TOTECH Group
Supplementary Material for Q2 FY3/25

TOTECH CORPORATION

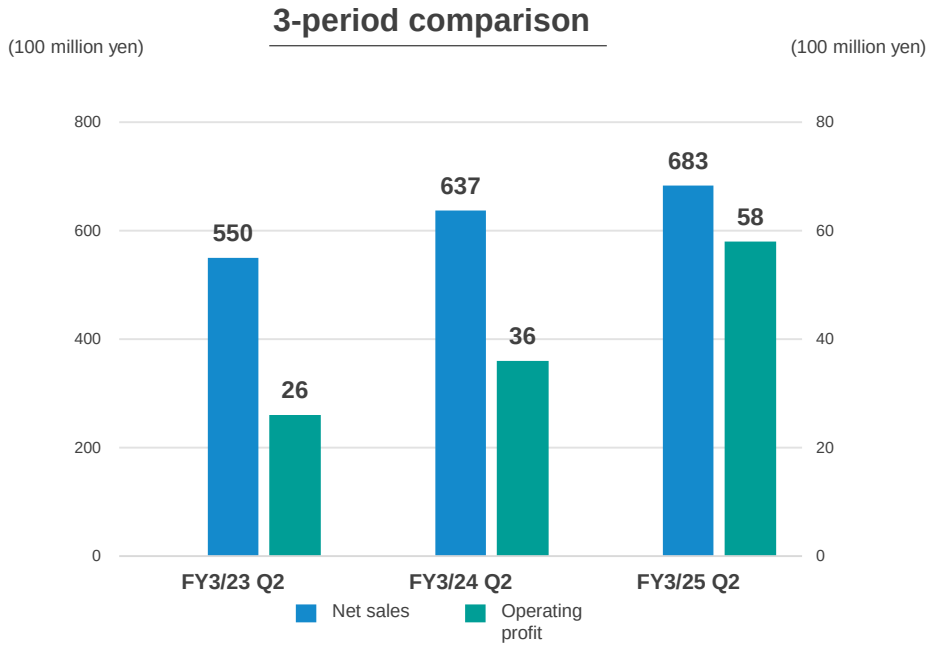
November 11, 2024

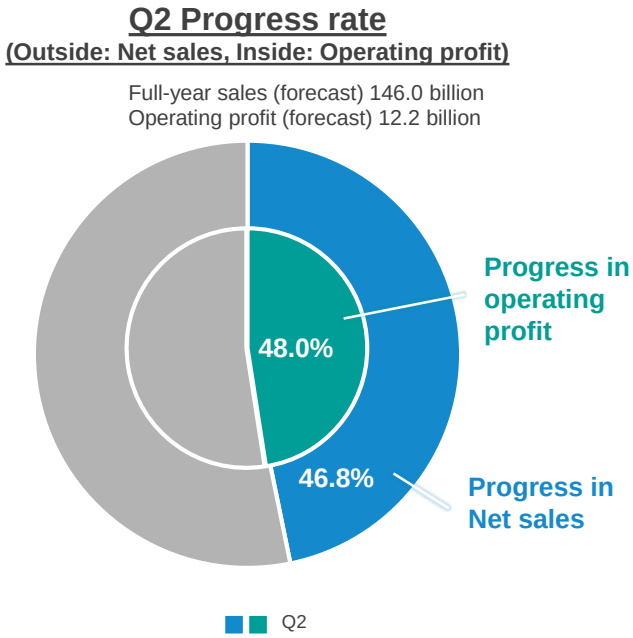
Overview of Q2 FY3/25 (Semi-annual) Performance

Earnings: Record highs for both net sales and operating profit, recording higher sales and profits

- In addition to new construction demand for redevelopment mainly in large cities, sales were favorable due to demand for renovation with an eye to carbon neutrality and demand for data centers. Especially, there was strong demand for instrumentation system to be installed in private-sector factories and office buildings, etc., and by capturing construction demand including related subsidiaries, the gross profit margin improved and the operating profit margin improved for all group companies.
- Both orders received and order backlog remained strong, and the result of domestic affiliates was also firm.

