



Reference translation

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To whom it may concern

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(Code Number: 1969 Stock Exchange Listing: Tokyo)
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Medium-term Business Plan

Takasago Thermal Engineering Co., Ltd. (the Company) has developed a three-year Medium-term Business Plan (April 1, 2011 to March 31, 2014) to start from the fiscal year ending March 31, 2012.

The business environment in which the Company operates has been getting stricter, due to a combination of the accelerated shift of capital investment outside Japan and increasing price competition, amid the continued shrinking of the contracting construction market. Meanwhile, in the HVAC systems construction industry, the Company expects an expansion in the demand for renovation as part of efforts to make the operation of HVAC systems more energy saving and environmentally friendly, because HVAC systems are the main source of the increase in greenhouse effect gas discharged from buildings. Thus, although this demand has not yet fully surfaced, the Company sees it as a major business opportunity. Under these circumstances, the Company identifies the Company Group's challenge to be how to increase profit and continue to grow.

The Company Group will market products for renovation and industrial HVAC systems more aggressively, while strengthening its overseas business as well. The Company offers one-stop service encompassing hardware as well as services at every stage of the building equipment life cycle, from design, construction, and after-sales services to renovation. The Company also offers one-stop service in terms of equipment: in addition to HVAC systems, the Company offers such peripheral equipment as equipment related to sanitation and electricity. The Company aims to differentiate itself through these two types of "one-stop" services, as it develops as an environmental solutions company that helps its clients save energy and reduce their CO₂ emissions.

The Company Group continues to further strengthen its earning capacity and streamline management by accepting orders with an emphasis on profitability, reducing costs, and concentrating its managerial resources on strategic fields. The Company Group will also strive to achieve the goals of the final year of its business plan, which also marks the 90th anniversary of its founding, by gathering the knowledge and experience of the entire Group based on the theory that customer service is a top priority, and on the field-first principle.

