TOTECH Group
Supplementary Material for Q1 FY3/25

TOTECH CORPORATION

August 9, 2024

Note: This document is supplementary material. The English version of the summary of financial results for the Q1 of FY3/25 is scheduled to be published in mid-August.

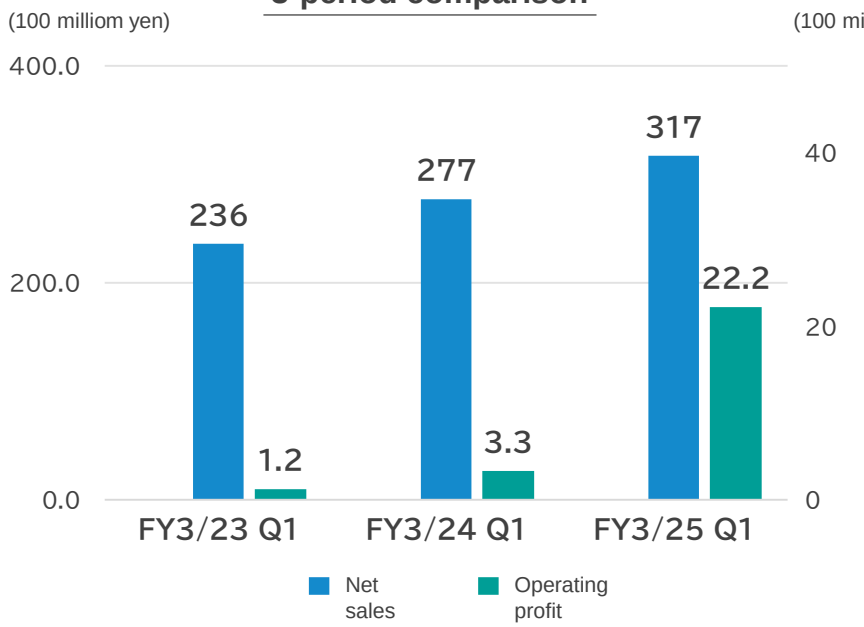
Overview of Q1 FY3/25 Performance

Performance：Achieved record-high sales and profits for the period

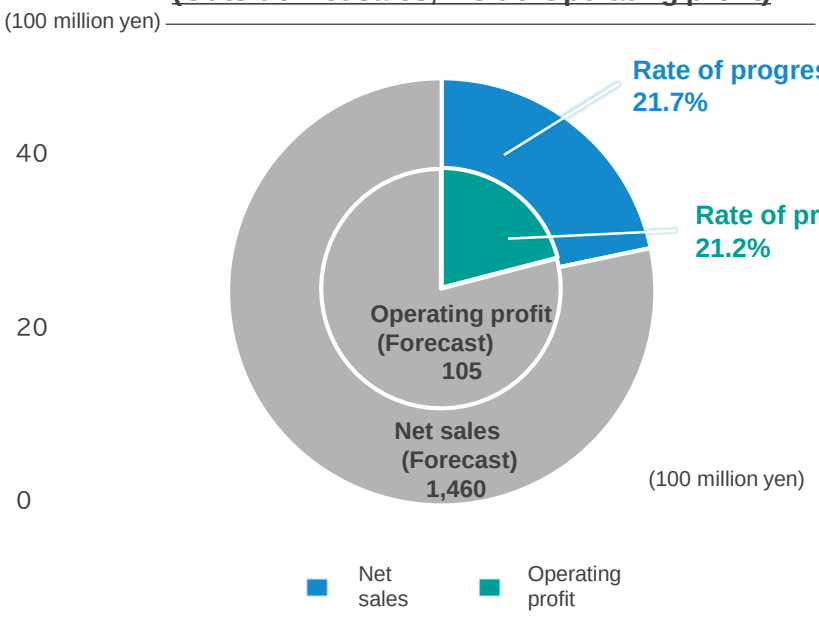
- In addition to demand for new redevelopment projects mainly in major cities, the Product sales business and the Construction business performed well thanks to demand for renovations with an eye to carbon neutrality and demand for data-center projects. The completion of projects that were delayed from the end of the previous fiscal year led to a double-digit increase in revenues. The increased revenues also led to a record-high Q1 profit at each stage of the project.
- Sales in our core businesses, including the HVAC business, the Instrumentation business, and the Energy solution business grew and the performance of domestic and overseas affiliates also expanded steadily.

Net sales (100 million yen)	**317** (+3.9Bil YoY)
Operating profit (100 million yen)	**22** (+1.8Bil YoY)
Operating profit margin	**7.0%** (+5.8 ppt. YoY)

3-period comparison



Q1 Progress rate
(Outside:Net sales, Inside:Operating profit)



Consolidated Statements of Income

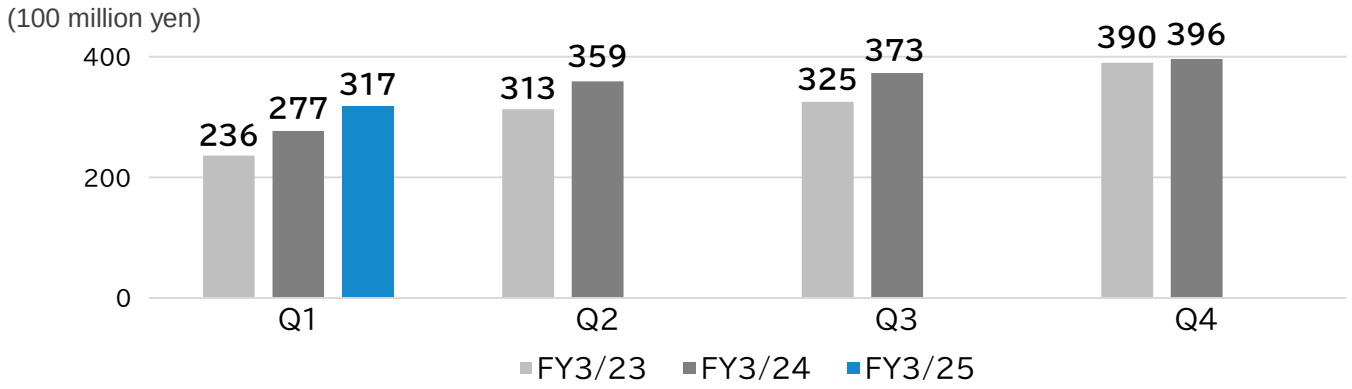
- Net sales increased by 14.4% YoY, a double-digit increase, due to the completion of a project that was delayed from the end of the previous fiscal year.
- Amid strong demand, operating profit increased 6.7 times from the previous year to 2.2 billion yen, driven by an increase in construction projects with emphasis on profitability and favorable performance by domestic and overseas affiliates. Ordinary profit was 2.6 billion yen, and net profit reached a record high of 2.0 billion yen.

	Q1 FY3/23 Results (100 million yen)	Q1 FY3/24 Results (100 million yen)	Q1 FY3/25 Results (100 million yen)	Profit margin %	YoY change Amount (100 million yen)
Net sales	236	277	317	—	+39
Operating profit	1.2	3.3	22	7.0%	+18
Ordinary profit	2.9	5.2	26	8.2%	+20
Profit attributable to owners of parent	1.4	2.5	20	6.3%	+17

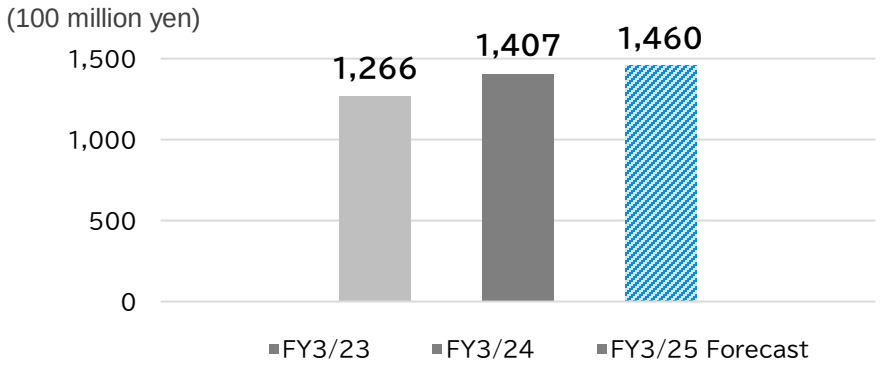
Quarterly Performance

- **Completion of projects delayed from the end of the previous fiscal year and an increase in construction projects with emphasis on profitability contributed significantly to Q1 operating profit.**