Net sales	¥68.3bn (+7.3% YoY)
Operating profit	¥5.8bn (+61.9% YoY)
Operating profit margin	8.6% (+2.9 ppt. YoY)





Upward Revision to Full-year Forecasts (FY3/25)

■ **Announced upward revisions to full-year results in consideration of trends in results up to Q2**

	FY3/24 Results (100 million yen)	FY3/25 <Initial forecast> (100 million yen)	FY3/25 <Revised Forecast> (100 million yen)	YoY ratio %	Comparison with initial forecast %
Net sales	1,407	1,460	1,460	+3.7%	0
Operating profit	99	105	122	+23.2%	+17 (+16.2%)
Ordinary profit	105	110	130	+22.8%	+20 (+18.1%)
Profit attributable to owners of parent	70	75	90	+28.5%	+15 (+20.0%)

Consolidated Statements of Income (Semi-annual)

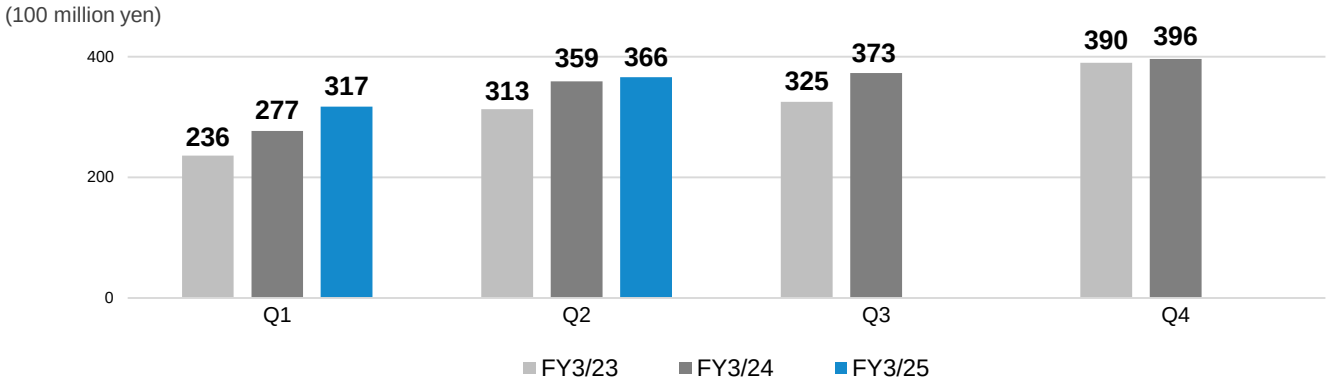
- Net sales performed well with +7.3% YoY
- Significant growth in Construction business sales improved gross profit margin and contributed significantly to higher profit at various stages

	Q2 FY3/23 Results (100 million yen)	Q2 FY3/24 Results (100 million yen)	Q2 FY3/25 Results (100 million yen)	Profit margin	YoY change
Net sales	550	637	683	-	+7.3%
Operating profit	26	36	58	8.6%	+61.9%
Ordinary profit	29	40	63	9.3%	+56.6%
Profit attributable to owners of parent	19	26	45	6.6%	+70.2%

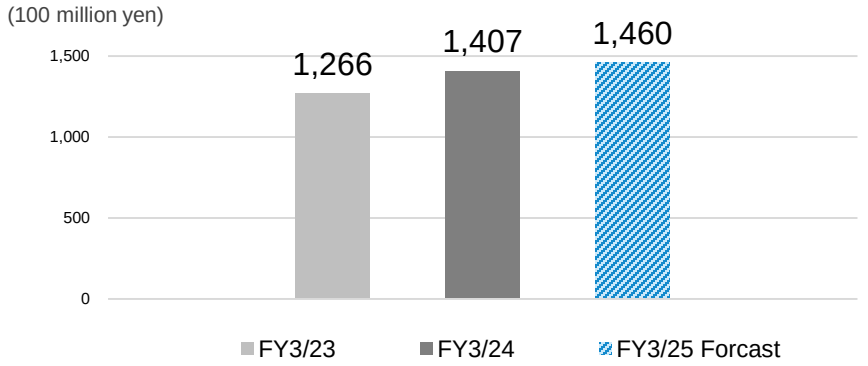
Quarterly Performance

- **Following Q1, Q2 also performed solidly in both net sales and operating profit due to the rise in construction projects.**

