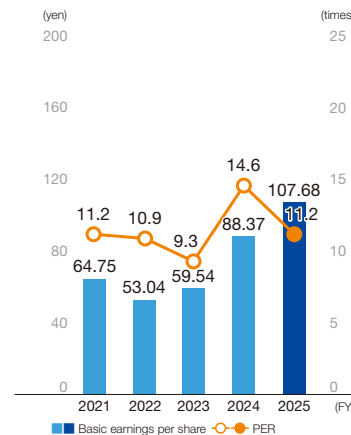
## Net assets per share / PBR

**862.26** yen **1.4** times



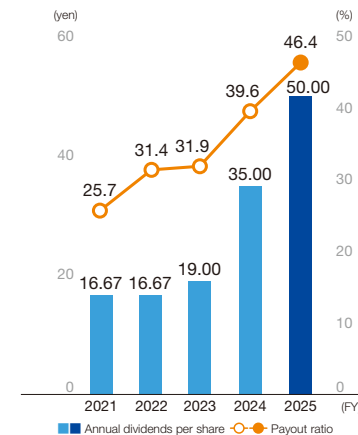
## Basic earnings per share / PER

**107.68** yen **11.2** times



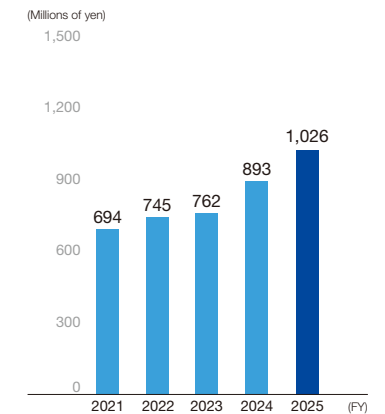
## Annual dividends per share / payout ratio

**50.00** yen **46.4** %



## R&D expenses

**1,026** million yen

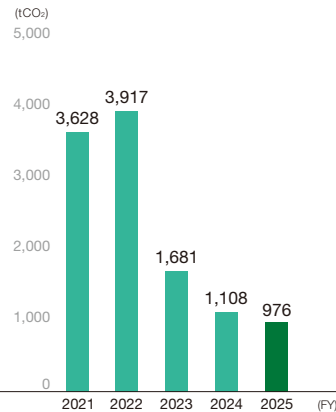


Note: The Company conducted a split of its common shares on the basis of one share into three shares effective December 1, 2024. Accordingly, net assets per share, basic earnings per share, and annual dividends per share are calculated on the assumption that this stock split was conducted at the beginning of the fiscal year ended March 31, 2021.

## Non-financial Highlights

CO<sub>2</sub> emissions  
(non-consolidated basis)

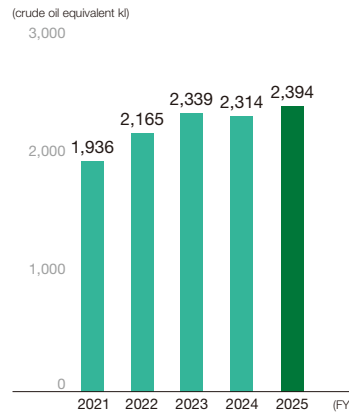
976 tCO<sub>2</sub>



\* Covers Scope1 and Scope2

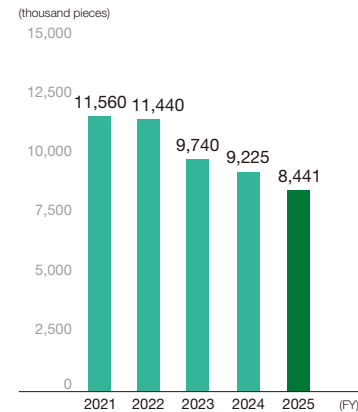
Energy consumption  
(non-consolidated basis)

2,394 crude oil equivalent kl



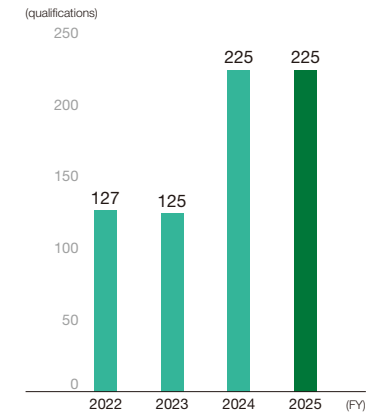
Paper consumption  
(non-consolidated basis)

8,441 thousand pieces



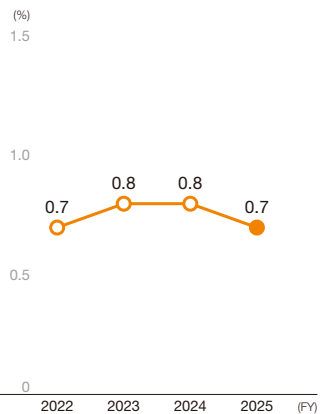
Trend in total number of qualifications obtained annually  
(non-consolidated basis)

225



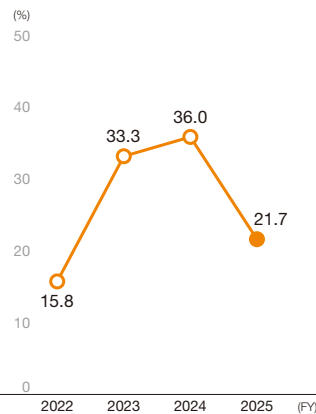
Ratio of female managers  
(non-consolidated basis)

0.7 %



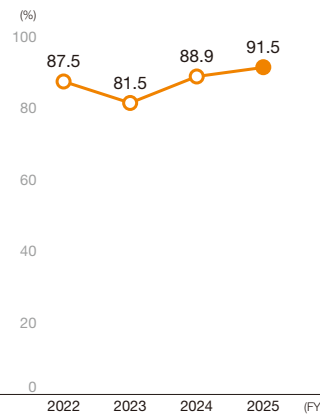
Ratio of female new graduate hires  
(full-time employees)  
(non-consolidated basis)

21.7 %



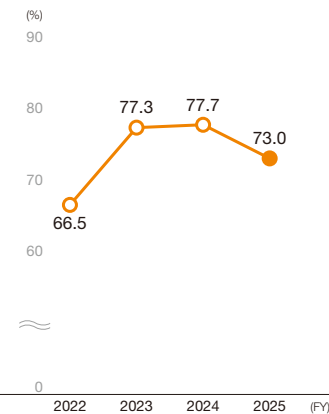
Retention rate of employees  
3 years after joining the Company  
(non-consolidated basis)

91.5 %



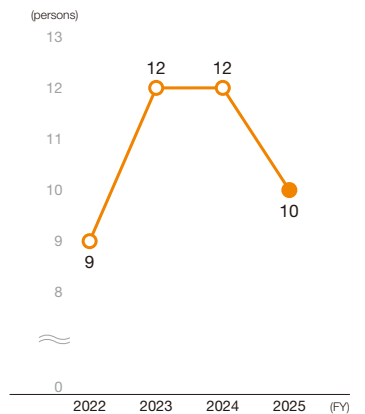
Ratio of paid leave taken  
(non-consolidated basis)

73.0 %



Total number of employees  
with disabilities  
(non-consolidated basis)

10



\* Calculated based on cumulative total value in the fiscal year concerned and the two previous fiscal years

# History of SINKO INDUSTRIES

## Founding period

From 1938 Foundation and formation of business base

From 1960 Expansion of product line-up

## Growth period

From 1970 Technological innovation and business expansion

## Stable period

From 1990 Environmental response and diversification

## Management/Business History

**1938** Predecessor Sinko Industries Ltd. was founded

**1950** SINKO INDUSTRIES LTD. was established



Oe Building, where the office was set up at the time of the Company's founding (Kinugasa-cho, Kita-ku, Osaka)

**1965** SINKO INDUSTRIES LTD. Hadano Factory (a separate entity) was established (present-day Kanagawa Factory of the Company)



Hadano Factory (around 1979)

**1971** Technical Research Institute was established

**1976** SINKO KUCHO SERVICE CO., LTD. was established (present-day SINKO ATMOS CO., LTD.) BAC JAPAN CO., LTD. was established



Technical Research Institute

**1981** SINKO INDUSTRIES LTD. Okayama Factory (a separate entity) was established (present-day Okayama Factory of the Company)

**1985** Listed on the second section of the Osaka Stock Exchange

**1987** Shanghai SINKO Air Conditioning Equipment Co., Ltd. was established



Okayama Factory

**1990** Taiwan SINKO Kogyo Co., Ltd. was established

**1998** Acquired ISO9001 certification

## Product/Technology History

**1951**

Japan's first "Cooler-Heater" that uses propeller fans and cross-fin coils was developed.



Japan's first "Cooler-Heater"

**1961**

Standard-type air conditioners that used our own fans and were serialized in vertical and horizontal types with sizes from #3 to #30 were developed



Standard-type air conditioners

**1957**

The factory-assembled unit-type air conditioner, Japan's first floor-zoning air conditioner, was completed.



Factory-assembled unit-type air conditioner

**1964**

Entered into a technological partnership with AERONCA ENVIRONMENTAL CONTROL, INC. (formerly BUENSOD) from the U.S., and domestic production of mixing units for dual-duct systems commenced.



Induction unit

**1972**

An air conditioner for VAV systems that had a built-in automatic control electric scroll damper that was also compact in size was developed.



Air conditioner with built-in scroll damper

**1975**

"SAV," a low-pressure loss VAV unit, was developed.



**1986**

Participated in a 0.1 micron, Class 1 "Super Clean Room" project.



Clean room air conditioner

**1987**

"Calm-Multi," a compact terminal air conditioner that subdivides air conditioning zones and eliminates the need for machine rooms on each floor, was completed.



Calm-Multi

**1991**

To meet demand for intelligent buildings, "Air-Joy," a compact, low-profile, low-noise air conditioner with built-in control functions that can be installed near living spaces, was developed.



Air-Joy

**1996**

The "GT type AHU" with an Al-Zn double-coated foam panel exterior was developed.



GT Air Conditioner

## History of SINKO INDUSTRIES

Transition period		Maturity period		Reform period	
From 2000 Introduction of IT and improvement of efficiency		From 2005 Promotion of energy saving and environmental response		From 2015 Switch to new technologies emphasizing efficiency	
<b>2003</b> SINKO SALES (THAILAND) CO., LTD. (later, name changed to SINKO AIR CONDITIONING (THAILAND) CO., LTD.) was made a wholly owned subsidiary		<b>2006</b> Acquired ISO14001 certification <b>2009</b> Established the SINKO Technical Center (within the Kanagawa Factory)		<b>2016</b> Transitioned to the company with audit and supervisory committee system <b>2017</b> Entered into a capital and business partnership agreement with DAIKIN INDUSTRIES, LTD	
 <p>The SINKO Technical Center</p>		<b>2012</b> Listed on the first section of the Osaka Stock Exchange <b>2013</b> Listed on the first section of the Tokyo Stock Exchange (transitioned to the Prime Market of the Tokyo Stock Exchange in 2022) Acquired all shares of CHIYODA BLDG. KANZAI CO., LTD., and made it a subsidiary		<b>2020</b> Built a unified manufacturing and sales system through the merger of the Company and two manufacturing subsidiaries Established the SINKO AIR DESIGN STUDIO <b>2024</b> Established SINKO AIR DEVELOPMENT LAB, a comprehensive testing building <b>2025</b> Established BAC BASE, the demonstration facility of cooling towers for data centers and plants	
<b>2004</b> PH-type air conditioners with stainless steel square pipe frames as standard were developed. Stainless steel square pipe frames and Al-Zn exterior panels were provided ahead of the so-called era of 100-year buildings.		<b>2009</b> An air conditioner equipped with a double plug fan, which further improved efficiency by making the plug fan double-suction, was developed.		<b>2011</b> Relief Air AHU won the Technology Promotion Award at the 25th Society of Heating, Air-Conditioning and Sanitary Engineers of Japan Promotion Awards.	
 <p>PH-type air conditioner    Stainless steel square pipe</p>		 <p>DPH/DPV-type air conditioner</p>		 <p>Relief Air AHU</p>	
<b>2004</b> The "PC fan," which housed a plug fan in a fan casing with an eccentric straightening vane, simultaneously delivering increased static pressure efficiency and downsizing, was developed.		<b>2014</b> Compact air handling unit AJEC-type SmartAHU received the Special Jury Award at the 2014 Energy Conservation Grand Prize.		<b>2019</b> The high-efficiency "PS-type" plug fan featuring three-dimensionally curved single-plate fan blades was developed.	
 <p>Plug fan with eccentric straightening vane</p>		 <p>AJEC-type SmartAHU</p>		 <p>PS-type fan</p>	
				Released "Ocoogeo®."	
					
				<b>2020</b> The "Kenko Kucho (healthy air conditioning) series," equipped with UV-C lamps, was developed.	
				 <p>Kenko Kucho (healthy air conditioning) series</p>	
				<b>2023</b> The data center air conditioner "DE-W type (fan-wall model)," equipped with autonomous control, was developed.	
				 <p>DE-W model</p>	
				<b>2025</b> "BREEZE for ARENA," a gymnasium air conditioning system, was released.	
				 <p>BREEZE for ARENA</p>	

# Value Creation Story

Our long-term vision, “VISION 2030: By Air, to the Future,” centers on creating a comfortable and prosperous future environment, and contributing to the realization of a sustainable society. Here we share top management’s thoughts on achieving our vision, the value creation process and the Group’s strengths that will make such achievement possible, and our efforts regarding priority issues and priority measures.

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## VISION 2030 By Air, to the Future

### Toward Achieving “VISION 2030”

Since its founding in 1938, the SINKO Group has met the various needs of each era through the development and provision of air conditioning technology and contributed to solving social issues as a pioneer in commercial air conditioning in Japan.

To create new value by solving the diverse social issues facing modern society and striving to contribute to a better future, the SINKO Group is working toward “VISION 2030: By Air, to the Future,” a long-term vision to be achieved by the end of the fiscal year ending March 31, 2031. Regarding this vision, we have now disclosed quantitative targets and have newly compiled what we previously defined as “ESG materiality” into “materiality,” which captures a broader range of management issues as we work toward these targets.

By investing the Group’s resources in resolving materiality (priority issues) and implementing various measures, we will endeavor to enhance corporate value while contributing to the creation of a prosperous future environment and the realization of a sustainable society.

## Long-term Vision “VISION 2030”

# By Air, to the Future

In today's fast-changing economic environment, we at the SINKO Group are aware of the importance of setting clear policies for the future and making decisions from a long-term perspective. With this in mind, we formulated “VISION 2030: By Air, to the Future,” a long-term vision that reflects the need for air conditioning in modern society and embodies the societal mission entrusted to us, namely to leverage that potential to deliver optimal air quality. Looking ahead to the fiscal year ending March 31, 2031, our vision centers on flexibly responding to the demands of the times and societal changes, creating a comfortable and prosperous future environment, and contributing to the realization of a sustainable society.

### Our Three Visions



#### “VISION 2030” Quantitative Targets

FYE 2031/3

Consolidated net sales

**70.0**  
billion yen

Consolidated operating profit

**11.5**  
billion yen

#### Materiality for Vision Achievement

- Provision of air conditioning infrastructure toward the realization of a sustainable society
- Creation of new value through digital transformation (DX)
- Development of environments and systems where diverse human resources can thrive
- Establishment of a highly transparent governance system

## Long-term Vision “VISION 2030: By Air, to the Future”

Since its founding in 1938, the SINKO Group has contributed to solving social issues through the development and provision of air conditioning technology and as a pioneer in commercial air conditioning in Japan. To carry our pioneering spirit into the future, we will make sustainability the core of our management strategy in our efforts to pursue “VISION 2030.” We aim to balance contributing to society with pursuing profits.

### /// Roadmap for achievement of “VISION 2030”



## Long-term Vision “VISION 2030: By Air, to the Future”

### **Air** × Infrastructure **Realize a sustainable society**

Air conditioning is essential for comfortable living, and as global environmental issues become more serious, efforts to achieve carbon neutrality are vital. As a social infrastructure company that solves social issues through air conditioning, we are researching and developing environmental technologies to reduce greenhouse gas emissions during both production and use with the aim of balancing comfort with care for the environment. Through these efforts, we contribute to the achievement of carbon neutrality and the creation of a sustainable society.

### **Air** × Digital **Contribute to the future environment**

We promote business management efficiently and effectively based on the SSA (SINKO Scalable Architecture), which is central to our DX strategy. Through this effort, we will speed up our product development process and automate simple tasks. This will enable us to address the labor shortage caused by declining birthrates and the aging population. In addition, we aim to shift to new ways of working, deliver qualitative improvements in the work environment and work-life balance for all employees, and make the future lives of all stakeholders more prosperous and healthier.

### **Air** × Challenge **Create excitement**

To embody our management philosophy of “prolific creativity and quality to be proud,” we value the spirit of taking on challenges. We strive to create a workplace where everyone can drive innovations and continue to take on challenges without fear of risks.

We aim to be a company that excites not only our employees but all stakeholders, and through innovative efforts and active challenges, we will build a corporate culture that all stakeholders find impressive and can be proud of.

## **Relationship between “VISION 2030” and materiality**

To realize our long-term vision, “VISION 2030,” the Group positions materiality as the important matters to be prioritized in aiming for long-term profit expansion and continuous enhancement of corporate value through the practice of our fundamental philosophy.

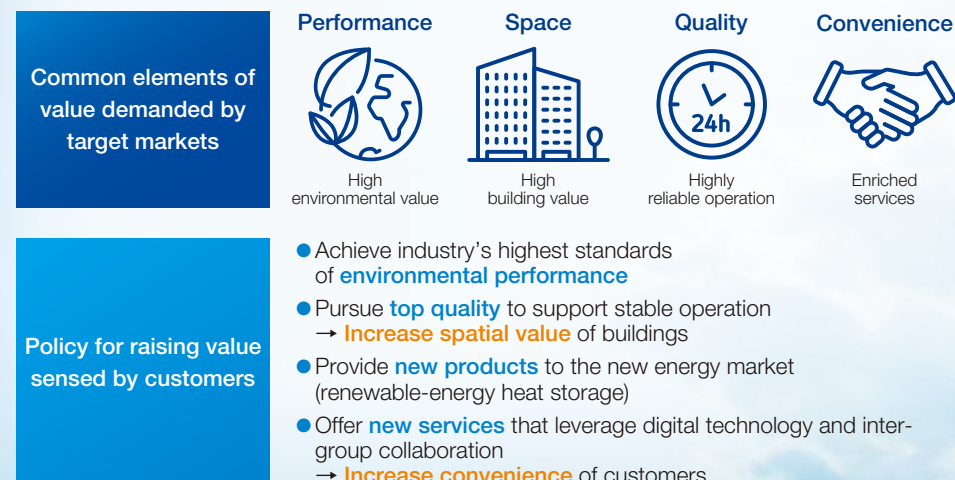
Under this management approach, which is based on a long-term perspective, we aim to conduct business activities that lead to the solving of social issues as a social infrastructure company and to grow and develop sustainably together with society.

This serves as the foundation for our long-term vision, “VISION 2030,” and KPIs for materiality are managed as indicators for achieving that goal, leveraging the strengths the Group possesses to provide reliability and satisfaction to our customers and steadily deliver increases in corporate value.

## **The reliability and satisfaction our Group provides to our customers**

In industrial air conditioning and data center air conditioning, product reliability and environmental performance are critical, while in general air conditioning, making spaces comfortable is key. We aim to provide reliability and satisfaction to our customers by leveraging the Group’s strengths, while also aiming to expand profits.

### **Value enhancement policy to capture markets**



## Message from Top Management

### “By Air, to the Future,” our mission as a social infrastructure company

Marking the 75th anniversary of its establishment, the Group continues to take on new future-focused challenges based on our track record as Japan’s leading company in air conditioners. Our long-term vision for the fiscal year ending March 31, 2031, “By Air, to the Future,” serves as our guide for the future and represents the Group’s commitment to recognizing the importance of making decisions from a long-term perspective. We are advancing the establishment of new business models so that our air conditioners can play a key role as social infrastructure that provides optimal air quality and contributes to the realization of a better society.

#### Satoshi Suenaga

Representative Director  
and Chief Executive Officer

### Capturing the trends of the times and contributing to solving social issues

The Group is currently implementing the Medium-term Management Plan “move.2027,” with the fiscal year ending March 31, 2027 as its final year. It clearly outlines our business strategy, financial strategy, and non-financial strategy, and describes how we will be engaging in business operations centered on capital cost management. Management indicators such as ROE of 10% or higher and PBR of 1.0x or higher are set. While pursuing visualization and efficiency in production planning by utilizing DX and AI, we are strengthening sales strategies tailored to market needs in each of our five priority targets: (1) Large buildings air conditioning, (2) Industrial air conditioning, (3) Data centers, (4) Replacements, and (5) Split air conditioning systems (heat pump air conditioning).

We have made a full-fledged entry into the data center market, which is expected to continue to see sustained growth, approximately three years ago, and it has become a new pillar of growth. As a result of focusing on winning orders from data centers and for air conditioning equipment installation, in our consolidated financial results for the fiscal year ended March 31, 2025, net sales reached 57,005 million yen, a 9.7% increase compared to the previous fiscal year. Operating profit, meanwhile, was 9,986 million yen, a 15.8% increase from the previous fiscal year.

In split air conditioning systems, sales in the industrial market have grown significantly mainly due to heatstroke countermeasures at manufacturing sites as a result of severe climate change in recent years. We therefore achieved the sales target of 3.0 billion yen for the fiscal year ending March 31, 2027, set out in the Medium-term Management Plan, two years ahead

of schedule. We have also newly added the Gymnasium Air Conditioning System “BREEZE for ARENA” to our lineup. Not only implementing heatstroke countermeasures, but also improving the environment as an evacuation site in the event of disasters has become an important issue at gymnasiums. The system’s highly efficient heat pump air conditioners are ideal for improving gymnasium environments as they deliver gentle airflow and simultaneously provide ventilation, making the space both comfortable and safe. The Japanese government aims to increase the air conditioning installation rate at gymnasiums and other facilities in the approximately 30,000 public schools nationwide to 95% by 2035. Currently, the figure is said to be just over 20%, and we believe that developing this market will greatly contribute to the resolution of social issues. [P.26 ▶](#)

## Message from Top Management

### How to win in our society of healthy competition

#### – Establishing a continuously evolving organizational structure –

The air conditioning industry of today operates in a fiercely competitive world. To prevail in this society of healthy competition, we must not only pursue digitalization and take environmental measures, but also continue to innovate constantly. Until now, as Japan's leading company in air conditioners, we have devoted ourselves to providing high-quality products that meet societal demands based on our Management Philosophy of "prolific creativity and quality to be proud." However, what we need to do now is to evolve our business model into one that provides high quality consistently across all operations, from R&D and design to manufacturing, sales, and maintenance. I believe the key to that will be the realization of our long-term vision, "VISION 2030: By Air, to the Future," which is to be achieved by the fiscal year ending March 31, 2031. This vision comprises our three future visions: "Air × Infrastructure to realize a sustainable society," "Air × Digital to contribute to the future environment," and "Air × Challenge to create excitement." [P.18 ▶](#)

The Group is a social infrastructure company that solves social issues through air conditioning. The essence of our business is to develop technologies that balance comfort and consideration for the environment, reduce greenhouse gas (GHG)



emissions as we aim to achieve carbon neutrality, and contribute to the realization of a sustainable society. If we are to achieve our objective of building a rich and healthy future together with various stakeholders, it is important that we proceed with efforts such as increasing management efficiency by utilizing DX, accelerating product development, and improving the work environment. We encourage employees to take on these challenges themselves, and are thus promoting to create workplace environments and to establish systems that facilitate the continuous embrace of big challenges.

I am confident that our long-term vision can definitely be realized by each and every employee clearly visualizing our three visions and integrating them into their own work, while continuously pursuing innovation and taking on challenges.

#### – Initiatives for priority measures –

As specific initiatives, the Manufacturing Division has started operating a production reservation system and is proceeding with a review of man-hours in anticipation of production capacity expansion and labor shortages. The Sales Management Division, meanwhile, is conducting demand forecasting at order strategy meetings and other meetings, promoting operations that take downstream processes into consideration. The Technical Division has declared to pursue "quality improvement" and "number one in device performance," and by setting model change cycles for air conditioners, is systematically advancing improvements and cost reductions. To achieve sustainable growth while maintaining competitiveness, it will be establishing cycles for R&D of new technologies and products.

As for Group companies, SINKO ATMOS CO., LTD., which operates in the installation and service business, has grown into a highly profitable company with net sales of over 13.0 billion yen. SINKO ATMOS has been actively working to achieve work-life balance, and the process it has followed, achieving high profitability by balancing workloads and improving labor productivity, can be considered a model example for the Group. BAC JAPAN CO., LTD., meanwhile, succeeded in receiving orders from data centers for its large cooling towers, and is improving its performance with the goal

of becoming a 10-billion-yen company. It is shifting its structure to aim for further growth going forward. CHIYODA BLDG. KANZAI CO., LTD., which is in the building management business, is reorganizing its business portfolio to add new businesses to accompany its core cleaning business. In addition to expanding revenue primarily through electrical equipment repairs for commercial facilities and the construction of luxury rental housing, CHIYODA BLDG. KANZAI plans to further improve operational efficiency in the future through labor-saving measures such as utilizing drones for infrastructure inspections and utilizing cleaning robots.

Shanghai SINKO, which handles our China Business, has been faced with economic deterioration and real estate market stagnation in China, resulting in decreased revenue and profit compared to the previous fiscal year. In East China, its main market, Shanghai SINKO is working to improve profits primarily by introducing low-cost models for public infrastructure facilities and focusing on clean room installation for medical facilities, but the Board of Directors is discussing operational issues from multiple perspectives. For example, as a response to severe price competition, Shanghai SINKO is endeavoring to improve its competitiveness and profitability through cost-cutting utilizing manufacturing outsourcing and technical support from Japan. In addition to enhancing the accuracy of demand forecasting, it will improve the operation rate of factories by leveraging it as a third production base for the Japanese market. Shanghai SINKO is also working to strengthen its business foundation by restructuring its quality control system, meeting specification standards for public buildings, and reexamining the Japan-China production system by coordinating with the Kanagawa Factory.

### Digital-driven product and solution creation

#### – Formulation of new materiality –

To aim for long-term profit expansion and enhancement of corporate value through the implementation of our long-term vision, "VISION 2030: By Air, to the Future," we reviewed our previous ESG materiality and formulated four new materialities: (1) Provision of air conditioning infrastructure toward the realization of

## Message from Top Management

a sustainable society, (2) Creation of new value through digital transformation (DX), (3) Development of environments and systems where diverse human resources can thrive, and (4) Establishment of a highly transparent governance structure. [P.31 ▶](#)

### – Provision of air conditioning infrastructure toward the realization of a sustainable society –

Specific measures related to technology include aiming to establish sustainable product quality, establish a de facto standard for certification acquisition, and bring devices with industry-leading efficiency to market. As for sales targets, we will work to maintain our top share in the central air conditioning market and increase our share in the heat pump air conditioner market, while changing our sales approach from selling products to selling solutions.

Regarding response to the environment, we have set targets of reducing CO<sub>2</sub> emissions by 50% by the fiscal year ending March 31, 2031 (compared to the fiscal year ended March 31, 2020) and achieving net-zero emissions (Scope 1 and Scope 2) by the fiscal year ending March 31, 2051. Through these initiatives, which we view as the mission of a social infrastructure company, we will engage in technological innovation, evolve sales models, and strengthen initiatives for environmental protection, thereby contributing to the realization of a sustainable society.

### – Creation of new value through digital transformation (DX) –

In 2020, the Group launched the SIMA (SINKO Innovative Manufacturing of AHU) Project by establishing a pioneering new operation system in the industry, with the aim of using DX to address the issues shared by air conditioner manufacturers. In the fiscal year ended March 31, 2024, the SIMA Project combined its functions with digital analysis technologies and evolved into SSA (SINKO Scalable Architecture) Project, which achieves a new product development and manufacturing and sales system. The creation of new value through digital technology innovation is generating new value in design, production, business processes, and quality control, leading to strengthening competitiveness. In the design and production domain, we aim to reduce product lead

time by 50% by the fiscal year ending March 31, 2031 (compared to the fiscal year ended March 31, 2025). We will achieve this by establishing a production system capable of producing 7,200 units per year, while also ensuring a safe work environment. [P.27 ▶](#)

Digital-driven product and solution creation will enhance the sustainability of production systems and operations and strengthen our market competitiveness. For example, creating a database of complaints received enables issues to be visualized, recurrence prevention measures to be thoroughly implemented, and continuous improvements to be made toward zero complaints.

### – Development of environments and systems where diverse human resources can thrive –

Digitalization and database creation are performed by people. We are moving forward with the creation of an environment in which diverse human resources can demonstrate their abilities to the full, aiming for organizational growth through human resource development and employment diversification. We are also focusing on enhancing employee expertise, such as by encouraging the acquisition of qualifications, with a goal of 300 or more qualifications being obtained annually by the fiscal year ending March 31, 2031. Meanwhile, we plan to employ 30 or more foreign nationals as regular employees and 18 or more people with disabilities by the fiscal year ending March 31, 2031, establishing an inclusive workplace environment that respects diversity.

Especially, because we want young employees to gain a variety of experiences beyond their regular work, we have been sending employees overseas for technology inspection purposes since the fiscal year ended March 31, 2024. In the fiscal year ended March 31, 2025, eight employees responsible for technology, production, and sales visited an air conditioning-related trade fair and a fan factory in Germany, learning about cutting-edge technologies and factory operations there. Young people have the aptitude to absorb a great deal when they step outside their normal environments, such as technologies that could lead to improvements in our product development and maintenance. We therefore plan to continue this initiative in the future so that we can keep pursuing cutting-edge technologies. [P.55 ▶](#)



Photo provided by:  
Hanoi University of Science and Technology

Photo provided by:  
National Taipei University of Technology

Furthermore, regarding the employment of foreign nationals as regular employees, we have launched a new initiative called the “Overseas Human Resource Utilization Project,” which involves us traveling to places like Taiwan and Vietnam for direct recruitment so that we can acquire more overseas human resources. As part of this project, in Vietnam, we are taking part in supporting the construction of a facility called the “Vietnam-Japan Space” at Hanoi University of Science and Technology. This facility is designed to deepen understanding of Japanese companies and to provide learning opportunities so that excellent human resources can thrive in Japanese companies. In Taiwan, meanwhile, we have signed agreements on internship collaboration with National Taipei University of Technology and Taipei City University of Science and Technology. Going forward, by establishing a long-term and stable internship and exchange program, we will also contribute to the development of global human resources. These initiatives will generate innovation, as they will enable us to acquire excellent overseas human resources and tap into new insights. [P.53 ▶](#)

By steadily executing these various measures under a highly transparent governance system, we aim to achieve Group consolidated net sales of 70.0 billion yen and Group consolidated operating profit of 11.5 billion yen in the fiscal year ending March 31, 2031.

## Taking on the challenge of priority strategic markets

We have launched the plans, “Smile 500” and “Plan 100,” to secure orders for data center air conditioners and heat pump air conditioners, which are markets that are expected to expand in

## Message from Top Management

the future. “Smile 500” sets a cumulative sales target of 50.0 billion yen for the entire Group’s data center business from the fiscal year ended March 31, 2024 to the fiscal year ending March 31, 2033, while “Plan 100” sets a single-year sales target of 10.0 billion yen for split air conditioning systems, including heat pump air conditioners and engineering businesses, for the fiscal year ending March 31, 2032.