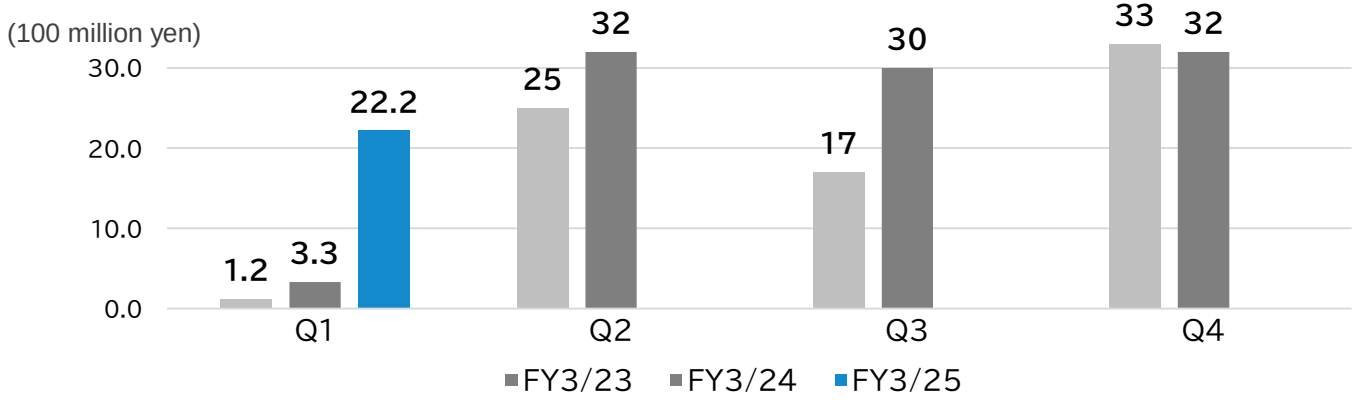
Quarterly Net Sales



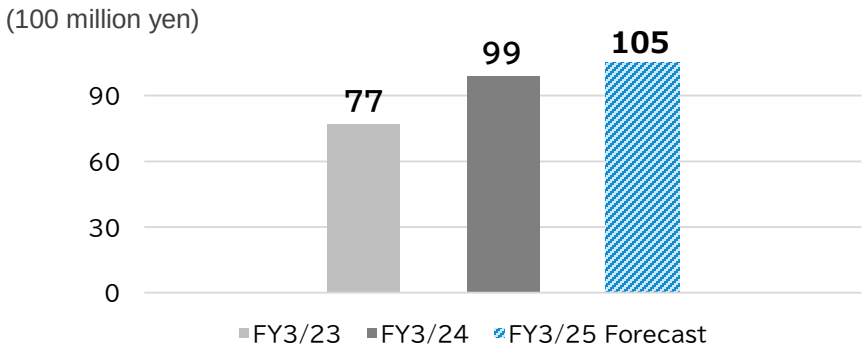
Year-end Net Sales



Quarterly Operating Profit

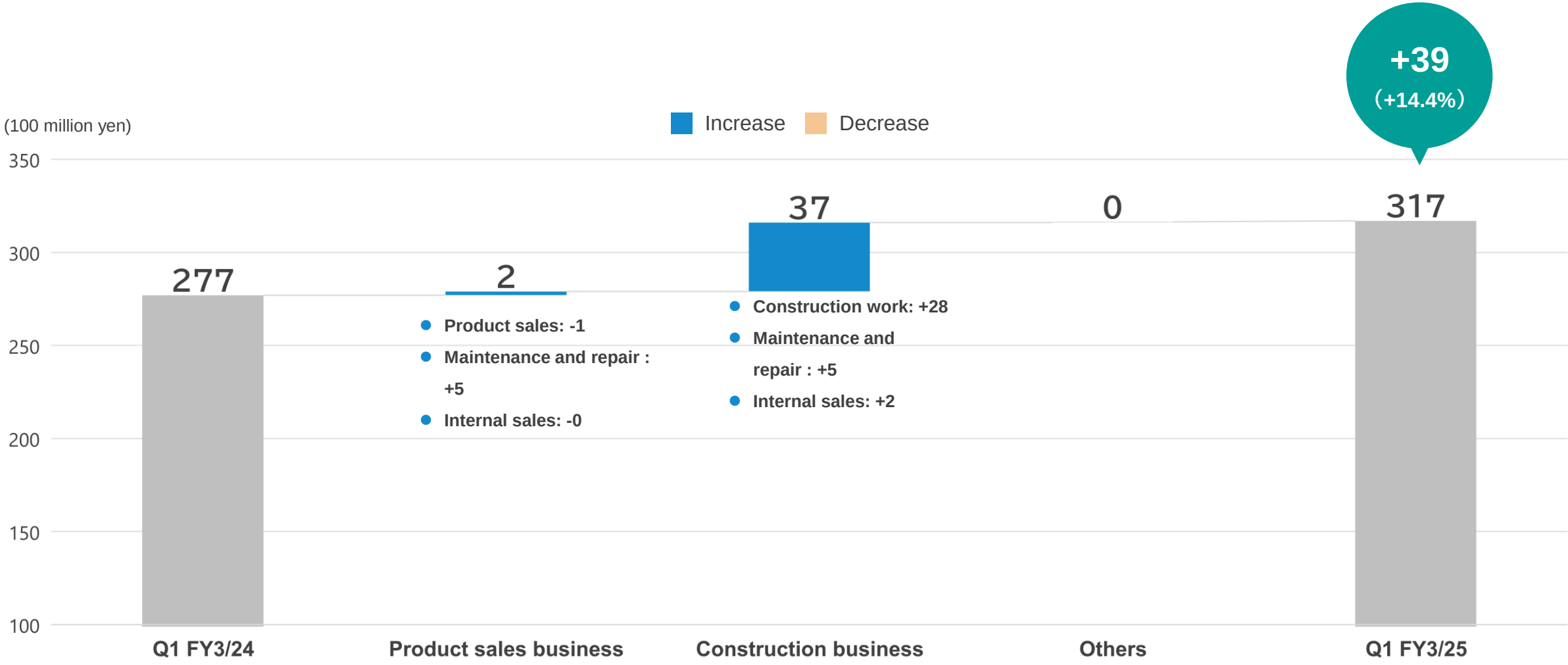


Year-end Operating Profit



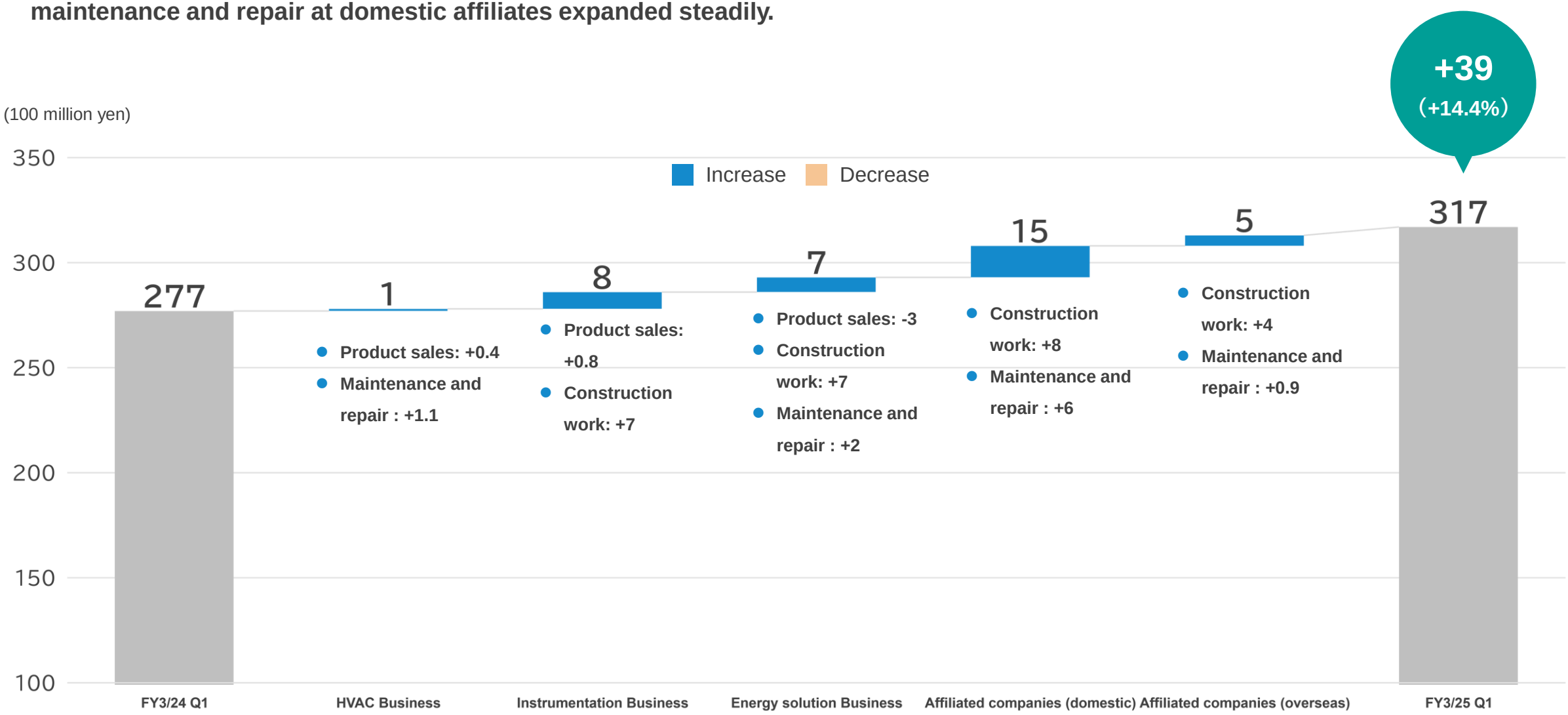
Change Factors for Net sales (by Segment)

- **Steady increase in Construction business with a 3.9billion yen (+14.4%) YoY increase in revenues.**
- **Steady increase in maintenance and repair for both Product sales and Construction businesses**



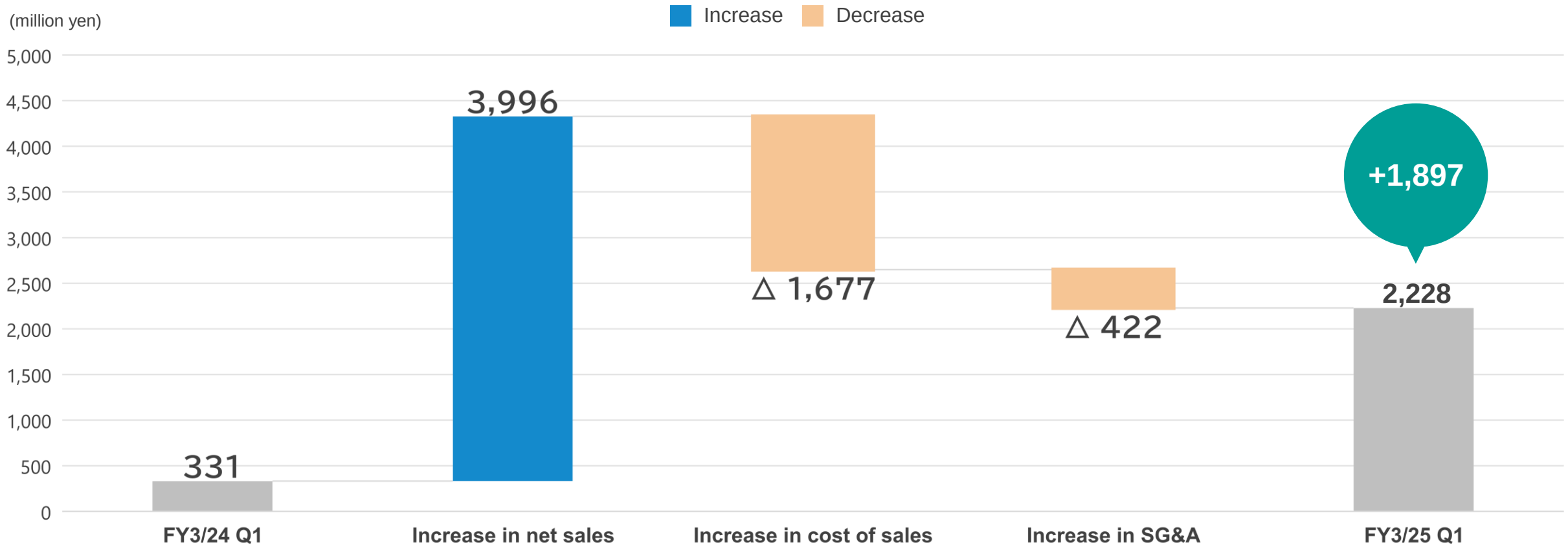
Change Factors for Net sales (by Business Field)