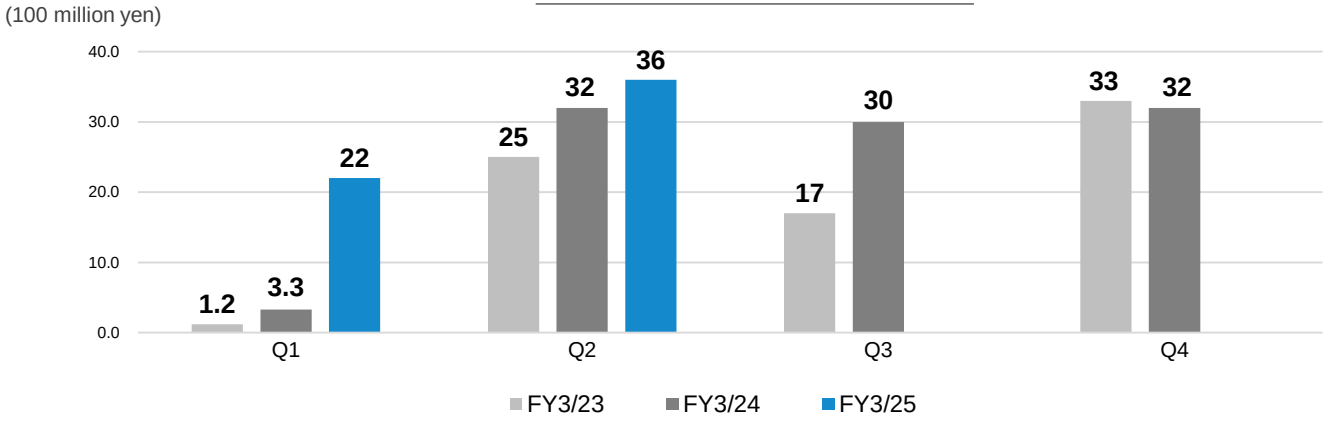
Quarterly Net Sales



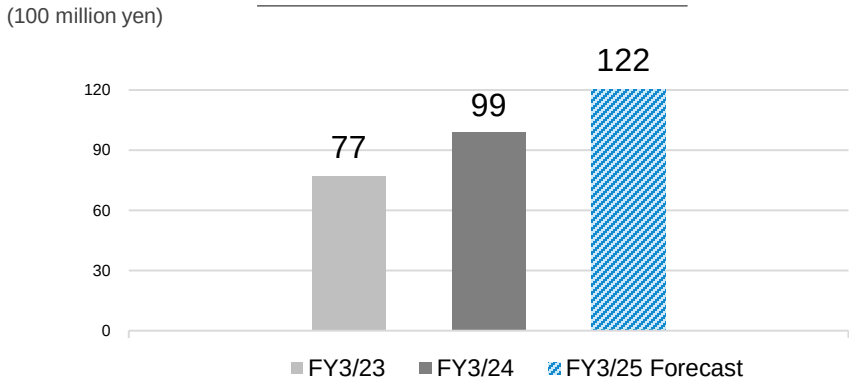
Year-end Net Sales



Quarterly Operating Profit

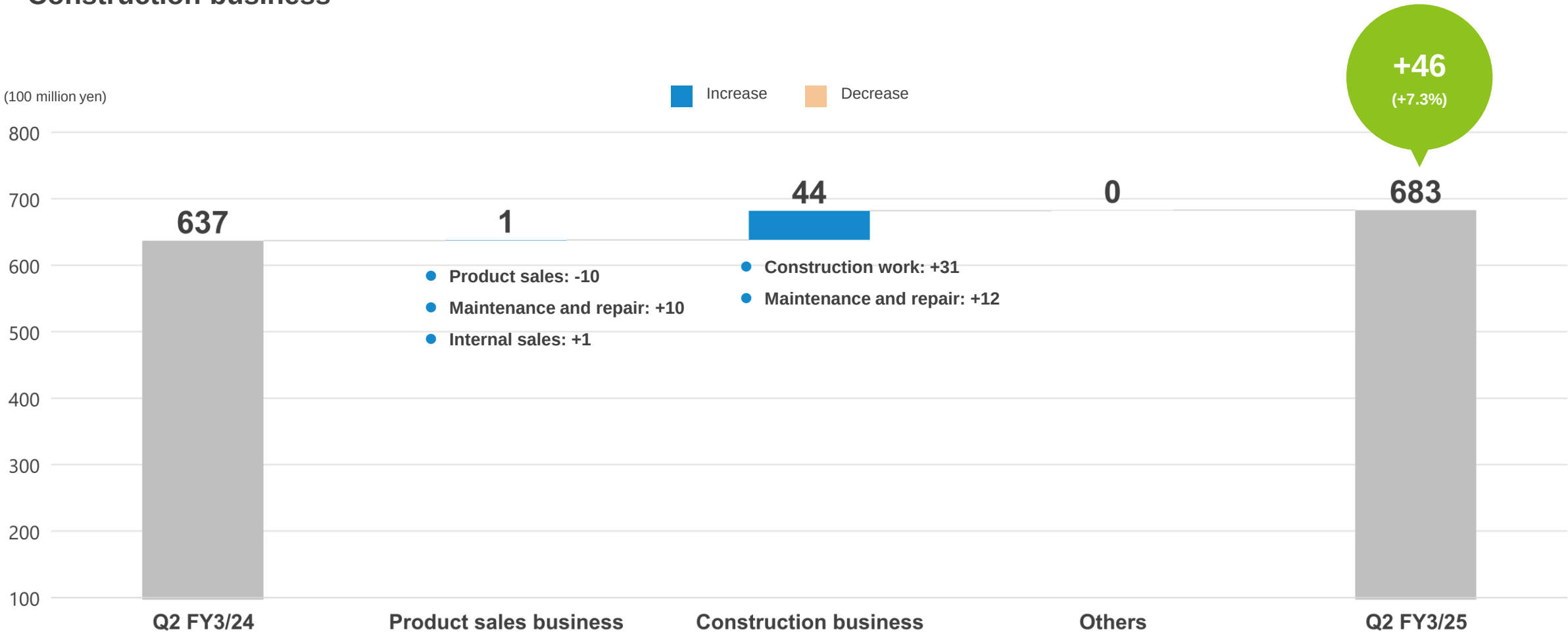


Year-end Operating Profit



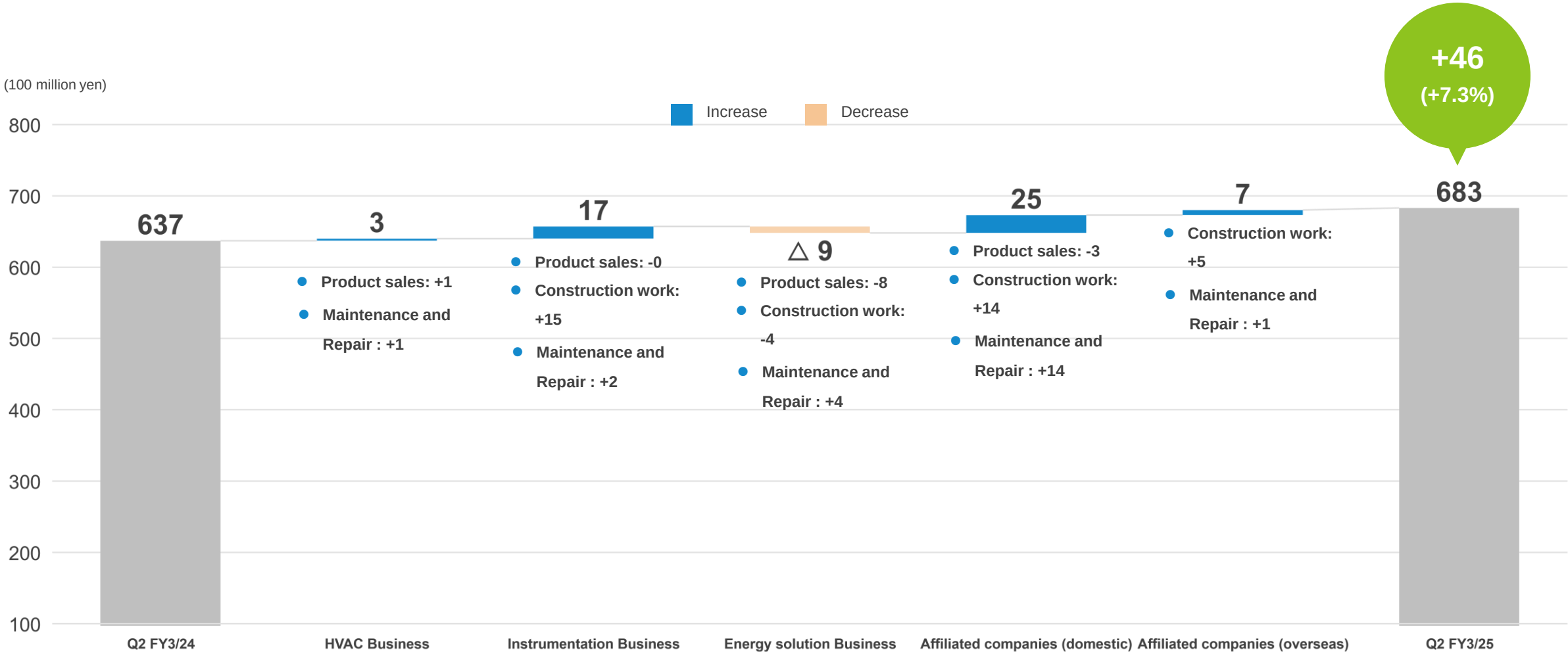