For “Smile 500,” we have built a sales strategy based on a value chain that fully leverages the respective strengths and values of SINKO INDUSTRIES, SINKO ATMOS, and BAC JAPAN, as we aim to secure more orders than ever before. In the data center market, construction demand is rapidly expanding as communications volume surges due to the evolution of AI technology, cloud adoption, and the transition of communications infrastructure from 5G to 6G. Our air conditioners can handle large air volumes and high thermal loads, and BAC JAPAN’s large cooling towers are being widely adopted as heat sources for server cooling. Both have been highly evaluated for their high



Comprehensive testing facility: SINKO AIR DEVELOPMENT LAB



BAC BASE, a demonstration facility of cooling towers for data centers and plants

quality and quick service system, which offer stable 24-hour operation. A major strength is that they have been adopted by the data centers of numerous hyper scalers, both domestically and internationally. Comprehensive testing facility: SINKO AIR DEVELOPMENT LAB, one of the largest testing buildings in Japan, and BAC BASE, a demonstration facility of cooling towers for data centers and plants that opened in February 2025, serve as important foundations that further enhance our competitive advantages. [P.23 ▶](#)

As for “Plan 100,” heat pump air conditioners have been performing well against the backdrop of demand for heatstroke countermeasures at manufacturing sites. Having achieved our sales target for split air conditioning systems for the fiscal year ending March 31, 2027, the final year of the Medium-term Management Plan “move.2027,” two years ahead of schedule, we have decided to raise the target from the previous 3.0 billion yen to 3.3 billion yen. We have also established a dedicated division responsible for proposal-based sales of heat pump air conditioners, as we aim for further growth in performance. In June 2025, we launched a pilot project for the Gymnasium Air Conditioning System “BREEZE for ARENA,” installing it at an elementary school in Hadano-shi, Kanagawa to verify its effectiveness and to gauge costs. Moreover, during the fiscal year ending March 31, 2026, we plan to open an exhibition facility for “BREEZE for ARENA,” designed to resemble a gymnasium, on the Kanagawa Factory premises. [P.25 ▶](#)

### Optimization of Group operations through DX penetration

While our domestic business is mature, unexplored fields such as school gymnasiums still exist. However, as long as the collection of sales information remains labor-intensive, there is a risk of our missing opportunities in the future due to shortages of personnel and know-how. To adapt to the competitive environment of the DX era, which will lead to solving this issue, we are going to start considering a new web platform (data linking foundation).

Our aim is to improve the competitiveness and operational

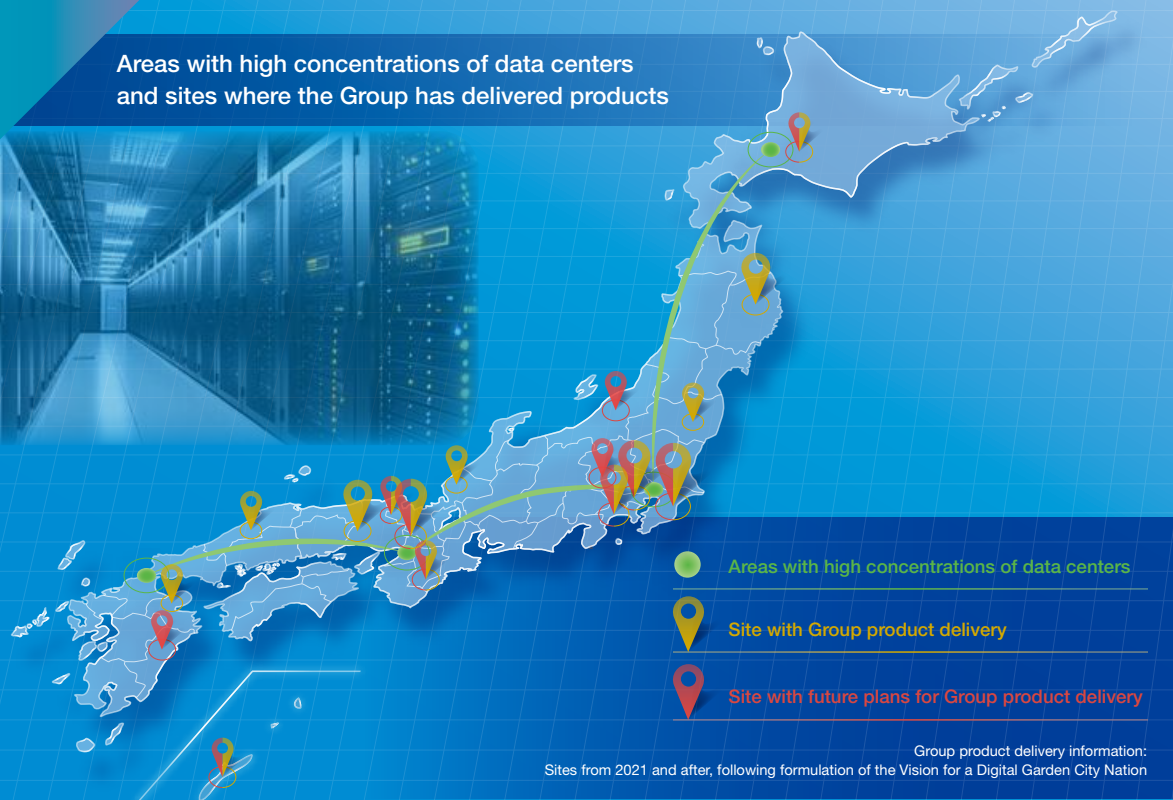
efficiency of the Group, and thereby expanding business opportunities, by efficiently linking web service data and core data information, including Group company websites; SSA and SIMA; SINKO Direct, which allows users to search for drawings in our product database; and KAZASHITE MAINTENANCE, which makes it possible to access maintenance information using 2D barcodes on products themselves. The introduction of this Group web platform will strengthen data sharing and promote optimization of the entire Group operations. For example, it will improve the accuracy of management indicators, facilitate rapid decision-making, allow value creation through value chains, and enhance efficiency in manufacturing and sales operations.

At the center of this DX concept is the Kanagawa Factory. The factory, which is making investments and taking on challenges from a medium- to long-term perspective in both manufacturing and R&D processes, is currently developing the Kanagawa Factory Optimization Plan to become Japan’s largest air conditioner factory (100,000m<sup>2</sup>). [P.48 ▶](#)

Against the backdrop of the evolution of AI technology, DX is steadily diffusing internally, and has become a key pillar supporting the growth of our entire organization, but its underlying objective is to improve the quality of people’s work. Our Management Philosophy of “prolific creativity and quality to be proud” does not refer only to products. Rather, it is a mission for all our operations including technology, production, R&D, sales, administration, and corporate planning.

Our mission is becoming an “AIR DESIGN COMPANY.” Designing air to create optimal air quality for every space is the essence of our work in supporting Japan’s air conditioning infrastructure. By having everyone in the Group realize this mission, my hope is that we will enhance our competitiveness and demonstrate our presence in this society of healthy competition. I myself, together with all our employees, am determined to continue striving to create a better future while always valuing the relationships we have with all our stakeholders.

Areas with high concentrations of data centers  
and sites where the Group has delivered products



## Responding to Data Center Demand

### Features of the Data Center Market and the Background Behind the Launch of the Data Center Business Department

The domestic data center (“DC”) market is growing rapidly on the back of the widespread use of cloud services and evolutions in AI technology. Under this environment, most businesses building and operating DCs for hyper scalars are foreign-owned businesses, and when it comes to air conditioners, it has become standard for them to adopt overseas products with a global track record and supply them to the construction companies. The number of domestic DC operators adopting overseas products is also rising, so effectively, overseas air conditioner manufacturers hold an unchallenged position in the domestic DC market. However, there are also many operators that would prefer a domestic manufacturer due to their ability to immediately handle maintenance in case there is trouble. That is why in 2023, we launched the Data Center Business Department, a dedicated organization, with an eye toward expanding sales from the fiscal year ending March 31, 2027 onward.



**Yoshiaki Sakai**  
Executive Officer,  
General Manager, Data  
Center Business  
Department, Sales  
Management Division

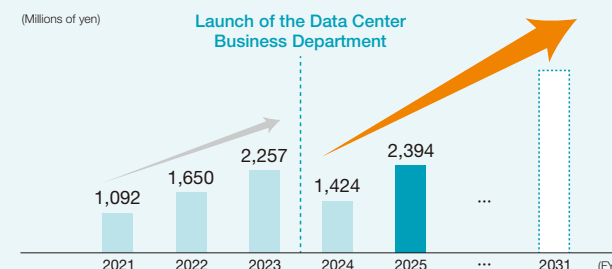


Data center air conditioner  
model DE-W



Comprehensive testing facility:  
SINKO AIR DEVELOPMENT LAB

#### SINKO INDUSTRIES DC air conditioner sales and future prospects



## Special Feature 1: Responding to Data Center Demand

### Domestic Data Center Market Outlook - Changes in Server Cooling Methods

Led by the “Vision for a Digital Garden City Nation” and the “watt-bit collaboration,” the Japanese government has announced that it will promote the regional decentralization of DCs. In the future, further increase in demand is expected. Currently, “Air Cooled,” which uses cold air from air conditioners to cool server rooms, is commonly adopted to deal with heat generated by servers. Our air conditioners for DCs use this method. We are flexibly responding to needs related to the growing amount of waste heat being produced as server performance increases, such as by expanding our lineup of products for dealing with high loads. When it comes to the medium- to long-term outlook, we are also keeping a close eye on changes in server cooling methods resulting from the explosive growth in data usage. The number of servers placed in limited DC spaces is on the rise (they are becoming more densely packed). This is causing the amount of heat generated in the entire server room to also rise, so DCs are transitioning to the highly-efficient liquid cooling method (including liquid cooling and immersion cooling). According to market participants, a complete transition from Air Cooled is difficult due to deployment costs and technical considerations, but we consider this to be an issue that will require close attention over the medium to long term. The large cooling towers handled by BAC JAPAN CO., LTD., one of our Group companies, will be essential even after server cooling methods transition to liquid cooling and immersion cooling. To flexibly respond to the needs of the fluid DC market and provide added value, the entire Group is building its value chain.



### Comprehensive testing facility: SINKO AIR DEVELOPMENT LAB

Backed by our track record of central air conditioners, our full-fledged entry into the DC market has been very well received by our customers. Amid this situation, we have newly opened the “Comprehensive testing facility: SINKO AIR DEVELOPMENT LAB,” one of Japan’s largest facilities for testing actual DC load capabilities, on the grounds of the Kanagawa Factory. In the fiscal year ended March 31, 2025, in which we opened the facility, a combined total of 50 companies came to see it. These included DC operators, known as hyper scalers, major architects, major general contractors, and major subcontractors. As of September in the current fiscal year, more than 40 companies have already visited the facility, and it has been very well received. The factory grounds are also home to “BAC BASE,” a demonstration facility of cooling towers for data centers and plants from our Group company BAC JAPAN CO., LTD. At the facility, visitors can experience the value chain provided by the entire Group.



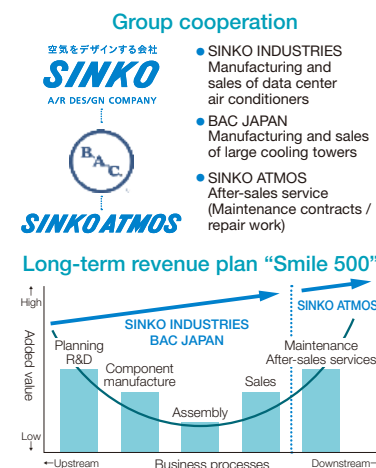
Tour to see data center air conditioners



Tour to see the large cooling tower

### Building a value chain - Creating added value throughout the entire Group

The needs of the DC market are fluid and change rapidly. To meet those needs, we have formulated the long-term revenue plan “Smile 500” to provide added value throughout the entire Group. We realize swift and steady supply of components from our two domestic production sites and quickly respond to customers from our 12 domestic maintenance sites, including the office we have opened in the Inzai area of Chiba, which has a high concentration of DCs. Through the establishment of this production and service system, we plan to maximize the added value of “peace of mind,” which is something our customers seek from our Group. As the diagram on the right shows, the shape of the added value curve resembles a smile, naming it the smile curve theory. We plan to build a Group-integrated value chain that spans from R&D to manufacturing, sales, and after-sales services to secure a stable source of revenue over the long term, and named this plan “Smile 500.” Led by this plan, from the fiscal year ended March 31, 2024 to the fiscal year ending March 31, 2033, we aim to reach 50 billion yen in cumulative Group sales in the DC market.





## Expanding Split Air Conditioning Systems (Heat Pump Air Conditioners) Business

### Responding to Market Needs

Until now, our heat pump air conditioners had been positioned as secondary products compared to our cold and hot water air conditioners\*, for which we have the top market share. There were concerns that the heat pump method cannot provide the same high quality of air with the same level of precision as the cold and hot water method. Given the Company's values, which center on our technical capabilities, we have been somewhat hesitant for full-fledged participation in this market. Amid this environment, due partly to the reappraisal of the central method following labor shortages resulting from the declining birth rate and aging population, market needs have changed significantly, and we have received more requests for heat pump air conditioners. Based on the technical capabilities and reliability we have cultivated through our experience with cold and hot water air conditioners, we have now begun full-fledged development and sales of heat pump air conditioners.

\* Chilled/hot water air conditioners are central air conditioning system (Chilled water system).

**Hirofumi Miyamura**

General Manager,  
Heat Pump Engineering Department,  
Sales Management Division



### Struggling with the Image We have Established

For many years, our customers have recognized SINKO as the company that comes to mind when it comes to cold and hot water air conditioners. This became a bottleneck, and when we first started to expand sales of our heat pump products, the lack of our recognition in the market caused us to struggle. We were seen as a dedicated cold and hot water air conditioner manufacturer, so customers never came to us with inquiries regarding heat pump air conditioners. However, we have steadily approached our existing customers and persistently carried out PR activities. As a result of these efforts, net sales of our heat pump products went from under 900 million yen in the fiscal year ended March 31, 2021 to over 3 billion yen in the fiscal year ended March 31, 2025. One of our important values is the spirit of "CHALLENGing." The above case is an iconic embodiment of this spirit, and we will continue to work as one to expand this business.

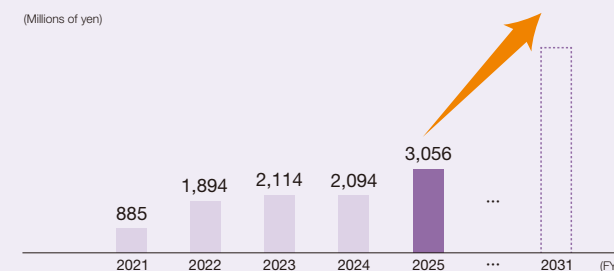


Heat pump air conditioner  
with separate outdoor unit



All-in-one heat pump air conditioner  
Ocoogeo®

### SINKO heat pump product sales and future prospects



## Special Feature 2: Expanding Split Air Conditioning Systems (Heat Pump Air Conditioners) Business

### Future Market Outlook and SINKO's New Challenges

Our split air conditioning system sales target under “move.2027” is 3.3 billion yen, and we will seek to achieve this and further expand sales in this field. The business environment surrounding heat pump air conditioners is benefitting from factors that are driving business, and there are hopes for major ongoing growth in the future. One factor is the promotion of the installation of air conditioning equipment in school gymnasiums. The Ministry of Education, Culture, Sports, Science and Technology is carrying out measures aimed at having air conditioners installed in 95% of school gymnasiums nationwide within the next 10 years. School gymnasiums also serve as evacuation sites in the event of a disaster, so subsidies from the Ministry of Internal Affairs and Communications, such as the emergency disaster prevention and mitigation industrial bonds, are further assisting with this effort. Furthermore, heat stroke prevention measures have been mandated for all workplace environments starting in June of this year, and this has also driven up demand for heat pump air conditioners. Growth in demand is expected in many fields in the future as well. For example, heat pump air conditioners are relatively easy to install, so they are seen as a suitable option for factories in which air conditioners have yet to be installed.

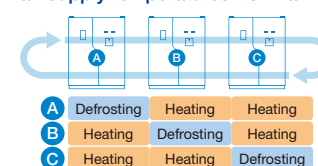
Even in our Company, following our business expansion, many customers have shared their needs and improvement requests with us, and we have been striving to expand and enrich our product functions and lineups. Our “Defrost Rotation,” “SINKO AIR CONDITIONING RESCUE,” and Gymnasium Air Conditioning System “BREEZE for ARENA” are examples of these efforts.

In this environment, in the fiscal year ended March 31, 2025, we launched the Heat Pump Engineering Department to aim for further growth. This dedicated organization markets solutions to customers, shifting from selling products to selling solutions. In addition to conventional product sales, we are also establishing new business models such as proposals that encompass overall system design and construction.

### Defrost Rotation

To prevent outdoor units from freezing up during the winter, an equipment protection function switches the units to defrosting operation. While this is in progress, cold air is blown into rooms, which is one of the major drawbacks of heat pump air conditioners. To solve this problem, we built a system in which multiple outdoor units perform defrosting operation in a rotating sequence. Thus, we have created a user-friendly air conditioner that keeps rooms from chilling up during the winter.

Using Defrost Rotation® to prevent air supply temperatures from falling



### SINKO AIR CONDITIONING RESCUE

In the event of a disaster or other emergencies, air conditioners race to evacuation sites! Led by this “air conditioner to the rescue” concept, we developed this service and concluded a Support Agreement on Disaster Management with Hadano City.

A heat pump air conditioner and a power generator are loaded on the truck, so air conditioning can be provided anywhere, helping improve the living environments at evacuation sites.



### Gymnasium Air Conditioning System “BREEZE for ARENA” installed in Hadano City Municipal Suehiro Elementary School in Kanagawa

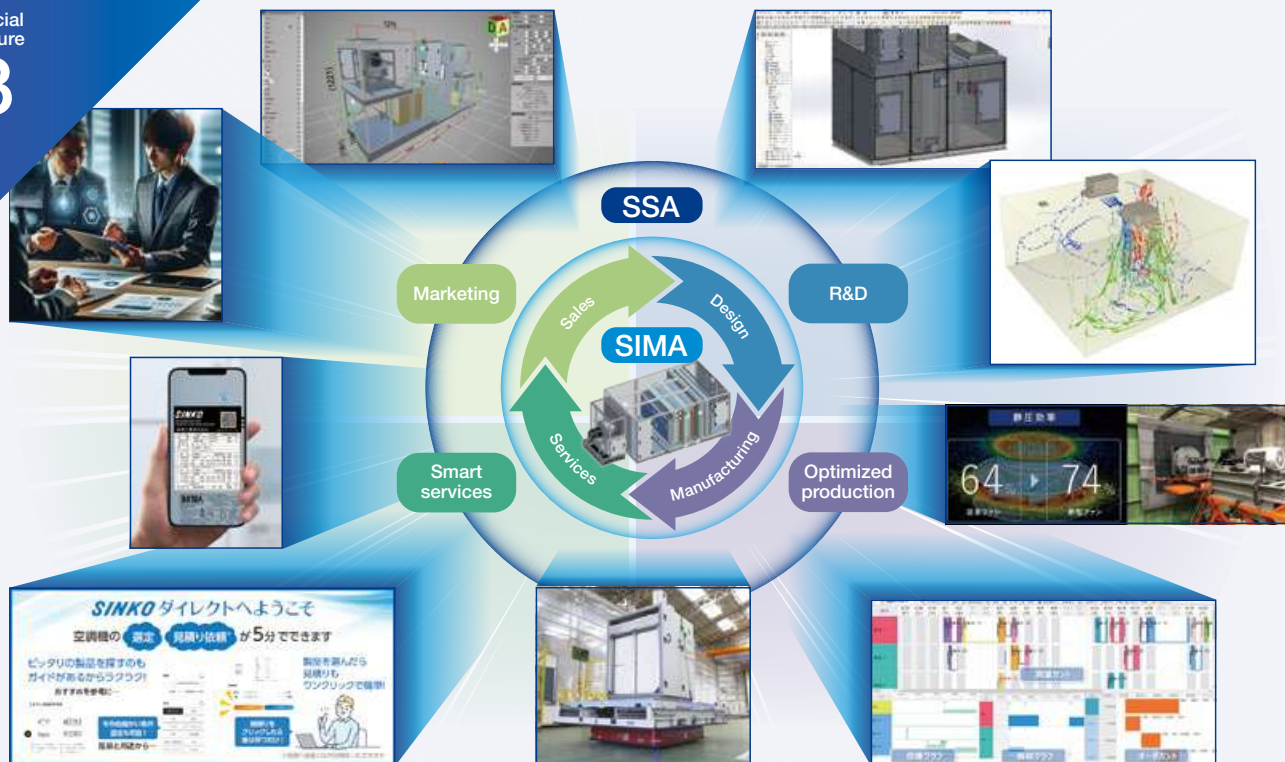
In June 2025, we completed our first installation of the Gymnasium Air Conditioning System “BREEZE for ARENA” in Suehiro Elementary School in Hadano-shi, Kanagawa. This system was designed to improve the functions of evacuation sites in the event of a disaster. Specifically, it uses gas heat pumps, for which infrastructure can be recovered quickly, and also bulk tanks (tanks for storing large amounts of gas) to enable the use of air conditioners for cooling and heating even in the event of a disaster. This system is quiet and produces a gentle air flow, so it is suitable for use in competitions that are sensitive to air flow, such as badminton, and for events which require a quiet environment, such as music concerts or graduation ceremonies. The facility the system was installed in was a gymnasium constructed in 1976 that was showing its years. Our product does not require any major building reinforcement or other work, and thanks to this feature, the gym repair was completed without problem, creating a comfortable air conditioning environment. To promote the widespread use of the Gymnasium Air Conditioning System, in the fiscal year ending March 31, 2026, we plan to newly open a facility on the grounds of our Kanagawa Factory where visitors will be able to experience “BREEZE for ARENA.” We will strive to foster greater awareness of the excellent capabilities and comfort of this system by having members of the educational community and many other customers experience the system first-hand.



BREEZE for ARENA installation example - Gymnasium interior



BREEZE for ARENA installation example - Installed equipment



## Pursuing Digital Transformation (DX)

### Issues in the Building Equipment Industry

Social issues such as global warming, limited energy resources, and the shrinking working population are growing more severe. Companies are required to offer high-quality products that also conserve energy and to make dramatic improvements to production efficiency.

Commercial air conditioners (AHU), which are our core products, are individually designed and manufactured according to building applications. Up to now, we had been engaged in manufacturing while making adjustments based on the experience and implicit knowledge of each of our departments, such as our sales, design, manufacturing, and quality management departments. This has been our Company's strength, but we are approaching the limit of what we can accomplish using this manufacturing approach, which relies on the abilities of individuals, given the recent diversification of the labor force and the difficulties involved in passing on technologies. This is a structural issue that many Japanese companies face, not just our own.

**Hiroyasu Tanaka**  
General Manager,  
Design System Department,  
Technical Division



## SIMA Project

We launched the "SIMA Project" with an eye toward ensuring the sustainable growth of our air conditioner business and increasing our competitiveness. SIMA aims to digitalize information regarding our one-of-a-kind products and operations and to utilize data in every process, from sales to design, manufacturing, after-sales services, and future sales activities, primarily using a product database (BOM). By reviewing our operation processes and leveraging digital technologies, we seek to increase the productivity of our organization as a whole and build a system capable of flexibly adapting to future changes.

The SIMA Project is composed of four phases.

### Phase 1 Reorganizing and consolidating scattered data

This phase, led by our technical departments, begins with analyzing data scattered across different processes. The flow of data is organized by comparing it against the flow of work, and the structure of accumulating and utilizing data are built.

### Phase 2 Production process innovation through overall optimization

Production departments implement operation process reforms in order to utilize data in design and manufacturing processes. In conjunction with the optimization plans of the Kanagawa and Okayama Factories, we are also advancing with digitalizing factories.

### Phase 3 Application to marketing

We capture market trends in a timely manner and utilize them in day-to-day sales activities. Based on the SIMA infrastructure, we are creating new proposal methods that will have an impact on our customers.

### Phase 4 Enhancement of services

New technologies are introduced to improve the efficiency of site maintenance work. Service history information is accumulated and utilized to consider new service models that offer higher added value.

SIMA is turning tacit knowledge into explicit knowledge and centrally managing data to tackle the issue of passing on technologies. This project is also creating new workstyles by linking design quality improvements and production efficiency maximization with sales and services.

## The Evolution of SINKO INDUSTRIES' Systems

We began introducing systems in 1970 and started utilizing IT since its early days. However, initially our sales departments and our manufacturing departments were two different companies, so we were not able to achieve company-wide productivity improvements. Long afterward, in 2020, we launched the company-wide “SIMA,” which combined manufacturing and sales, and launched “SSA,” whose key concept is DX. With these efforts, we began implementing full-fledged initiatives aimed at strengthening next-generation competitiveness.

The diagram illustrates the evolution of KAZASHITE MAINTENANCE's IT systems from 1970 to 2023. The timeline is divided into three main phases: 1970-2000 (Mainframe system), 2000-2020 (SIMA), and 2020-2023 (SSA). The diagram shows the progression of various systems: Design tools (Mainframe-based 2D-CAD, Open platform 2D-CAD, Open platform), Design system (Mainframe system, Open platform), Production management system (Mainframe system, Open platform), and Sales management system (Mainframe system, Open platform). It also shows the integration of these systems into SIMA (2000-2020) and then into SSA (2020-2023). The SSA phase includes a comprehensive core system (MES APS, Logistics management, Production management, Procurement management, SINKO Direct, Sales management) and Smart services (KAZASHITE MAINTENANCE). The diagram is set against a background of three large blue arrows pointing upwards and to the right, labeled 'Operation improvements and IT utilization', 'DX utilization', and 'AI utilization'.

Centering on our “SSA” DX strategy, we are aiming to establish next-generation competitive superiority. In this strategy, we are striving to accelerate our product development and achieve higher levels of quality through technological transformation. We are also promoting the realization of flexible workstyles and comfortable workplace environments.

In addition, we are using digital analysis technologies to issue highly sophisticated customer proposals and perform risk analyses, assisting with fast and accurate decision-making. Through these initiatives, we will create sustainable value for both customers and employees.

- ## Ongoing initiatives

**SIMA Phase 3**  
Demand chain  
Sale of multi-module  
products

**SIMA Phase 4**  
Service chain

# Value Creation Process



# Business Model

The Group has established a business foundation for responding accurately and speedily to market trends and customer needs, from R&D and design to manufacturing, sales, and service and maintenance. Through tireless efforts, this foundation continues to evolve day by day, leading to increased customer satisfaction.



## Manufacturing

**Shiho Kinuta**  
Assistant Chief Engineer of Manufacturing  
Control Department II, Manufacturing Division

In the manufacturing departments, we strive to provide reliability and satisfaction based on design instructions that reflect customer needs.

Product manufacturing requires a wide spectrum of knowledge and skills, but I am able to keep putting in the work as I find it fulfilling to see how I am growing personally. I also focus on creating an environment in which team members can easily exchange opinions and consult with each other, aiming to establish a workplace where everyone can cooperate and grow together.



## R&D

**Tomohiro Uryu**  
Assistant Chief Engineer of R&D Department I, Technical Division

We conduct core technology research and product development with the aim of becoming number one in air conditioning devices through efficient processes based on SSA, which utilizes various analytical technologies in addition to our accumulated technical know-how. With "improving indoor environments through air quality" as one of our missions, we work closely with the design, manufacturing, sales, and service departments to meet diverse needs. We will also contribute to business development and profit improvement, as well as environmental impact reduction, through our technologies and products.



## Sales

**Yuji Fujita**  
Field Sales Manager, Osaka Branch,  
Sales Management Division

Our strength lies in our technical proposal capabilities backed by our track record as Japan's top supplier. To offer the kind of air conditioning that customers demand, we present them with optimal solutions according to their situations from the planning stage through to the post-installation stage.

Rather than simply selling products as salespeople, we will contribute to all stakeholders, from building owners to contractors, by being there at every step of the process of creating comfortable air conditioning.



## Design

**Wakana Kanazawa**  
Assistant Chief Engineer of Technology Control Department III,  
Manufacturing Division

To produce high-quality, high-performance air conditioners, we engage in design work daily, actively incorporating DX elements such as AI, 3D-CAD, and BOM data.

I feel that being in an environment where I can take on new challenges leads to improved technical capabilities and personal growth.

In addition, the sense of accomplishment when an air conditioner I designed myself is delivered to a prestigious facility really motivates me to take on further challenges.



## Services

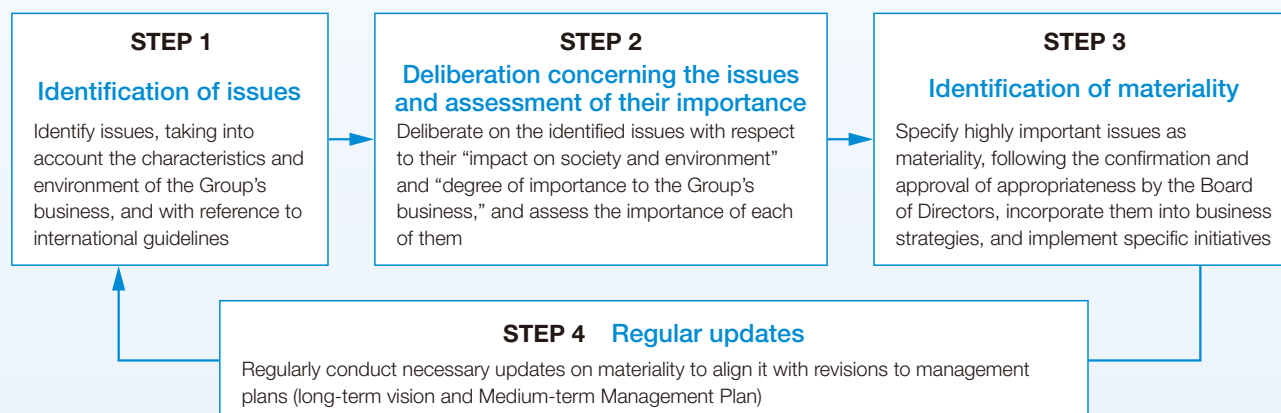
**Shingo Okuda**  
Assistant Manager of Sales Development Department,  
Tokyo Branch, SINKO ATMOS CO., LTD.

In addition to performing maintenance inspections and repair work for air conditioners and fan coils, we strive to present optimal proposals that align with customer requests and issues, even with the peripheral equipment installation work that accompanies renewal work. Furthermore, in the Sales Development Department, we will contribute to maintaining comfortable air-conditioned environments by actively visiting users with whom we have not previously established direct connections, and proposing solutions to them.

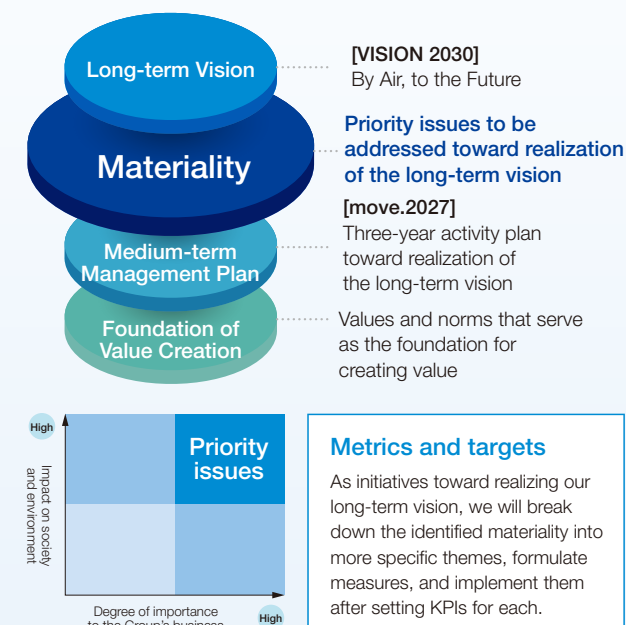
# Materiality of the SINKO Group

The Group organized the various initiatives it had undertaken in its ESG activities into ESG materiality and specific action plans in 2021, and has been implementing the PDCA cycle. However, amid changes in social conditions and economic structures, a strategy based on a more evolved version of materiality became essential for long-term corporate value creation. Therefore, to recognize management issues from a broader perspective, we have reorganized our materiality based on our long-term vision, “VISION 2030: By Air, to the Future,” and Medium-term Management Plan “move.2027.” We will conduct necessary reviews as appropriate in conjunction with the timing of management plan revisions.