- **Sales of all businesses and domestic and overseas affiliates also increased YoY. In particular, Construction work, maintenance and repair at domestic affiliates expanded steadily.**



Change Factors for Operating Profit

- **Increase in sales (+14.4% YoY) absorbed the increase in cost of sales and SG&A expenses, resulting in an increase of 1,897 million yen YoY.**
- **In SG&A expenses, although there was an increase in base-up, the amortization of goodwill of domestic affiliates has been completed.**



Sales Breakdown by Segment

- **Increased sales in the Construction business (+35.9% YoY) contributed to overall sales and gross profit.**
- **Steady expansion of maintenance and repair in both the Product sales and Construction businesses.**

	Q1 FY3/24	Q1 FY3/25	
	Net sales(100 million yen)	Net sales(100 million yen)	YoY
Product sales business	**173**	**176**	+1.7%
Product sales	151	150	-1.2%
Maintenance and repair	32	38	+17.0%
Internal sales	-10	-11	-
Construction business	**103**	**140**	+35.9%
Construction work	84	113	+34.2%
Maintenance and repair	20	26	+28.5%
Internal sales	-1	0	-

Sales Breakdown by Business

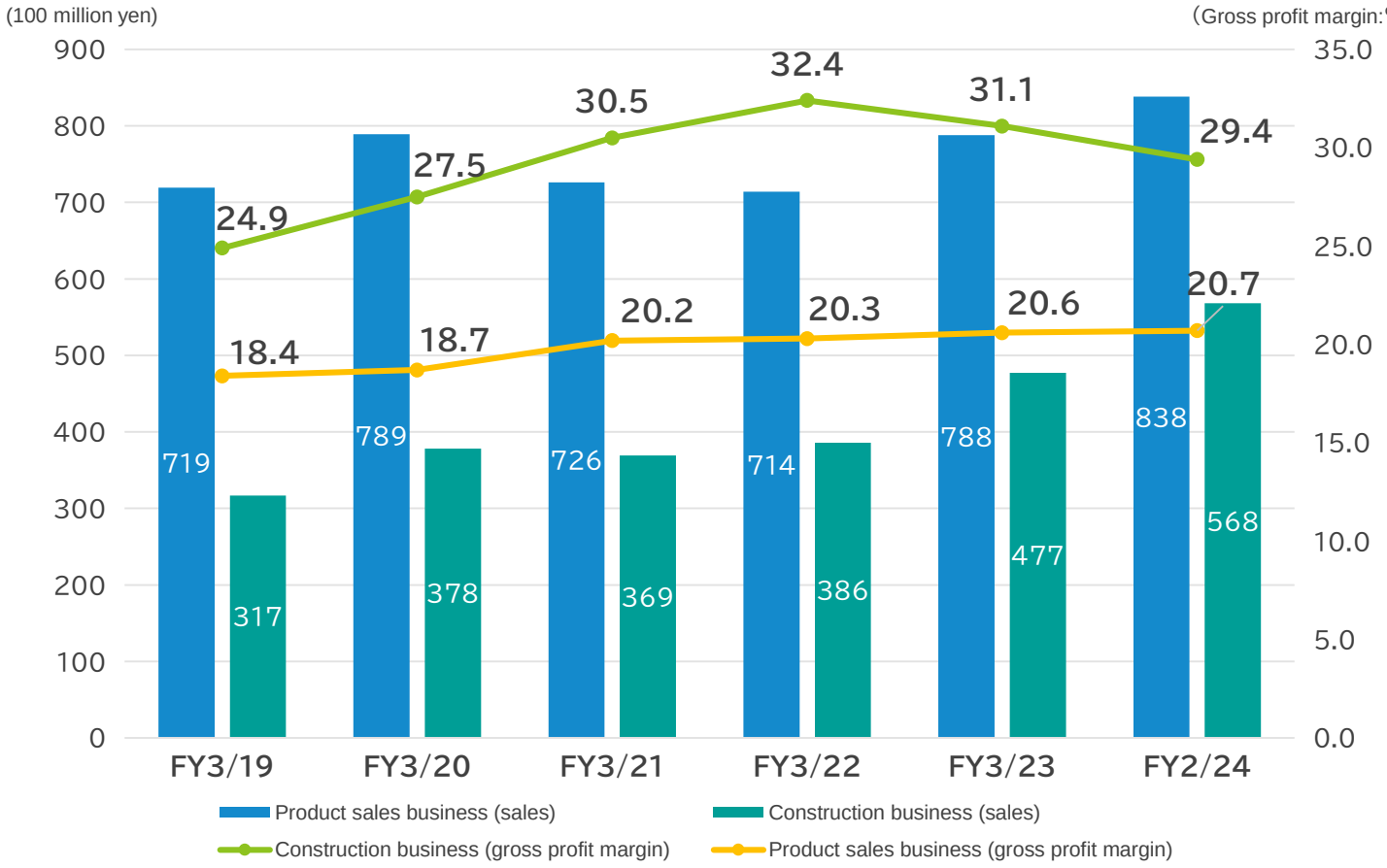
- **Double-digit growth in Instrumentation business, Energy solution business, and subsidiaries and affiliates in Japan and overseas.**
- **Sales increased in all other business segments except for Energy solution business and equipment sales of domestic affiliates.**

	Q1 FY3/24	Q1 FY3/25	
	Net sales (million yen)	Net sales (million yen)	YoY
HVAC Business	13,417	13,580	+1.2%
Product sales	12, 847	12,894	+0.4%
Regular and spot maintenance	569	686	+20.6%
Instrumentation Business	4,321	5,204	+20.4%
Product sales	260	349	+34.4%
Construction work	3,431	4,206	+22.6%
Regular and spot maintenance	630	648	+2.9%
Energy solution Business	2,485	3,236	+30.2%
Product sales	708	408	-42.4%
Construction work	1,132	1,930	+70.4%
Regular and spot maintenance	644	898	+39.3%
Affiliated companies (domestic)	7,703	9,230	+19.8%
Product sales	1,378	1,360	-1.3%
Construction work	3,272	4,151	+26.9%
Regular and spot maintenance	3,052	3,719	+21.8%
Affiliated companies (overseas)	1,067	1,598	+49.8%
Construction work	609	1,047	+71.9%
Regular and spot maintenance	457	551	+20.4%
Internal sales	-1,275	-1, 132	-

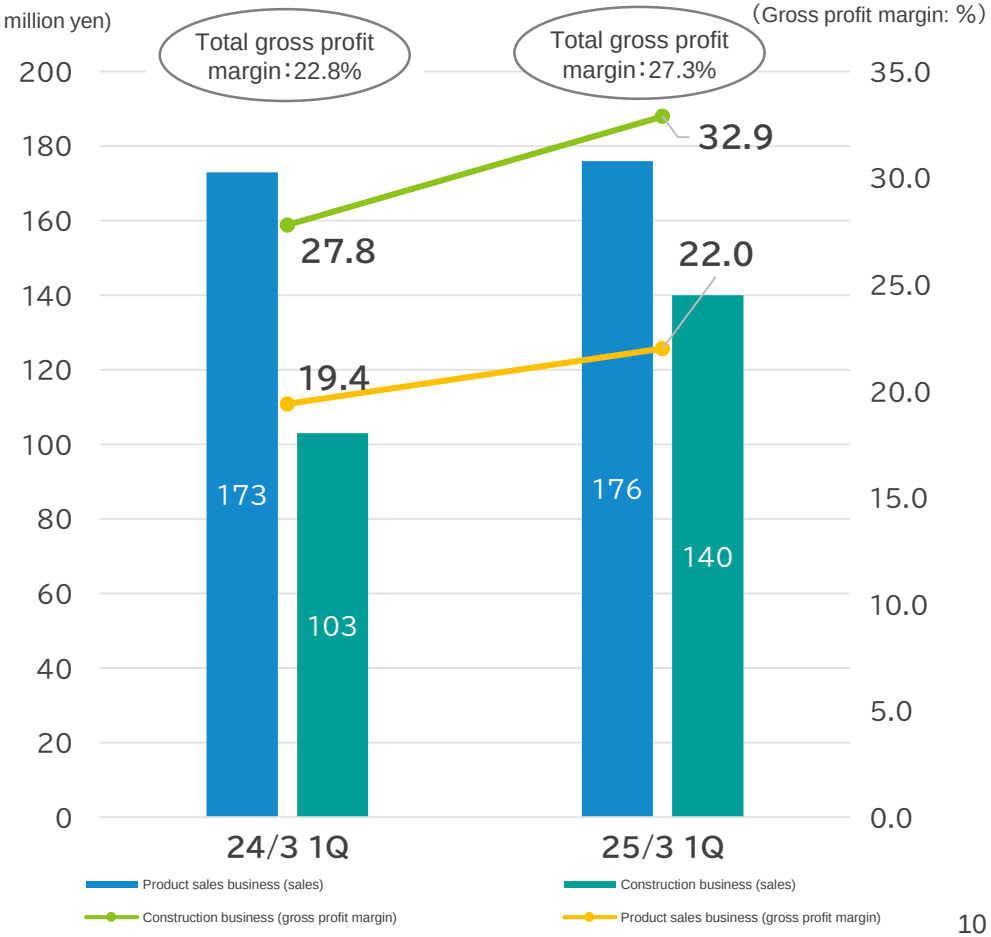
Segmental Sales and Gross Profit Margin

- **Gross profit margin in the Q1 was 27.3%, an improvement of 4.4 points from the previous quarter (improvement in both Product sales business and Construction business).**
- **Gross profit margin in the Construction business, in particular, was 32.9%, an improvement of 5.1 points from the previous quarter.**

6-year Trend



YoY Comparison (Q1)