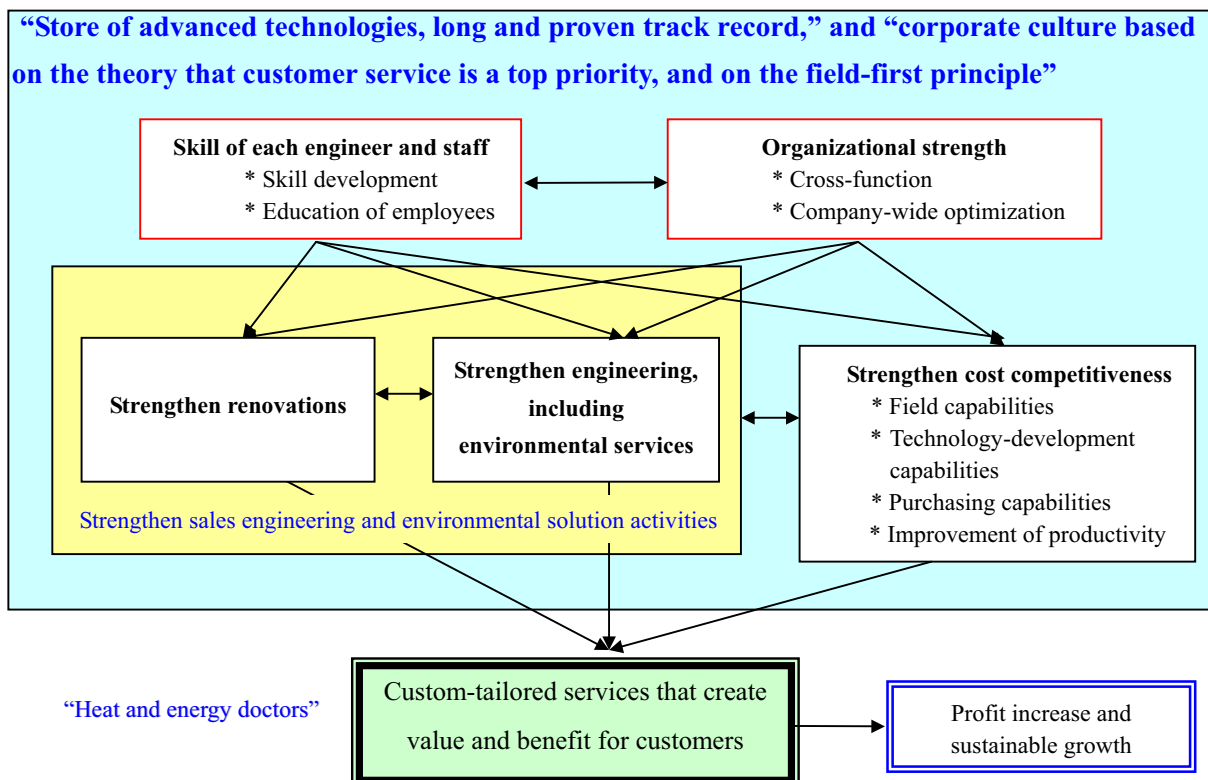
1. Basic Principles

The Company Group leverages its comprehensive engineering advantages with all its strength, combining and uniting its technical and field capabilities, to offer customers optimally suitable environments with one-stop services at every stage of the building equipment life cycle. The Company Group will win greater trust from its customers by offering custom-tailored services as “heat and energy doctors” that create value for them. In particular, the Company Group will fulfill its social responsibility by expanding its environmental-solutions businesses relating to energy saving and environmental measures, harness synergy effects with construction of HVAC systems, one of its main businesses, and help conserve the global environment and create a low-carbon society through initiatives that balance ecology with economy.

2. Numerical Targets (Final year of the plan: Fiscal year ending March 31, 2014)

	Consolidated	Non-consolidated (the Company)
Orders received	260 billion yen	220 billion yen
Net sales	250 billion yen	210 billion yen
Operating income	10 billion yen	7 billion yen
Ordinary income	10 billion yen	7.5 billion yen
Net income	5 billion yen	4.1 billion yen

3. Measures for Plan



(1) Strengthen sales engineering and make the core business of renovation more profitable

In addition to latent demand based on the Company's long and proven track record on construction work, the Company expects demand for energy saving and environmental measures to grow over the medium- to long-term. Although the Company's focus on these areas is starting to yield results, it will aim for a higher level, leveraging the technologies it has accumulated, such as operational data analysis and simulation of equipment, to strengthen its sales engineering (solution-oriented sales activities that incite and create demand). The Company's sales and marketing, design, engineering, maintenance, and operating management divisions will work as a united team to offer environmental solution activities (solution activities that offer greater added value to customers by balancing economic performance with environmental conservation), and offer two types of one-stop service that fits to the entire life cycle of its customers' facilities.

The Company will increase its profit from renovation by relocating its customer centers (which gather and analyze equipment operating data, and offers solutions), to the Sales and Marketing Group at its head office; strengthening it as the Company's sales methodology; and rolling out environmental solution activities company-wide.

In the field of renovation in particular, the Company aims to receive orders for overall building equipment in addition to HVAC systems, including peripheral equipment related to sanitation, electricity, instrumentation, and telecommunications. The Company would therefore aim to receive 120 billion yen in orders for the renovation business field on a non-consolidated basis.

(2) Expand business area of industrial HVAC systems, strengthen the engineering business in Japan and internationally, including environmental services, and make the other core business profitable

1) Industrial equipment business

Customer needs relating to equipment for R&D, manufacturing processes, and the like are growing more sophisticated and diverse. In order to respond to these needs accurately, the Company will improve customer satisfaction through solution activities, strengthening its engineering advantages, expanding its business areas to encompass industrial equipment, including HVAC systems as well as utilities relating to electricity, heat sources, and the like, and optimizing for the quality, process lines, etc., demanded by its customers. The Company would therefore aim to receive 80 billion yen in orders for the industrial equipment business field on a non-consolidated basis.

2) Environmental equipment business

The Company's Green-Air® business^[Note] is an energy saving service aimed at optimal usage for managed energy of building equipment. The Company's Facility Management Service Group has advanced this business as part of prior Medium-term Business Plan; the Company will strengthen this business in the fields such as electricity, instrumentation, and telecommunications, as a new environmental equipment business, additionally harnessing synergy effects with construction of HVAC systems.

[Note] This includes not only proposals for the improvement of longstanding operating methods and technology proposals for renovation, but also business proposals (including fundraising proposals). To reduce energy consumption of customers' building equipment, the Company will provide a series of services from design and proposal to implementation and performance assurance as a fee-business. Green-Air® is a registered trademark of the Company in Japan.

3) Overseas business

The Company's customers are accelerating their relocation of sites from Japan to overseas, with a focus on China and Southeast Asia. There is also growing international need for global environmental response overseas. Accordingly, the Company will strengthen its overseas businesses, with its overseas affiliates playing a lead role, over the long-term, beyond the bounds of this Medium-term Business Plan. As in Japan, it will develop its overseas business building on construction as well as environmental solution activities, growing it into a cornerstone of its profit. The Company aims to make its overseas businesses account for 10% of consolidated sales at a passing point which is three years later.