Change Factors for Net sales by Segment

- **Product sales business increased by ¥100 million year-on-year, and Construction business increased by ¥4.4 billion year-on-year, so Construction business sales grew significantly, contributing to overall sales .**
- **Steady growth in regular and spot maintenance leading to stock sales in both Product sales business and Construction business**



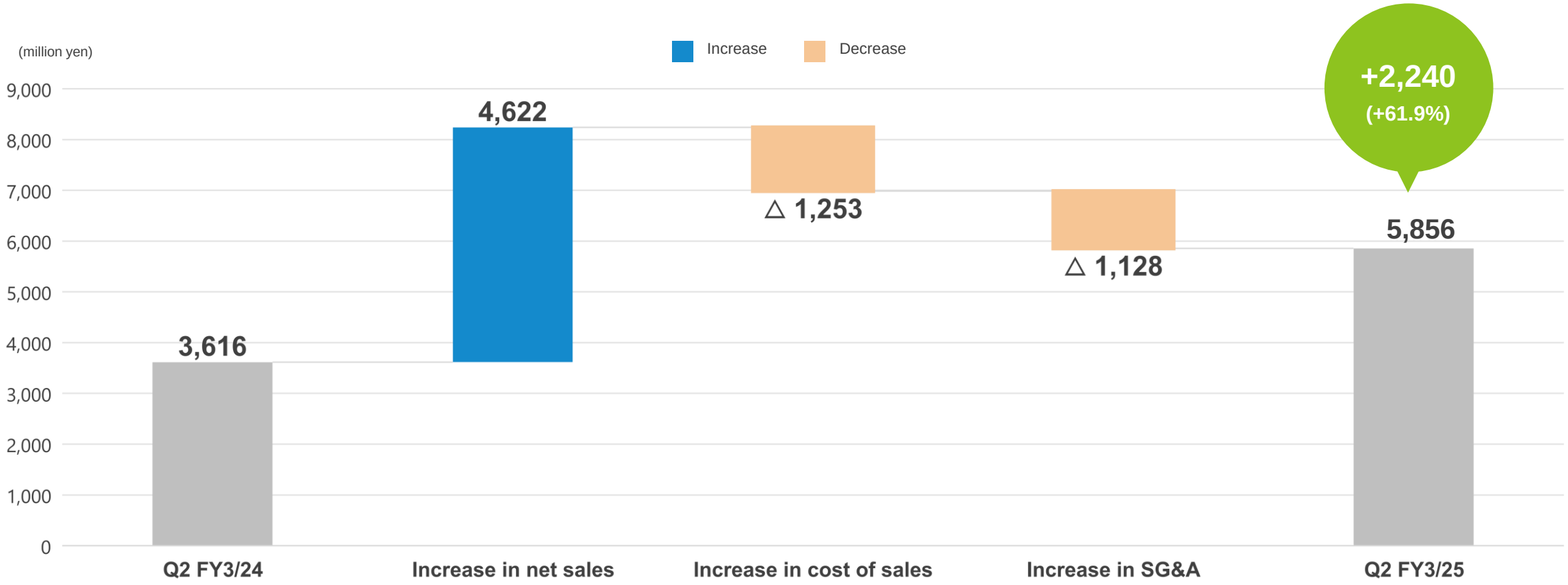
Change Factors for Net sales by Business Field