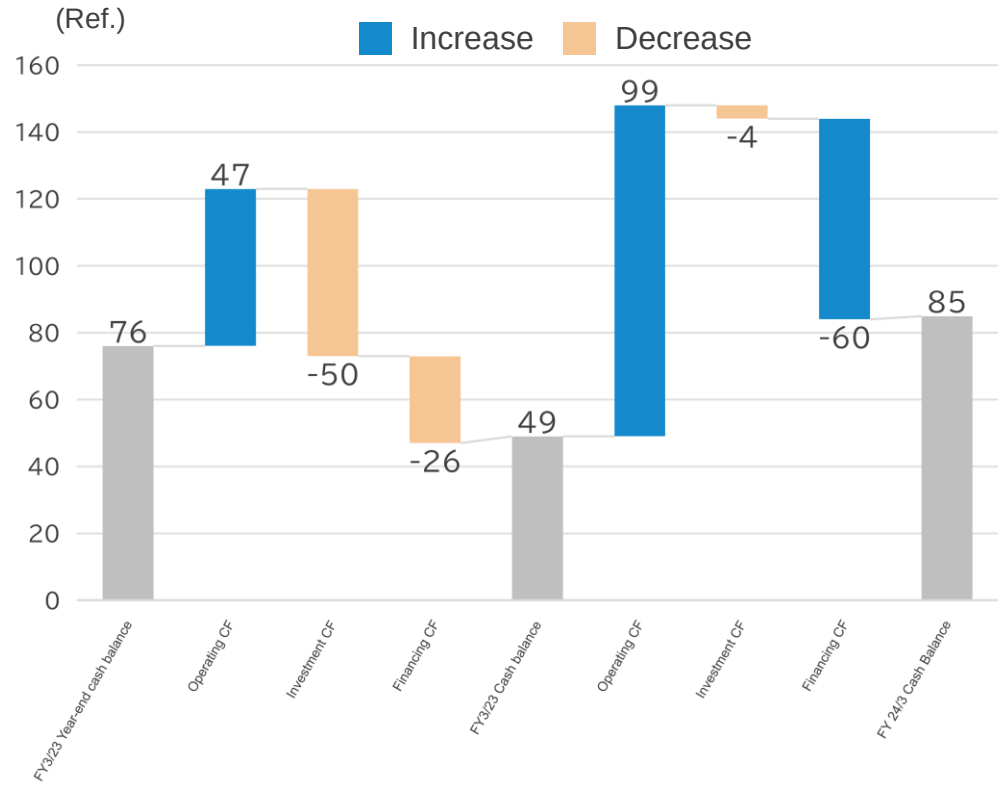
Balance Sheet & Cash Flow

	FY3/24 (100 million yen)	Q1 FY3/25 (100 million yen)	Change (100 million yen)
Current assets	559	507	-52
Cash and deposits	86	94	+7
Notes and accounts receivable-trade, contract assets, and electronically recorded monetary claims	407	358	-48
Inventories	42	39	-3
Other	22	15	-7
Non-current assets	445	453	+8
Property, plant and equipment	202	203	+0
Intangible assets	33	32	-0
Investments and other assets	209	218	+8
Total assets	1,004	960	-43
Current liabilities	391	337	-54
Notes and accounts payable-trade, electronically recorded obligations-operating	238	199	-39
Short-term borrowings, Current portion of long-term borrowings	53	63	+10
Other	99	74	-25
Non-current liabilities	78	80	+2
Long-term debt	36	28	-8
Other	41	52	+10
Net assets	534	542	+8
Total shareholders'equity	443	443	+0
Accumulated other comprehensive income, etc.	90	98	+8
Total liabilities and net assets	1,004	960	-43
Shareholders' equity ratio	53.2%	56.5%	+3.3%

(Ref.)

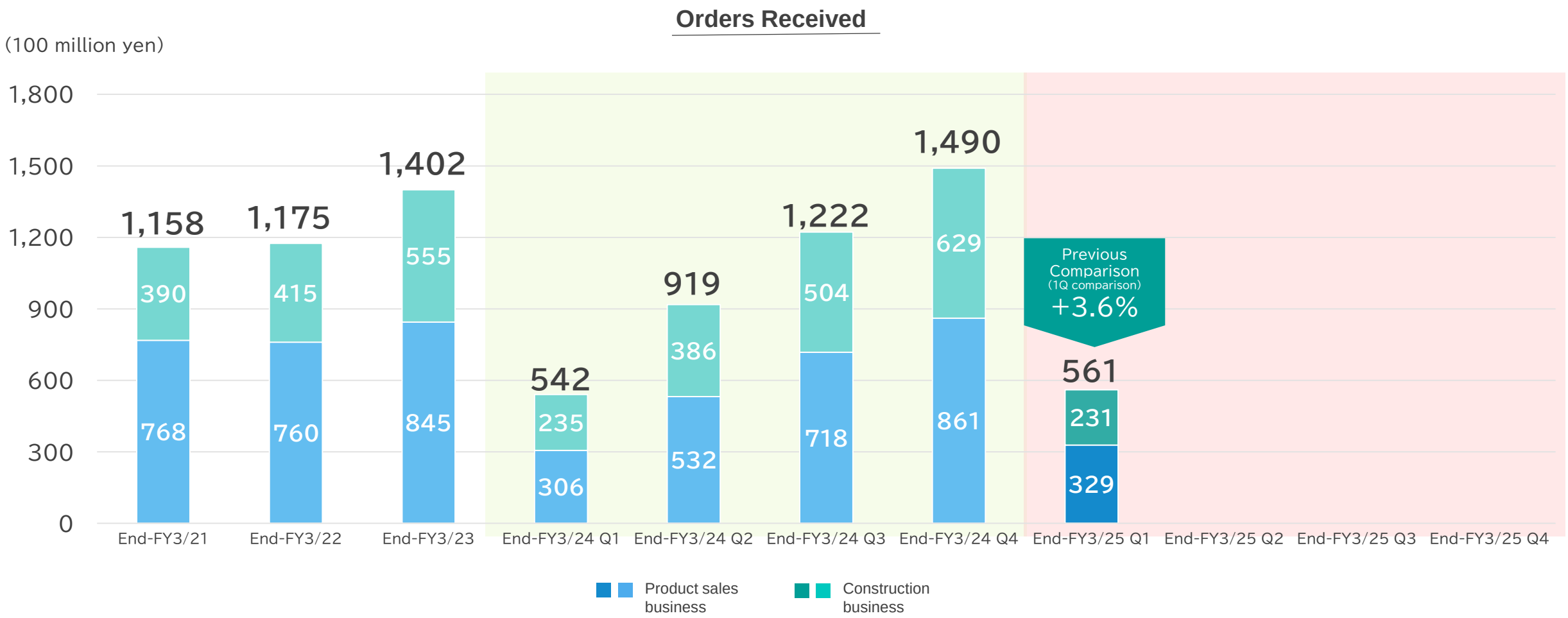
	FY3/23 (100 million yen)	FY3/24 (100 million yen)
Operating CF	**47**	**99**
Investment CF	**-50**	**-4**
Free CF	**-2**	**95**
Finance CF	**-26**	**-60**
Cash balance	**49**	**85**

(Ref.)



Orders Received

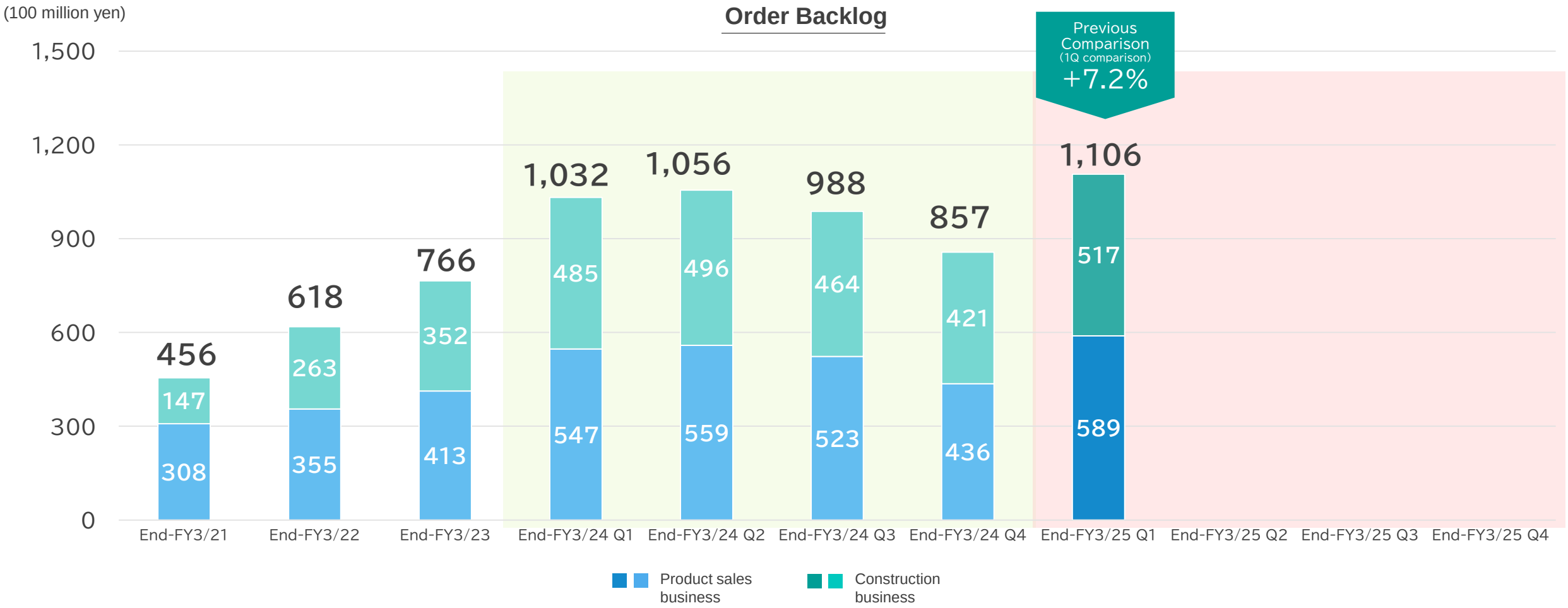
■ **The status of new orders remained strong (orders received: +3.6% YoY) in response to robust demand.**



※Including overseas subsidiaries (QA) from FY22/3

Order Backlog

- **The order backlog remained strong (+12.0% YoY) due to strategic order receipt, taking supply status into consideration.**
- **The order backlogs for both the Product sales business and the Construction business were firm (Product sale business orders in Q1: +7.7% YoY; Construction business orders in Q1: +6.6% YoY).**



※Including overseas subsidiaries (QA) from FY22/3

Full-year Business Forecasts: FY3/25

(100 million yen)	FY3/24 (Results)	FY3/25 (Forecast)	Rate of change
Net sales	1,407	1,460	+3.7%
Operating profit	99	105	+6.0%
Ordinary profit	105	110	+3.9%
Profit attributable to owners of parent	70	75	+7.1%

[Business Environment Outlook]

In the construction industry surrounding our group, large redevelopment projects are expected to continue, mainly in urban areas, but we anticipate higher costs and increased logistics costs. In addition, we expect an increase in SG&A expenses as the Group raises salaries to motivate employees and attract talented human resources. Although the business environment is expected to remain uncertain, we will aim to increase sales and profits by implementing our business expansion policy based on our medium-term management plan.