## Materiality Specification and Review Process



## Positioning of Materiality Through a Value Creation Story



### Materiality

- Provision of air conditioning infrastructure toward the realization of a sustainable society**
  - Enhance environmental value of products and services through decarbonization
  - Strengthen businesses by leveraging group capabilities in value chain initiatives
  - Provide value that contributes to the resilience of society and industry as a whole
- Creation of new value through digital transformation (DX)**
  - Establish mechanisms for business process efficiency and productivity improvement
  - Pursue product safety and reliability
- Development of environments and systems where diverse human resources can thrive**
  - Instill capital cost management and generate excitement
  - Create an environment where everyone can work happily
  - Enable diverse human resources to thrive
- Establishment of a highly transparent governance system**
  - Ensure that the Board of Directors functions effectively and is comprised of diverse individuals
  - Promote dialogue with stakeholders
  - Strengthen the risk management system

## Materiality of the SINKO Group




### Initiatives and KPIs for Realization of Materiality and Long-term Vision

Materiality	Themes	Relevant Key Items	Initiatives and KPIs
<b>Provision of air conditioning infrastructure toward the realization of a sustainable society</b> <ul style="list-style-type: none"> <li>Enhance environmental value of products and services through decarbonization</li> <li>Strengthen businesses by leveraging Group capabilities in value chain initiatives</li> <li>Provide value that contributes to the resilience of society and industry as a whole</li> </ul>	Increase product value	<ul style="list-style-type: none"> <li>Reduce lifecycle carbon</li> <li>Develop environmentally friendly products</li> <li>Become the only company in Japan with AMCA/AHRI certification</li> <li>Acquire and protect our own intellectual property</li> </ul>	<ul style="list-style-type: none"> <li>Develop environmentally friendly products equipped with devices whose performance is second to none</li> <li>Assert product quality through third-party certification</li> <li>Establish a de facto standard for certification acquisition</li> <li>Acquire intellectual property rights generated from core technologies</li> </ul>
	Cultivate existing businesses and develop new markets	<ul style="list-style-type: none"> <li>Strengthen large-scale standard floor and industrial air conditioning markets</li> <li>Strengthen DC business and heat storage business</li> <li>Shift from selling products to selling solutions</li> </ul>	<ul style="list-style-type: none"> <li>Further enhance trust among existing customers</li> <li>Step up sales promotion to expand sales of air conditioners and cooling towers for DCs</li> <li>Increase construction capabilities to expand air conditioning installation</li> <li>Strengthen engineering for split AC systems (heat pump air conditioners) market ⇒ Adoption of new refrigerants and formulation of policy for safety measures, module-type heat pump air conditioners</li> </ul>
	Realization of carbon neutrality	<ul style="list-style-type: none"> <li>Reduce environmental impact related to manufacturing and transportation</li> <li>Increase the proportion of product components that are reused</li> </ul>	<ul style="list-style-type: none"> <li>CO<sub>2</sub> emissions (against FYE 2020/3): 50% reduction (FYE 2031/3)</li> <li>Achieve net-zero CO<sub>2</sub> emissions (in 2050) * The scope of CO<sub>2</sub> emissions calculation covers Scope 1 and Scope 2.</li> <li>Paper usage in business activities (against FYE 2020/3): 50% reduction (FYE 2031/3)</li> <li>Promote the use of recycled materials</li> </ul>
<b>Creation of new value through digital transformation (DX)</b> <ul style="list-style-type: none"> <li>Establish mechanisms for business process efficiency and productivity improvement</li> <li>Pursue product safety and reliability</li> </ul>	Improve production capacity and production efficiency	<ul style="list-style-type: none"> <li>Optimize factories, introduce new equipment</li> <li>Reduce product lead time (LT)</li> </ul>	<ul style="list-style-type: none"> <li>Production capacity: Establish production system capable of annual output of 7,200 units (in FYE 2031/3) (annual production volume 30% higher than in FYE 2025/3) ⇒ Kanagawa Factory: Realize efficient next-generation production system through north-south integration and DX ⇒ Okayama Factory: Realize sustainable growth with dedicated equipment that meets market needs</li> <li>Product lead time (against FYE 2025/3): Reduce by 50% (in FYE 2031/3)</li> </ul>
	Improve overall quality	<ul style="list-style-type: none"> <li>Enhance manufacturing inspection system and inspection efficiency</li> <li>Integrate quality data</li> </ul>	<ul style="list-style-type: none"> <li>Establish digital quality management infrastructure ⇒ Zero-complaint measures, digitalization concept, labor-saving measures</li> <li>Number of complaints: Target of zero (every fiscal year)</li> <li>Improve customer satisfaction</li> <li>Strengthen competitiveness in the market</li> </ul>
<b>Development of environments and systems where diverse human resources can thrive</b> <ul style="list-style-type: none"> <li>Instill capital cost management and generate excitement</li> <li>Create an environment where everyone can work happily</li> <li>Enable diverse human resources to thrive</li> </ul>	Firmly establish a corporate culture that encourages challenge	<ul style="list-style-type: none"> <li>Implement human resource development programs and measures for technology succession</li> <li>Encourage acquisition of national qualifications</li> </ul>	<ul style="list-style-type: none"> <li>Number of qualifications acquired: 300 or more per year (in FYE 2031/3)</li> <li>Employee engagement score: 3.30 points or more (in FYE 2031/3) * Maximum survey score conducted by external organization is 5 points (our FYE 2025/3 score was 3.25 points).</li> <li>Safety: Frequency rate of occupational accidents 1.0 or less (every fiscal year)</li> <li>Number of foreign national regular employees: 30 or more (in FYE 2031/3)</li> <li>Number of employees with disabilities: 18 or more (in FYE 2031/3)</li> </ul>
	Make working more pleasant	<ul style="list-style-type: none"> <li>Improve work environment</li> <li>Enhance welfare programs</li> <li>Promote activities for occupational safety and health</li> </ul>	
	Respect human rights and achieve sustainable growth by leveraging diversity	<ul style="list-style-type: none"> <li>Diversity promotion plans</li> </ul>	
<b>Establishment of a highly transparent governance system</b> <ul style="list-style-type: none"> <li>Ensure that the Board of Directors functions effectively and is comprised of diverse individuals</li> <li>Promote dialogue with stakeholders</li> <li>Strengthen the risk management system</li> </ul>	Engage in dialogue and pursue co-existence with stakeholders	<ul style="list-style-type: none"> <li>Dialogue with investors</li> <li>Contribute to local communities</li> </ul>	<ul style="list-style-type: none"> <li>Enhance content of IR materials and increase English-language disclosure</li> <li>Submit securities reports early</li> <li>Support career education at high schools and universities</li> <li>Organize events such as factory tours, work experience programs, and showroom visits for local elementary school students</li> </ul>
	Strengthen corporate governance system	<ul style="list-style-type: none"> <li>Reinforce supervisory function of business execution</li> <li>Make highly transparent information disclosures</li> </ul>	<ul style="list-style-type: none"> <li>Evaluation of the effectiveness of the Board of Directors</li> <li>Expand disclosure of non-financial information through integrated reports, website, etc.</li> <li>Targeted email training: 0% opening rate (every fiscal year)</li> <li>Information security check sheet: 100% recovery rate (every fiscal year)</li> <li>In-house compliance education: 100% participation rate (every fiscal year)</li> <li>Continue operating compliance consultation service (internal and external)</li> </ul>
	Strengthen risk management	<ul style="list-style-type: none"> <li>Raise awareness of information security</li> </ul>	
	Ensure compliance	<ul style="list-style-type: none"> <li>In-house compliance education</li> <li>Enhancing compliance consultation service</li> </ul>	




Among the items previously specified as ESG materiality, those judged to have relatively low relevance to or impact on our business have been excluded from the current materiality. The excluded materiality items will be subject to continuous internal monitoring, with attention paid to their potential as future risks or opportunities, and they may be repositioned as materiality again if necessary.

# Capital of the SINKO Group

Since its founding in 1938, the SINKO Group has accumulated diverse forms of high-value capital by contributing to the development of society and industry through its business domain of “creating comfortable environments.” We will organically link our accumulated capital and use it as a source of value creation, aiming to sustainably enhance corporate value.

	 Financial Capital	 Manufacturing Capital	 Intellectual Capital			
	Equity <b>60.9</b> billion yen	Strategic investments <b>13.5</b> billion yen (move.2027 plan)	Production bases Two domestic locations Two overseas locations	Capital investment amount <b>2.7</b> billion yen	Number of intellectual property rights held (non-consolidated) <b>228</b>	R&D expenses <b>1.0</b> billion yen
The importance of management capital	<ul style="list-style-type: none"><li>To build an even stronger financial foundation, it is important to direct operating cash flow and liquidity on hand toward strategic investments</li><li>In line with capital cost management, leveraging debt to drastically revise our capital structure is also imperative</li></ul>		<ul style="list-style-type: none"><li>To appropriately respond to the diversifying needs of our customers and fluctuations in demand, it is important to build a robust and optimized production system</li></ul>		<ul style="list-style-type: none"><li>To address social issues expected in the medium to long term, it is important to establish a technology infrastructure, such as digital design systems and various testing facilities, and to promote research into core technologies, product development, and quality enhancement both in Japan and overseas</li></ul>	
The Group's strengths and characteristics	<ul style="list-style-type: none"><li>Sound financial foundation built up through many years of business operations</li><li>Investment strategy aimed at sustainable profit growth</li></ul>		<ul style="list-style-type: none"><li>Production at two domestic sites (largest production volume in Japan)</li><li>Manufacturing know-how and ability to adapt to the characteristics of customers' premises, acquired by meeting custom specifications for each product</li><li>Optimal production system utilizing both cell production and line production</li><li>Strong competitiveness thanks to producing large proportion of components in house</li><li>High production capacity thanks to use of proprietary equipment</li><li>Stable factory operations and one-stop logistics service through leveling of production plans</li></ul>		<ul style="list-style-type: none"><li>Industry-leading development capabilities and experience</li><li>In-house production of critical components</li><li>Only company in Japan to be licensed under the "AMCA-accredited Laboratory"</li></ul>	
Major issues	<ul style="list-style-type: none"><li>Utilize debt to reform capital structure (rebalancing liabilities and capital)</li><li>Instill capital cost management</li><li>Sell cross-shareholdings</li></ul>		<ul style="list-style-type: none"><li>Build strategic production system to improve productivity</li><li>Boost production capacity</li><li>Establish operational system that ensures technology succession and is not dependent on individual skill levels</li><li>Achieve labor savings through review of product structures and production processes</li><li>Improve overall quality</li></ul>		<ul style="list-style-type: none"><li>Promote technology development for a carbon-free society</li><li>Address shortage of digital human resources</li><li>Strengthen next-generation R&amp;D human resources and develop an organizational structure</li><li>Accumulate diverse intellectual capital in core air conditioning technologies and other areas</li></ul>	
Initiatives	<ul style="list-style-type: none"><li>Actively invest in growth domains, new businesses, existing businesses, and foundations strengthening</li><li>Balance sheet control looking toward optimal liabilities and capital structure</li></ul>		<ul style="list-style-type: none"><li>Execute digitalization projects, SIMA and SSA</li><li>Pursue optimal factory operation</li><li>Standardize operations through analysis of manufacturing data</li><li>Shift to product structures with lower environmental impact</li></ul>		<ul style="list-style-type: none"><li>Create added value through DX strategy</li><li>Increase efficiency and compactness of core components (fans and heat exchangers)</li><li>Utilize fluid analysis and simulation technologies</li><li>Increase patent application rate for created technologies and expand intellectual property portfolio</li></ul>	

## Capital of the SINKO Group

	<div></div> <div>Human Capital</div>	<div></div> <div>Social and Relational Capital</div>	<div></div> <div>Natural Capital</div>	
	<div>Number of employees on consolidated basis</div> <div>1,684</div>	<div>Training cost per employee (non-consolidated)</div> <div>37,463 yen</div>	<div>Sites (including overseas distributors)</div> <div>33 domestic locations 20 overseas locations</div> <div>Suppliers (including partner companies) (non-consolidated)</div> <div>321 companies</div>	<div>Energy consumption (non-consolidated)</div> <div>2,394 kl (crude oil equivalent)</div>
The importance of management capital	<ul style="list-style-type: none"><li>It is important to secure diverse and excellent human resources as a source of enhancement of our corporate value and growth of the Group</li><li>For our human resources to demonstrate their capabilities to the maximum extent, developing both hard and soft infrastructure and building systems that enable all employees to thrive are also imperative</li></ul>	<ul style="list-style-type: none"><li>To achieve Group's sustainable growth by gaining customer trust, it is important to strengthen and expand our network of partner companies and suppliers</li></ul>	<ul style="list-style-type: none"><li>To create economic value while protecting the environment, it is important to actively work toward efficient energy utilization, recognizing the finite nature of Earth's resources</li></ul>	
The Group's strengths and characteristics	<ul style="list-style-type: none"><li>Adherence to the "SINKO WAY"</li><li>Rapid transformation of young employees into an effective workforce through new employee rotation training lasting over one year</li></ul>	<ul style="list-style-type: none"><li>Track record of supplying products to the market for over 70 years since our establishment, and multiple products in operation at well-known buildings in Japan</li><li>Group capabilities enabling manufacturing, sales, and after-sales service to be provided as a one-stop solution</li><li>Reliability cultivated through many years of business operations</li></ul>	<ul style="list-style-type: none"><li>Product development-driven initiatives to reduce environmental impact</li><li>Environmentally friendly product lineup (all-in-one heat pump air conditioner Ocoogeo®, etc.)</li><li>Environmentally friendly facility construction (certifications obtained by the SINKO AIR DESIGN STUDIO)</li></ul>	
Major issues	<ul style="list-style-type: none"><li>Address recruitment difficulties stemming from labor shortages</li><li>Enhance employee engagement</li><li>Develop executive talents with the mindset and capabilities to take on the challenge of developing new markets</li></ul>	<ul style="list-style-type: none"><li>Step up action in the data center market, where demand is increasing in tandem with the AI revolution</li><li>Step up action in the split AC systems market, where expansion is expected due to global warming</li><li>Stabilize overseas business</li></ul>	<ul style="list-style-type: none"><li>Realization of carbon neutrality</li><li>Introduce central air conditioning and split AC systems that address climate change</li></ul>	
Initiatives	<ul style="list-style-type: none"><li>Step up implementation of Overseas Human Resource Utilization Project</li><li>Strengthen branding</li><li>Implement measures to instill Corporate Philosophy</li><li>Proactively appoint personnel, including mid-career employees, to managerial positions</li></ul>	<ul style="list-style-type: none"><li>Build relationships with customers to respond to new markets</li><li>Make better use of our facilities to build customer relationships ・Comprehensive testing facility: SINKO AIR DEVELOPMENT LAB ・"BAC BASE," the demonstration facility of cooling towers for data centers and plants</li><li>Improve products to match overseas market needs</li></ul>	<ul style="list-style-type: none"><li>Take action toward achieving net-zero CO<sub>2</sub> emissions</li><li>Improve transportation efficiency</li><li>Consider loading efficiency in product design</li><li>Advance introduction of highly environmentally friendly central air conditioning</li><li>Employ new refrigerants in split AC systems</li></ul>	

# Value Creation Practices

Looking ahead to our long-term vision, “VISION 2030: By Air, to the Future,” the entire Group is currently united in working to achieve the Medium-term Management Plan “move.2027,” which positions capital cost management as the axis of our business. Here, we provide detailed information on progress toward our targets and the status of initiatives in each business.

Business Strategies of the SINKO Group .....	36
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**Tomoaki Fujii**

Director and Senior Executive Officer,  
General Manager of Corporate Planning Division

## “move.2027” Progress and Status of the Group

The fiscal year ended March 31, 2025, which was the first year of the Medium-term Management Plan “move.2027,” was positioned as an acceleration stage for developing our business foundation, and we made progress at a pace exceeding the initial plan. In the second year, the fiscal year ending March 31, 2026, we will focus even more on capturing our target markets, where we are beginning to see results, and will enhance our competitiveness by increasing the added value of our products and services.

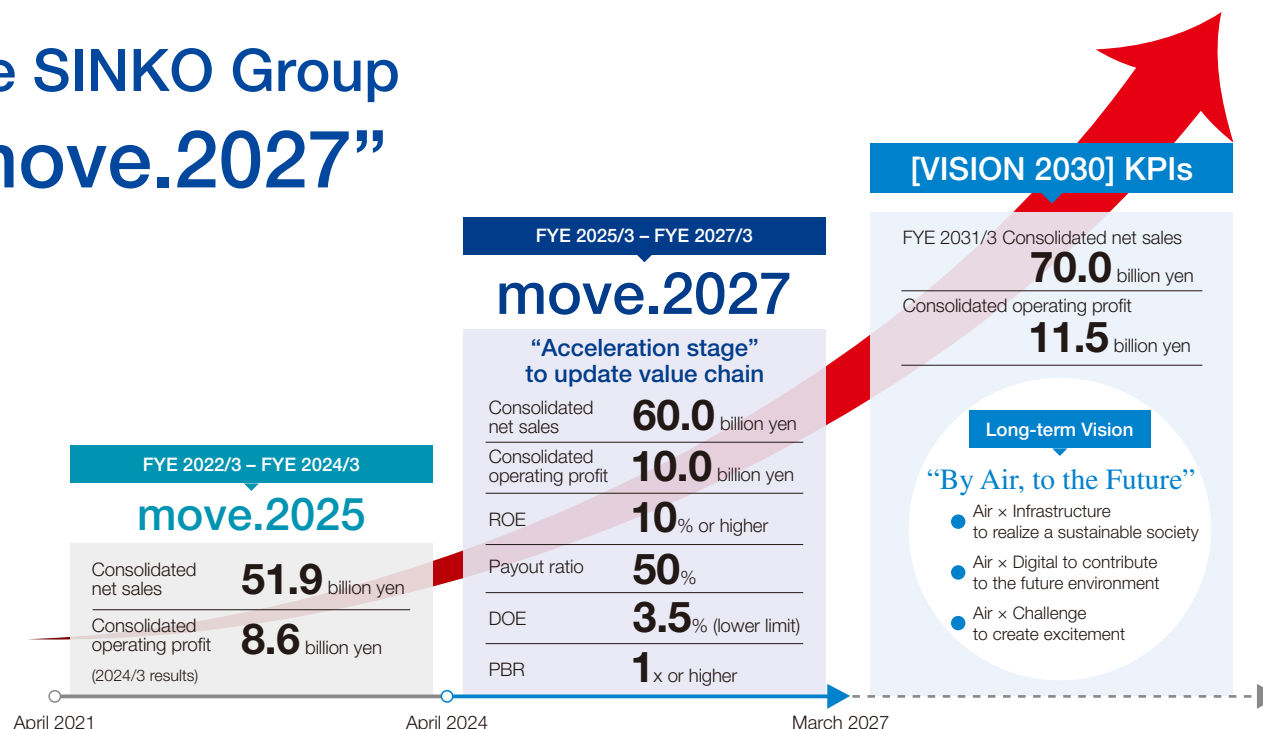
As the entire Group, we will continue to promote improvement in profitability and aim to maximize Group synergies by strengthening collaborative structures that leverage each company’s strengths. Through these efforts, we are building a sustainable growth foundation and improving corporate value across the entire Group, as we steadily advance toward the realization of our long-term vision, “VISION 2030: By Air, to the Future.”

# Business Strategies of the SINKO Group

## Medium-term Management Plan “move.2027”

The Group formulated the new Medium-term Management Plan “move.2027” to achieve sustainable development in response to ESG management and SDGs, including response to labor shortages due to a declining birthrate and aging population and response to climate change. Under “move.2027,” we have made capital cost management the core of our business operations, switching our target management indicators from consolidated operating profit to ROE, etc., and have set specific targets with an awareness of the cost of capital and return on capital. We have positioned the period of the plan as an “acceleration stage,” in which we will update our value chain to reflect the business foundation that we had been developing under our previous Medium-term Management Plan, “move.2025.” Based on our long-term vision, “VISION 2030: By Air, to the Future,” we will aim to improve our corporate value and achieve sustainable growth by “continuing to lead the industry with the best-performing air conditioners,” “achieving capital cost management to enhance corporate value,” and “further promoting and deepening ESG initiatives.” We will also be striving for further growth of the Group by creating new added value and possibilities through the linkage of the value possessed by each Group company.

<b>Business Strategy</b>	Leverage value chain to expand growth domains and delve deeper into existing businesses
<b>Financial Strategy</b>	Enhance corporate value by improving ROE and reducing cost of equity
<b>Non-financial Strategy</b>	Promote non-financial strategy centered on ESG



### “move.2027” Quantitative Targets and Status of Progress

	FYE 2024/3 Results	FYE 2025/3 Results	FYE 2026/3 Plans	FYE 2027/3 Targets
<b>Performance Figure</b>	Consolidated net sales <b>51.9</b> billion yen	Consolidated net sales <b>57.0</b> billion yen	Consolidated net sales <b>58.0</b> billion yen	<b>60.0</b> billion yen
	ROE <b>11.3%</b>	ROE <b>12.8%</b>	ROE <b>10%</b> or higher	
<b>Shareholder Returns</b>	Payout ratio <b>39.6%</b>	Payout ratio <b>46.4%</b>	Payout ratio Around <b>50%</b>	<b>50%</b>
	DOE <b>4.5%</b>	DOE <b>5.9%</b>	DOE <b>3.5%</b> (lower limit)	

## Target Markets

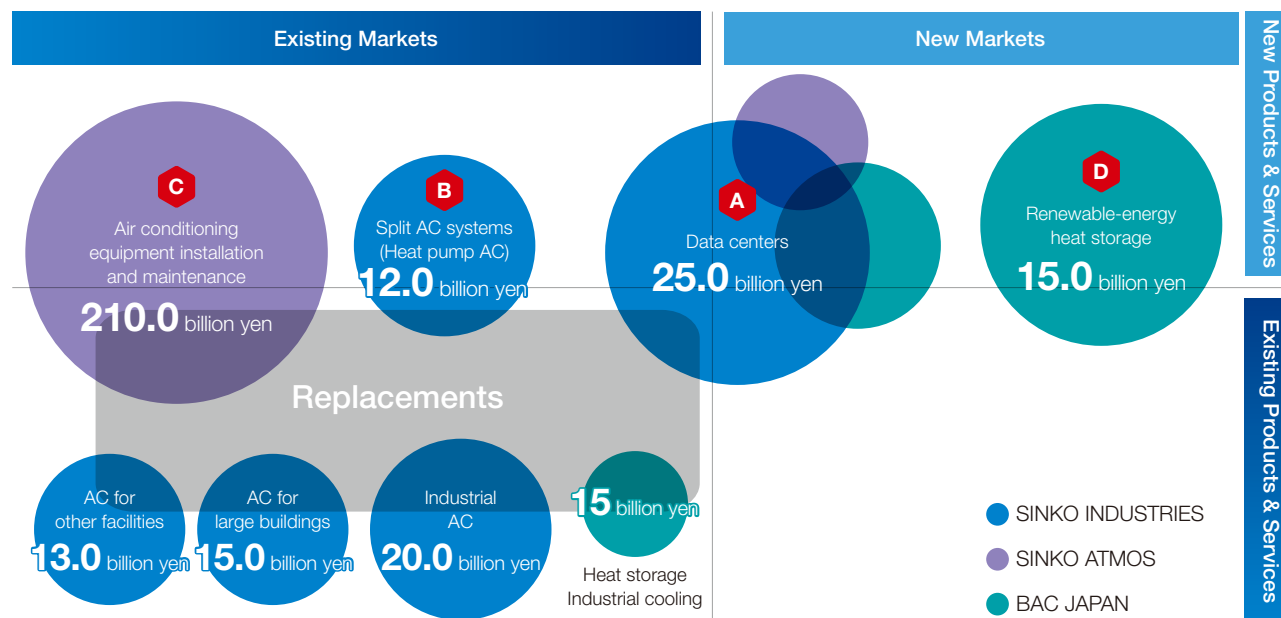
We have divided the domestic air conditioner market into “five core domains,” creating sales strategies tailored to each domain. The five core domains are large buildings air conditioning, industrial air conditioning, data centers, replacements, and split AC systems.

Each domain has its own unique market characteristics and different technological requirements, but the strength of the Group is our ability to leverage the know-how we have cultivated to take an all-round approach.

Among these, we have set **A** Data Centers, **B** Split AC Systems, **C** Air Conditioning Equipment Installation and Maintenance, and **D** Renewable-Energy Heat Storage as growth area targets, and are aiming for sustainable profit growth.

The results for the fiscal year ended March 31, 2025 showed progress, with revenue up 5.84 billion yen against the target increase of 8.1 billion yen for the fiscal year ending March 31, 2027. In split AC systems, we achieved the target two years ahead of schedule and will accelerate business performance expansion through new initiatives to aim for even greater heights. We are also continuing to steadily close in on other targets.

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



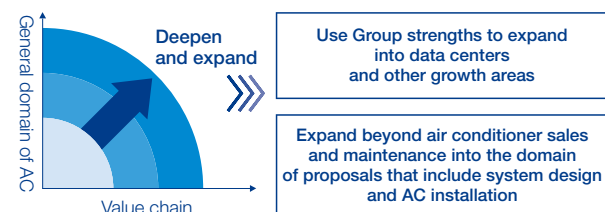
Group Market Strategy Targets for Growth Areas

Main Themes of Group Market Strategy	Main Players			Market Size (Envisaged size in FYE 2027/3)	Group Sales			Group's Aims
	SINKO INDUSTRIES	SINKO ATMOS	BAC JAPAN		FYE 2023/3 Results	FYE 2025/3 Results	FYE 2027/3 Targets	
<b>A</b> Data centers	○	○	○	25.0 billion yen	2.0 billion yen	4.3 billion yen	5.5 billion yen	<ul style="list-style-type: none"> <li>Leverage the Group value chain to propose total products + services solutions</li> <li>Offer stable operation and environmental value</li> </ul>
<b>B</b> Split AC systems	○	○		12.0 billion yen	2.0 billion yen	3.0 billion yen	3.3 billion yen (*2)	<ul style="list-style-type: none"> <li>Expand sales of Ocoogeo® (all-in-one heat pump air conditioner)</li> <li>Development and sale of heat pump air conditioners compatible with new low-GWP refrigerants</li> </ul>
<b>C</b> Air conditioning equipment installation and maintenance (*1)	○	○		210.0 billion yen	10.0 billion yen	12.3 billion yen	12.6 billion yen	<ul style="list-style-type: none"> <li>Actively expand post-installation downstream offerings, e.g. service packages, regular inspection packages</li> <li>Expand electrical work related to maintenance and replacement of air conditioning units</li> </ul>
<b>D</b> Renewable-energy heat storage			○	15.0 billion yen	-	0.24 billion yen	0.7 billion yen	<ul style="list-style-type: none"> <li>Expand sales of storage systems for heat generated by renewable energy</li> </ul>
Revenue increase from expansion of business domains into new markets and products				Progress/Target value	Progress +5.84 billion yen		Target +8.1 billion yen	(*1) Revenue recognition criteria are based on internal management standards. (*2) Raised the split AC system market's final sales target from 3.0 billion yen to 3.3 billion yen.

# Business Strategy

The core of our business strategy is to continue to create value for our customers through top-tier products and the know-how we have accumulated over the years, and to leverage our value chain to expand growth areas and delve deeper into existing businesses. Utilizing “SSA” as a business concept, we are committed to offering new value through the strategic application of Group capabilities and digital technologies. In air conditioner sales, we aim to enhance our market appeal and firmly establish an unwavering top position. We will also continuously update our business based on a management style that is conscious of return on capital.

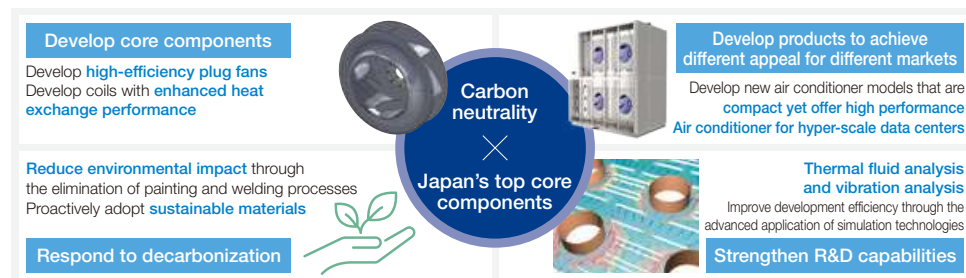
## 1 All-in-one proposals that leverage Group strengths



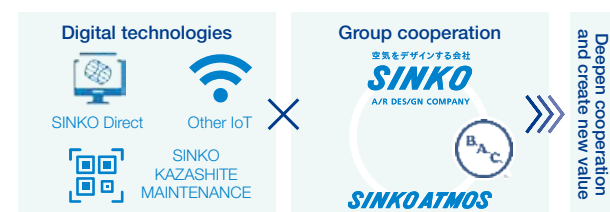
## 3 Establish top position in the air conditioner domain (domestic market)



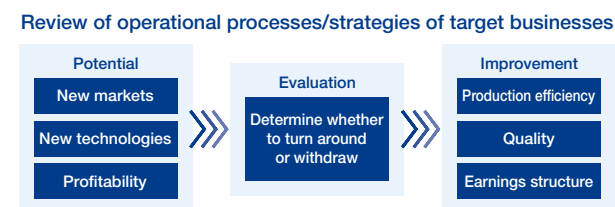
## 5 Pursue development systems based on SSA – Contribute to carbon neutrality



## 2 Promote Group cooperation through the use of digital technologies



## 4 Management that is conscious of return on capital



## 6 Strengthen next-generation production systems based on SSA – Production process innovation



# Overview of Business by Segment

A/R DES/GN COMPANY:  
Our Mission

To earn unwavering trust, we will embrace new styles of selling and challenge ourselves daily

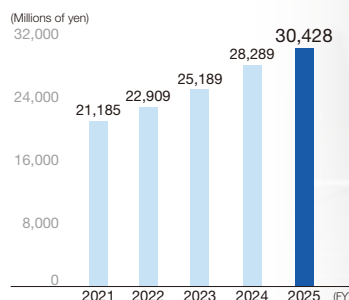
## Air Conditioning Equipment Manufacturing and Sales Business SINKO INDUSTRIES LTD.

In the fiscal year ended March 31, 2025, as a result of steadily executing sales strategies for each of the markets we have positioned as priority targets, we achieved increased revenue not only in data centers<sup>1</sup> and split air conditioning systems<sup>2</sup>, which are discussed on the special feature pages, but also in the domains of large buildings, industrial, and other facilities. However, market trends have been shifting rapidly recently, mainly with installation plans being halted one after another due to labor shortages and soaring construction costs, and we believe that demand for replacements and maintenance will increase in the future.

Primarily by strengthening our development in these kinds of stock-type businesses, we are working on new sales styles so that we can continue to satisfy every request. We will maximize the value provided to customers through responses tailored to current trends, such as by utilizing a production reservation system that enables us to respond flexibly to requested delivery dates and proposing multi-module air conditioners that offer short delivery times, high quality, and customization.

<sup>\*1</sup> See P. 23-24 <sup>\*2</sup> See P. 25-26

Net sales trend of the company



Noriaki Michibata  
Director and Executive Officer,  
General Manager  
of Sales Management Division

### Achievements

- Top domestic share in central air conditioning equipment
- Sales targets achieved for three consecutive fiscal years
- Global web marketing tools deployed in anticipation of overseas expansion

### Challenges

- Production leveling by early order receipt and early arrangements
- Cost pass-through due of increased logistics costs
- Demand forecasting through data utilization
- Pursuit of production efficiency through SIMA utilization

### Sales strategy for the large buildings domain

In large-scale projects such as urban redevelopment, timely deliveries in line with plans are constantly required throughout the long construction period. In response to the reality of construction sites where work plans change daily due to unexpected schedule alterations, we leverage our ability to respond flexibly to delivery time requests, which is one of our strengths, to provide the value of peace of mind to customers engaged in the difficult task of construction management.



### Sales strategy for the industrial air conditioning domain

In the industrial domain, where high-quality air is required, we need to demonstrate high levels of knowledge and experience during our meetings with customers. We leverage our technical capabilities, which are backed by Japan's top delivery track record, to carefully support customers in their process of determining specifications. It is importance for us to continue being a presence that customers think of consulting when they run into problems.



### Other facilities domain (hotels, hospitals, stations, etc.)

Many of the sites that adopt our products are facilities of vital infrastructure essential to people's daily lives, so in such buildings, great importance is put on BCP response at times of disaster. We have received numerous expressions of gratitude for emergency recoveries following disasters among other responses, and this has become one of the reasons the SINKO brand is supported by everyone.



## Overview of Business by Segment

### A/R DES/GN COMPANY: Our Mission

We contribute to social infrastructure development and maintenance by supplying our products to industrial and commercial facilities in China

### China Business

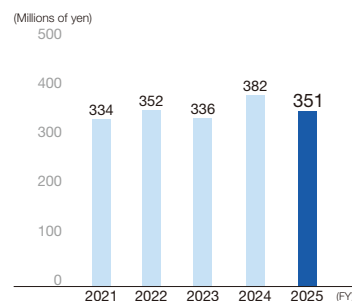
## Shanghai SINKO Air Conditioning Equipment Co., Ltd.