- **Excluding Energy solution business which was a reactionary backlash from the previous fiscal year's large-scale project, sales grew year on year in all business. In particular, Instrumentation business and domestic affiliates, which have a large percentage of construction work, performed strongly.**



Change Factors for Operating Profit

- **Increased by ¥2.24 billion (+61.9%) year-on-year due to an increase in sales (+7.3%) and an improvement in the gross profit margin, which absorbed an increase in SG&A costs.**



Sales Breakdown by Segment

- **Product sales business's sales declined slightly from the previous fiscal year, but maintenance and repair remained steady at +15.7% YoY**
- **Construction business increased 18.0% YoY and maintenance and repair expanded 30.4% YoY, contributing to higher earnings.**

	Q2 FY3/24	Q2 FY3/25	
	Net sales (100 million yen)	Net sales (100 million yen)	YoY
Product sales business	**387**	**388**	+0.4%
Product sales	340	329	-3.1%
Maintenance and repair	69	80	+15.7%
Internal sales	-22	-21	-
Construction business	**249**	**294**	+18.0%
Construction work	208	240	+15.0%
Maintenance and repair	42	55	+30.4%
Internal sales	-1	-0	-

Sales Breakdown by Business

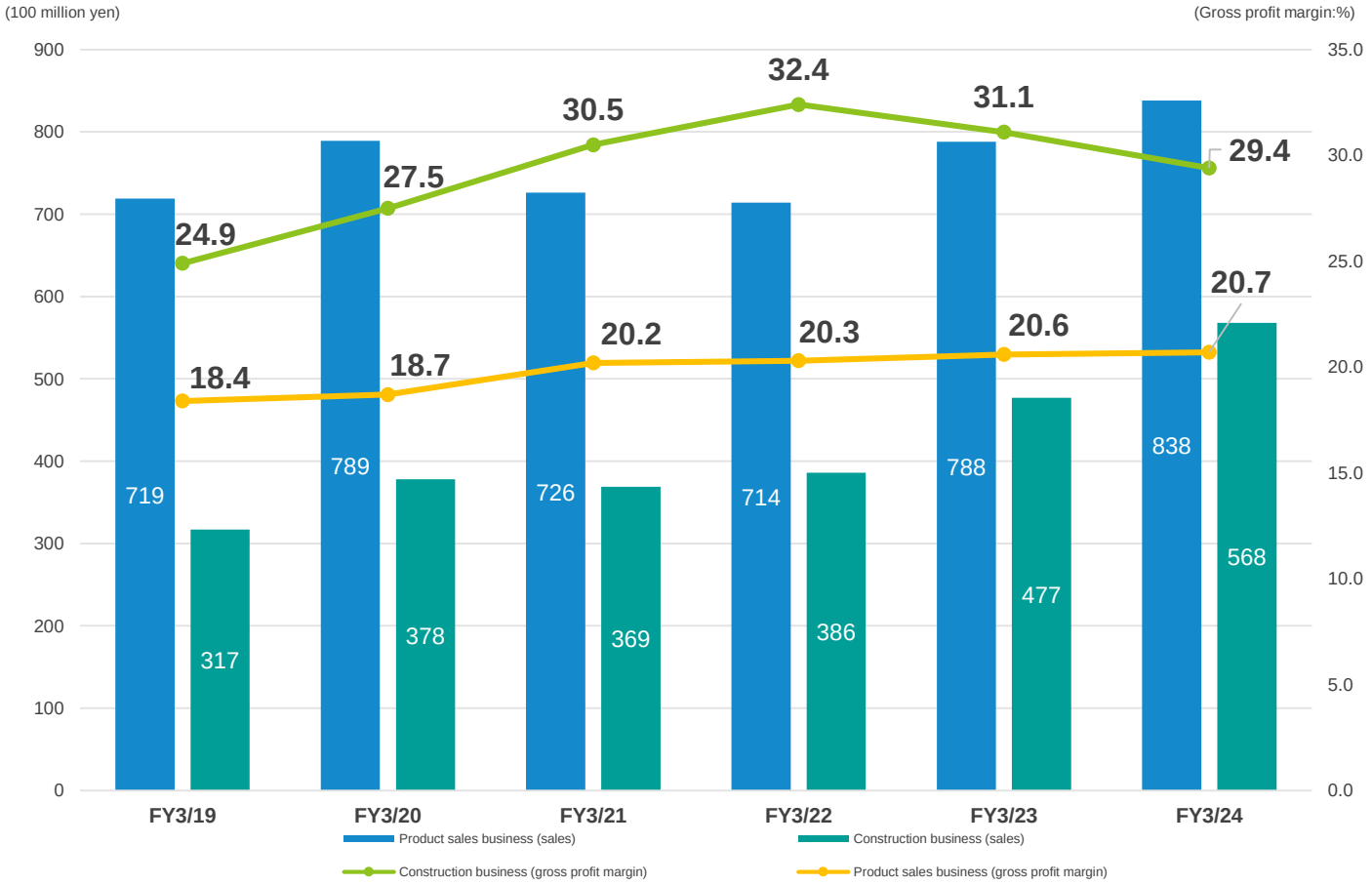
- **Net sales declined year on year in Energy solution business only, reflecting a reaction to the large-scale project in the previous fiscal year. However, sales in all other businesses increased year on year.**
- **Overall maintenance and repair expanded steadily by +21% year-on-year, accounting for approximately 20% of total sales**