Dividend Policy: Dividends Paid and Forecast

Starting from FY3/22, we have established a basic dividend policy of targeting a payout ratio of 40%.
Dividend for the previous fiscal year was increased by 23 yen from the initial forecast of 182 yen to 205 yen for the full year (before the 3-for-1 split).

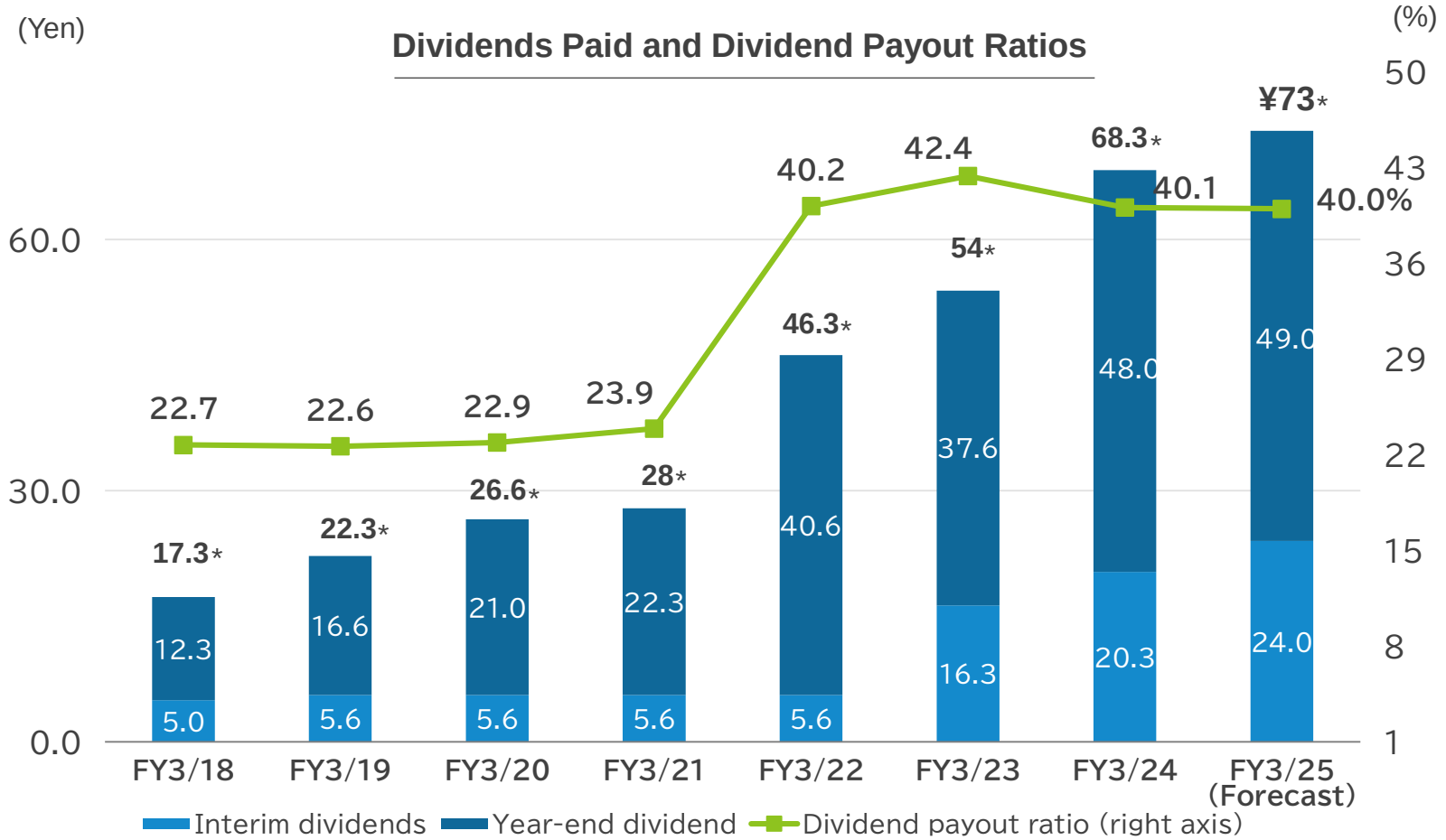
Effective April 1, 2024, we conducted a 3-for-1 stock split. The post-split dividend forecast for this fiscal year is 73 yen (dividend payout ratio of 40%).

Profit return policy

We regard the return of profits to shareholders as an important management policy. We allocate profits based on business performance while improving profitability through effective business operations and strengthening our financial position.

Specific Indicators

Aiming for a consolidated dividend payout ratio of 40% as a specific indicator, continuously and stably pay dividends in line with business performance.



* The Company conducted a 3-for-1 stock split as of April 1, 2024. Dividends for the past fiscal years are calculated based on the number of shares after the stock split.

Enhance Corporate Value that is Conscious of Cost of Capital

We recognize that our assumed cost of equity is around 7%, based also on investors' expected returns.
ROE has remained above 10% annually for the last five years, and equity spreads have remained positive.
Starting this fiscal year, we set a new target for cross-shareholdings to be less than 20% of consolidated net assets.

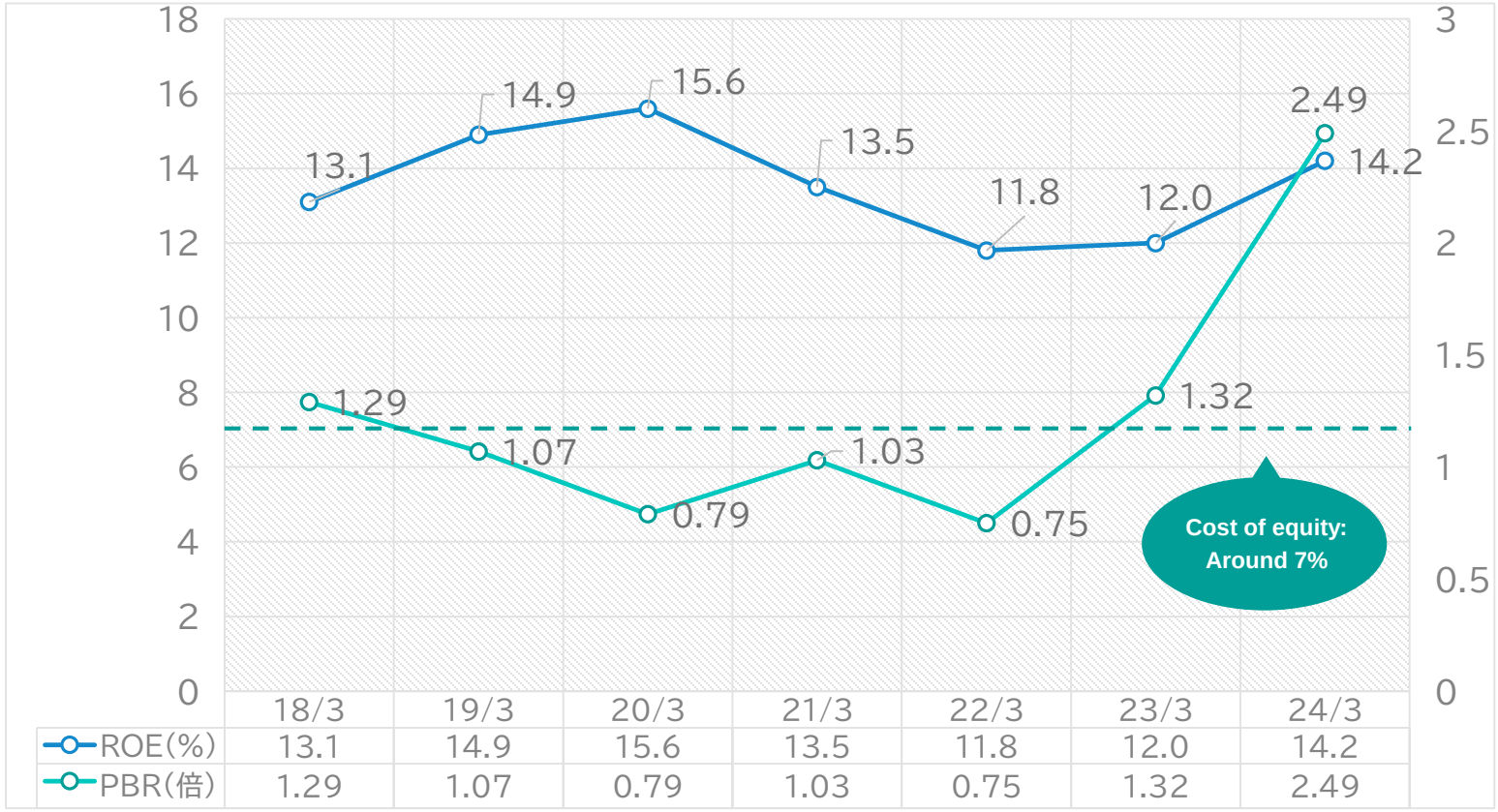
Key Financial Indicators

Shareholders' equity ratio : Around 50%
PBR : 1x or more
ROE : 10% or more

Cost of Equity < **ROE**

PBR

Maintain at least 1 times in a stable and continuous manner



	18/3	19/3	20/3	21/3	22/3	23/3	24/3
ROE(%)	13.1	14.9	15.6	13.5	11.8	12.0	14.2
PBR(倍)	1.29	1.07	0.79	1.03	0.75	1.32	2.49

Q1 Topics:

TOTEC Wins European Association for Quality Research (ESQR) “Best Quality Leadership Award”

The Best Quality Leadership Award recognizes organizations and individuals who have demonstrated outstanding leadership by taking innovative and leading steps to improve and advance quality, based on recommendations from stakeholders and independent research conducted by ESQR.