At the National People's Congress held in March 2025, the government's economic growth target was maintained at around +5%, with commitments to measures such as expanding fiscal spending and promoting measures to stimulate consumption. However, the scale of such measures has been insufficient, and large-scale, effective measures to boost domestic demand are needed to revive the economy.

Despite this, the air conditioners we sold in the 1990s and onwards have entered the period when they need to be repaired or replaced, and this is beginning to compensate for the decrease in projects of Japanese companies, which are withdrawing from China.

Large-scale, effective measures to boost domestic demand are also part of Chinese government policy, and markets in industrial clusters, i.e., economic zones centered on East China, are becoming prominent, and Shanghai SINKO will also be participating in state-led social infrastructure development projects.

### China Business net sales trend



Shanghai SINKO Showroom

### Strengthening market competitiveness

We broadly categorize our line-up into products for commercial facilities and products for industrial facilities, and are maintaining and continuing our sales expansion structure. We are working to offer more variation in our air conditioners, which account for around 50% of our revenue plan.

Localization of Japanese product design and manufacturing design



### Evolving into a general air conditioning company

We are providing added value with "design and construction of medical facility clean room" as a new business augmenting our existing businesses of "air conditioning equipment design, manufacturing and sales" and "maintenance business." While continuing to focus on existing businesses, we will also be leveraging this new business to realize optimal solutions.



Operating room

Example operating room installation

Operating room air conditioner

### Collaboration with joint venture partner

We are working to acquire market share through collaboration with our joint venture partner, Shanghai Construction Group Co., Ltd. On the sales front, we will reinforce sales through collaboration with Shanghai Construction Group, while in product design and manufacturing, we will strengthen our market competitiveness by tying up with SINKO INDUSTRIES.



## Air Conditioning-related Equipment Manufacturing and Sales Business

### BAC JAPAN CO., LTD.



**Tadataka Hiraishi**

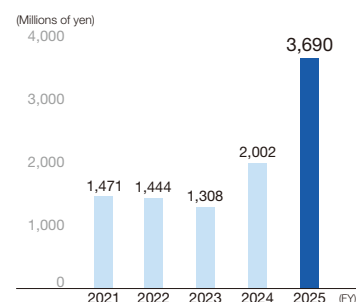
Representative Director  
and Chief Executive Officer,  
BAC JAPAN CO., LTD.

In the fiscal year ended March 31, 2025, the first year of the Medium-term Management Plan “move.2027,” we achieved 119% of our target for net sales and 168% of our target for operating profit. The business environment looks set to remain favorable for the fiscal year ending March 31, 2026 and beyond.

In the data center market, which is expected to continue expanding in the future, we are conscious of the needs of next-generation data centers and will be actively engaged in the promotion of the strengths of our products, namely their energy and water-saving performance, by utilizing BAC BASE, our demonstration facility of cooling towers for data centers and plants. In the new market of “cooling equipment for hydrogen production,” which is expected to expand in the future, we will be paying close attention to industry trends and establishing it as a market ahead of our competitors.

In existing markets, meanwhile, our strategy will be to concentrate on the stock-type markets of industrial ice thermal storage and special cooling towers. In the renewable energy market, we will promote the effectiveness of ice thermal storage systems for demand response, which is essential for expanding renewable energy generation, and aim to expand the market for renewal.

#### Net sales trend of the company



#### Achievements

- Opened BAC BASE, a demonstration facility of cooling towers for data centers and plants
- Exhibited actual hybrid cooler (HXV)
- Achieved cumulative total deliveries of 100 large cooling towers to foreign hyper scaler data centers and semiconductor factories

#### Challenges

- Further strengthening and developing human resources
- Stabilizing sales so they are unaffected by delivery time changes
- Securing positions in stock-type markets
- Obsolescence of existing products handled (as models become outdated)
- Enhancing engagement

### Data center market

In anticipation of future diffusion of liquid cooling and immersion cooling methods, we will strengthen sales promotion, with hybrid coolers (HXV), which conserve more water than conventional cooling towers, as our main product. We will also utilize BAC BASE for product promotion and technical capability improvement, providing added value in terms of reliability and safety, including through our maintenance systems.



### Demand expansion in existing markets

We aim to expand replacement demand for ice thermal storage and VX-type cooling towers. Particularly, industrial applications that require chilled water constitute markets with high demand for ice thermal storages. Since our expectations are high not only for replacements but also for new installations, we aim to increase sales through a strategy of concentrating especially on food cooling processes.



### Renewable-energy heat storaget

To counter global warming, expanding the use of renewable energy is essential, but the optimization of demand (demand response (DR)) poses a challenge in renewable energy generation.

Thermal storage systems can play a role in addressing this. We will therefore be strengthening our efforts to promote the effectiveness of our ice thermal storage systems for DR.



## Overview of Business by Segment

### A/R DES/GN COMPANY: Our Mission

We will maintain air conditioning equipment in optimal condition and update air environments

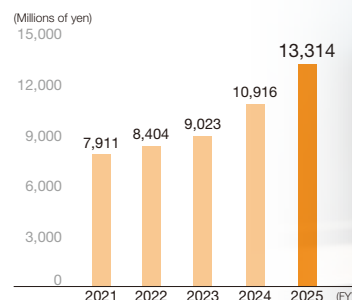
## Installation and Service Business SINKO ATMOS CO., LTD.

Since the aging of air conditioning equipment varies greatly depending on the environment in which it is used, the maintenance required for each air conditioner also differs. We have gained customer trust by leveraging the experience and knowledge we have cultivated thus far to present optimal proposals for keeping air conditioning equipment in perfect condition.

As a result, we have increased our revenue and profit for 10 consecutive terms through the fiscal year ended March 31, 2025. This fiscal year, we introduced service packages and regular inspection packages to the market, thereby seamlessly linking air conditioner sales with service provision. We are also taking steps to continuously maintain touchpoints with customers, and will be further expanding our air conditioner maintenance business and making it more stable.

On the other hand, labor shortages have become apparent due to the rapid growth of our business. We will be employing all possible means to resolve this issue, such as recruiting more personnel, utilizing external resources, accelerating development, utilizing knowledge through AI, and pursuing M&A.

### Net sales trend of the company



Toshiaki Fujii

Representative Director  
and Chief Executive Officer,  
SINKO ATMOS CO., LTD.

### Achievements

- Significant growth of current business
- Improvement in labor productivity
- Completed basic design for maintenance package products

### Challenges

- Developing non-labor-intensive service businesses
- Shifting from flow-type to stock-type business
- Continuing efforts to secure the quantity and quality of workforce
- Moving away from the standalone chilled/hot water air conditioner\* domain
- Hypothesis testing of maintenance package products in the market

\* Chilled/hot water air conditioners are central air conditioning system (Chilled water system).

### Expansion of downstream installation

To address the construction capacity shortage that is beginning to emerge due to the aging and decline in number of partner contractors and our own business expansion, we are rapidly expanding our own construction resources. In the fiscal year ended March 31, 2025, we increased our staff by four, bringing our total to 10 members. We will continue to further expand our workforce going forward.



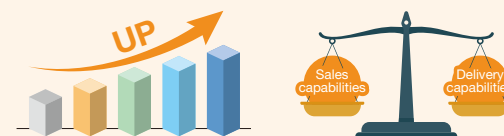
### Launch of official characters

To make ourselves more recognizable, increase human resource recruitment rates, speed up the forging of relationships with partner contractors, and expand sales, we have started PR activities utilizing our new official characters, "Ryu-chan" and "Bei-kun." Looking ahead, we will contribute to accelerating the resolution of various issues through measures aimed at enhancing our brand recognition.



### 10 consecutive fiscal years of increased revenue and profit

We have grown steadily with net sales increasing 144% and operating profit increasing 264% from a decade ago, and in the fiscal year ended March 31, 2025, net sales exceeded 13.0 billion yen. Aiming for further business expansion, we will be strengthening both our sales capabilities (product and service sales capabilities) and delivery capabilities (on-site construction management and construction capabilities) while maintaining their balance.



## Overview of Business by Segment

### A/R DES/GN COMPANY: Our Mission

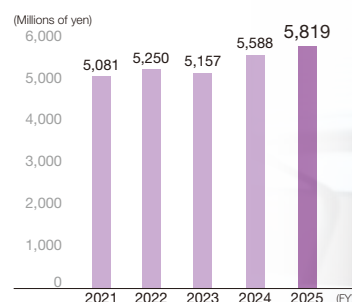
We will leverage our technical excellence and meticulous approach to work to maintain and manage facilities, providing customers with safe and comfortable environments

## Building Management Business CHIYODA BLDG. KANZAI CO., LTD.

We have stably built trust by leveraging our technical excellence and meticulous approach to work to maintain and manage facilities, providing customers with safe and comfortable environments. Under this environment, in the fiscal year ended March 31, 2025, net sales increased 4.1% from the previous fiscal year.

While the building maintenance industry as a whole is expected to continue to grow gradually due to the progress of redevelopment, structural challenges such as labor shortages and rising costs have also become apparent. As we look to the future amid such circumstances, in addition to strengthening our price negotiation capability and human resource development, we will be promoting differentiation strategies such as introducing digital twin in the Infrastructure Division and expanding sales of roof lining for tackling heat in the Polyurea Division. The Real Estate Department is also aiming to strengthen its revenue base and achieve sustainable growth. It has started FM (facility management) operations, and with an eye to the future, is working to develop PM (property management) operations, build a leasing system, and make construction proposals to tenants of existing properties.

Net sales trend of the company



Motonao Kasahara

Representative Director  
and Chief Executive Officer,  
CHIYODA BLDG. KANZAI CO., LTD.

### Achievements

- Began hiring foreign workers from Thailand (Specified Skilled Workers)
- Started facility operations
- Restored Kayabacho H Building to original condition in conjunction with vacation by tenant

### Challenges

- Securing human resources
- Aging on-site staff
- Securing positions in stock-type markets
- Communication with foreign on-site staff
- Cost pass-through due to fluctuations in labor, material, and equipment prices

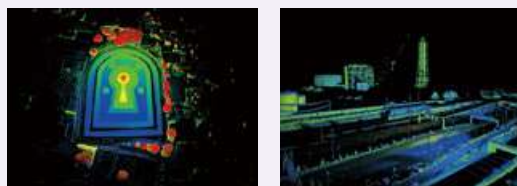
### Polyurea construction

By constructing factory slate roofs with rigid urethane + polyurea for roof waterproofing, we have achieved an insulation effect of -16.7°C. Having accomplished this, we will promote it as a new construction method for combating heat. It will also augment added value through material sales and construction contracting.



### Digital twin

In the fiscal year ended March 31, 2025, we only conducted drone operations, but with the new deployment of Hovermap, it has become possible to easily create 3D data using the latest LiDAR sensing technology. This fiscal year, we aim to secure orders not only in the civil infrastructure field but also in unexplored fields.



### Learning session

As societal awareness of harassment issues increases, we are working on awareness reforms throughout the company. In addition to Group compliance training conducted twice a year, we independently carry out training such as harassment-related training to frontline managers and human resource development training for improving communication.

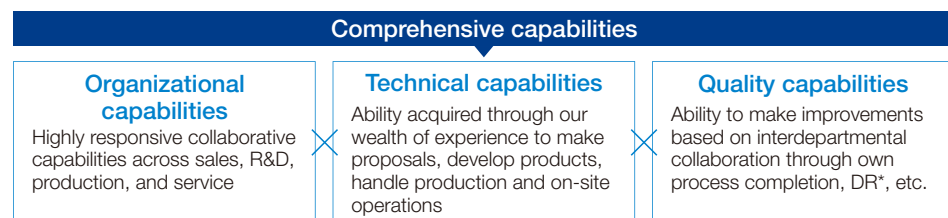


# Technological Growth of the SINKO Group

## Further Reinforcement of the SINKO Group's Strengths of Comprehensive Capabilities

### SINKO's Core Competence = Comprehensive Capabilities

- As we have long been a leading company in air conditioners, we possess comprehensive capabilities (organizational capabilities, technical capabilities, and quality capabilities), and these could be described as our core competence. SINKO's unique comprehensive capabilities born from the combination of these three types of capabilities are the source of our overwhelming strength, which allows no competitor to catch up with us.
- In today's rapidly changing social conditions, we need to respond to social issues more quickly and flexibly, and to that end, we are pursuing SSA, our DX strategy, and this requires us to continuously update our comprehensive capabilities, as the source of our strength.



### Technical Measures Supporting Comprehensive Capabilities

- We have R&D facilities in Kanagawa and production bases in Kanagawa and Okayama, which support the technical foundations of the Group.
- The SINKO TECHNICAL CENTER, which is the center of our R&D activities, conducts research on key devices and develops advanced technologies for the carbon-neutral era. The Kanagawa Factory, as the SINKO Group's mother factory, leads our global production system and is responsible for production technology, quality control, and decisions on investments for optimizing production.
- These technical departments collaborate to ensure the quality and reliability of central air conditioning, a social infrastructure.



- In 2020, with the merger of sales and manufacturing companies within the Group, the Quality Control Department was established. Under the banner of our Management Philosophy of "prolific creativity and quality to be proud," we integrated the perspectives of both upstream and downstream processes to establish the industry's leading quality control system, and in the fiscal year ended March 31, 2025, we recorded the lowest number of complaints and associated costs in our history.

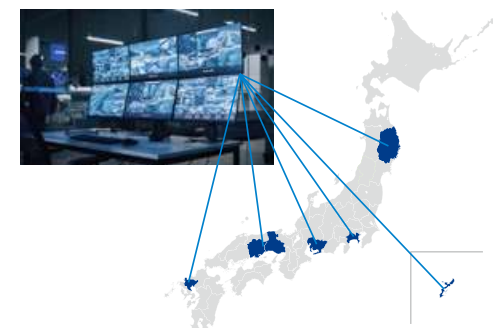
### Quality and Reliability Initiatives

#### Initiative 1 Using AI to support quality control

- As a quality improvement measure, we make active use of past complaint information. In the fiscal year ended March 31, 2025, we began an attention calling initiative by analyzing complaint-related data using AI and issuing "example complaint notifications" for sharing past complaints with production departments when making arrangements.
- In the fiscal year ending March 31, 2026, we have launched an initiative to analyze past examples of defect correction with AI and display quality confirmation items tailored to product characteristics on digital checklists, thereby establishing a system that does not depend on individual worker experience.

#### Initiative 2 Building a quality control system with multiple locations

- We will address the so-called 2024 problem in logistics through location dispersal. Product storage, cargo handling, and transportation by transport companies will be performed at external product warehouses at two locations at the Kanagawa Factory and five locations at the Okayama Factory.
- We will establish infrastructure that enables the monitoring of product quality control from a single location using web cameras. Even with limited personnel, we will conduct quality control at multiple locations by detecting abnormalities in cargo handling (such as truck loading or product securing methods).



#### Initiative 3 Utilization of third-party organizations

- In response to recent cases of quality fraud at Japanese industrial companies, we will utilize third-party organizations to build a system that reinforces reliability and satisfaction. Domestically, we have responded to this issue such as by holding the ISO9001 certification and obtaining evaluation certificates from the Public Buildings Association, but we will now also be moving to establish global reliability by newly obtaining foreign certifications, as well as actively seeking authorizations from third-party organizations.
- We are already in the process of obtaining international performance certifications for our heat exchangers and fans from third parties. With our product reliability and safety assured, customers will enjoy greater peace of mind, and we will also be more competitive in the market.
- We also have Japan's only AMCA-accredited laboratory for testing equipment, which helps us to provide highly accurate technical standards in such areas as fan performance testing.



**Hajime Kawanaka**  
Senior Executive Officer,  
General Manager of  
Technical Division

## Research and Development

**A/R DES/GN COMPANY:**  
Our Mission

We will create products that solve social issues, aiming to revitalize R&D departments and improve business competitiveness

### Aiming for Custom-Designed Air

To implement the Medium-term Management Plan “move.2027” and realize our long-term vision, “VISION 2030: By Air, to the Future,” we are conducting R&D to create products that not only offer the conventional elements of performance and quality, but are also attractive from the customer’s point of view.

We have divided the market into five priority targets (large buildings air conditioning, industrial air conditioning, data centers, replacements, and split air conditioning systems), and aim to develop just the right products for each purpose.

Leveraging the know-how we have cultivated over many years, we make full use of analytical technologies to realize designs tailored to targets, and are focusing on device development, heat pump development, and quality improvement initiatives. Through model change cycles that reflect market needs, we will pursue product development themes that consider the environment.

For major equipment, we aim to be number one in device performance, and are improving the efficiency of fans, heat

exchangers, and cooling towers to support products for each application.

In development, we ensure quality by combining analysis using 3D models with measurement data from actual equipment, and cut development man-hours by reducing prototypes.

We are also advancing digitalization through 3DUI design, BOM, and production 3D-CAD systems, and are pursuing DX in manufacturing and working to improve manufacturing efficiency.

In the area of quality, we are promoting the automation and digitalization of inspections, strengthening our inspection systems, and focusing on quality improvement. We will also aim to enhance our corporate value by obtaining third-party certifications.

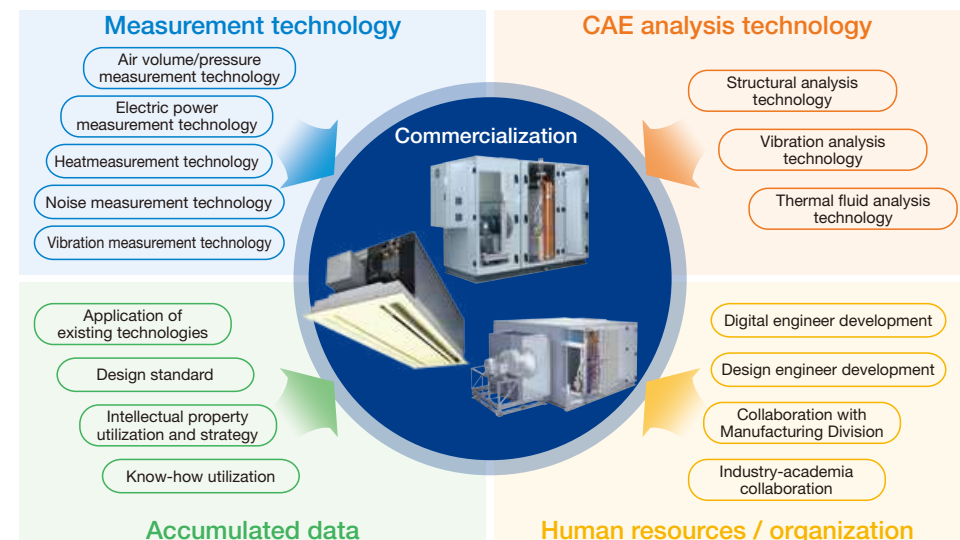
Use cases for air conditioning are infinite, and equipment cannot function on a standalone basis. Going forward, we will work on proposing air conditioning systems tailored to targets such as wellness air conditioning, industrial air conditioning, gymnasium air conditioning, data center air conditioning + cooling towers, and retrofits, realizing air design that is ideally suited to the environment in which it is used.

### Realizing Number One in Device Performance by SSA with CAE Analysis Technology and Measurement Technology as a Foundation

CAE analysis technology (structural analysis, vibration analysis, thermal fluid analysis) and measurement technology (air volume/pressure measurement, electric power measurement, heat measurement, noise measurement, vibration measurement) provide the foundation for our product development activities, which are centered on the application of accumulated data and existing technologies, as well as the utilization of know-how. In addition, by pursuing SSA (SINKO Scalable Architecture), our DX strategy, we are using these technologies more efficiently and effectively, working to improve the efficiency of fans and heat exchangers, and achieving industry-top-level performance. By closely linking intellectual property strategy with R&D, we are also strengthening our competitiveness.

Furthermore, when it comes to producing design standard documents and design calculation specifications, we possess advanced know-how in quantification and modeling, and by leveraging that knowledge, we are bringing efficiency and accuracy improvements to the design process through DX. We are also focused on strengthening our organizational structure by developing specialists in each technical field, as we aim to create new value utilizing digital technology.

By resolutely promoting such initiatives, we will pursue further technological innovation and strive to provide high-quality products that will make us the number one in device performance.

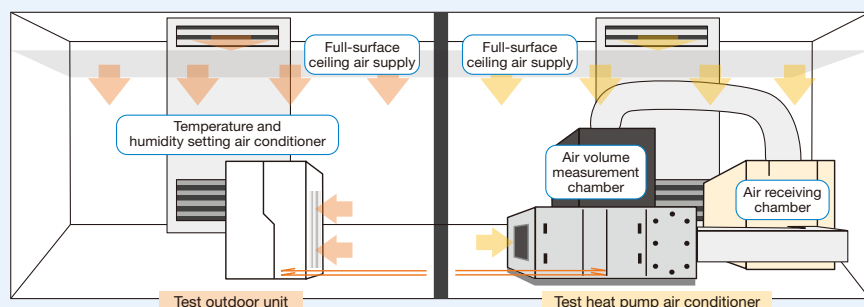


## R&D Facilities

We make progress with R&D by making full use of technologies such as thermal fluid analysis and structural/vibration analysis, but ultimately, verification with the actual equipment is essential. Here, we will introduce an R&D facility that tests heating and cooling performance, which is important for air conditioners.

Heating and cooling performance tests employ test rooms that create air with stable temperature and humidity. Furthermore, in dew condensation resistance tests for air conditioners and insulation evaluation tests for air conditioner casings, it is necessary to create air with various temperature and humidity conditions in order to reproduce summer and winter outdoor air and indoor conditions. Our test rooms can accommodate everything from relatively small fan coil units to air handling units for offices and heat pump air conditioners, and we verify performance on the assumption that they will face harsh environments such as extreme heat and severe winters.

With these multifaceted tests and evaluation technologies, we are able to provide high-quality, reliable air conditioners and help create comfortable air-conditioned environments.



By adjoining two test rooms that can each be set to different temperatures and humidities, one room can reproduce outdoor air while the other room reproduces indoor temperature and humidity. Full-surface ceiling air supply keeps the temperature and humidity of the air stable.



Dew condensation test of fan coil unit in variable temperature and humidity room



Cooling capacity test of air handling unit in comprehensive testing facility

## Intellectual Property Strategy

### 1. Policy

Our intellectual property strategy is aligned with our R&D strategy, aimed at contributing to improving our business competitiveness. In addition, our policy is for management and R&D departments to constantly share the latest intellectual property knowledge and build an effective intellectual property strategy.

### 2. Open & close strategy

Among the manufacturing technologies we have cultivated over many years, there are core technologies that cannot be easily imitated. We will maintain a balanced approach between closed domains, where we protect these core technologies, which can be described as the lifeblood of a manufacturing company, and open domains, where we pursue the convenience that the market demands and disclose the technologies to the world, in order to expand our sales domain in the market.

### 3. Response to competitors

We analyze products and markets from the intellectual property filing trends of competitors, and intellectual property and R&D departments share intellectual property information. By knowing about the rights held by other companies, we will build and execute product and device development while being aware of the intellectual property we possess and our own market position. We will also strengthen our brand power through the patents, designs, and trademarks we hold.

To implement these three initiatives, we have placed intellectual property departments within the Technical Division organization, and are actively moving to acquire intellectual property rights by strengthening collaboration between development departments and intellectual property departments. Furthermore, with the aim of creating beneficial patents, we have established a patent reward system and commendation system as incentive schemes for employees, and these should contribute to strengthening business competitiveness and greater corporate earnings.



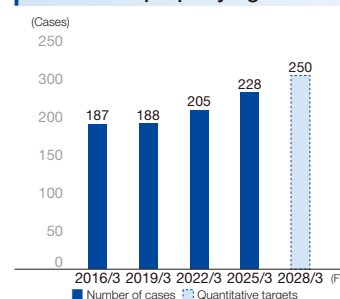
Patent commendation ceremony

Blade structure of centrifugal blower



Patent No.7217176

Number of intellectual property rights held



## Production

A/R DES/GN COMPANY:  
Our Mission

We placed the highest priority on safety and quality, we turn diverse needs into reality through our manufacturing with power of elite workforce.

### SINKO's manufacturing that pioneer the future with DX and human development.

Our group based on two domestic locations 'Kanagawa' and 'Okayama' factory made achievements by providing products flexibly to diverse customers needs.

In the fiscal year ending March 31, 2026, we will further evolve the design capabilities and production technologies we have cultivated thus far, while promoting DX and aiming to improve productivity and realize sustainable manufacturing.

Now in Japan, we are facing big problem of decreasing working age population. We are now try to escape from labor intensive manufacture, working on efficiency and labor-saving by utilize DX.

These approaches are not only for productivity improvement but also to connect to each employee to reduce burden and maintenance for workplace environment where we can work safely.

In Kanagawa factory, we are working on workflow optimization and efficiency of production process due to integration of north-south area, the construction of digital factory is in underway in Okayama

factory that utilize 'IoT' technology and automatic equipment.

On the other hand, based on the concept "manufacturing starts from developing people", we are also focusing on employee education and human resource development. Excellent "people" support manufacturing and it's driving force for technological innovation through DX. Each department, including design, manufacturing, and production innovation, creates new value by enhancing their respective specialties.

We also put a lot of effort into passing down the master's touch and training next-generation leaders, employee growth builds company growth which leads to virtuous cycle.

From now on, we will continue to evolve manufacturing centered on "people" and "technology", with safety and quality as top priorities.

With the entire company united, we'll pursuit to strengthen production system and improving technical ability, we'll connect Japanese manufacturing to the future.

#### Takenori Taniguchi

Director and Senior Executive Officer,  
General Manager  
of Manufacturing Division

### Evolution of Production Reservation System and Reorganization of Logistics

We balance adjustment of customer's required delivery times and factory operation status by using 'production reservation system', we produce demand forecasts and production plans up to 24 month ahead.

In the fiscal year ending March 31, 2027, which will be the third year since the introduction of the system, strengthen the amount of information of demand forecast by SIMA (data linkage through DX), we'll challenge to further optimization and efficiency of production.

Furthermore, we perceive the so-called 2024 problem in logistics as the prospect of a world 'where goods cannot be transported', and are thus moving to reorganize our logistics. In addition to dispersing warehouses and determining optimal transportation routes, we will establish a demand forecasting system consisting of both an inventory plan that predicts the necessary warehouse area (in m<sup>2</sup>) and the production plans mentioned above.



Production planning meeting



Production planning in progress

### Toward Realization of a Digital Factory

We are accelerating DX for production equipment through the SIMA Project.

We have unified design data and built a system that allows the processing information required by production equipment to be imported online. This enables accurate processing data to be imported effortlessly at the production site, achievement also accumulate as data. In addition, equipment operation information can be checked in real-time from anywhere, it is possible to respond at abnormal time rapidly. From the fiscal year ending March 31, 2026 onward, we will further increase the equipment that links with this system, and we plan to establish a control center in the future.

We will consolidate all information related to production, such as process progress, and promote further improvement of production processes.



Visualization of equipment operation status



Online data reading via two-dimensional code

## Kanagawa Factory Optimization Plan

At the Kanagawa Factory, we are optimizing production by utilizing the entire site (total area: 100,000m<sup>2</sup>), which combines the north area (48,000m<sup>2</sup>) acquired in 2021 with the existing south area (52,000 m<sup>2</sup>). We launched preceding project in the fiscal year ended March 31, 2023, and start to transfer to execution project which links to Medium-term Management Plan from the fiscal year ended March 31, 2025. A plan to expand Kanagawa Factory's production capacity by 1.5 times by the fiscal year ending March 31, 2030 is underway.

### Efficiency through north-south area integration

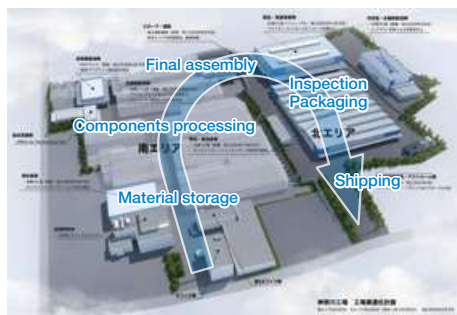
The south area has been operating for nearly 60 years since its opening, and production lines are distributed due to gradual expansion. To solve this problem, we will integrate the north and south areas and review the process layout of the entire factory. We will install new transportation routes on the premise and improve efficiency by unifying workflows. In order to create product database which utilized digital technologies, we aim to shorten product lead times and improve quality. This initiative will lead to improvement of customer's satisfaction.

### Transformation of production processes and improvement of work environment

We will introduce line production and automated transportation systems to pursue efficiency in multi-product manufacturing. This will move our production system away from labor-intensive manufacturing. Also, by emphasizing employee safety, we will establish a comfortable work environment through the installation of air conditioning equipment and improvement of the workplace environment. Throughout the employee's engagement progress, we aim to improve productivity of entire company.

### Schedule for equipment repair and new installations

We will repair the factory building in the north area by the end of the fiscal year ending March 31, 2027, and then proceed with the repair of existing buildings and construction of a new factory in the south area. Along with this, we will be systematically renewing production equipment and introducing new equipment to build a next-generation production system. Through these capital investments, we will strengthen our competitiveness for the long term and reducing environmental impact.



Kanagawa Factory optimization plan



North Factory of Kanagawa Factory (image diagram)

## Okayama Factory Optimization Plan

At the Okayama Factory, we are aiming to actualize sustainable society, promoting efficient and high-quality product manufacturing by introducing the latest production technologies. In the fiscal year ending March 31, 2026, we are proceeding the following two priority initiatives.

### Introduction of dedicated equipment which can respond to growth in the data center market

With the expansion of the data center market, demand for air conditioners is increasing, and the products are becoming larger. To respond to these market needs, Okayama Factory is introducing dedicated production equipment, and planning to full-scale activities starting in December 2025. This equipment enables stable product supply and productivity improvement, and will also contribute to cost reduction through efficiency and environmental impact reduction.

Moreover, by offering air conditioners with excellent energy-saving performance, we will help data center operators reduce operating costs and achieve sustainable business operations.

### Strengthening production system for all-in-one heat pump air conditioner Ocoogeo®

We will establish a new dedicated production line for the all-in-one heat pump air conditioner Ocoogeo®. Ocoogeo® is a product that offers high energy-saving performance which can expect to contribute to environmental impact reduction. Through this initiative, we will be able to respond to expanding market demand and actualize stable supply. Also, by streamlining the manufacturing process, we will be improving productivity while stepping up consideration for the environment by, for example, reducing energy consumption during manufacturing.

Throughout these initiatives, we will contribute to local community and global environment, we aim to be the one factory that continues to meet customer's expectations. All employees work together as one, we will promote technological innovation, and keep challenging toward realization of sustainable society.



Air conditioner assembly process at the Okayama Factory



Data center air conditioner inspection process

# Foundation to Support Value Creation

The Group is promoting management that emphasizes sustainability. In this section, we describe initiatives to strengthen the foundation that supports corporate value enhancement, including initiatives to reduce environmental impact, measures to strengthen human capital management, and the building of a system to make corporate governance more effective.

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## **Strengthening of Initiatives Related to Human Capital**

The SINKO Group positions human capital as a vital asset for developing competitive businesses, and is advancing various initiatives with a view to translating investment in human resources into business growth. Human resource development themes and policies for improving working environments are formulated based on management strategies and business issues identified through risk and opportunity assessments. Above all, we position increasing employee engagement and developing human resources who tenaciously tackle challenges that bring transformation to the business as our most important policy, and are taking various measures in this area. Recently, we have also been working to update and strengthen measures that are timely and topical, such as conducting training on business uses of generative AI. We aim to be a group that solidifies the foundation supporting value creation and, with a sense of excitement, takes on challenges aimed at becoming our ideal future self.



## Message from Executive Vice President

# Aiming to be a dignified and strong SINKO INDUSTRIES trusted by all stakeholders

**Tokuji Aota**

Representative Director and  
Executive Vice President, Chief Financial Officer

### The mindset embedded in “By Air, to the Future”

As global warming progresses, demand for our air conditioners will continue to increase in the future. Making our products more functional and energy-efficient will directly link to the realization of a sustainable society. We therefore need to rapidly evolve all operations in R&D, manufacturing, sales, and administration, eliminate all waste, and do business at an even greater speed than before. The DX strategy we are currently implementing holds the key to this. We are advancing initiatives that utilize digital technology and AI in all kinds of situations, including product development using digital analysis, order planning based on an understanding of demand trends and waste-free production planning based on that, and labor-saving through automatic drawing. Responding to Japan's declining birthrate is an issue that we cannot ignore, and I believe digitalization is essential and important for this.