(3) Strengthen field and technology-development capabilities, improve productivity, and cost competitiveness

Completing construction on time and in safe, with the quality demanded by the customer, is the most basic element of customer satisfaction. The Company will improve productivity in all divisions, and improve cost competitiveness, in order to offer its customers value while expanding its profit.

The Company will work as a united team to improve its construction capabilities and ensure safety and high quality, by revising its on-site construction regime and management methods, and strengthening collaboration with its subcontractors.

The Company will concentrate two technology-development functions in a Research Institute: construction-technology development, such as low-cost construction methods by optimizing and improving methods reflecting customer needs; and the development of new technologies and products that promote the use of clean energy. The Company will enhance this institute as the development center for the Company Group, improving its competitiveness in the market and shortening development cycles.

The Company will consolidate and streamline its procurement functions (e.g. for equipment and materials), and further reduce its procurement costs.

With regard to its indirect divisions as well, the Company will consolidate and reorganize its business processes, and rebuild a highly secure information system that promotes efficient business execution.

(4) Enhance education and improve the capabilities of each employee

The Company's brand is engineering; its employees support this brand form as the core of its competitive strength. It is essential for the Company to have employees with advanced engineering and development capabilities, expertise, and personal traits in order to continually offer services in the field that satisfy its customers, and remain an industry leader, while maintaining unique and excellent engineering and development capabilities. In order to further improve its employees' capabilities, the Company will provide systematic skill development and education to its employees, with a medium- to long-term perspective. This includes annual training and other education targeted at each level of the stage, as well as subject-specific education to improve expertise, and management education.

The Company will also improve the skills of employees at its subcontractors responsible for construction through education and other means, in order to put the Company's engineering and

development capabilities into practice in the field at a high level.

The Company is also committed to hiring, educating, utilizing, and interacting with its international engineers and staff, including local hires.

(5) Create cross-functional systems both in Japan and overseas, and carry out company-wide optimization

The Company will create a cross-functional system, and carry out company-wide optimization, in order to offer its customers dynamic, custom-tailored service.

In Japan, the Company will strengthen its management by introducing a system of three business groups – East Japan, West Japan, and Engineering – which will unite all branches, while maintaining the system of calculating profit and loss separately for each branch (on a stand-alone basis). The Company will also expand profit and streamline its business processes through sales engineering and bulk purchases of equipment and materials, by creating divisions to supervise sales and purchasing within each business group. The Company's Facility Management Service Group has played a leading role in expanding its renovation orders, and its one-stop services as typified by its Green-Air® business. This group will be reorganized, with its order-expansion functions being moved to the Sales and Marketing Group, and its functions for advancing one-stop services being moved to the Engineering Business Group. This will strengthen the Company's functioning as an environmental solutions firm.

Regarding overseas businesses, the Company will streamline its businesses, and increase synergy with operations in Japan by unifying them with its Engineering Business Group. It will strengthen its overseas businesses with a focus on existing regions, while researching new regions. In addition to the consolidation of local subsidiaries in the current target regions of China, Singapore, and Thailand, the Company will begin consolidation of local subsidiaries in Malaysia, Hong Kong, and Vietnam. The Company will also launch such initiatives as overseas procurement of equipment and materials through subsidiaries in Japan and overseas.

4. Creation of Corporate Value and Dividend Policy

Over the Company's long history, it has accumulated advanced thermal and energy-related technologies, built a long and proven record of accomplishment, and accumulated expertise born of its experience. The Company Group will utilize these managerial resources as a united team, harnessing the synergy of the pooled knowledge and expertise of all officers and employees, and increasing corporate value over the medium- and long-term. The Company will also make effective use of its fixed assets and capital, while maintaining and improving its good financial standing. The Company will streamline its management, and launch such dynamic initiatives as business and capital partnerships for future growth of business areas and cultivation, and purchase and retirement of treasury stock in order to increase share value.

The Company has paid out dividends with a target of 2% for dividends on equity (DOE) with a basic policy of balancing the payment of stable dividends while it improves its profitability and capital efficiency. In this Medium-term Business Plan, the Company will set its return on equity (ROE) at 5.7% and DOE at 2.2% on a consolidated basis, based on the numerical targets of the final fiscal year, and the current annual dividend of 25.00 yen per share.

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