＊ Award ceremony held in Brussels, Belgium, on June 30, 2024 (Vice Chairperson Katsumi Nagao attended)

＜APPENDIX＞

Corporate Profile

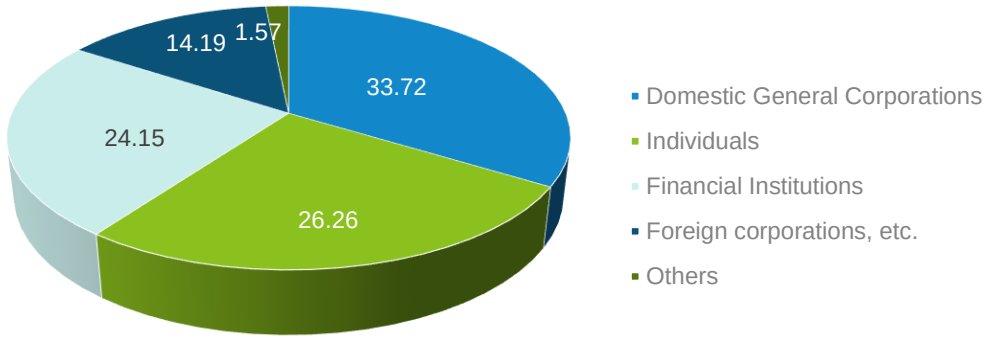
Company name	TOTECH CORPORATION (Tokyo Stock Exchange Prime Market; 9960)
Established	July 6, 1955
Business	Sales of Air Conditioning and other Equipment Business, Instrumentation work Business, Energy Business, etc.
Head Office	3-11-11, Nihonbashi, Honcho, Chuo-ku, Tokyo
Capital Stock	1,857 million yen (Number of shareholders: 5,721) (As of March 31, 2024)
Fiscal Year-end	March 31
Number of employees	2,614 (Consolidated); 1,065 (Non-consolidated) (As of March 31, 2024)
Directors	Tomoyuki Kusano, Director and Chairperson Katsumi Nagao, Representative Director and Vice Chairperson Kiyotaka Kaneko, Representative Director and President Kaoru Koyama, Director and Managing Executive Officer Seiken Saito, Outside Director Atsuko Usami, Outside Director Toshiro Nakamizo, Director (Full-time Audit & Supervisory Board Member) Kazuhito Arata, Outside Director (Audit & Supervisory Board Member) Daichi Kamio, Outside Director (Audit & Supervisory Board Member) *Company with an Audit Committee and Nomination and Compensation Committee
Consolidated Subsidiaries	7 in Japan; 6 overseas (As of March 31, 2024)



Kiyotaka Kaneko,
Representative Director and President

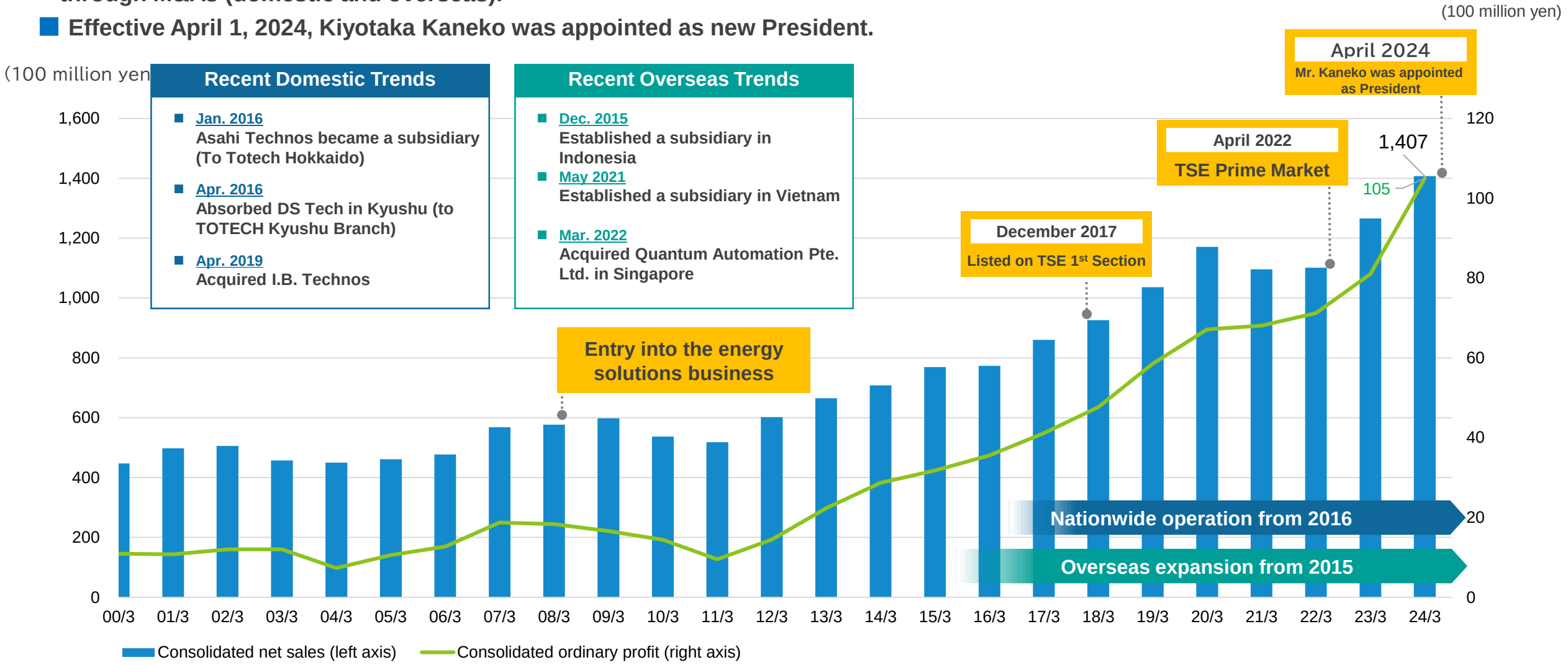
April 1988: Joined Toshiba Corporation
October 2013: General Manager, Global Solutions Engineering Department, Community Solutions Division, Toshiba Corporation
April 2016: General Manager, Global Engineering Department, Business Development Center, Toshiba Corporation
July 2018: Joined I.B. Technos Co., Ltd., Executive Officer and Sales Division General Manager
April 2019: Representative Director and President, I.B. Technos Co., Ltd.
April 2021: Director, Managing Executive Officer, Sales Division General Manager, and General Manager of Head of Business Strategy Section, TOTECH CORPORATION
April 2023: Director, Managing Executive Officer, Sales Division General Manager, and Equipment Division General Manager, TOTECH CORPORATION
April 2024: Representative Director and President (current position), TOTECH CORPORATION

Shareholder Composition as of March 31, 2024 (%)
Number of shareholders: 5,721



TOTECH Group: Our Growth History

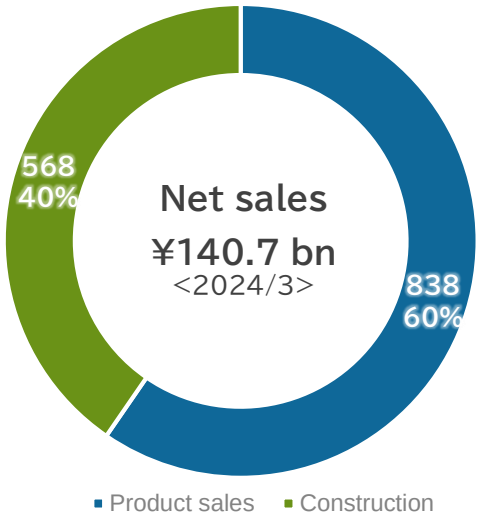
- July 2025 marks the 70th anniversary of our founding. In addition to organic growth, we have been promoting sales and profit growth through M&As (domestic and overseas).
- Effective April 1, 2024, Kiyotaka Kaneko was appointed as new President.

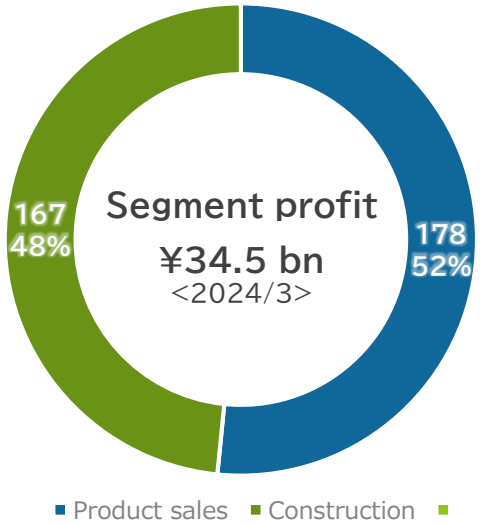


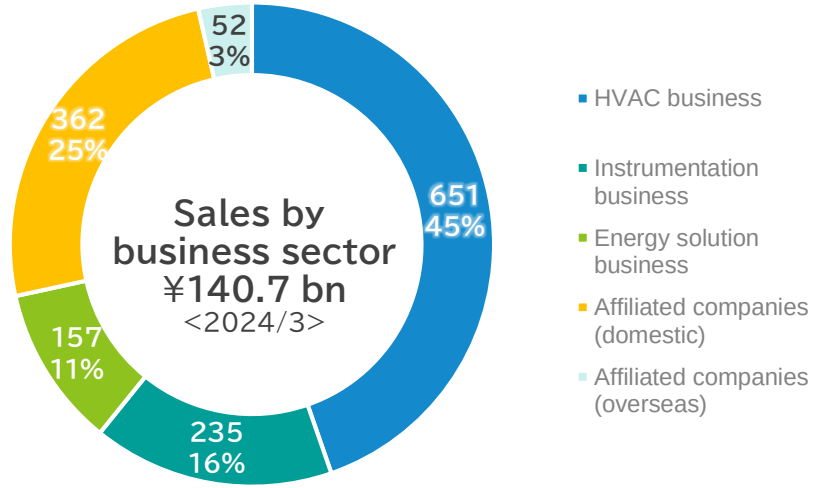
TOTECH Group: Business Areas

- **Our company conducts business activities in the Product sales and Construction business segments, while focusing on the air conditioning, instrumentation, and energy fields.**
- **Group-wide one-stop services: From product sales, instrumentation work to regular and spot maintenance**