To promote these initiatives, it is critical for employees to enjoy and embrace the challenges of their respective jobs with confidence and without disrupting their work-life balance. Only when that happens can we go “By Air, to the Future.” Acquiring knowledge and accumulating experience for taking on challenges require considerable time and effort. However, with the birthrate declining and labor mobility on the rise, the issue of securing human resources is one we face constantly. To address these

challenges, I believe it is necessary to advance the creation of environments and systems that enable employees who have joined us to get to grips with their work and never think about leaving. I am confident in saying that the initiatives we have taken in recent years have produced results to a certain degree, but we will still continue to take various measures to create an attractive workplace environment.

### Realizing improved performance across the entire Group

Regarding our performance for the fiscal year ended March 31, 2025, we were able to exceed our targets for both sales and profit, thanks to strong orders and progress with cost pass-through. From a business perspective, one of the year's major progresses was that we managed to improve bottom lines across the entire Group. We were able to expand the data center business, thanks to collaboration between SINKO INDUSTRIES, SINKO ATMOS, and BAC JAPAN. CHIYODA BLDG. KANZAI has also maintained stable performance. The challenge is our China Business in the Asian segment, but given the business environment within China, I believe that this is a time for patience.

While performance was steady, domestic order volumes reached levels above those targeted. It was therefore a year in which we had to maintain the balance between production and sales while also advancing various measures as part of SIMA and SSA, and we struggled to do this. Given our limited corporate resources, I believe it is important for each department to face in the same direction and balance current business demands with high-priority measures.

### Maintaining PBR of 1x or higher and ROE of 10% or higher and promoting management that is conscious of cost of capital

The financial strategy contained in the Medium-term Management Plan “move.2027,” which we began in the fiscal year ended March 31, 2025, sets forth management that is conscious of cost of capital. Specifically, it calls for share repurchases of 10.0 billion yen over five years and the review of capital and liabilities, as well as the maintenance of a PBR of 1x or higher and ROE of 10% or higher. Moreover, we are significantly expanding shareholder returns and making dramatic changes to capital and liabilities. Our payout ratio target is 50%, and we plan to maintain a DOE of at least 3.5%. To steadily achieve a PBR of 1x or higher, we are also working on improving ROE and reducing the cost of equity. Meanwhile, to improve ROE, we will achieve sustained profit improvement and boldly review our capital structure, and regarding cash allocation, we have a policy of earmarking approximately 50% of profit to dividends and the remainder to growth investment. This is our financial strategy for realizing our long-term vision, “VISION 2030: By Air, to the Future.”

In the fiscal year ended March 31, 2025, our share repurchases exceeded the figure set in the Medium-term Management Plan. Share repurchases funded by 6.0 billion yen in convertible-bond-type bonds with share acquisition rights (CBs) issued to rebalance capital and liabilities were partially executed in the fiscal year ended March 31, 2025, and we plan to acquire the remainder, worth slightly over 4.0 billion yen, in the fiscal year ending March 31, 2026. The stock split conducted in December 2024 was aimed at lowering the per-share price and

## Message from Executive Vice President

increasing liquidity. Our market capitalization is currently around 100.0 billion yen, making it difficult for us to be included in stock indices, and the stock split was aimed at complementing this.

While there are pros and cons regarding CBs, and opponents tend to be overly concerned about dilution from conversion, we have designed the bonds to inhibit this. Specifically, we have added clauses restricting conversion and allowing us to buy back the bonds at face value for cash. The conversion restriction clause is a mechanism that prevents conversion unless the share price exceeds 150% of the conversion price of 1,386 yen for a certain period during the term. In other words, conversion is not possible unless the price exceeds 2,079 yen, so the ability to convert them would require the share price to significantly exceed its all-time high of 1,655 yen (stock price converted to reflect the stock split implemented on December 1, 2024). Moreover, if we exercise our right to buy back the bonds at face value for cash, the number of shares conferred would only be for the portion where the share price exceeds the conversion price, significantly reducing the potential for dilution. In short, even if conversion takes place, it would be at a price higher than the record high, which should provide reassurance to shareholders.

As an investment strategy, we are working to enhance our performance and strengthen our structure from a medium- to long-term perspective. For example, we are investing our corporate resources focused on manufacturing capacity expansion and digitalization strategy. Because ours is a niche market, our recognition in the stock market is low, and I guess many parts of our business are difficult to understand due to the characteristics of the industry. However, I believe the SINKO Group can continue to grow steadily. We will continue to work on active information disclosure and enhancing dialogue with investors and shareholders, so I hope we can count on your support over the long term.

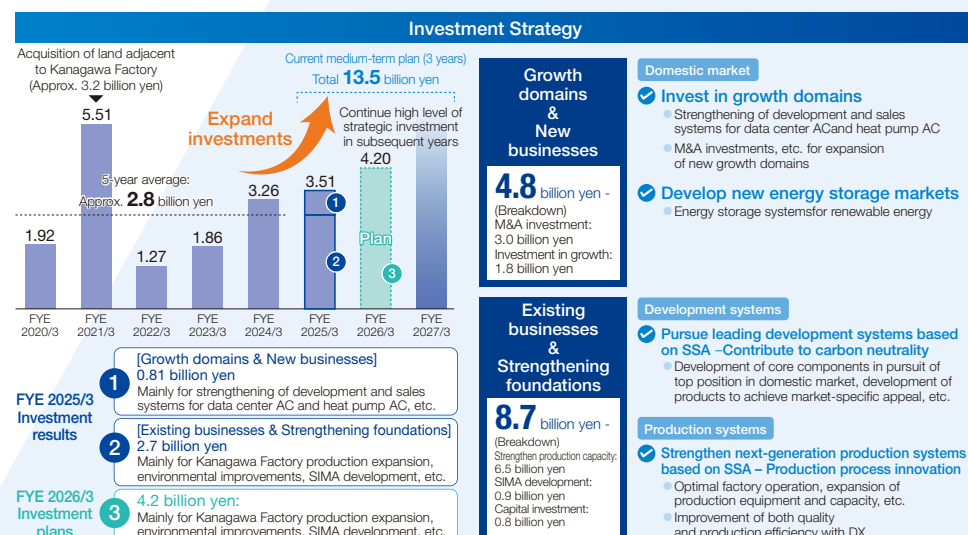
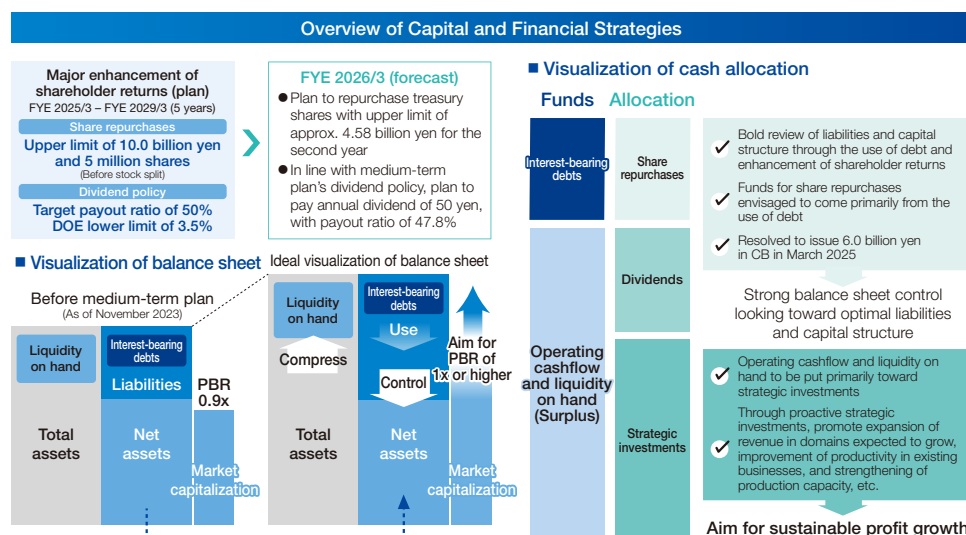
## Contributing to the realization of a sustainable society as a dignified and strong SINKO INDUSTRIES

The SINKO Group is promoting sustainability management under its ESG Basic Policy.

From the perspective of environment, as an air conditioner manufacturer, it is important for us to work on reducing CO<sub>2</sub> emissions. To that end, we are actively investing corporate

resources in environmentally friendly product development and environmental impact reduction by, for example, streamlining manufacturing processes and making them more systematic. As for initiatives to reduce CO<sub>2</sub> emissions from our business activities, we have completed the switch to CO<sub>2</sub>-free electricity, and in the fiscal year ended March 31, 2025, we were again able to reduce emissions compared to the previous fiscal year. Going forward, we will continue to promote initiatives in consideration of the global environment across our entire business. [P.58 ▶](#)

Regarding society, for the Group to grow and develop sustainably and contribute to society, it is important to create a workplace environment where the employees who are responsible for this can work safely and with peace of mind. By identifying issues and implementing measures based on the results of the engagement survey we conduct annually, the workplace environment has greatly improved in recent years, and I feel that an environment that is by no means inferior to other companies has been established, and also that safety awareness on the frontlines has improved. We will continue to advance the establishment of a safe, comfortable workplace environment in which people can find fulfillment in their work. [P.60 ▶](#)



## Message from Executive Vice President

In the area of governance, I feel confident in saying that we have firmly established the foundation of systems and mechanisms required of a listed company. What is difficult is ensuring that all employees understand and internalize them. From that perspective, the ISO mechanism, whereby rules and procedures are put in place, periodic reviews are conducted, and a PDCA cycle is followed, is an effective approach. While making use of such mechanisms, we will promote organizational development and the fostering of a corporate culture in which officers and employees exercise self-discipline in their work. [P.66 ▶](#)

Internally, I often talk about my ideal of a dignified and strong SINKO INDUSTRIES. This means being a company trusted by everyone in every area, be it products, human resources, or governance. It also means that employees who are responsible for these areas must possess sufficient knowledge and experience, have high levels of compliance awareness, and embody our Management Philosophy of “prolific creativity and quality to be proud.” With sustainability management, I believe that advancing measures, while also being environmentally conscious, to become a company where governance functions soundly to improve satisfaction among both employees and society, and to maintain a corporate culture of integrity, will also lead to a dignified and strong SINKO INDUSTRIES.

### Focus on securing and developing excellent human resources

The source of sustainability management is having human resources, the company’s lifeblood, stay healthy and youthful so that they can work actively for many years, in order for a corporate organization to function. This also results in building and maintaining a dignified and strong SINKO INDUSTRIES. It is therefore my fervent wish that employees will grow to possess high levels of knowledge and experience.

As a company, we also have a policy of providing employees with solid support for this. We offer various forms of assistance for learning, such as a support system for acquiring qualifications, e-learning courses, training courses for next-generation leaders, and Japanese language learning support for foreign employees. We also provide tuition support to those who wish to go to

graduate school.

Furthermore, we dispatch overseas technology inspection teams abroad for the purpose of having young and mid-career employees in production, technology, sales, and other departments learn about the world’s cutting-edge technologies. These trips have become a valuable opportunity to dispel preconceptions about our existing business and reexamine our various initiatives from a broader perspective. [P.55 ▶](#)

As the digitalization of operations progresses in the future, the human capabilities and diversity of each of our employees will become increasingly important. In particular, expanded recruitment of and active participation by foreign employees are keys to future corporate growth. Therefore, we launched the Overseas Human Resource Utilization Project, a collaborative initiative involving each Group company. Its objective is to recruit excellent human resources from Vietnam, Taiwan, and other places, and then, after they join us, to provide them with support so that they can thrive. Specifically, we have put a system in place whereby Group companies not only share hiring skills and the connections they have with each region, but also coordinate support for daily life and Japanese language learning for foreign employees so that they can participate actively in the company at an early stage. [P.53 ▶](#)

Meanwhile, at Hanoi University of Science and Technology, one of Vietnam’s most prestigious universities, we are assisting with the construction of a facility called the “Vietnam-Japan Space,” where excellent human resources can learn to acquire the abilities they need to thrive in Japanese companies. In Taiwan, we are collaborating on internships with Taipei University of Technology and Taipei City University of Science and Technology, and are also in negotiations with several other universities. Characteristics of students from both countries are that they are extremely ambitious and diligent in their studies. We have high expectations for them not only for active participation in various departments, but also as executive candidates.

Meanwhile, to ensure a steady supply of system engineers in Japan, we will open the SINKO System Development Center Nagasaki Base in April 2026. This internal system development site will be located in Nagasaki-shi, Nagasaki, near numerous technical universities. In the five years after we open the site, we plan to hire 17 system engineers, and are carrying out hiring

activities with the cooperation of the Nagasaki Prefecture Promotion Foundation. We intend to start with seven people, including mid-career hires.

We also recognize as one of our issues to increase the ratio of female employees, and are working on initiatives such as establishing an environment and systems that will enable women to work comfortably. As a result of our efforts, we obtained a three-star certification, the highest rank, as “Leading Companies with Actively Participating Women in Osaka City,” a certification issued by Osaka City to companies and other organizations that meet certain criteria.

To improve workplace environments and systems, it is also important for employees to think for themselves and suggest proposals. We have established a Diversity Promotion Committee, with the aim of operating our organization so that diverse people can thrive. Its activities have now entered their third year, and are producing concrete results. For example, welfare benefits have been enhanced, including introductions of a special leave system for foreign employees to return to their home country, an hourly annual paid leave system to improve convenience for parents and grandparents raising children, and a ticket restaurant system to subsidize food expenses. We established our Human Rights Policy in April 2024, and will continue to pursue activities to build systems that make it easier for employees to work.

### Group collaboration for sustainable growth

In recent years, we have given attention to cooperation within the Group, and collaboration between each Group company has begun to function. One manifestation of this is the creation of BAC JAPAN CO., LTD.’s demonstration facility at the Kanagawa Factory. The Group is guided by “YOUNGing INNOVating CHALLENGing,” which are our important values, and the “SINKO WAY,” which steers each employee toward the right mindset. Based on these approaches, we will be steadfastly promoting Group management that keeps everyone moving in the same direction. This will generate new synergies, which in turn will lead to the creation of new businesses, and we therefore intend to continue doing our utmost to enable the Group to grow sustainably. [P.63 ▶](#)

# Roundtable Discussion by Employees

## Making overseas human resources into a new source of growth toward realizing domestic globalization

In March 2025, the SINKO Group jointly launched the “Overseas Human Resource Utilization Project” with the aim of leveraging the abilities of young foreigners for business development. We spoke with the project members about the outline and vision of new human resources strategy initiatives.



## Aiming to acquire excellent overseas human resources through Group collaboration

### What was the background to launching the project and its purpose?

**Takata:** As the population in Japan continues to decline due to the falling birthrate, securing human resources is expected to be difficult in the future. The SINKO Group launched this project in March 2025 to secure excellent human resources, with the idea of making

overseas human resources into a new source of growth. SINKO INDUSTRIES has been hiring foreign exchange students who study at Japanese universities since 2013, and currently has just under 30 foreign employees. CHIYODA BLDG. KANZAI has hired around 200 Vietnamese nationals up until now, and we are working together on the development of a system for overseas human resources to thrive in the Group by sharing know-how such as on visa acquisition procedures and hiring, networks with overseas universities, educational systems including Japanese language, and more.

**Yoshikawa:** Although SINKO ATMOS has not yet had any experience in hiring overseas human resources, we are rapidly creating various formats for accepting and having overseas human resources thrive in the company, while utilizing the Group's know-how.

**Ueda:** BAC JAPAN will soon start hiring overseas human resources. Currently, we are mainly considering measures for the company and overseas human resources to reach hiring decisions with a good mutual understanding. We believe that it is important for both parties to reach a mutual agreement for sure before joining the company in order for the hired employees to feel a sense of fulfillment and work actively for a long time, and we are considering matching that gives both parties peace of mind.

### What aspects did you find attractive in deciding to join SINKO INDUSTRIES in Japan from overseas?

**Lin:** I studied environmental engineering at a Taiwanese university and researched air environments, so I felt hope for the future in the Company's slogan of “to design air,” and decided to join. While many companies aiming to hire Taiwanese students seek immediate assets who can speak multiple languages, SINKO INDUSTRIES' intention to properly develop overseas human resources was a major attraction.

**Pham:** When I was looking for a job, I researched many companies, but among companies actively hiring overseas human resources, I could not find one that offered such a good benefits package as SINKO INDUSTRIES. Having various systems in place is a big reassurance when working in a country with a different culture.

**Thai:** While in Japan as an international student from Vietnam, I experienced part-time work at CHIYODA BLDG. KANZAI and was officially hired after graduation. Even as a part-timer, I was entrusted with tasks such as hiring international students, and the culture of evaluating overseas human resources and Japanese employees equally in their work and building solid relationships of trust was attractive.



#### Keisuke Takata

Deputy General Manager, Personnel Department, Administration Division, SINKO INDUSTRIES

He is advancing this project mainly by promoting negotiations on internship tie-ups with universities in Taiwan and Vietnam and the sharing of each company's know-how, etc. in accepting overseas human resources.



#### Pham Hong Hiep

Staff, Business Strategy Office, Technical Division, SINKO INDUSTRIES

After graduating from the Japanese Language Department of the Vietnam National University, she worked for companies in Vietnam and Japan before joining SINKO INDUSTRIES. Her responsibilities include translation of negotiations with Vietnamese universities and support for labor relations. She is also working to spread an understanding of Vietnamese culture within the company.

## Roundtable Discussion by Employees



### Satoru Ueda

Assistant Manager, Administration Department,  
Administration Division, BAC JAPAN

Joined BAC JAPAN in 2024. He is responsible for building the company's first system to accept overseas human resources and support their subsequent growth.



### Dang Van Thai

Supervisor, Sales Support Department,  
Management Headquarters, CHIYODA BLDG. KANZAI

Joined the company after working part-time at CHIYODA BLDG. KANZAI while studying abroad from Vietnam. In the project, he is responsible for interpretation in negotiations with Vietnamese universities and exchanging information with the local region.

## Advancing tie-ups with universities in Taiwan and Vietnam

### What activities are the project currently engaged in?

**Takata:** First, we are strengthening relationships with universities in Taiwan and Vietnam, where we have hired many students, and preparing for internship tie-ups. In Taiwan, we are negotiating with two national universities, Chin-Yi University of Technology and Kaohsiung University of Science and Technology, which have refrigeration and air conditioning departments, and Chung Yuan Christian University mainly for science students. We have already entered agreements with Taipei University of Technology and Taipei City University of Science and Technology. In Vietnam, we are advancing negotiations with Hanoi University of Science and Technology. The university plans to build a facility called "Vietnam-Japan Space" aimed at supporting students' employment to Japanese companies, and we are planning to support this facility through donation and connect this to the acquisition of human resources.

**Lin:** Internship tie-ups have great benefits for overseas students and for the SINKO Group. I started as a new hire together with my Japanese colleagues who joined the Company at the same timing, and at first both sides were puzzled by the cultural differences and

language barriers. I believe students will be able to join the company with a great peace of mind if they have an internship period.

### What are your expectations for overseas human resources?

**Takata:** From hiring experience so far, I feel that people who are willing to work hard in a foreign country are also highly motivated to learn. Even Japanese people find the Japanese language difficult in many situations, but overseas human resources overcome that barrier and take on the challenge of new things, so we appropriately evaluate them. Many overseas human resources have a high level of expertise, and their enthusiasm and hard work are inspiring to our Japanese employees, so I expect various synergies to be created in the future.

**Pham:** I believe that increased intercultural exchange is one aspect of globalization. Although misunderstandings can arise due to language and cultural differences, there are many situations where mutual understanding is further deepened because the company culture is one where people are willing to step up to overcome these differences in order to proceed with daily work. Those interactions can become hints for new ideas.

**Thai:** I think the spread of diversity that respects various values will trigger transformation in the Japanese business model. To that end, overseas human resources need to understand the good points of Japanese companies' history and culture, and Japanese people need to understand the history and culture of the home countries of overseas human resources. I would like to consider such seminars for this project as well.

### Could you tell us about the future vision?

**Ueda:** Various systems should improve for the better as the number of overseas human resources increases. For example, while on-the-job training has been the core of education at the company, that can be disadvantageous for overseas human resources who are not native Japanese speakers. On-the-job training alone may not provide systematic knowledge acquisition in the first place, so we hope to evolve our educational system, including qualifications acquisition, human resources strategy, and more, across the entire Group. I want

to establish opportunities for many overseas human resources to thrive while feeling a sense of fulfillment through Group collaboration.

**Yoshikawa:** A training concept is underway at SINKO ATMOS that allows overseas human resources without expertise to learn confidently so that diverse people can thrive. We will take measures to solve language issues as well. This project, in which the entire Group is taking on the challenge of utilizing overseas human resources, is a highly meaningful initiative. We expect that this will not only strengthen our human resources strategy, but also serve as a catalyst for creating a Group-wide movement to solve various issues.

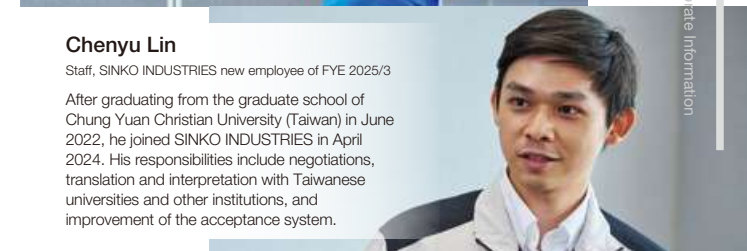
**Takata:** One of the purposes of this project is to create opportunities for overseas human resources to thrive. Our work is the manufacture and sale of commercial air conditioners, their installation and service, and the provision of building management services, and if we can create opportunities where the knowledge, culture, and individual abilities of people from overseas can be maximized, this will lead to innovation in our work and products. I believe the realization of this is the true purpose and vision of utilizing overseas human resources. First, let's work together to realize domestic globalization and eventually contribute to the expansion of sales channels overseas.



### Kensaku Yoshikawa

General Manager, Administration Division,  
SINKO ATMOS

Joined SINKO ATMOS in 2016 as a mid-career hire. In this project, he is responsible for building the company's first system to accept overseas human resources and support their subsequent growth.



### Chenyu Lin

Staff, SINKO INDUSTRIES new employee of FYE 2025/3

After graduating from the graduate school of Chung Yuan Christian University (Taiwan) in June 2022, he joined SINKO INDUSTRIES in April 2024. His responsibilities include negotiations, translation and interpretation with Taiwanese universities and other institutions, and improvement of the acceptance system.

# Roundtable Discussion by Employees

## Learning about the world's cutting-edge technologies and gaining a global perspective

The "Overseas Technology Inspection Project" allows mid-level employees to visit overseas trade fairs and companies to experience cutting-edge global air conditioning-related technologies. Since 2023, about ten employees each year have visited Europe. In 2025, we toured "ISH 2025," one of the world's largest sanitation, heating and cooling, and air conditioning equipment trade fairs held in Germany, and two factories and a research institute of a German fan manufacturer. Five participating employees discussed the future approach they sensed for the SINKO Group around the world.



### Inspecting global air conditioner trends and cross-cultural business

#### What was the most impressive part of the inspection?

**Ikegami:** I strongly felt that living and lifestyle culture are closely related to air environments such as air conditioning in buildings, cafes, and other parts of cityscapes, and that the air environments required vary by country and region.

**Hirooka:** Over 2,000 companies from 54 countries exhibited at the trade fair in Germany, and I broadened my horizons by learning about the diversity of structures and design approaches.



**Ryo Ikegami**

Section Manager, Manufacturing Management Department I, Manufacturing Division

Responsible for process management of air conditioners from manufacturing to delivery. His mission at the inspection was to identify global trends and evaluate SINKO INDUSTRIES and Japanese products from a global perspective.

I was impressed by the general tendency to make things more simply than in Japan.

**Hashimoto:** Many companies at the trade fair made an appeal for energy saving as a theme in proposals for renovation and repair. We could obtain various hints, such as making an appeal for running costs more than repair costs. I felt we should propose more of the new value created by replacement, rather than simply encouraging replacement because something is old.

**Murata:** I was amazed to see people from over 15 countries working together at a German global company's factory. Various forms of ingenuity such as signs that can be visually understood to work even with language barriers were in various places, and this was very instructive.

**Hoshi:** In Europe, awareness of global warming and other environmental issues has permeated society, and I felt that environmental considerations in product development are ahead of Japan. I could sense a major trend of switching from boilers to heat pumps using non-CFC gas.

### Empathy with environmental responses and making an appeal for design

#### Were there any lessons learned that you would like to incorporate into your current work or can apply immediately?

**Ikegami:** I was surprised to learn that the role of people is still important for production planning and demand forecasting in global business, even while being operated by core system utilizing DX. They achieved accuracy and efficiency through close communication with managers around the world to adjust specification changes, delivery delays, and such, and by always having people reliably check data. I would like to use this as a reference point in advancing our DX.



**Shuhei Hashimoto**

Chief, Outside Sales, Tokyo Branch, Sales Management Division

Responsible for direct sales to architects, general contractors, and clients. His theme of the inspection was to study overseas sales methods, differences in thinking between Japan in business and sales, and their advantages.

## Roundtable Discussion by Employees

**Hirooka:** Initiatives to reduce environmental impact were more advanced than in Japan. In addition to European Union (EU) member countries, environmental labels commonly recognized by European Economic Area (EEA) signatory states and other organizations were displayed with ranks on every product, and design tools allowed confirmation of each product's rank. We are also developing highly efficient fans and coils. I felt we need to prepare to properly demonstrate our performance when environmental certifications and the like are eventually emphasized in Japan.

**Murata:** What impressed me greatly when I visited the factory of a fan manufacturer was that a sign of "production process improvement project" was prominently displayed on the wall, and all employees shared a vision of the factory three years into the future. There was also a suggestion box in place so that anyone could submit and participate. Measures were refined with opinions from working people, and the project was carried out with a sense of unity company-wide. I thought we should foster a culture in our company in which the frontline takes the lead in improvements.

**Hashimoto:** I felt that sales staff at every manufacturer at the trade fair were skilled in techniques to promote the quality of their performance. The way exhibits were presented and the attention to product design were excellent, and I think this is something we need to improve as well. Making a product with the same performance appear one rank higher not only attracts clients and designers but should create pride and corporate culture on the production side.

### Kazuki Murata

Chief Engineer, Planning Department,  
Manufacturing Division

Responsible for planning related to improving the efficiency of factory operations and productivity. As leader of the inspection, he led the group and ran the process according to the purposes of each participant.



**Hoshi:** It was very informative to see that while automation and labor saving in the factories is progressing beyond expectations, there is also a system in place to secure human resources, such as allowing local university students to intern for about three years. While the Company is also pursuing labor saving with automated conveyance robots and other means, German factories have robots handling a significant portion of the work, which enhances the stability of quality and safety of factory operations. I intend to take another look at how far we can go in promoting DX to automate processes.

## Utilizing the inspection experience toward creating a workplace where diverse people can thrive

**What would you like to convey to the company or propose based on what you learned this time?**

**Ikegami:** We are actively working on this as well, but Europe was a step ahead of us in terms of efficiency in consideration of the environment. Because I think the philosophy is the same, I want to convey to each department that we should continue to challenge ourselves to evolve further.

**Hirooka:** I had the same strong impression, and I thought a major difference was that the companies were actively promoting their initiatives, such as using CO<sub>2</sub>-free electricity and thoroughly reducing paper use such as for documents, in their business operations. Because our company is also involved in various initiatives, I would like to tell management that it is important to share them more widely outside and inside the company.

**Murata:** After visiting the two factories, I strongly felt that creating a workplace where anyone can work with a sense of fulfillment is essential for the development of manufacturing companies. I would like to work with management to explore how to build a culture where people of various ethnic backgrounds can work not only in the field, but also in various positions.



### Michiya Hoshi

Chief Engineer, R&D Management Department II,  
Technical Division

Responsible for product development and design of air conditioners and new system design at SIMA. His theme of the inspection was to learn about the product development methods of fan manufacturers and their efforts to develop engineers.

### Arisa Hirooka

Chief Engineer, Technology Control Department IV,  
Manufacturing Division

Responsible mainly for making drawings of requests, preparing specifications, and instructing factories to make arrangements. Her main purpose of the inspection was to understand trends in overseas design methods and information on cutting-edge design tools.



**Hashimoto:** After listening to the talks at the trade fair and factories, I was encouraged by a culture that is deeply rooted in supporting people who take on challenges. Even when considering risks, there were many positive discussions on how to overcome them. The general idea was that even if you fail, analyzing the cause leads to great success ahead, and I want to foster such a culture in our sales departments as well.

**Hoshi:** I was also amazed at the thoroughness of safety considerations. For example, as population declines and people become more mobile, it will not always be veteran technicians who perform the maintenance of commercial air conditioners. Everyone must be able to work safely and accurately in terms of manufacturing as well. I intend to communicate to the entire company that we need to evolve to easier-to-understand usage and maintenance, and safer product design.

**Murata:** Now, various information is available through the internet and other sources, but all participants feel that knowledge gained from actual experience will definitely be useful in their future work. I intend to utilize this experience for evolution in various fields.

# Sustainability of the SINKO Group

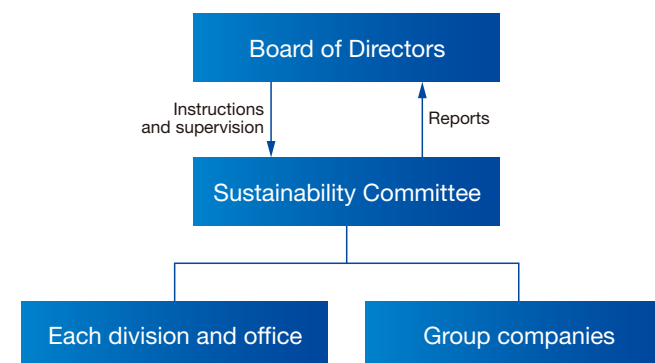
As a provider of air conditioning, the Group promotes management with a focus on sustainability under the slogan “CONDITIONING FUTURE,” as it takes responsibility for the future. We believe that management that incorporates ESG and SDGs is key to the sustainable growth of a company. We will contribute to the realization of a sustainable society by resolving social issues, while also working to build a resilient organization capable of adapting to a rapidly changing era, thereby improving our corporate value.

## ESG Basic Policy

- We will contribute to the development of society by working on environmental preservation and reduction of environmental impact.
- We will provide high-quality products and services in order to offer reliability and satisfaction to our customers.
- We will strive to build cooperative relationships for mutual development in order to offer reliability and satisfaction to our business partners.
- We will strive to return profits appropriately and disclose information in order to offer reliability and satisfaction to our shareholders and investors.
- We will strive to provide fair treatment and create a comfortable workplace in order to offer reliability and satisfaction to our employees.

## Sustainability Promotion Framework

We have established a Sustainability Committee chaired by the Chief Executive Officer and comprising employees selected from the entire Group. The Committee formulates an annual plan, and the employees in charge drive ESG activities that see the whole Group working together as one.



## Environment

### – Realizing a carbon-neutral society –

The Group has declared “provision of air conditioning infrastructure toward the realization of a sustainable society” as part of materiality, and we are actively pursuing various initiatives including product development toward achieving carbon neutrality, reduction of CO<sub>2</sub> emissions in manufacturing processes, and introduction of CO<sub>2</sub>-free power at each site. We will continue to work on reducing our environmental impact based on the recognition that we must contribute to improving the sustainability of the global environment.



## Social

### – Contributing to society and creating a workplace where everyone can work happily –

As Japan’s leading company for central air conditioners, we believe we have a significant role to fulfill. We are actively engaged in social contribution activities, which include expressing our support for the acceptance of Ukrainian evacuees and making donations to Japan Association for the World Food Programme and the Japan Committee for UNICEF through the “Social Contribution Gift” in our shareholder benefit program.

And internally, we have established a Diversity Promotion Committee, a forum for employees of different genders, nationalities, ages, and so on to actively discuss various workstyles.

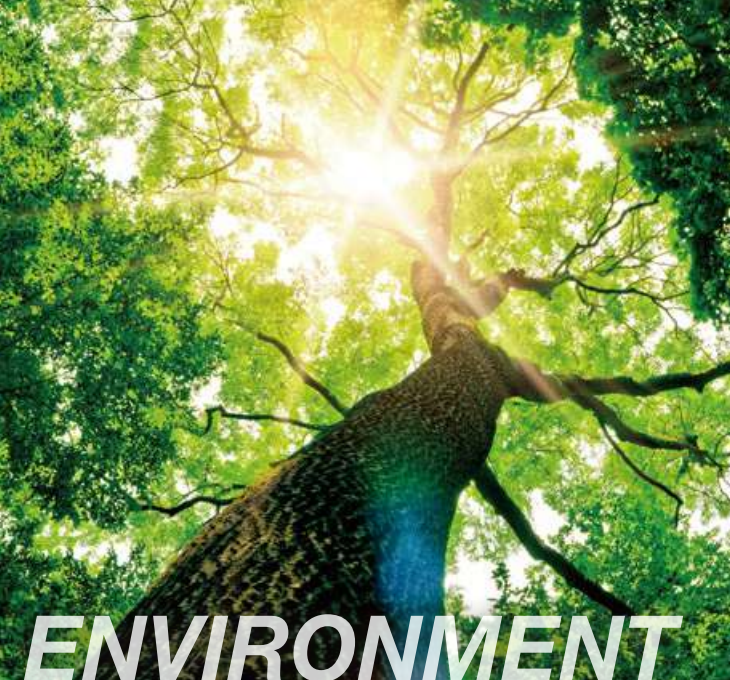


## Governance

### – Strengthening governance –

We believe that strengthening our governance system is essential for achieving sustainable growth and enhancing corporate value across the entire Group. We have implemented a variety of measures to that end, such as becoming a company with audit and supervisory committee system, ensuring that Outside Directors comprise at least one-third of the Board of Directors, and establishing a Nomination and Compensation Committee with a majority of Independent Outside Directors. We will continue to deepen our corporate governance and enhance the soundness, transparency, and efficiency of our management in order to faithfully fulfill our social responsibilities as a company.





# ENVIRONMENT

## ENVIRONMENT

As societal awareness of the importance of realizing a sustainable society continues to grow, we view initiatives for achieving a carbon-free society as a key management issue, and the entire Group will be working as one to operate our business in an environmentally friendly manner.

### 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

## BELS and CASBEE Certification for Our Showroom

As a manufacturer, our basic stance is to pursue environmentally friendly initiatives not only in production and product development but across all aspects of our business.

As part of this, our showroom “SINKO AIR DESIGN STUDIO” has earned a five-star “Building-Housing Energy-efficiency Labeling System (BELS)” rating as an environmentally friendly showroom that offers both energy efficiency and comfort. The showroom has also picked up a “Comprehensive Assessment System for Built Environment Efficiency (CASBEE)” rank of “S,” in recognition of design considerations such as the installation of a small-scale cold and hot water air conditioning system to limit energy use, and a building envelope plan that reduces air conditioning heat loads.

Furthermore, the showroom operates sustainably, as solar panels have been installed on the rooftop and part of the electricity used within the facility comes from renewable energy.



## Aiming to Realize a Sustainable Society Through Environmentally Friendly Product Development

As part of our ESG activities, we are developing products that reduce environmental impact. A prime example of this is “Ocoogeo®,” an all-in-one heat pump air conditioner.

Ocoogeo® is designed to curb greenhouse gas emissions by significantly shortening the length of refrigerant piping and reducing the amount of refrigerant used. Furthermore, by completing all piping work within the factory, we minimize the risk of refrigerant leakage, delivering both high reliability and environmental impact reduction. And since on-site piping work is unnecessary, it helps improve work efficiency and reduce the work burden, which is beneficial given the current problem of labor shortages.

We are advancing plans to transition our entire line-up of heat pump air conditioners to environmentally friendly products. We will provide solutions that meet customer needs while employing new refrigerants and delivering higher efficiency. Going forward, we will continue our efforts toward realizing a sustainable society and creating a better future through technological innovation that responds to societal changes and environmental issues.

**Koichi Mashimo**  
Deputy Manager of R&D  
Management Department III





## ENVIRONMENT

# Disclosure Based on TCFD Recommendations

In 2022, the Company endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).<sup>\*</sup> We are also identifying risks and opportunities and verifying the resilience of our strategies through scenario analysis.

<sup>\*</sup> TCFD: Task Force on Climate-related Financial Disclosures

## Governance

In order to promote initiatives based on the ESG Basic Policy, we have established a Sustainability Committee chaired by the Chief Executive Officer, which formulates issues, targets, and various measures related to sustainability, discusses the progress of targets and measures, and reports the status of activities to the Board of Directors. The Board of Directors also receives reports from the Sustainability Committee as appropriate and makes resolutions after deliberation when necessary.

## Strategies

By recognizing the impact of climate-related risks through scenario analysis and considering countermeasures, we aim to reduce our business risks and realize opportunities for value creation to secure sustainable and stable revenue over the long term.

### 1.5°C/2°C scenario (key results)

Type of risks/opportunities	Significant risks/opportunities	Impact on business based on results of scenario analysis (description of significant risks/opportunities)	Term	Impact on operating profit	Countermeasures
Transition risks (market)	Increase in cost of raw materials	Leading to increased costs when costs of procuring raw materials increase due to the introduction of a carbon tax, etc.	Medium-to long-term	Medium 0.75 billion yen decrease	•Energy-saving and efficiency improvements in manufacturing •Consideration of alternative measures to stabilize procurement prices
Opportunities (products/services)	Increase in demand for products that contribute to GHG reduction and energy savings for customers (water coolants)	Expecting increased demand for water coolant products due to stricter GHG emission regulations/regulations on CFC use	Medium-to long-term	High 2.1 billion yen increase	•Strengthening of energy-saving performance of air conditioning equipment/technology development

### 4°C scenario (key results)

Type of risks/opportunities	Significant risks/opportunities	Impact on business based on results of scenario analysis (description of significant risks/opportunities)	Term	Impact on operating profit	Countermeasures
Physical risks (acute)	Risk of business interruption due to severe wind and flood damage	Missing business opportunities due to difficulties in sales activities if sales offices are damaged as a result of the increased risk of typhoons, floods, and other wind and water damage caused by climate change	Medium-to long-term	Low	•Strengthening of BCPs for procurement and manufacturing

## Risk management

The Sustainability Committee classifies the various changes in the external environment related to climate change as “transition risks” or “physical risks,” evaluate their financial impact on a three-level scale of high, medium, and low, and identifies significant risks and opportunities. Each identified and evaluated risk is managed by the relevant divisions, and countermeasures are considered. The Sustainability Committee consolidates and manages the proposed responses to these risks and regularly reports to the Board of Directors. Going forward, we will continue to strengthen our risk management system as we aim to enhance the sophistication of our risk management.

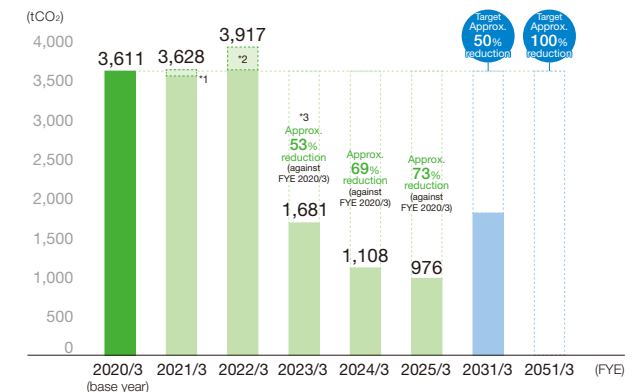
## Metrics and targets

The Company uses Scope 1 and Scope 2 CO<sub>2</sub> emissions as metrics for evaluating and managing climate-related risks and opportunities. We have established CO<sub>2</sub> reduction targets, including long-term goals to be achieved by the fiscal year ending March 31, 2051, and are taking action to reduce CO<sub>2</sub> emissions from our business activities by, for example, switching to CO<sub>2</sub>-free power and reducing fuel consumption during the manufacturing process.

### Targets

The Company aims to reduce CO<sub>2</sub> emissions by 50% compared to the results of the fiscal year ended March 31, 2020 by the end of the fiscal year ending March 31, 2031, and to achieve net zero CO<sub>2</sub> emissions by the fiscal year ending March 31, 2051.

### Status of achievement



<sup>\*1</sup> 2021/3: Increased due to the start of SINKO AIR DESIGN STUDIO operations and acquisition of the north area of the Kanagawa Factory

<sup>\*2</sup> 2022/3: Increased due to the operation of SINKO AIR DESIGN STUDIO, the start of operations at the Kanagawa Factory office wing, and the operation of the north area of the Kanagawa Factory

<sup>\*3</sup> 2023/3: Decreased due to the switch from kerosene-powered heating equipment used in manufacturing processes to electric-powered equipment, the gradual transition to CO<sub>2</sub>-free power, and other factors



# SOCIAL

## Society

As we regard human capital as an important asset, we will enhance the dignity of our employees and the value of our Company by investing in our people, aim for coexistence with local communities, and work to create a happy environment for all.

### Initiatives

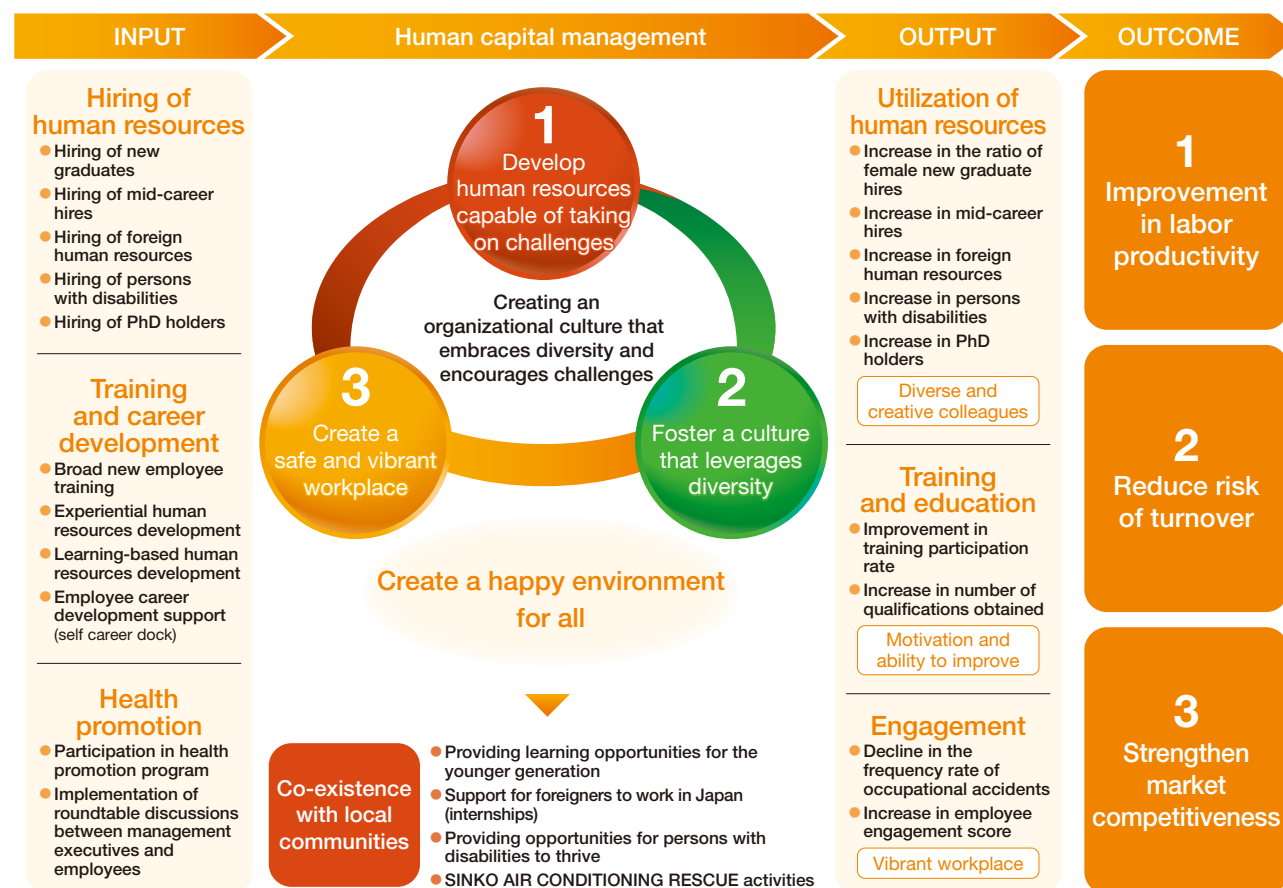
#### Human capital management Create a happy environment for all

- Develop human resources capable of taking on challenges
- Foster a culture that leverages diversity
- Create a safe and vibrant workplace
- Co-existence with local communities

## Overview of Human Resources Strategies

We believe that the development of human resources will be necessary in order to further enhance the corporate value of the SINKO Group. We will further enhance the dignity of our employees and the value of our Company by investing in our people, and to provide joy to all our stakeholders, we have set our goal of “creating a happy environment for all.”

As shown in the figure below, we aim to create an organizational culture that embraces diversity and encourages challenges by focusing on the three policies of (1) Develop human resources capable of taking on challenges, (2) Foster a culture that leverages diversity, and (3) Create a safe and vibrant workplace.





## Human Resources Development

Based on our management philosophy of “prolific creativity and quality to be proud,” and with the aim of maintaining the quality of our company and the dignity of our employees, we are dedicated to creating an environment in which young, mid-career, and senior employees, who will all continue to grow in this era of centenarians, can work safely, happily, and energetically.

Furthermore, to establish a corporate culture that encourages individual challenges, we are establishing an “environment that creates human resources,” where the company and its employees aim to grow mutually as they take on various challenges, and we aim to create diverse, open teams based on our employees’ expertise. We provide diverse educational opportunities for new employees, and everyone obtains the necessary skills and technical qualifications during basic training.

### Building a training system that fits the times: The challenge of reskilling

Target		Training Content
Company-wide		Compliance training / Information security training / Finance and economics education / Mental health training / Working women’s health literacy training for male managers / Conflict management training / Unconscious bias training / E-learning
Level-specific	New hires	Air conditioners of the future training / Introductory AI training / Applied AI training / Presentation training / New employee basic training / PC training / Job rotation training / Factory training / Lecture for utilizing The Nikkei / Career development training
	Junior	Job crafting training / Follow-up training
	Mid-career	Leadership training
	Management	Management training / New managers’ training / Training for performance evaluators / Training for human rights due diligence (specialized for managers)
Selective		Management leadership seminar dispatch for managers / EU/US inspection dispatch for mid-career and junior employees / Japanese language education for foreign employees
Directors and Operating Officers		Executive training (duties and responsibilities of Directors / insider trading regulations, etc.)
Specific themes		Human rights training / LGBTQ training / Career design training / DX Literacy Improvement training / Skill qualification training / SDGs and ESG training / Women’s leadership training / Roundtable discussions with female managers / Cross-cultural communication training / Prompt engineering training

## The challenge of future business

Based on their flexible creativity, our new employees come up with ideas for “air conditioners of the future” during the course of their training, and we utilize these fresh ideas.

For Proposal A, employees proposed an air-conditioning vehicle under the concept of delivering a comfortable environment not as equipment but as movable property. We gave shape to this idea as “SINKO AIR CONDITIONING RESCUE,” and concluded a “Support Agreement on Disaster Management” with Hadano City.

For Proposal B, employees proposed the use of wood for air conditioners based mainly on the concept of reducing LCCO<sub>2</sub>. This was commercialized as “Exposed Air Conditioner,” made using thinned wood that gives a warm touch, and as “Green AHU” with sustainable added value.

By giving shape to the ideas of our young employees, we are taking on the challenge of future business.



Proposals A and B for air conditioners of the future created by new employees



## Society

### Diversity

Our company is home to personnel with diverse backgrounds. We promote diversity management, where each of our employees respects each other and aims to create new value. In Osaka City, companies that actively promote the creation of workplace environments where women can thrive are certified as “Leading Companies with Actively Participating Women in Osaka City,” and we have received a three-star certification, the highest rank. On February 22, 2024, we received a mayoral award (award of excellence) as a company making outstanding efforts.

#### Examples of Initiatives

Examples of Hiring Activities	FYE 2022/3	FYE 2023/3	FYE 2024/3	FYE 2025/3	FYE 2026/3 (as of April 1)
Active hiring of women for new graduates (Target: 40% of new hires) (persons) * Total direct employment (including part-time)	3/18 (17%)	2/20 (10%)	9/27 (33%)	9/25 (36%)	5/23 (22%)
Hiring of foreign exchange students (Hires over fiscal year) (persons)	0	1	4	4	1
Hiring of persons with disabilities (Hires over fiscal year) (persons)	0	2	0	1	0
Active hiring of mid-career hires (hires over fiscal year) (persons)	19	28	30	32	10

### Creating a Workplace Environment

We are carrying out various initiatives focused on creating new systems and a culture to allow our employees to work safely, securely, and healthily. Through initiatives such as adopting a personnel system that emphasizes dialogue to ensure that employees experience growth and that their personal growth leads to the company’s growth, we are aiming to improve productivity while focusing on work-life balance to promote the creation of an environment where everyone feels joy as they strive toward achieving the Medium-term Management Plan.

#### Examples of Initiatives

- Roundtable discussions between management executives and employees (about 20 times per year)
- Roundtable discussions in manufacturing departments (22 times in total)
- Engagement surveys (once per year)
- Promoting childcare leave for male employees (regular briefing sessions held)
- Workplace environment improvement workshops (2 times in total)
- Introduction of shortened working hours and staggered working hour system for employees raising grandchildren under the age of one (April 2023)
- Introduction of hourly paid leave system (April 2024)
- Extension of retirement age to age 65 (April 2024)
- Introduction of lunch subsidy system (Ticket Restaurant) (April 2025)
- Introduction of special leave system for returning to home country (April 2025)
- Introduction of wellness leave (July 2025)
- Introduction of a scholarship repayment support system (scheduled for FYE 2027/3)

### Employee Engagement Surveys

We believe that human resources support corporate value and promote human capital management. We conduct an employee engagement survey once a year on Group companies in Japan in order to understand how Group employees feel about their daily work and workplace life, what they want, and to improve the workplace and company to make it a place where employees can work with more motivation.

As a result of formulating and implementing engagement enhancement measures at each Group company based on the survey results, overall scores have improved for two consecutive years, and the attractiveness of the company and workplace has improved in particular.

We will continue to conduct employee engagement surveys, analyze the results, and plan and implement improvement measures to further enhance employee engagement.

#### Main initiatives aimed at enhancing employee engagement

Roundtable discussions between management executives and employees are held as an opportunity for employees to directly communicate with management. The “attractiveness of management measures” has improved significantly as a result.

	Whole Group			Other companies' average
	FYE 2023/3 (1,408 persons)	FYE 2024/3 (1,384 persons)	FYE 2025/3 (1,538 persons)	
Overall score	3.14	3.20	3.25	3.25



## Society

### Roundtable Discussions Between Management Executives and Employees

The Company holds roundtable discussions between management executives and employees with the aim of enhancing employee engagement. These discussions serve as an opportunity for management executives and the target employees to gather, for management executives to directly communicate management policies and initiatives of each department, and for participating employees to view these policies and initiatives as personal concerns.

In the fiscal year ended March 31, 2024, we held these discussions for young employees age 30 and under. The discussions also led to improvements in the work environment by allowing young employees to directly consult with management executives about their daily uncertainties and concerns and receive answers. In the fiscal year ended March 31, 2025, these discussions were held for employees in positions just below managerial ranks. For employees who firmly understand

company policies and issues as personal concerns and have the role of conveying what to do to subordinates, each management executive shared stories mixed with experiences from when they were in the same position, and it served as a valuable opportunity for exchanging opinions. In the fiscal year ending March 31, 2026, we plan to hold the discussions for section managers.

Employees who actually participated in the discussions commented that it helped improve their motivation and engagement in their daily work. We will strive to foster an attractive corporate culture while also working to disseminate our important values and our guideposts, which have been established to enable employees to work with a shared vector and sense of unity.

#### Examples of workplace environment improvements implemented based on roundtable discussions



Roundtable discussion



Renewal of factory toilets



Installation of air conditioners on the factory floor

### Our Important Values and Guideposts

#### Our important values

## YOUNGing INNOVATing CHALLENGing

We are constantly pursuing innovation and taking on challenges without living in the past or fearing risks. Let's always keep the youth that will enable us to do these things.

#### About Our important values

It was our second Chief Executive Officer, Akira Fujii, who expressed the desire to be a youthful company that always seeks innovation and continues to challenge in the words "Keep Young." Since raising that determination as "YOUNGing" in 2008, it has become deeply ingrained in our corporate culture.

#### Our guideposts

## SINKOWAY

#### Desired leadership image

On-site approach, open innovation, policy development, human resource development, awareness reform

- 01 \_ Stay ahead of the rest of the world, think of solutions swiftly yourself, and persevere to the end.
- 02 \_ Have a strong desire to expand the Group's business and take on challenges on your own.
- 03 \_ Pursue the strength of manufacturing and bring in from outside what you yourself lack.

#### Operational vision for production

Pursuit of quality, zero complaints, production innovations, on-site approach, policy development

- 01 \_ Continue to pursue zero complaints by improving quality and fostering trust.
- 02 \_ Raise your sights, explore initiatives and issues, and bridge the gap with reality.

#### SINKO brand image

Understanding customers, facing them with comprehensive strength, and coexistence and mutual prosperity with employees

- 01 \_ Incorporate evolving new technologies and explore services and products that customers truly demand.
- 02 \_ Discard thinking that is an extension of the conventional, transform yourself, and engage in repeated creation.
- 03 \_ Avoid becoming a mere commentator, carry out your words and repeat trial and error.



## Society

### Human Rights Due Diligence

The Diversity Promotion Committee formulated the Human Rights Policy in April 2024 and published it on our website. This Human Rights Policy is publicized within the company using digital signage and SINKO COMPASS CARDS, which contain our code of conduct and other information. In addition, we are working to raise awareness of human rights by conducting human rights training and LGBTQ training, mainly for new employees, including those of our Group companies.



Human rights training

#### SINKO Group Human Rights Policy

##### (1) Basic approach on respect for human rights and scope of application

The SINKO Group thoroughly respects human rights as set forth in the United Nations International Bill of Human Rights (the Universal Declaration of Human Rights and the International Covenants on Human Rights), and complies with international norms related to human rights and the laws and regulations applicable in each country and region.

We treat people fairly while respecting differences such as gender, age, race, nationality, ethnicity, religion, political beliefs, sexual orientation, physical ability, and the presence or absence of disabilities. This policy applies to all parties involved in the SINKO Group.

##### (2) Human Rights Policy promotion system

The Diversity Promotion Committee examines and checks the practice of the matters stated in the Human Rights Policy, and disseminates the results of implementation and improvement to the relevant departments.

##### (3) Human rights due diligence

We will work to identify, prevent, and mitigate negative impacts on human rights in accordance with the human rights due diligence framework set forth in the UN "Guiding Principles on Business and Human Rights" and the SINKO Group's approach to risk management.

We will appropriately address human rights issues based on the idea of engaging in no discrimination whatsoever.

##### (4) Internal awareness-raising and education

Stated on the SINKO COMPASS CARD portable card distributed to Group employees. In addition, to ensure that all SINKO Group employees have a unified awareness primarily on sound business activity ethics and corporate values, and take actions complying with laws and regulations, social norms, and company rules, we promote internal awareness-raising activities as one of the agenda items in the SINKO COMPASS CARD MEETING (held semiannually), where discussions are held in the workplace about the management philosophy, code of conduct, and other information stated on the SINKO COMPASS CARD to deepen individual understanding.

##### (5) Dialogue with external parties

We will strive to have an influence on organizations or individuals that cause or contribute to human rights violations, etc. If we lack influence, we will seek to secure or strengthen our influence, or provide support, to prevent or mitigate such human rights violations.

##### (6) Information disclosure

We will actively disclose information such as the status of our efforts related to respect for human rights in the Integrated Report, our website, and other mediums.

##### (7) Remediation

We will establish a consultation desk and take remediation measures such as appropriately responding to consultations on human rights from inside and outside the company.

\* Consultation desk: SK Group Compliance Hotline

### Occupational Safety and Health

We are engaged in occupational safety and health activities aimed at a safe and sound workplace environment. In the fiscal year ending March 31, 2026 as well, we set a target for the frequency rate of occupational accidents at 1.0 or less and continue awareness-raising activities to raise safety awareness.

We have advanced company-wide initiatives through means such as safety workshops, hazard experience workshops, safety education, workplace safety diagnoses, and safety video viewings.

The safety conference of the Manufacturing Division in the fiscal year ended March 31, 2025 was held at the Okayama Factory and attended by executive employees and members of the Health and Safety Committee to share safety activity policies. In the fiscal year ended March 31, 2025, there were eight occupational accidents (all without lost-time), which heightened the momentum for the need to improve unsafe behavior and unsafe conditions at production sites. In the fiscal year ending March 31, 2026, in addition to conventional safety activities, we will conduct risk assessments for each work process to identify latent unsafe elements and improve them.

Under the Manufacturing Division slogan, "Safety First, Safety Is Our Highest Priority," we aim to create a workplace environment where all employees are aware of safety and act accordingly.



Safety conference of the Manufacturing Division



## Co-Existence with Local Communities

### Tsuyama Area Open Factory

On July 26, 2024, the “Tsuyama Area Open Factory” organized by Tsuyama Industrial Support Center was held at the Okayama Factory. Elementary and junior high school students and their guardians visited us to see the factory and actual product equipment, which they would not normally be able to see.



Tsuyama Open Factory

### Continued implementation of corporate blood drives

We conduct a corporate blood drive every year as part of our contribution to society. On May 9 and August 19, 2024, the blood drive bus came to the Kanagawa Factory, and on November 25 to the Okayama Factory, with a total of 69 employees participating in the blood drive.

**Number of blood donors:**

**21 on May 9, 31 on August 19, 17 on November 25**



Corporate blood drive

### Summer vacation work experience event at Hadano City

As part of the “Hadano Children’s Center Summer Learning Experience” organized by Hadano-shi, Kanagawa, upper elementary school children visited our Kanagawa Factory and experienced actual work through factory tours and various workshops.



Factory tour

### Cleaning activity

The Okayama Factory takes part in the annual “Garbage Zero Day” cleaning activity in the local industrial park.

Numerous employees participate in the activity each year, contributing to the beautification of the industrial park.



Cleaning activity

## Social Contribution Activities

### Internship program

In our work experience program for university students, we used a job rotation model that allows students to experience working in multiple departments with the goal of minimizing mismatches, such as early turnover, which has become a social issue.

In order to not interfere with students’ studies, we carried out internships and work experience programs at bases in Tokyo, Osaka, Kanagawa, and Okayama during the university summer break period (August to October). (FYE 2025/3 total interns accepted: 27)

#### Students’ feedback

“The internship allowed me to experience the atmosphere of a real workplace.”

“I will be able to think about my life and take on the challenge of job hunting through the internship.”



Internship

### Showroom visit

SINKO AIR DESIGN STUDIO (a showroom in Neyagawa-shi, Osaka) allows visitors to see not only the air conditioning equipment but also the entire facility, and it is used for field trips by students from school and university laboratories. We also provide tour courses for students and contribute to society by offering a valuable place to learn about air conditioning equipment while experiencing the wonders of air, which people do not usually notice.



Showroom visits



# GOVERNANCE

## GOVERNANCE

To achieve our long-term vision and meet our social duties, we constantly work on strengthening corporate governance, fully upholding compliance, and boosting both risk management and information security.

### Initiatives

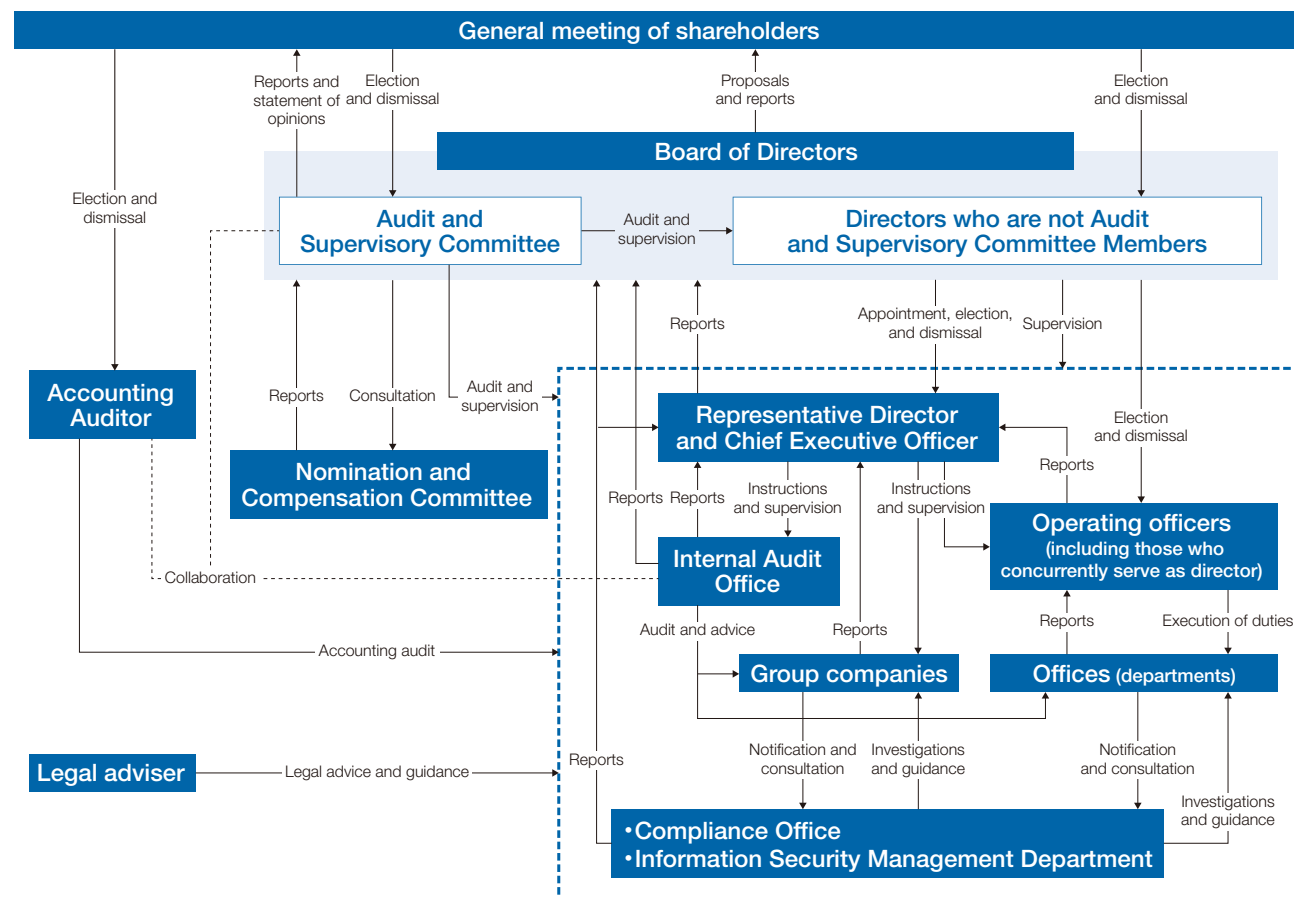
#### Strengthen Effectiveness of Corporate Governance

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

## Corporate Governance Policy

The Group believes that ensuring sound and transparent management and creating an agile business structure are essential to fulfilling its social responsibility for shareholders, employees, business partners, and other stakeholders while increasing its corporate value in a sustainable manner. We regard corporate governance as a mechanism that enables us to achieve these goals.

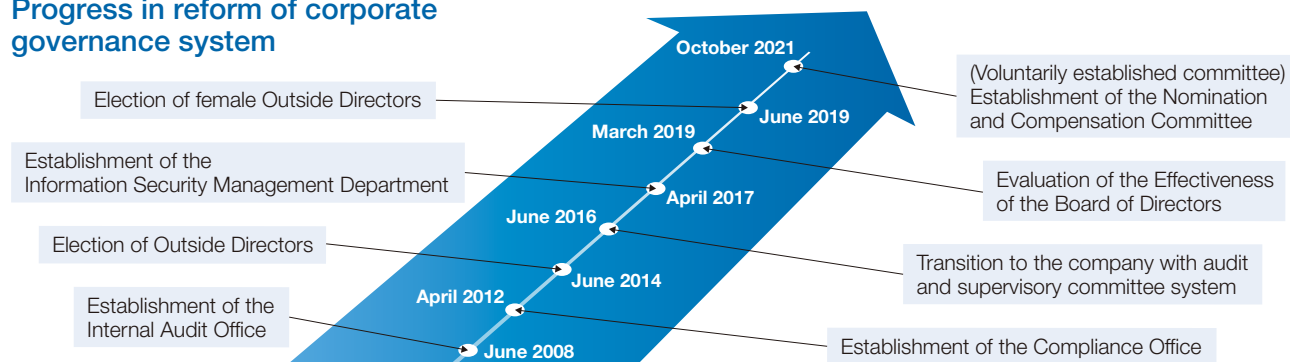
### Corporate governance system





## GOVERNANCE

### Progress in reform of corporate governance system



### Corporate Governance System

The Company has adopted, as its organizational design, the company with audit and supervisory committee system to strengthen the Board of Directors' audit and supervisory functions and enhance corporate governance further. Our corporate governance structure consists of the following bodies: the Board of Directors that makes decisions on management policy and other important matters while conducting supervision; the Audit and Supervisory Committee that audits and supervises management; and the Operating Officer System that facilitates agile operational management. In addition, we have the Nomination and Compensation Committee as a voluntarily established body that advises the Board of Directors.