Segments: Product Sales business/Construction business		
HVAC Business	**Instrumentation business**	**Energy solution business**
● Purchase, sales, installation, and maintenance and repair of commercial HVAC equipment, etc. ● Largest domestic distributor of Daikin's commercial air conditioning equipment	● Design, installation, purchase, sales, construction, and maintenance and repair of instrumentation equipment (building automation and management systems) ● Azbil's major distributor	● Purchase, sales, installation, and maintenance and repair of energy-saving and energy-production equipment (solar panels and storage batteries) and generators ● Energy solutions such as ESCO business

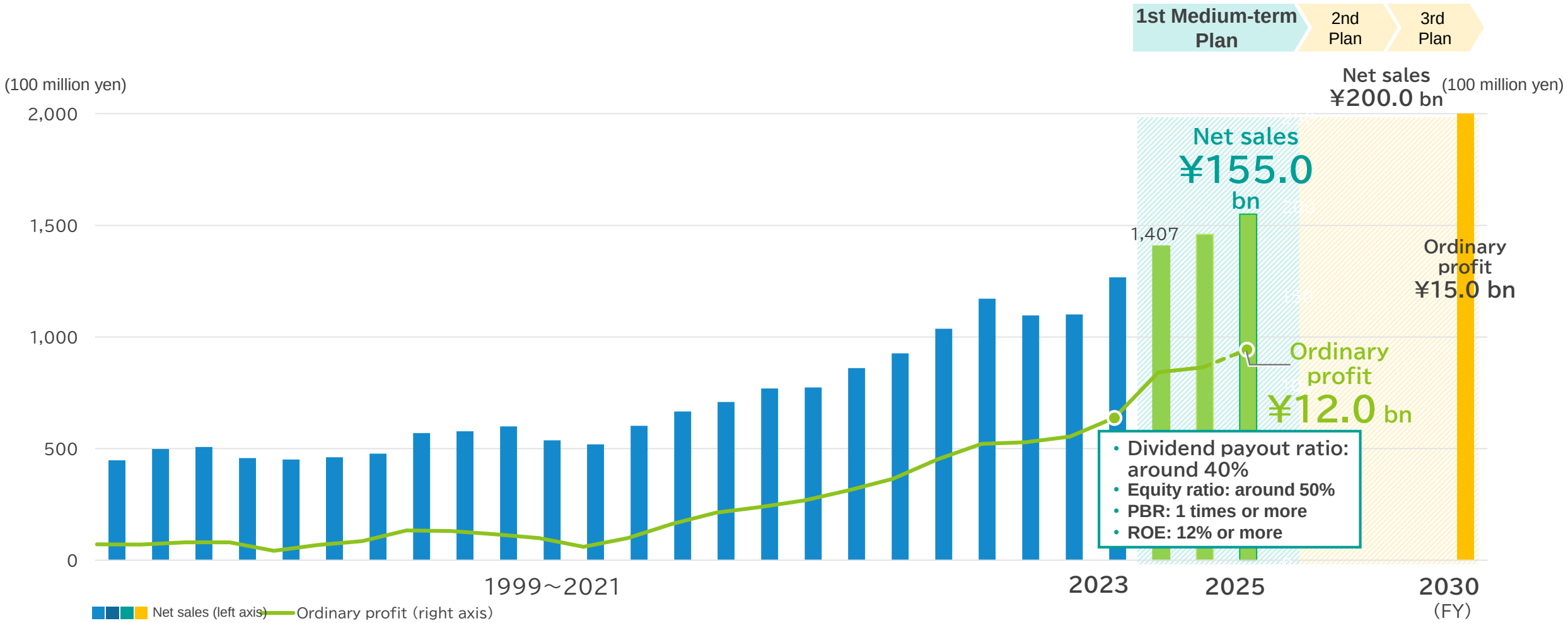






Medium- to Long-term Growth Targets of the TOTECH Group

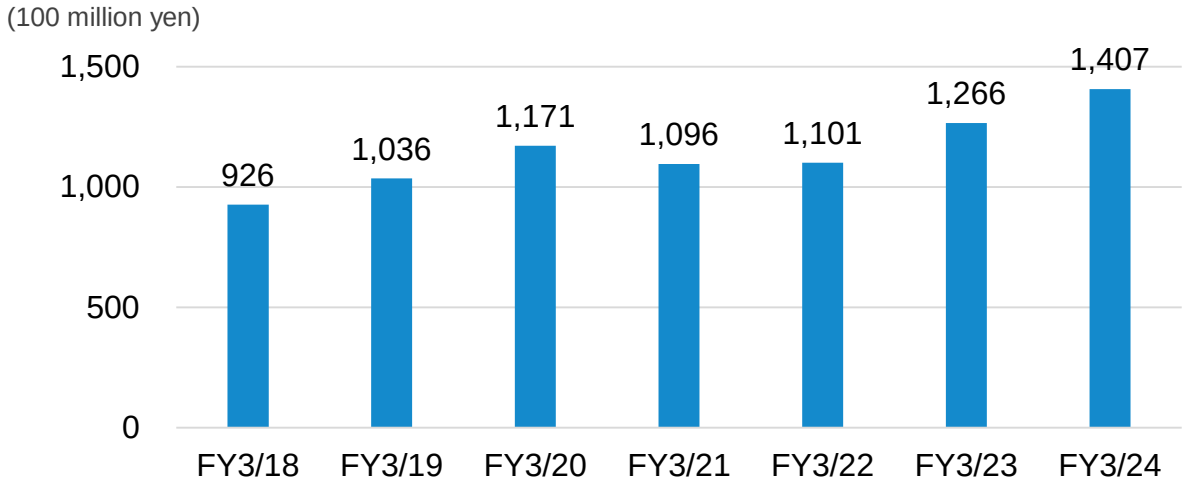
We aim to achieve net sales of 200 billion yen and ordinary profit of 15 billion yen in FY2030 as our medium- to long-term targets, and in FY2025 we aim to achieve net sales of 155 billion yen and ordinary profit of 12 billion yen by realizing management that is “comfortable for people”.