#### Members of each body

Job title	Name	Board of Directors	Audit and Supervisory Committee	Nomination and Compensation Committee
Chief Executive Officer	Satoshi Suenaga	○		
Representative Director and Executive Vice President, Chief Financial Officer, General Manager of Administration Division	Tokuji Aota	○		○
Director and Senior Executive Officer, General Manager of Manufacturing Division	Takenori Taniguchi	○		
Director and Senior Executive Officer, General Manager of Corporate Planning Division	Tomoaki Fujii	○		
Director and Executive Officer, General Manager of Sales Management Division	Noriaki Michibata	○		
Outside Director	Minako Adachi	○		○
Outside Director	Shinichi Hirano	○		○
Outside Director	Itsuko Fukuda	○		
Director (Full-time Audit and Supervisory Committee Member)	Masakazu Sano	○	○	○
Director (Full-time Audit and Supervisory Committee Member)	Hisao Kitadono	○	○	
Outside Director (Audit and Supervisory Committee Member)	Kenichiro Mizumura	○	○	○
Outside Director (Audit and Supervisory Committee Member)	Yoshio Nakagawa	○	○	
Outside Director (Audit and Supervisory Committee Member)	Emiko Ikigoshi	○	○	

### Board of Directors

The Company's Board of Directors consists of eight Directors (excluding Directors who are Audit and Supervisory Committee Members), including three Outside Directors (two female), and five Directors who are Audit and Supervisory Committee Members, including three Outside Directors (one female). The Board of Directors meets once a month in principle, and 18 meetings were held in the fiscal year ended March 31, 2025. Specific matters considered and resolved by the Board included the determination of management targets, matters related to group management, purchase and disposal of treasury shares, policy on continued holding and sale of cross-shareholdings, upward revisions to performance targets under the Medium-term Management Plan "move.2027," stock split, issuance of euro-yen denominated convertible bonds with acquisition clauses and stock acquisition rights, maturing in 2030, implementation of interim dividends (dividend increase) and revisions to the year-end dividend forecast (dividend increase) for the 76th fiscal year, and introduction of a performance-linked share-based compensation plan. The Board of Directors also receives reports on the performance outlook for the current fiscal year, the status of business at sales departments, manufacturing departments, and overseas subsidiaries, plans and audit results from the Audit and Supervisory Committee and the Internal Audit Office, the results of the evaluation of the effectiveness of the Board of Directors, the results of meetings with investors, and the status of risk identification from the chairperson of the Risk Management Committee, etc.

### Audit and Supervisory Committee

The Company's Audit and Supervisory Committee consists of two full-time Audit and Supervisory Committee Members and three Outside Audit and Supervisory Committee Members. The Audit and Supervisory Committee meets monthly in principle, and 12 meetings were held in the fiscal year ended March 31, 2025 (100% attendance rate). The Audit and Supervisory Committee thoroughly audits the operation of the internal control system to strengthen the Group's corporate governance and ensure compliance, and it conducts audits and supervision to establish a system in which the Group develops in a healthy manner toward achieving its targets, and to make the Group a corporate group that can contribute to society. The Audit and Supervisory Committee deliberates and considers matters related to the operation of the Audit and Supervisory Committee, agenda items of and matters reported to the Board of Directors, and matters related to the Annual General Meeting of Shareholders and the Accounting Auditor, and reports the results of audits of each office and Group company.



## GOVERNANCE

### Nomination and Compensation Committee

The Company's Nomination and Compensation Committee consists of two Inside Directors and three Independent Outside Directors, and is chaired by an Independent Outside Director. The Company held Nomination and Compensation Committee meetings three times in the fiscal year ended March 31, 2025 (100% attendance). In order to strengthen the transparency, independence, and objectivity of procedures for nomination (including succession plans), compensation, and other matters relating to Directors, and to enhance corporate governance, this committee deliberates and reports on matters such as the selection of representative directors, policies on compensation, etc. of Directors, and personnel proposals for Director candidates in response to consultation by the Board of Director.

### Role and Independence of Outside Directors

When appointing candidates for Outside Director, the Company places emphasis on whether the candidates possess the high-level expertise and ample experience that are needed to provide candid and constructive advice and supervision for its management, on top of the fulfillment of the requirements for Outside Directors specified in the Companies Act and the independence criteria set by financial instruments exchanges.

Each Outside Director provides advice that leads to medium- to long-term improvements in corporate value and supervises the execution of business based on a wealth of experience and insight in areas such as finance and accounting, IT, legal affairs, and international affairs, in addition to corporate management.

### Skills Matrix

In order to achieve sustainable growth and enhance corporate value over the medium to long term, we identify the skills that the Board of Directors as a whole should possess in light of the management strategy, and considering the operating environment and business characteristics, we select personnel with abundant experience and excellent insight concerning corporate management, finance and accounting, sales, manufacturing, technology and IT, legal affairs and compliance, international affairs, etc. for directors.

Three of the 13 Directors are female, and four of the six Independent Outside Directors have experience as directors (management experience) at other companies.

In June 2024, the Company added one more Outside Director who is an Audit and Supervisory Committee Member with extensive experience and superior insight in accounting, thereby improving the balance of knowledge, experience, and abilities of the Board of Directors as a whole.

### Reasons for election as Outside Director

<b>Minako Adachi</b>	Ms. Minako Adachi possesses a wealth of experience and track record in corporate management accumulated as an officer for other companies, and has extensive international experience in particular. As it is expected that she can offer advice on the overall management of the Company and contribute to further enhancement of its management supervisory function, the Company elected her as an Outside Director.
<b>Shinichi Hirano</b>	Mr. Shinichi Hirano possesses a wealth of experience, track record, and broad knowledge in corporate management accumulated over many years of his service as an officer for other companies. As it is expected that he can offer advice on and supervise the overall management from a wide-ranging and high-level perspective, the Company elected him as an Outside Director.
<b>Itsuko Fukuda</b>	Ms. Itsuko Fukuda possesses a wealth of experience and a track record in corporate management accumulated as an officer for other companies, and has a high level of insight into the IT field. As it is expected that she can offer advice on the overall management of the Company and contribute to further enhancement of its management supervisory function, the Company elected her as an Outside Director.
<b>Kenichiro Mizumura</b>	Mr. Kenichiro Mizumura possesses many years of experience in financial institutions, deep insight and abundant achievements from his service as an officer for other companies, and considerable knowledge about finance and accounting. As it is expected that he can audit and supervise the overall management from a wide-ranging and high-level perspective, the Company elected him as an Outside Director who is an Audit and Supervisory Committee Member.
<b>Yoshio Nakagawa</b>	Mr. Yoshio Nakagawa possesses a wealth of experience and expertise accumulated as a public prosecutor and an attorney. As it is expected that he can provide objective and appropriate advice for improving internal controls and strengthening compliance, the Company elected him as an Outside Director who is an Audit and Supervisory Committee Member.
<b>Emiko Ikigoshi</b>	Ms. Emiko Ikigoshi has ample experience and wide-ranging knowledge gained as a certified public accountant. As it is expected that she can enhance the audit system, the Company elected her as an Outside Director who is an Audit and Supervisory Committee Member.

### Skills Matrix

		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	<b>Satoshi Suenaga</b>	●		●	●		●	●		●
	<b>Tokuji Aota</b>	●	●	●		●	●		●	
	<b>Takenori Taniguchi</b>	●			●			●	●	●
	<b>Tomoaki Fujii</b>	●		●	●			●		●
	<b>Noriaki Michibata</b>	●		●				●		
	<b>Minako Adachi</b> <small>Outside Independent</small>	●		●						●
	<b>Shinichi Hirano</b> <small>Outside Independent</small>	●		●					●	●
	<b>Itsuko Fukuda</b> <small>Outside Independent</small>	●			●					
Directors who are Audit and Supervisory Committee Members	<b>Masakazu Sano</b>				●			●		
	<b>Hisao Kitadono</b>				●	●		●		
	<b>Kenichiro Mizumura</b> <small>Outside Independent</small>	●	●	●						
	<b>Yoshio Nakagawa</b> <small>Outside Independent</small>					●				
	<b>Emiko Ikigoshi</b> <small>Outside Independent</small>		●							



## Evaluation of the Effectiveness of the Board of Directors

To ensure that the Board of Directors fully fulfills its role in enhancing the Company's corporate value over the medium to long term, and to evaluate and verify the effectiveness of the Board of Directors, such as whether substantive and active discussions are being conducted, as well as to identify issues and matters requiring improvement, the Company conducts an annual questionnaire-based evaluation of the Board of Directors' effectiveness for all Directors (including Directors who are Audit and Supervisory Committee Members), and reports the questionnaire results and improvement measures for the identified issues to the Board of Directors.

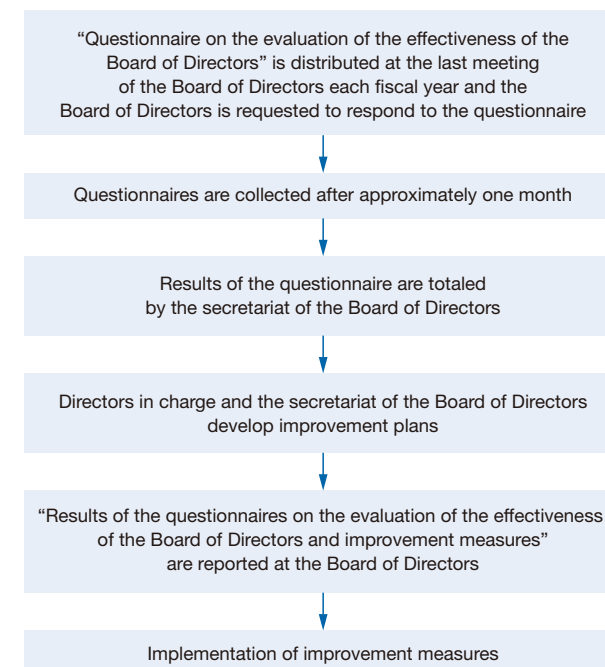
Based on the principles and supplementary principles of the Corporate Governance Code, which stipulate the responsibilities of the Board of Directors and others, in the questionnaire, 17 question items are set from five perspectives: the composition of the Board of Directors, the operation of the Board of Directors, the status of deliberations and discussions, the provision of information to Outside Directors, and an overall assessment.

The results of the self-evaluation conducted in the fiscal year ended March 31, 2025 by each Director (the Board of Directors meetings held in the fiscal year ended March 31, 2024 were subject to evaluation) were totaled and analyzed, and the majority of items were rated as "generally achieved/generally satisfied," and improvements in scores were observed compared to the self-evaluation conducted in the fiscal year ended March 31, 2024, leading us to believe that the effectiveness of our Board of Directors is generally ensured.

### Highly scored examples of improvements resulting from the evaluation

The results of this questionnaire are used to analyze and evaluate effectiveness by the Board of Directors, with the aim of improving the functioning of the Board of Directors. In response to the low score on the question "Are Outside Directors sufficiently briefed in advance on matters to be deliberated before meetings of the Board of Directors?" in the questionnaire for Outside Directors in the fiscal year ended March 31, 2019, we provide prior explanations to Outside Directors on agenda items for Board of Directors, and the General Affairs Department, which serves as the secretariat of the Board of Directors, takes on the role of accurately providing company information upon instructions from Outside Directors, providing information necessary for Outside Directors beyond Board of Directors materials as requested, and we have established an information provision and support system aimed at activating deliberations at the Board of Directors. As a result, we have received positive feedback from Outside Directors that the prior briefings, which are held two business days prior to meetings of the Board of Directors, are very meaningful with lively discussions, and it was the highest scoring item in the questionnaire results in the fiscal year ended March 31, 2025.

### Evaluation process



#### [Reference] Corporate Governance Code

##### Principle 4.11 Preconditions for Board of Directors and Board of Corporate Auditors Effectiveness

The Board of Directors should be well balanced in knowledge, experience, and skills in order to fulfill its roles and responsibilities, and it should be constituted in a manner to achieve both diversity and appropriate size. In addition, at least one person who has appropriate expertise on finance and accounting should be appointed as Corporate Auditor.

The Board of Directors should endeavor to improve its function by analyzing and evaluating effectiveness of the Board of Directors as a whole.



## GOVERNANCE

### Policy on the Determination of Officer Compensation

#### Total amount of compensation for directors

The Company's 67th Annual General Meeting of Shareholders of June 28, 2016, resolved that the maximum total amount of compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members) be 300 million yen per annum (excluding the portion of employee's salary for Directors who concurrently serve as employees; the number of Directors [excluding directors who are Audit and Supervisory Committee Members] being seven at the time of the resolution).

The 67th Annual General Meeting of Shareholders of June 28, 2016, also resolved that the maximum total amount of compensation for Directors who are Audit and Supervisory Committee Members be 50 million yen per annum (the number of Directors who are Audit and Supervisory Committee Members being five at the time of the resolution).

In addition, the 68th Annual General Meeting of Shareholders of June 28, 2017, resolved that a restricted share-based compensation plan be introduced for the Directors remunerated by the Company (excluding Directors who are Audit and Supervisory Committee Members; hereinafter "Eligible Directors") and that the maximum total amount of this compensation be 90 million yen per annum (the number of Eligible Directors being six at the time of the resolution). The plan is aimed at incentivizing Eligible Directors to make efforts for a sustainable increase in the Company's corporate value and at aligning Eligible Directors' values more closely with those of shareholders. Under the plan, an amount corresponding to the compensation for the execution of duties for three fiscal years is paid in full in the first year of the three fiscal years, in principle.

Furthermore, the 75th Annual General Meeting of Shareholders of June 24, 2024, resolved that a performance-linked share-based compensation plan be introduced for Directors (excluding Directors who

are Audit and Supervisory Committee Members, Outside Directors, and non-residents) and certain operating officers (excluding non-residents; hereinafter, together with directors, collectively "Director(s), etc."). The plan is aimed at motivating Director(s), etc. to help improve business performance and enhance corporate value over the medium to long term, by granting shares in the Company as compensation. Specifically, under the plan, as an amount for three consecutive fiscal years, the Company contributes the maximum total of 648 million yen and Directors, etc. are granted the maximum total of 324,000 shares in the Company, etc. (after adjustment for the stock split that took effect on December 1, 2024) (the number of Eligible Directors being five at the time of the resolution). These shares in the Company, etc. will be delivered to Directors, etc. at the time of their retirement.

#### Policy for determining the content of compensation, etc. of individual directors

At the Company, the Nomination and Compensation Committee deliberates and reports on policies regarding the compensation, etc. of Directors in response to a consultation by the Board of Directors, and the Board of Directors makes resolutions on the policy for determining the content of compensation, etc. of individual Directors.

In the process of determining the compensation amount of each Director (excluding Directors who are Audit and Supervisory Committee Members), the Director in charge of personnel matters, first of all, prepares a draft of the compensation amount within the given limit based on the operating environment, the individual's achievements, and other factors, which is then deliberated by the Nomination and Compensation Committee and the Audit and Supervisory Committee to ensure objectivity and transparency, and,

referring to their opinions, the Board of Directors makes a resolution.

The compensation amount of each Director who is an Audit and Supervisory Committee Member is determined within the given limit through discussions by Directors who are Audit and Supervisory Committee Members.

The compensation of Executive Directors comprises fixed compensation, performance-linked monetary compensation, and share-based compensation. The metrics for the performance-linked monetary compensation mainly consist of the Company's non-consolidated operating profit and consolidated operating profit. The reason why these profit indicators were chosen as metrics for performance-linked compensation was because they best reflect the profitability of the Company's core business. Performance-linked monetary compensation is determined by multiplying the performance-based payment ratio that has been determined by comprehensively taking into account the year-on-year changes in non-consolidated operating profit and consolidated operating profit, the personal performance evaluation of each Director, the outlook on the Company's performance in and after the coming fiscal year and other factors by the fixed compensation amount that has been set for each position, and paid out in the following fiscal year together with the fixed compensation as monthly remunerations.

Furthermore, share-based compensation comprises restricted share-based compensation and performance-linked share-based compensation. Restricted share-based compensation is a compensation plan in which restricted shares, for which certain transfer restriction periods have been set, are granted to each Director during his or her term in office. Performance-linked share-based compensation is a compensation plan in which points determined in advance are granted according to the degree of achievement of performance targets for each segment for which each officer is in charge, and the Company's shares, etc. equivalent to these points are delivered to the Director, etc., at the time of his or her retirement. The performance targets for each segment for which each officer is in charge are set individually for the eligible officers, based on the performance targets set in the Medium-term Management Plan, and consist mainly of financial indicators such as consolidated ROE, as well as non-financial indicators relating to human capital. From the viewpoint of motivating Directors to improve corporate value, the system is designed so that points will not be issued if the set targets are not achieved.

The compensation of Outside Directors shall comprise exclusively fixed compensation in view of their roles and independence.

#### Total compensation for FYE 2025/3

Category	Number of persons paid (persons)	Total amount of compensation, etc. (million yen)	Total amount of compensation by type (million yen)		
			Fixed compensation	Performance-linked compensation	Non-monetary compensation
Directors (excluding Audit and Supervisory Committee Members) (of which Outside Directors)	8(3)	203(19)	126(19)	71(—)	5(—)
Directors (Audit and Supervisory Committee Members) (of which Outside Directors)	7(4)	41(21)	41(21)	—	—
<b>Total</b>	<b>15(7)</b>	<b>244(40)</b>	<b>167(40)</b>	<b>71(—)</b>	<b>5(—)</b>

(Notes) 1. The above table includes compensation, etc. during the term of office of two Directors (Audit and Supervisory Committee Members) who retired at the conclusion of the 75th Annual General Meeting of Shareholders held on June 24, 2024.

2. Non-monetary compensation consists of restricted shares.



## GOVERNANCE

### Status of Dialogue with Shareholders and Investors

#### Policy on dialogue with shareholders and investors

The Group aims to contribute to sustainable growth and medium- to long-term enhancement of corporate value, as well as to strengthen stakeholder engagement, and therefore has a policy of actively engaging in dialogue with shareholders for the purpose of listening to the opinions of shareholders and investors.

#### System for dialogue with shareholders and investors

Dialogue with shareholders and investors is basically conducted by appointing a Chief IR Officer, with the Corporate Planning Division or Administration Division as the contact point, and based on the wishes of shareholders and investors and the main topics of interest in meetings, management executives or, within a reasonable scope, each Director in charge of the Corporate Planning Division or Administration Division, the Chief IR Officer, and IR personnel will attend the meetings. In addition, in responding to the situation, the Company will organically collaborate with each responsible division to gather information, etc. as necessary. Management of insider information during dialogues is handled in the same way as other insider information, in accordance with the insider trading management rules.

#### Status of activities in FYE 2025/3

In addition to one-on-one IR meetings, IR briefings are held twice a year, and showroom visits and informal gatherings for shareholders and factory tours are held as a means of dialogue with individual shareholders, in an effort to enhance information disclosure and dialogue with shareholders. In parallel, we are improving the convenience of access to corporate information by posting our Medium-term Management Plan and releasing IR presentation materials on our website.

Dialogue with investors and shareholders	Number of times held	Status of activities
Financial results briefings	2	Financial results briefings are held half-yearly, attended by the Chief Executive Officer, Representative Director and Executive Vice President, Chief Financial Officer, and Director and Senior Executive Officer (For institutional investors and analysts)
One-on-one meetings	80	One-on-one meetings are held as necessary, led by the Chief IR Officer and the department in charge of IR (For institutional investors)
Factory/showroom tours	1	Tours are conducted as necessary, led by the Chief IR Officer and the department in charge of IR (For institutional investors and individual shareholders)

#### Status of feedback to management

When conducting dialogues with shareholders and investors, we create meeting records, report to management as necessary, and also report at the meeting of the Board of Directors in the following month, and take proactive measures for proposals judged beneficial to the Company.

#### Main themes and matters of interest in dialogues

- Progress of the Medium-term Management Plan
- Capital cost management
- Shareholder returns
- Trends in target markets (especially data center-related businesses, split AC systems, etc.)
- Production capacity expansion plans and their progress
- Trends in China Business
- Price trends of main raw materials and price pass-through

#### Specific opinions, requests, and response status

Specific opinions and requests	Response status
We highly evaluate the Medium-term Management Plan that adopts cost of capital management.	We have once again recognized the market's evaluation of this plan. We will strive to operate our business with an even greater awareness of the cost of capital.
We would like to have the actual amounts posted in the financial results briefings materials to avoid the hassle of calculating from the sales composition ratio and comparing with the previous year.	Reflected in the financial results briefings materials.
We feel there is a need to rethink the profitability of the Group businesses, so we hope for the fostering of internal discussions including management.	All opinions received from investors are reported and discussed at the Board of Directors.
We would like to see order volumes at the same time as the disclosure of financial results.	Supplementary explanatory materials including order volumes were disclosed at the same time as the financial results.



Business description



Factory tour



Showroom visit

# Risk Management

## Risk Management Policy

In order to prevent the occurrence of risks that could significantly impact the Group's management and, in the event of a severe crisis occurring in the Group, to quickly restore trust in and minimize damage, we have established the Risk Management Rules and the Risk Management Committee.

The Company's office managers, Group company presidents, and the General Manager of the Compliance Office report to the Risk Management Committee on the status of risk identification without delay when they become aware of the occurrence of a risk, and monthly regardless of whether or not a risk has occurred. The monthly reports are reported to the Board of Directors by the chairperson of the Risk Management Committee.

If a risk or major crisis arises that could have a significant impact on the management of the Group, the Risk Management Committee determines how to respond (responsible departments, measures, reporting routes, etc.) and obtains the approval of the Chief Executive Officer (or the Board of Directors in the case of important decisions).

Sustainability-related risks and opportunities, such as responses to climate change, are managed by the Sustainability Committee.

## Risk management system



## Business and Other Risks

The Company's Risk Management Rules specify major risks that may affect the Group's business and other operations, including risks related to economic and business trends, risks related to intensification of market competition, risks related to climate change, and risks related to information security.

Specific risks are described on page 73.

## BCP

We have formulated business continuity plans (BCP) so that we can continue and quickly recover core operations in the event of emergencies such as earthquakes and wind and flood damage, and other natural disasters, or major outbreaks of infectious diseases.

In the event of an emergency, the Crisis Response Headquarters will direct and supervise the initial response, business continuity, and recovery efforts in accordance with the BCP.

In normal times, we conduct education, training, and reviews of the BCP, and in March 2025, we established the principles of evacuation behavior for each employee and evacuation sites in the neighborhood in the event of a natural disaster as assumed in the BCP.



Fire drill assuming fire caused by an earthquake

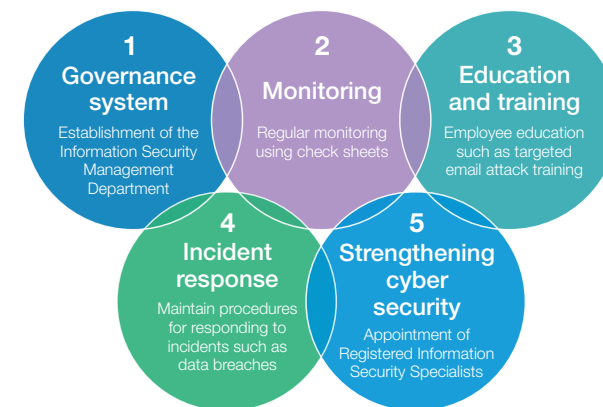
## Information Security

We have formulated the Information Security Management Rules in order to prevent data breaches and damages through the proper use, preservation, and operation of information assets, and to improve the quality of business management, and set up the Information Security Management Department as the department to oversee the Group's information security activities.

The Information Security Management Department monitors information security activities throughout the Group through materials such as the "information security check sheet," which is submitted semiannually by each department of the Company and Group companies.

In addition, by educating all employees, including officers, on information security and conducting targeted attack email training, we are working to enhance literacy in information security. We have also established procedures for responding to information security incidents, such as data breaches.

Furthermore, we view the strengthening of cyber security measures as an important management issue in light of the rapidly increasing social threats posed by cyber-attacks, and since April 2020, have appointed and registered National Qualification "Registered Information Security Specialists" (RISS), and are working to strengthen cyber resilience.



## List of Risks

◎ indicates items recognized as particularly important risks

The major risks recognized as having a significant impact on the Group's financial position, operating results, and cash flows, along with countermeasures, are as follows.

Risk items	Description of assumed risks	Countermeasures
◎ <b>Economic and business trends</b>	Decline in construction demand from major clients (large offices, factories, hospitals, hotels, commercial facilities, etc.) due to economic fluctuations	▶ Develop market for public sector, renewal properties, and small- and medium-sized buildings, without relying on new construction in the private sector
◎ <b>Intensification of market competition</b>	Competition from major players in the main air conditioner market and entry of foreign companies	▶ Organizational operations that can respond to site-level requirements and strengthening of individual design and production responsiveness through the promotion of SIMA
◎ <b>Changes in product demand</b>	Changes in market demands, etc. due to environmental regulations, including revisions to energy conservation-related laws and regulations, etc.	▶ R&D that anticipates social trends and rapid product development utilizing external technologies
◎ <b>Raw material price fluctuations</b>	Fluctuations in copper and aluminum prices due to international economic conditions, etc.	▶ Reduce sudden price fluctuations and uncertainties through futures trading of major raw materials
◎ <b>Delays in delivery of components</b>	Prolongation of delivery times for motors and control equipment, etc. due to global semiconductor shortages	▶ Secure inventory and reduce the number of procured components through modularization of some products
◎ <b>Climate change</b>	Stricter environmental regulations following climate change and soaring prices of raw materials due to the introduction of a carbon tax	▶ Expand sales of products with a lower environmental impact based on analysis of risks and opportunities by scenario and reduce costs by improving productivity
◎ <b>Labor shortage</b>	Labor shortage and rising labor costs due to a decline in Japan's working-age population	▶ Actively utilize overseas human resources and promote productivity improvements and labor savings with SSA at the core
◎ <b>Quality complaints</b>	Occurrence of quality defects or large-scale complaints, etc. that may arise from time to time	▶ Establish a robust quality management system through collaboration between manufacturing and sales, and subscribe to product liability insurance
◎ <b>International situation, etc.</b>	Delays in local production and construction due to international conflicts, terrorist incidents, infectious diseases, etc., mainly in the Asian region	▶ Identification of information at an early stage using our network

Risk items	Description of assumed risks	Countermeasures
◎ <b>Compliance</b>	Violations of laws and regulations during operations and supply chain irregularities, etc. that may occur from time to time	▶ Maintain an internal control system, establish a Compliance Office, conduct awareness-raising activities for officers and employees, and set up a third-party consultation desk
◎ <b>Information security</b>	Leakage of confidential information due to infection with computer viruses or unauthorized access, etc. that may occur from time to time	▶ Establish an Information Security Management Department, maintain rules and regulations, and ensure that all employees are aware of them
◎ <b>Large-scale disasters, serious infectious diseases, etc.</b>	Restrictions on going to work and supply chain disruptions due to earthquakes, typhoons, and other large-scale natural disasters or the spread of infectious diseases, etc.	▶ Establish a two-site manufacturing system and formulate business continuity plans including dispersion of response departments and telework
<b>Valuation of non-current assets</b>	Impairment due to decline in market prices, change in scope of use of assets, deterioration of business environment, etc.	▶ Sell assets that do not contribute to the enhancement of corporate value, etc.
<b>Changes in market value of securities</b>	Rapid deterioration of stock market conditions or bankruptcy of business partners, etc.	▶ Verification by the Board of Directors of the rationality of continued holding of cross-shareholdings
<b>Corporate acquisitions</b>	Impairment of goodwill, etc. due to inability to realize sufficient synergies due to uncertainties in industry trends and differences in business practices, etc.	▶ Conduct due diligence at the time of M&A investment decision-making and PMI after investment
<b>Exchange rate fluctuations</b>	Exchange rate fluctuations mainly in the Asian region, including China (yen conversion of items denominated in local currencies)	▶ Monitoring of international political and economic trends
<b>Environmental regulations related to production</b>	Cost burdens and restrictions on business activities, etc. due to new legal regulations concerning the environment, etc.	▶ Acquire ISO 14001 certification, and reduce environmental impact and prevent environmental pollution in manufacturing processes, etc.
<b>Other risks related to public regulations</b>	Risk of restrictions on activities and increased costs in the event of failure to comply with various laws and regulations in each country	▶ Thoroughly inform and raise awareness among officers and employees about ensuring compliance, and gather information on relevant laws and regulations, etc. and implement timely and appropriate responses as appropriate

# Compliance

## Compliance Policy

At each office of the Company and its Group, we conduct workplace discussions twice a year based on the SINKO COMPASS CARD, which outlines our management philosophy and code of conduct, to ensure thorough understanding, and report the implementation status to the Board of Directors.

We are also working to build and maintain the Group's compliance system by developing an internal control system and establishing a Compliance Office. We have established the SK Group Compliance Hotline to detect potential violations of laws and internal regulations early. Monthly reports are made to the Board of Directors on whether there are any notifications or consultations to this hotline, and we are striving to raise awareness of compliance by providing mandatory compliance training every year.



SINKO COMPASS CARD

## Internal Audit Office

We have established an Internal Audit Office as a department to conduct internal audits of the Group. The Internal Audit Office is organized as an independent department under the direct control of the Chief Executive Officer to conduct internal audits from an independent and objective standpoint. It consists of four dedicated members, including those from our sales and purchasing departments. The Internal Audit Office conducts internal audits to contribute to the achievement of management targets, based on an internal audit plan approved by the Chief Executive Officer at the beginning of the fiscal year and reported to the Board of Directors. These audits are performed on the Group's internal controls and the actual status of its operations and assets from a legality, rationality, and risk-based perspective at each domestic office and Group company. After the Internal Audit Office completes its internal audits, it promptly submits the internal audit report to the Chief Executive Officer and Audit and Supervisory Committee Members. It provides quarterly updates on the status of internal audits to the Chief Executive Officer, the Board of Directors, and Audit and Supervisory Committee Members. In this manner, a dual reporting line for direct reporting has been established. Through coordination with the Board of Directors and the Audit and Supervisory Committee, the office is striving to ensure the effectiveness of its internal audits. The office also shares information and otherwise collaborates with Ernst & Young ShinNihon LLC to increase audit effectiveness. The Internal Audit Office has developed a cooperative system with the Compliance Office and the Information Security Management Department.

## Compliance Education

We hold compliance seminars twice a year, in the first half and in the second half of each year, for all employees of the Group, including temporary staff. At each seminar, we set training themes and content that consider internal issues and social demands, working to raise awareness of compliance.

## Compliance Hotline

The Group has established the SK Group Compliance Hotline as a whistleblowing contact point for compliance issues. It accepts consultations and reports from employees and other staff of Group companies concerning acts that violate laws and internal regulations. To create a more accessible environment for telephone consultations by employees, we added an external consultation service from March 2025, and because the Ministry of Health, Labour and Welfare is considering making it mandatory to establish a consultation service to prevent sexual harassment of students seeking employment, we have also established a new consultation contact point (outsourced) mainly for job hunting students from March 2025, ahead of the mandate.

We have also displayed posters that clearly indicate the whistleblowing contact point and the reporting method as part of activities to fully and continuously inform all employees of the Group about the existence of the SK Group Compliance Hotline.