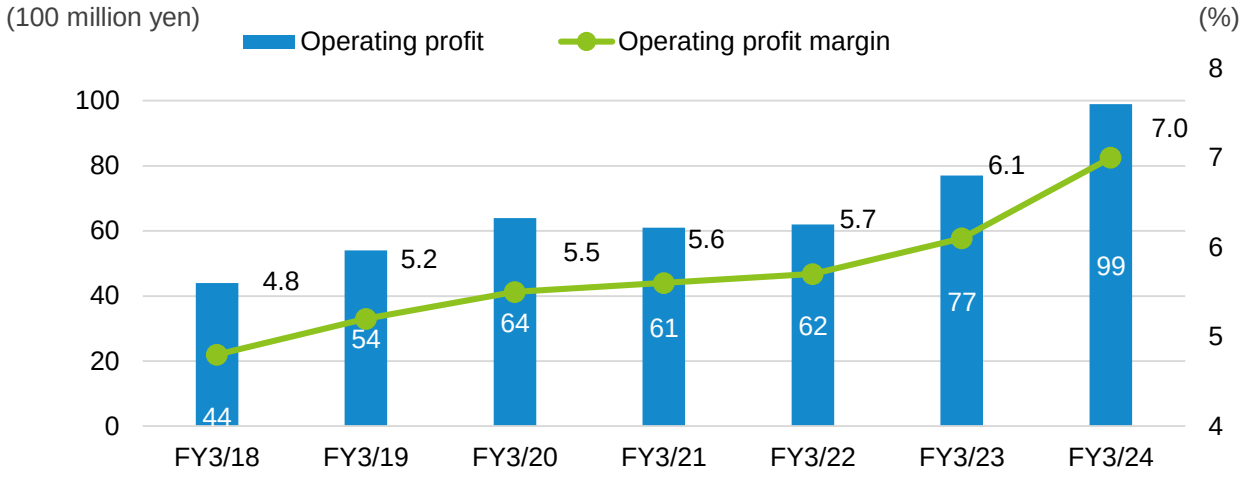
[APPENDIX] Financial Indicators

<Consolidated>

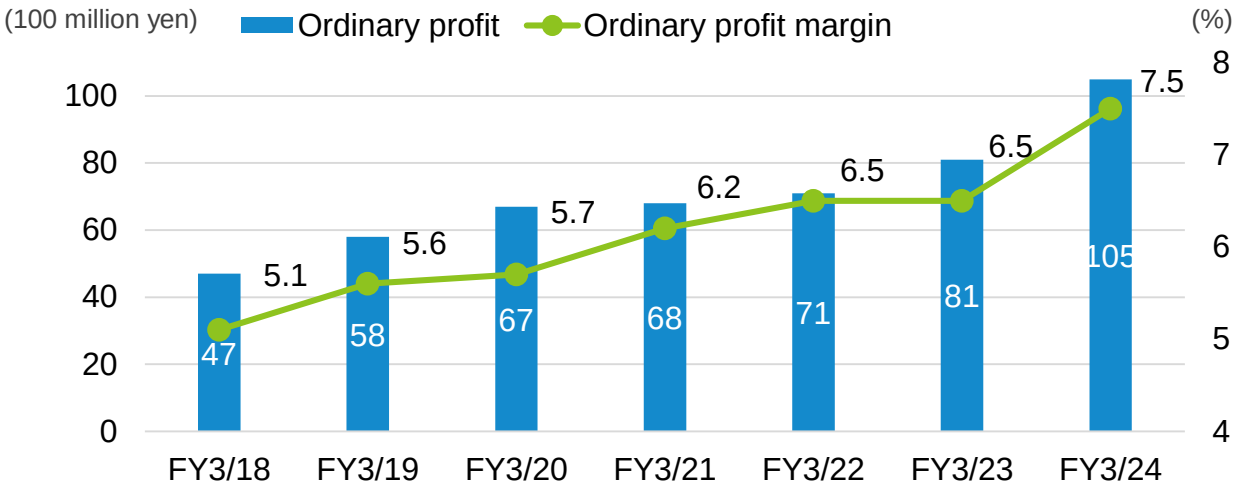
Net sales



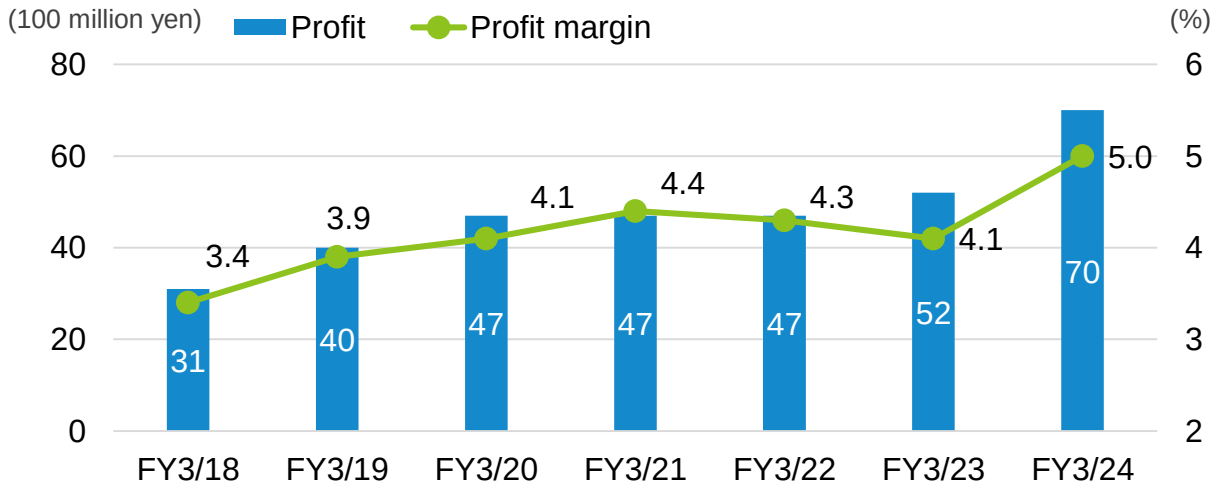
Operating profit



Ordinary profit



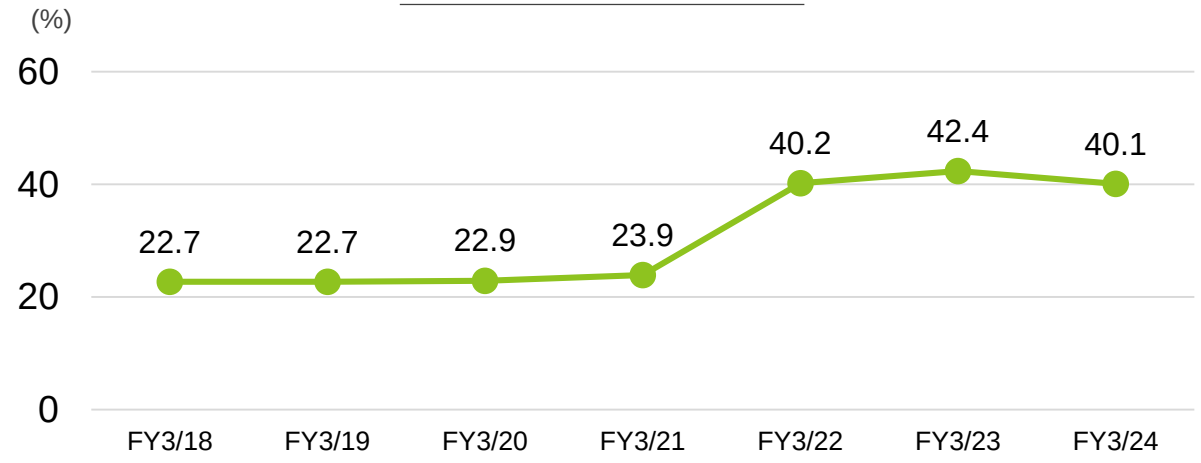
Profit



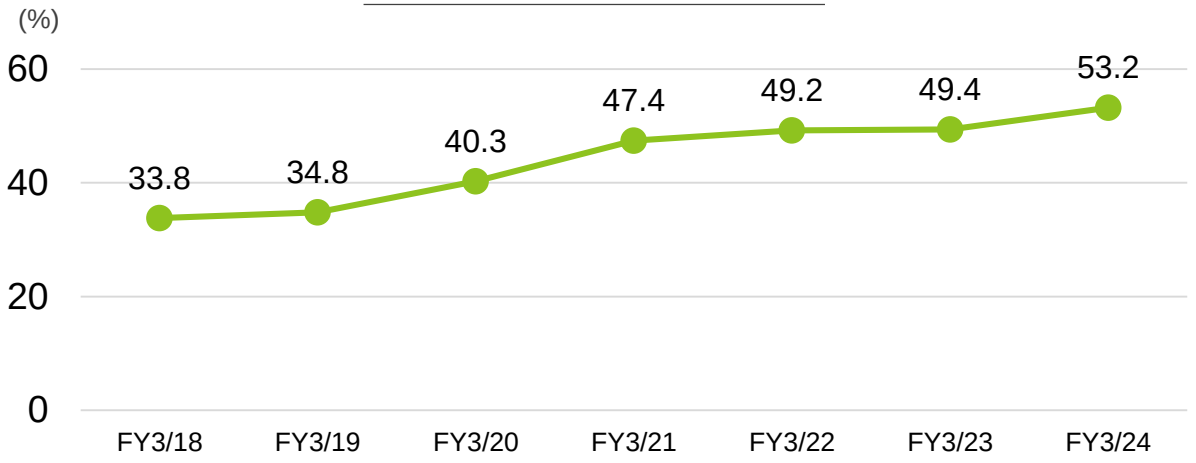
[APPENDIX] Financial Indicators

<Consolidated>

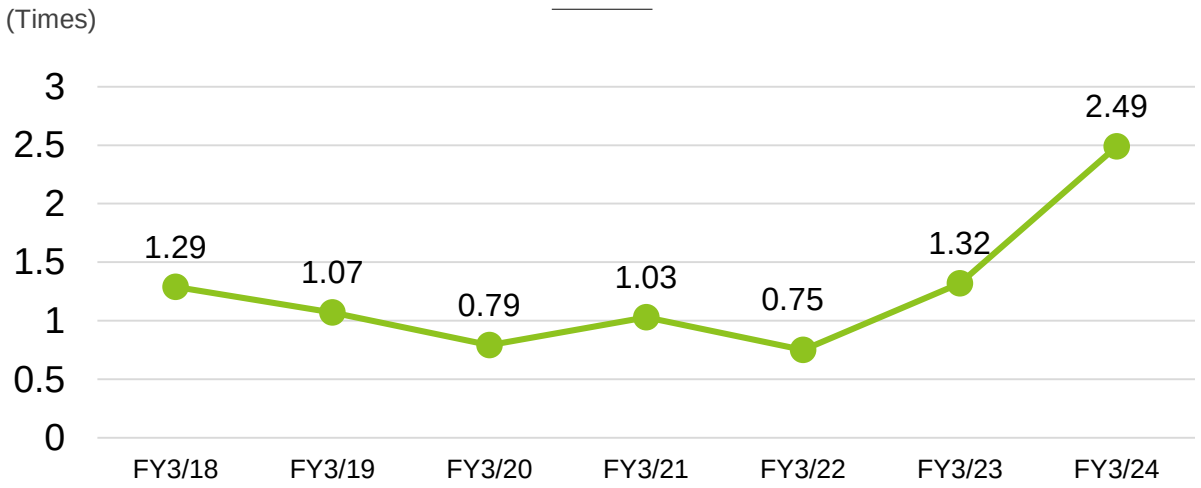
Dividend payout ratios



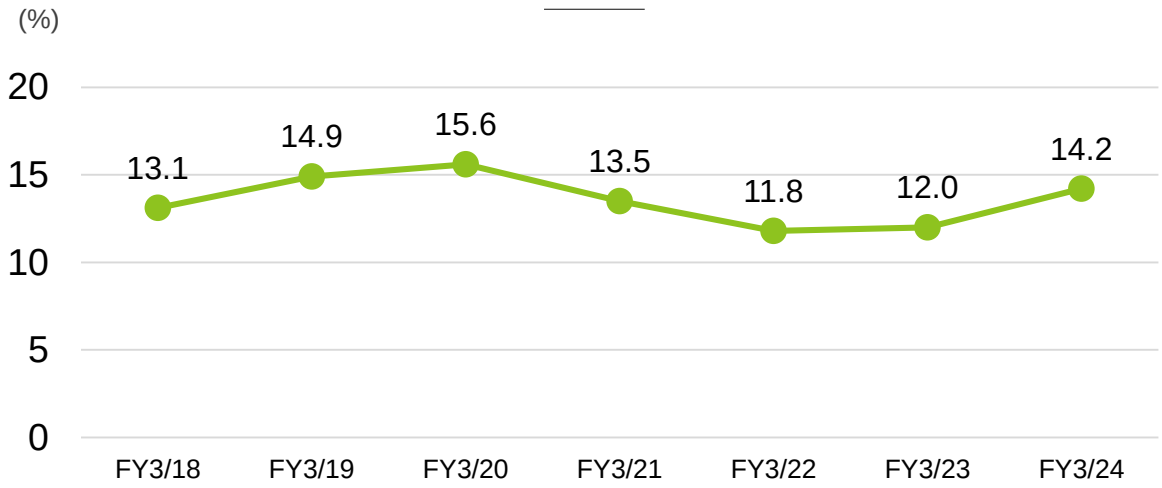
Shareholders' equity ratio



PBR



ROE



Pursuing Materiality (Key Issues) to "Contribute to the Realization of a Sustainable Society"

Materiality	Action plan	Corresponding SDGs
Good for earth Aiming to realize a sustainable decarbonized society and achieve comfort for the people living	■ Promotion of energy saving ■ Promotion of renewable energy ■ Recycling and appropriate disposal of resources ■ Reducing environmental loads in business activities	
Good for society Aiming to create safe, secure and comfortable spaces that realize a resilient society	■ Creating safe, secure, and high-quality spaces ■ Maintaining performance and extending life of buildings and equipment	
Good for people Aiming to be a corporate group that attracts and enables a diverse range of people to play an active role	■ Enhancing the active participation and productivity of all personnel ■ Improving quality and technological capabilities ■ Maintaining and improving safety and health	
Enhance the sound management foundation Responding to the expectations of society and stakeholders and striving to be a trusted corporate group	■ Strengthening corporate governance ■ Compliance ■ Dialogues with stakeholders	

➡ Results of initiatives are posted on our website on "Sustainability."

Notes

[Disclaimer]

*The information on the future, including forecasts, planned figures and prospects, contained in this material is based on information available to the Company as of the date of publication of this material. The actual results may differ materially from these forecasts due to a variety of factors. Please refrain from making investment judgments based only on this material.

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*This material is not a legal disclosure document under the Financial Instruments and Exchange Act and the accuracy and completeness of the information is not guaranteed.

*This material has been prepared for the purpose of providing information to investors and is not intended as a solicitation to invest.

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