Compliance Hotline poster

# Introduction of Officers



## Satoshi Suenaga

Chief Executive Officer

April 1984 Joined the Company  
 April 2007 General Manager of Tokyo Branch  
 June 2008 Operating Officer  
 June 2013 Director and Operating Officer  
 April 2016 Director and Executive Officer  
 General Manager of Corporate Planning Division  
 June 2017 Director and Senior Executive Officer  
 June 2020 Chief Executive Officer (current position)



## Tokuji Aota

Representative Director and Executive Vice President,  
 Chief Financial Officer, General Manager of Administration Division

October 2011 General Manager of Meguro Branch,  
 the Bank of Tokyo-Mitsubishi UFJ, Ltd.  
 (currently, MUFG Bank, Ltd.)  
 February 2014 Joined the Company  
 Deputy General Manager of Administration Division  
 Operating Officer  
 July 2014 Director and Operating Officer  
 June 2015 General Manager of Administration Division  
 June 2016 (current position)  
 June 2017 Director and Executive Officer  
 June 2020 Representative Director and Executive Vice  
 President, Chief Financial Officer (current position)



## Takenori Taniguchi

Director and Senior Executive Officer,  
 General Manager of Manufacturing Division

April 1982 Joined OKAYAMA SINKO KOGYO CO., LTD.  
 (currently, the Company)  
 July 2007 Director; General Manager of Manufacturing  
 Department I  
 June 2013 Director and Executive Officer  
 General Manager of General Affairs Department;  
 General Manager of Manufacturing Management  
 Department  
 June 2016 Chief Executive Officer  
 June 2017 Director of the Company  
 April 2020 Director and Senior Executive Officer (current position)  
 General Manager of Manufacturing Division  
 (current position)



## Tomoaki Fujii

Director and Senior Executive Officer,  
 General Manager of Corporate Planning Division

April 1997 Joined the Company  
 April 2015 General Manager of Information Technology  
 Department, Administration Division  
 April 2017 General Manager of Planning and Related  
 Business Department, Corporate Planning Division  
 Operating Officer  
 June 2017 Director  
 June 2018 Director  
 April 2020 Responsible for China Business Department  
 Director and Executive Officer  
 June 2020 General Manager of Corporate Planning Division  
 General Manager of Corporate Planning Division  
 April 2021 (current position)  
 June 2022 Director and Senior Executive Officer (current  
 position)



## Noriaki Michibata

Director and Executive Officer,  
 General Manager of Sales Management Division

April 1989 Joined the Company  
 April 2008 General Manager of Sales Department I,  
 Osaka Branch  
 July 2013 Vice General Manager of Osaka Branch  
 June 2015 Operating Officer  
 April 2016 General Manager of Osaka Branch  
 June 2019 Director  
 April 2021 General Manager of Sales Management Division  
 (current position)  
 June 2022 Director and Executive Officer (current position)



## Masakazu Sano

Director, Full-time Audit and Supervisory Committee Member

April 1980 Joined KUROGANE SINKO INDUSTRIES LTD.  
 (currently, the Company)  
 April 2012 General Manager of Quality Control Department,  
 Technical Division of the Company  
 April 2015 General Manager of Design Department,  
 Technical Division  
 June 2018 Operating Officer  
 June 2021 Advisor, Technical Division  
 June 2022 Director (Full-time Audit and Supervisory  
 Committee Member) (current position)



## Hisao Kitadono

Director, Full-time Audit and Supervisory Committee Member

April 1983 Joined the Company  
 April 2012 General Manager of Information Technology  
 Department, Administration Division  
 April 2016 Senior General Manager of Information  
 Technology Department, Administration Division  
 October 2017 General Manager of Internal Audit Office  
 June 2018 Operating Officer  
 June 2024 Director (Full-time Audit and Supervisory  
 Committee Member) (current position)

## Introduction of Officers



### Minako Adachi

Outside Director

April 1979 Joined HOCHIKI CORPORATION  
 June 2006 Managing Director of Hochiki Europe (U.K.) Limited  
 June 2010 Director of HOCHIKI CORPORATION  
 Chairman of Board of  
 Hochiki Fire Prevention Technology Corp.  
 October 2012 President and Director of Hochiki Australia Pty. Ltd.  
 April 2013 Chairman of Board and General Manager of  
 Hochiki Fire Prevention Technology Corp.  
 June 2015 President & Director of Hochiki Shoji Corp.  
 June 2019 Director of the Company (current position)  
 Auditor (part-time) of HOCHIKI CORPORATION  
 June 2023 External Director (Audit & Supervisory Committee  
 Member) of SANSHIN ELECTRONICS CO., LTD.  
 (current position)  
 June 2025 Retired from Auditor (part-time) of  
 HOCHIKI CORPORATION



### Kenichiro Mizumura

Outside Director, Audit and Supervisory Committee Member

May 2004 Executive Director; General Manager of Financial  
 Institutions Department, the Bank of Tokyo-  
 Mitsubishi, Ltd. (currently, MUFG Bank, Ltd.)  
 July 2005 Executive Director; General Manager of Kobe Branch  
 June 2007 Director; Deputy General Manager of Building  
 Business Division of Odakyu Real Estate Co., Ltd.  
 June 2009 Director; General Manager of  
 Building Business Division  
 January 2017 Representative Director and  
 Managing Director of Chitose Kosan Co., Ltd.  
 June 2018 Director (Audit and Supervisory Committee Member)  
 of the Company (current position)



### Shinichi Hirano

Outside Director

April 1979 Joined Asahi Breweries, Ltd.  
 (currently, Asahi Group Holdings Ltd.)  
 July 2011 Managing Director, Senior General Manager of Sales  
 Headquarters, ASAHI BREWERIES, LTD.  
 March 2013 Senior Managing Director; Senior General Manager  
 of Sales Administration Division  
 March 2015 Director and Vice President  
 March 2016 President and Representative Director  
 March 2019 Retired from President and Representative Director  
 January 2020 Outside Director of GiG Works Inc.  
 (current position)  
 June 2020 Director (Audit and Supervisory Committee Member)  
 of the Company  
 June 2021 Outside Director, Riken Vitamin Co., Ltd.  
 (current position)  
 June 2022 Director of the Company (current position)



### Yoshio Nakagawa

Outside Director, Audit and Supervisory Committee Member

April 1995 Public Prosecutor of  
 Tokyo District Public Prosecutors Office  
 April 2017 Public Prosecutor of  
 Osaka High Public Prosecutors Office  
 July 2019 Registered as an attorney;  
 joined Shizuoka Bar Association  
 November 2019 Attorney, Nakagawa Law Office (current position)  
 June 2020 Director of the Company  
 June 2022 Director (Audit and Supervisory Committee Member)  
 (current position)



### Itsuko Fukuda

Outside Director

April 1984 Joined TOSHIBA CORPORATION  
 June 2018 President and CEO of TOKYO ELECTRONICS  
 SYSTEMS CORPORATION  
 October 2019 President and CEO of TOSHIBA ELECTRONIC  
 SYSTEMS CORPORATION  
 October 2022 Director of TOSHIBA ELECTRONIC  
 TECHNOLOGIES CORPORATION  
 June 2023 Retired from Director of TOSHIBA ELECTRONIC  
 TECHNOLOGIES CORPORATION  
 June 2024 Director of the Company (current position)  
 Outside Director of ICHIKAWA CO., LTD.  
 (current position)  
 June 2025 Outside Director of ITFOR Inc.  
 (Audit & Supervisory Board Member)  
 (current position)



### Emiko Ikigoshi

Outside Director, Audit and Supervisory Committee Member

October 1990 Joined Chuo Shinko Audit Corporation  
 March 1994 Registered as a Certified Public Accountant (current position)  
 June 2003 Partner, ChuoAoyama Audit Corporation  
 August 2007 Joined Deloitte Touche Tohmatsu  
 (currently Deloitte Touche Tohmatsu LLC), Partner  
 Representative of Ikigoshi Certified Public  
 Accountant Office (current position)  
 October 2023 Director (Audit and Supervisory Committee Member)  
 of the Company (current position)  
 June 2024 Outside Director (Audit and Supervisory Committee  
 Member) of Chugin Financial Group, Inc. (current position)  
 Outside Director of HISAKA WORKS, LTD. (current position)

# Roundtable Discussion by Outside Directors



**Minako Adachi**  
Outside Director

**Shinichi Hirano**  
Outside Director

**Itsuko Fukuda**  
Outside Director

**Kenichiro Mizumura**  
Outside Director, Audit &  
Supervisory Committee Member

**Yoshio Nakagawa**  
Outside Director, Audit &  
Supervisory Committee Member

**Emiko Ikigoshi**  
Outside Director, Audit &  
Supervisory Committee Member

## Supporting the promotion of DX and a culture where everyone can thrive for our vision of “By Air, to the Future”

### Appreciate performance exceeding the plan and the shift to capital cost management

#### How do you evaluate the progress of Medium-term Management Plan “move.2027”?

**Mizumura:** I highly evaluate starting with performance exceeding the plan. However, looking at the air conditioner market, although growth is expected in the data center market in the medium to long term, it is important to monitor future demand trends, such as the review and prolongation of large-scale redevelopment projects and fears of domestic factories moving overseas due to geopolitical factors. Our challenge is the China Business, which remains as an inefficient business department, and we are having serious discussions about whether to continue or withdraw from

the business, or even explore the possibility of using it as an export base to Japan.

**Hirano:** Thanks to the promotion of capital cost management outlined in the Medium-term Management Plan, and having already achieved numerical targets, we have revised net sales upward from 56.0 billion yen to 60.0 billion yen, and operating profit from 8.6 billion yen to 10.0 billion yen. The payout ratio is 46.4%, almost close to the target of 50%, and the plan is on track with a PBR of 1.4 times. As Mr. Mizumura pointed out, there has been some weakness in orders since the beginning of this year and issues with the China Business. However, on the other hand, we are hopeful that the long-standing issue of improving production efficiency is steadily progressing through DX and the development of factories in Kanagawa and Okayama, and that we are making progress in meeting further demand growth.

**Ikigoshi:** In the Medium-term Management Plan “move.2027,” target management indicators were changed from the conventional consolidated operating profit to indicators including ROE and PBR, and a shift to management that is conscious of cost of capital was proposed. I highly regard this as a shift toward greater emphasis on dialogue with investors in order to enhance corporate value. In the first year, in addition to growth in operating profit, ROE and PBR also exceeded target levels. This is the result of steady progress in achieving a balance between profit growth and efficient capital management, and strategic investments for growth being executed smoothly. In addition, aggressive financial strategies such as share repurchases, stock splits, and the use of convertible bonds have also contributed to improvements in indicators like ROE and PBR. On the other hand, the challenge remains in the China Business, which is still in a difficult situation. The Board of Directors is currently engaged in various discussions on this as a matter that cannot be postponed.

## Roundtable Discussion by Outside Directors



**Fukuda:** I highly regard the active promotion of DX, represented by SIMA, to address chronic labor shortages caused by population decline, improving productivity, reviewing processes and workflows, and advancing labor saving and work environment improvement. We are also actively hiring overseas human resources and people with disabilities, and I expect human capital management to evolve further through strengthening our human resource development programs. However, regarding the active participation of women, the ratio of female managers is still low, and it is necessary to further advance development systems, mid-career hiring, and other initiatives from the perspective of human capital management. With regard to the China Business that Mr. Mizumura and Ms. Ikigoshi have mentioned, while considering withdrawal, we also have in view its potential as a base for expansion in the Asian market, and we would like to quickly finalize our future policy.

**Nakagawa:** Even amid such rapid performance growth, there have been no violations of the Article 36 Agreement or major increases in working hours. In fact, we are improving towards a more comfortable work environment. I think this stance of not operating with people having to work in an unreasonable manner is important. Even so, labor shortages remain a major issue, including at Group companies. I think the best approach is to

steadily communicate efforts to solve workplace issues regularly through means such as integrated reports, while solidifying human capital management. In fact, the management team is actively engaging in dialogue and measures by visiting various sites, striving to strengthen engagement, and the effectiveness of these efforts is improving.

**Adachi:** Indeed, firmness is the Company's hallmark. As one of the factors behind the steady achievement of the targets of the Medium-term Management Plan, I also highly evaluate the Group's grounded management capabilities, which include detailed market forecasting and competitor analysis, and the maximization of the Group's strengths in product development and sales strategies. On the other hand, we recognize that the timing is approaching for us to reach a conclusion on the China Business, which has been mentioned as an issue. Although demand in Japan remains favorable, I would also like to propose leveraging that market analysis capability to consider expansion into other parts of Asia and countries and regions where demand for air conditioning will increase.

### The value of a company that is responsible for the social infrastructure of "providing optimal air quality"

**Our long-term vision, "VISION 2030: By Air, to the Future," sets forth our three visions. What is your view of our initiatives to achieve these visions and what are your expectations for the future?**

**Adachi:** I am paying attention to the stance of aiming to contribute to the future environment through digitalization. Transmitting knowledge and know-how held by people becomes difficult as the population declines. Utilizing digital technology such as SIMA enables us to escape from dependence on people and should play a major role in the transfer and development of know-how

through systems. Above all, I am impressed by the enthusiasm transmitted from not only the management team but the entire company to pioneer the future with the power of digital technology.

**Nakagawa:** Our business supports important social infrastructure by providing optimal air quality. Amid strong demands from society for consideration of the global environment, while advancing efforts that also emphasize carbon neutrality, I hope that we can create an air environment that is friendly to people. Showing a vision that continues to pursue consideration for health and the environment is extremely important for enhancing corporate value.

**Fukuda:** I agree. Our purpose "Create a comfortable environment and support social activities" has been newly communicated, and it declares not only reducing environmental impact through our products and advancing environmentally harmonious product manufacturing, but also greatly changing living spaces and social environments through business activities. The fact that we are responsible for the social infrastructure that makes the social environment comfortable motivates our employees.

**Ikigoshi:** Our long-term vision, "VISION 2030: By Air, to the Future," declares our challenge to resolve social issues in order to realize a sustainable society and create sustainable value as a



## Roundtable Discussion by Outside Directors

company. I believe the key to realizing this vision is promoting DX through SIMA. This initiative is a transformation that exceeds conventional corporate organizational frameworks, and I feel that the current process, where the management team is advancing with a clear vision and strong leadership, is truly fostering a culture of taking on challenges.

**Hirano:** The presentation of this long-term vision can be expected to trigger even more proactive PR and IR activities. As the Outside Directors have said, we take our commitment to the environment, local communities, and governance very seriously. The social significance would be extremely great if carbon neutrality can be achieved in the air conditioning of various facilities, and it is very important to widely communicate such information in various ways. Recognition by employees' families and local communities of the important role our Company plays will surely contribute to improving employee motivation and securing excellent human resources.

**Mizumura:** One of SINKO INDUSTRIES' strengths is its ability to create optimal air environment in diverse environments, including office buildings, commercial facilities, factories, and semiconductor clean rooms. We have led the industry by leveraging this capability for one-of-a-kind product development. The implementation of SIMA that we are now challenging



maximizes the advantages of this conventional manufacturing while improving work efficiency and quality uniformity. Because this will involve an extremely difficult sense of balance in the steering of company management, we also intend to provide strong support from an external viewpoint.

### Deepening diversity and creating a culture where everyone can thrive

#### What is your assessment of human capital management and your opinion on the long-term personnel strategy?

**Adachi:** Initiatives in human capital management are becoming more active, such as launching the "Diversity Promotion Committee" and other measures taken by employees themselves to improve the workplace environment, rolling out posters to encourage childcare leave among male employees, and being commended by the mayor of Osaka as a "Leading Companies with Actively Participating Women in Osaka City 2023." I strongly feel we are evolving daily toward an environment where a diverse range of people can thrive regardless of gender or nationality.

**Fukuda:** In fact, the number of overseas human resources is increasing year by year, and many female engineers are also actively participating. Having women make up half of the Outside Directors also reflects the intention to make diversity a source of corporate growth. Although the current number of female managers is still low, we expect that the ratio will increase by promoting our corporate values internally and externally in various ways, including through mid-career hiring.

**Nakagawa:** The engagement survey also shows that the work environment is steadily evolving. In the past, there were times when the figures in the results of surveys at the Manufacturing Division were not favorable, but the management team itself



implemented measures for improvement and the figures soon recovered. An open and comfortable climate that allows for easy communication is important for improving the workplace environment. Governance and compliance also permeate more easily, and I believe maintaining such a culture amid business expansion is essential for enhancing corporate value.

**Ikigoshi:** As the working population declines, alleviating labor shortages and developing future management are challenges shared by many companies. In light of these challenges, creating an environment where everyone can thrive, regardless of gender or nationality, is a very important theme. What does it mean to "thrive"? For our Company, I believe it means to continuously take on challenges. We are now tackling the major challenge of the SIMA project, and I expect this process to foster an attitude of repeated challenge among each employee, leading to an environment where everyone can thrive.

**Mizumura:** As the saying goes, a company is its people, and the most important part of the long-term vision is the development and utilization of human resources. While the creation of a people-friendly workplace environment has produced tangible results and measures are evolving, conventional practices still remain in our personnel policies. Dynamic personnel strategies

## Roundtable Discussion by Outside Directors



are needed, such as bold appointments, including young employees, and the thorough selection of the right person for the right job. I intend to actively make recommendations toward effective human resource development and organizational revitalization.

**Hirano:** The comprehensive testing facility: SINKO AIR DEVELOPMENT LAB, one of the largest testing buildings in Japan, completed in 2024, and BAC BASE, a demonstration facility of cooling towers for data centers and plants opened in February 2025, are optimal environments as bases for communicating information and human resource development. I would like to propose expanding the scope of their utilization as places for developing technical human resources in the Group and connecting various customers with Group human resources. I believe that they are places to showcase our cutting-edge technology both internally and externally, and foundations for various possibilities to further enhance our competitive advantages. As Mr. Mizumura mentioned, job rotations and other dynamic personnel strategies are keys to developing human resources that will drive business domain expansion and business portfolio transformation. We would also like to make recommendations for effective PR activities and personnel strategies.

### Toward sustainable growth and corporate value enhancement

**Finally, what are your future aspirations as an Outside Director?**

**Fukuda:** The goal of the SIMA project is not mere implementation, but rather to make it effective to the point where employees can devote themselves to their work with a sense of fulfillment. I would like to support this initiative, in which the management team is putting everything they have into it, by leveraging my knowledge and experience in IT and digital fields I have developed through systems development.

**Ikigoshi:** As the business environment surrounding us becomes increasingly complex and uncertain, in addition to perspectives on efficient use of capital and risk management, we are also focusing on non-financial areas that constitute corporate value, particularly human capital and sustainability initiatives. I hope to contribute to the sustainable enhancement of corporate value by utilizing the knowledge I have accrued through my auditing experience in a variety of industries as a certified public accountant, broadly viewing management from both financial and non-financial perspectives, and engaging in ongoing dialogue with the management team.

**Nakagawa:** During a company's reform period, various problems emerge in the gaps of efforts toward growth. This is where the internal audit system becomes important, and it is functioning very well for our Company. From the position of a legal professional, I will provide advice toward permeating compliance awareness and strengthening governance, and if awareness reform is necessary, I would like to make recommendations on that as well.

**Hirano:** Our Company is a treasure trove of outstanding human resources and diverse talents. Based on my experience in

corporate management and personnel strategy, I recognize the importance of departmental rotation of excellent human resources and proper allocation of human resources. I believe my role is to contribute to creating an environment where various people can thrive and grow into the next generation of management.

**Adachi:** SINKO INDUSTRIES' management structure is steadily evolving. That is because the management team has both the speed and drive to tackle problems as they emerge. The Board of Directors is always engaged in lively discussions aimed at enhancing corporate value, and I sense a strong desire to draw on the knowledge of Outside Directors for management. Regarding overseas business as well, I will continue to advise on future developments based on my own experience and hope to contribute to further growth.

**Mizumura:** Companies with long histories have their own cultures and customs, which at some point make corporate common sense into social uncommon sense. Management must constantly align internal corporate common sense with changes in society. An important role of Outside Directors is to present issues for sound management from an outside perspective. From my background in finance, I would like to fulfill my responsibilities by evaluating management conditions from the perspective of shareholders and stimulating discussions at the meetings of the Board of Directors.



# Corporate Information

This section presents a compact summary of the Group's 11-year consolidated financial summary, stock information, company overview, and our business sites (network).

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Introduction of new fin press line for WA coils

## **Strengthening of Capital Investment With a View to Growth**

With a favorable business performance and a strong financial foundation, the SINKO Group is actively making capital investments to build a business foundation for future growth of the Group, including improving the workplace environment with a view to enhancing productivity and securing excellent human resources, and in the fiscal year ended March 31, 2025, we made 2.7 billion yen in capital investments.

In order to achieve the business expansion outlined in our Medium-term Management Plan “move.2027” that the entire Group is currently working on, investments such as in boosting production capacity and digitalizing business are indispensable.

We will continue to actively allocate management resources to core focus domains to further strengthen our advantages and overcome weaknesses, thereby enhancing the value the Group can provide to the market and working to strengthen our market competitiveness.

# 11-year Consolidated Financial Summary

	Unit	FYE 2015/3	FYE 2016/3	FYE 2017/3	FYE 2018/3	FYE 2019/3	FYE 2020/3	FYE 2021/3	FYE 2022/3	FYE 2023/3	FYE 2024/3	FYE 2025/3
Net sales	(Millions of yen)	39,189	41,462	38,578	40,416	40,974	44,263	39,177	41,964	44,805	51,943	57,005
Gross profit	(Millions of yen)	12,032	14,026	13,297	14,065	14,042	17,938	15,200	14,852	15,263	19,100	21,797
Selling, general and administrative expenses	(Millions of yen)	7,779	7,993	7,795	8,584	8,665	8,929	8,635	9,139	9,265	10,473	11,810
Operating profit	(Millions of yen)	4,252	6,033	5,502	5,480	5,376	9,008	6,565	5,712	5,998	8,627	9,986
Ordinary profit	(Millions of yen)	4,636	6,411	5,669	5,714	5,777	9,526	6,997	6,048	6,540	9,120	10,615
Profit attributable to owners of parent	(Millions of yen)	2,610	4,199	3,964	3,891	4,155	5,996	5,021	4,097	4,514	6,580	7,829
Cash flows from operating activities	(Millions of yen)	4,394	4,050	5,160	5,825	3,572	7,244	5,623	3,638	4,090	8,911	5,740
Cash flows from investing activities	(Millions of yen)	(819)	(858)	(1,204)	(2,873)	(1,051)	(3,633)	(9,251)	(1,217)	(1,653)	(2,228)	261
Cash flows from financing activities	(Millions of yen)	(1,143)	(1,838)	(2,221)	(1,738)	(957)	(1,484)	308	(2,299)	(2,293)	(3,353)	(8,151)
Free cash flow	(Millions of yen)	3,575	3,192	3,956	2,952	2,521	3,611	(3,628)	2,421	2,437	6,683	6,001
Cash and cash equivalents at end of period	(Millions of yen)	10,024	11,266	12,473	13,694	15,197	17,297	13,985	14,125	14,332	17,735	15,638
Total assets	(Millions of yen)	51,424	54,417	52,989	59,094	62,170	65,108	69,000	72,046	77,526	88,038	84,997
Equity	(Millions of yen)	28,648	31,161	33,344	36,856	39,721	44,213	48,933	51,586	55,158	61,089	60,968
Interest-bearing debts	(Millions of yen)	4,252	3,723	3,060	2,455	2,200	1,949	4,124	3,603	3,141	2,600	2,421
Net assets per share	(Yen)	351.08	387.90	425.76	471.84	508.06	565.42	631.32	671.71	729.03	823.10	862.26
Basic earnings per share	(Yen)	32.91	51.90	50.02	49.71	53.17	76.69	64.75	53.04	59.54	88.37	107.68
Annual dividends per share	(Yen)	7.67	11.00	12.00	13.33	14.33	19.33	16.67	16.67	19.00	35.00	50.00
Operating profit margin	(%)	10.9	14.6	14.3	13.6	13.1	20.4	16.8	13.6	13.4	16.6	17.5
ROE	(%)	10.0	14.0	12.3	11.1	10.9	14.3	10.8	8.1	8.5	11.3	12.8
Capital adequacy ratio	(%)	55.7	57.3	62.9	62.4	63.9	67.9	70.9	71.6	71.1	69.4	71.7
Payout ratio	(%)	23.3	21.2	24.0	26.8	27.0	25.2	25.7	31.4	31.9	39.6	46.4
DOE	(%)	2.3	3.0	2.9	3.0	2.9	3.6	2.8	2.6	2.7	4.5	5.9
Capital investment	(Millions of yen)	687	1,099	1,056	642	1,385	2,197	4,336	1,250	1,552	2,960	2,764
Depreciation	(Millions of yen)	726	742	802	805	791	949	889	958	1,036	1,320	1,576
R&D expenses	(Millions of yen)	613	518	539	734	679	723	694	745	762	893	1,026

Note: The Company conducted a split of its common shares on the basis of one share into three shares effective December 1, 2024. Accordingly, net assets per share, basic earnings per share, and annual dividends per share are calculated on the assumption that this stock split was conducted at the beginning of the fiscal year ended March 31, 2015.

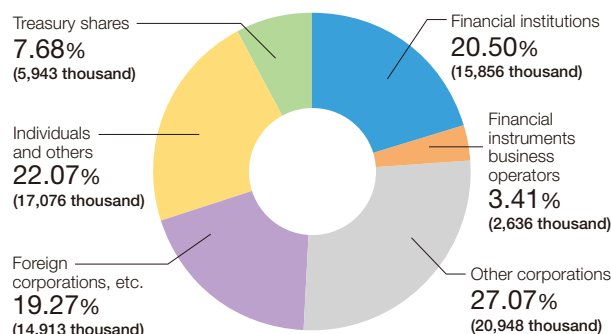
## Stock Information (as of March 31, 2025)

Total number of shares authorized to be issued 239,550,000

Total number of issued shares 77,373,705

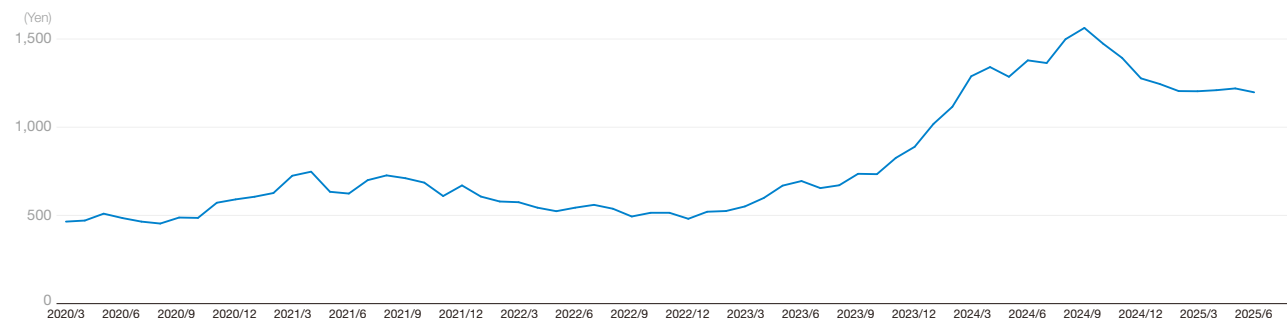
Number of shareholders 19,754

### Distribution of Shares by Shareholder



\* The number of shares is rounded down to the nearest thousand shares.

### Share Price Trends



\* Shows the closing price at the end of each month, taking into account the stock split implemented on December 1, 2024.

### Major Shareholders

Shareholder name	Number of shares held (Thousand shares)	Shareholding ratio (%)
KK MEIKO	13,521	18.92
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,148	10.00
STATE STREET BANK AND TRUST COMPANY 505025	5,712	7.99
DAIKIN INDUSTRIES, LTD.	4,050	5.66
MUFG Bank, Ltd.	2,231	3.12
Nippon Life Insurance Company	1,864	2.60
Custody Bank of Japan, Ltd. (Trust Account)	1,607	2.25
Shinko Stock Ownership Plan	1,188	1.66
NORTHERN TRUST CO. (AVFC) RE 009-016064-326 CLT	1,171	1.64
F Holdings Co., Ltd.	900	1.25
NORTHERN TRUST CO. (AVFC) RE UKAI AIF CLIENTS NON LENDING 10PCT TREATY ACCOUNT	900	1.25

\*1 The Company holds 5,943 thousand treasury shares, which are excluded from the above table.

\*2 The shareholding ratio is calculated excluding treasury shares.

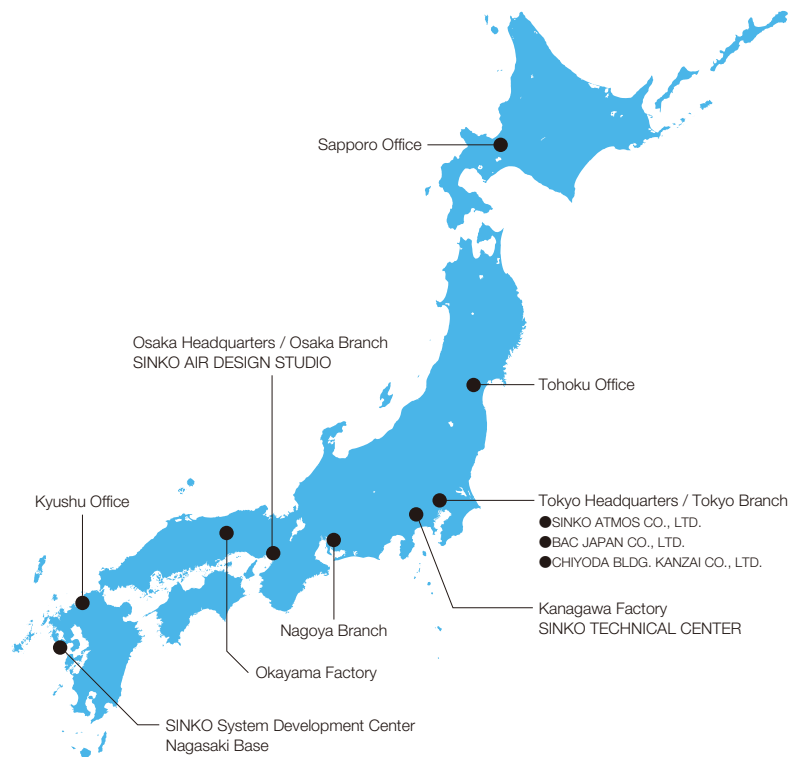
\*3 Treasury shares do not include 722 thousand shares of the Company's stock held by the ESOP trust.

\*4 The number of shares held is rounded down to the nearest thousand shares.

## Company Overview (as of March 31, 2025)

Company name	SINKO INDUSTRIES LTD.	
Headquarters	(Osaka) 1-4-5 Minamimori-machi, Kita-ku, Osaka-shi (Tokyo) 2-57-7 Nihonbashi-Hamacho, Chuo-ku, Tokyo	
Foundation	June 16, 1950	
Description of business	Manufacturing and sales of air-conditioning equipment	
Representative	Chief Executive Officer Satoshi Suenaga	
Share capital	5,822 million yen	
Number of employees	Non-consolidated: 727 Consolidated: 1,684	
Stock listing	Tokyo Stock Exchange Prime Market	
Domestic offices	Headquarters	R&D Center
	Tokyo and Osaka	Kanagawa (Hadano)
	Branches	Manufacturing sites
	Tokyo, Nagoya, and Osaka	Kanagawa (Hadano) Okayama (Tsuyama)
Domestic offices	Sales offices	Showrooms
	Sapporo, Sendai, and Fukuoka	Osaka (Neyagawa) Kanagawa (Hadano)
System development center Nagasaki (Opening in spring 2026)		
Domestic Group companies	SINKO ATMOS CO., LTD. (Koto-ku, Tokyo) BAC JAPAN CO., LTD. (Setagaya-ku, Tokyo) CHIYODA BLDG. KANZAI CO., LTD. (Chuo-ku, Tokyo) and one other company	
Overseas Group companies	Shanghai SINKO Air Conditioning Equipment Co., Ltd. (Shanghai) SINKO Air Conditioning (H. K.) Limited (Hong Kong) Taiwan SINKO Kogyo Co., Ltd. (Taiwan)	
Website	<a href="https://www.sinko.co.jp/">https://www.sinko.co.jp/</a>	

## Network



### SINKO INDUSTRIES LTD.



Osaka Headquarters /  
Osaka Branch



Tokyo Headquarters /  
Tokyo Branch



SINKO ATMOS CO., LTD.



BAC JAPAN CO., LTD.



CHIYODA BLDG.  
KANZAI CO., LTD.

### Domestic Group Companies



### Overseas Group Companies



Shanghai SINKO Air Conditioning  
Equipment Co., Ltd.



Taiwan SINKO Kogyo Co., Ltd.



SINKO Air Conditioning  
(H.K.) Limited