	Q2 FY3/24	Q2 FY3/25	
	Net sales (million yen)	Net sales (million yen)	YoY
HVAC Business	**29,899**	**30,209**	**+1.0%**
Product sales	28,582	28,709	+0.4%
Maintenance and repair	1,317	1,499	+13.8%
Instrumentation Business	**10,450**	**12,154**	+16.3%
Product sales	702	685	-2.5%
Construction work	8,383	9,892	+18.0%
Maintenance and repair	1,364	1,576	+15.6%
Energy solution Business	**7,366**	**6,438**	**-12.6%**
Product sales	1,545	681	-55.9%
Construction work	4,499	4,034	-10.3%
Maintenance and repair	1,321	1,722	+30.3%
Affiliated companies (domestic)	**16,199**	**18,788**	**+16.0%**
Product sales	3,184	2,875	-9.7%
Construction work	6,721	8,219	+22.3%
Maintenance and repair	6,293	7,694	+22.3%
Affiliated companies (overseas)	**2,214**	**2,998**	**+35.4%**
Construction work	1,284	1,878	+46.2%
Maintenance and repair	929	1,119	+20.5%
Internal sales	**-2,435**	**-2,269**	**-**

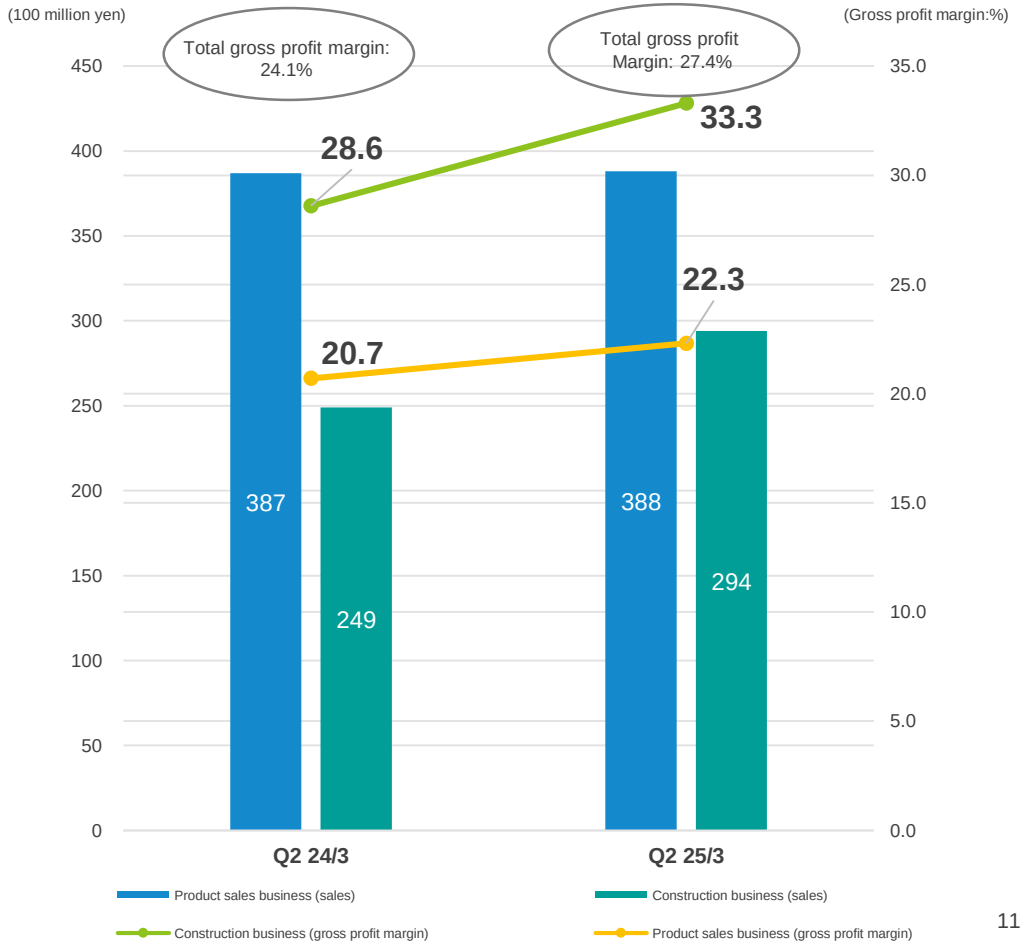
Segment Sales and Gross Profit Margin

- **Q2's gross margin improved to 27.4%, 3.3 points improved year-on-year**
- **In paticular Gross profit margin in the Construction business was 33.3%, an improvement of 4.7 points from the previous year**

6-year Trend



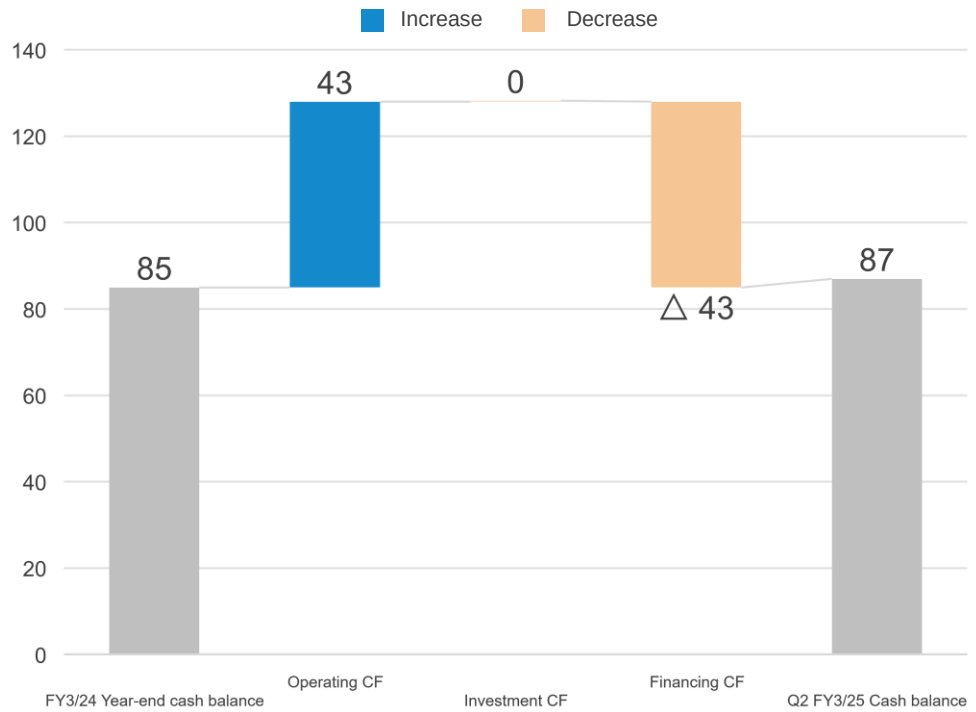
YoY Comparison (Q2)



Balance Sheet / Cash Flow

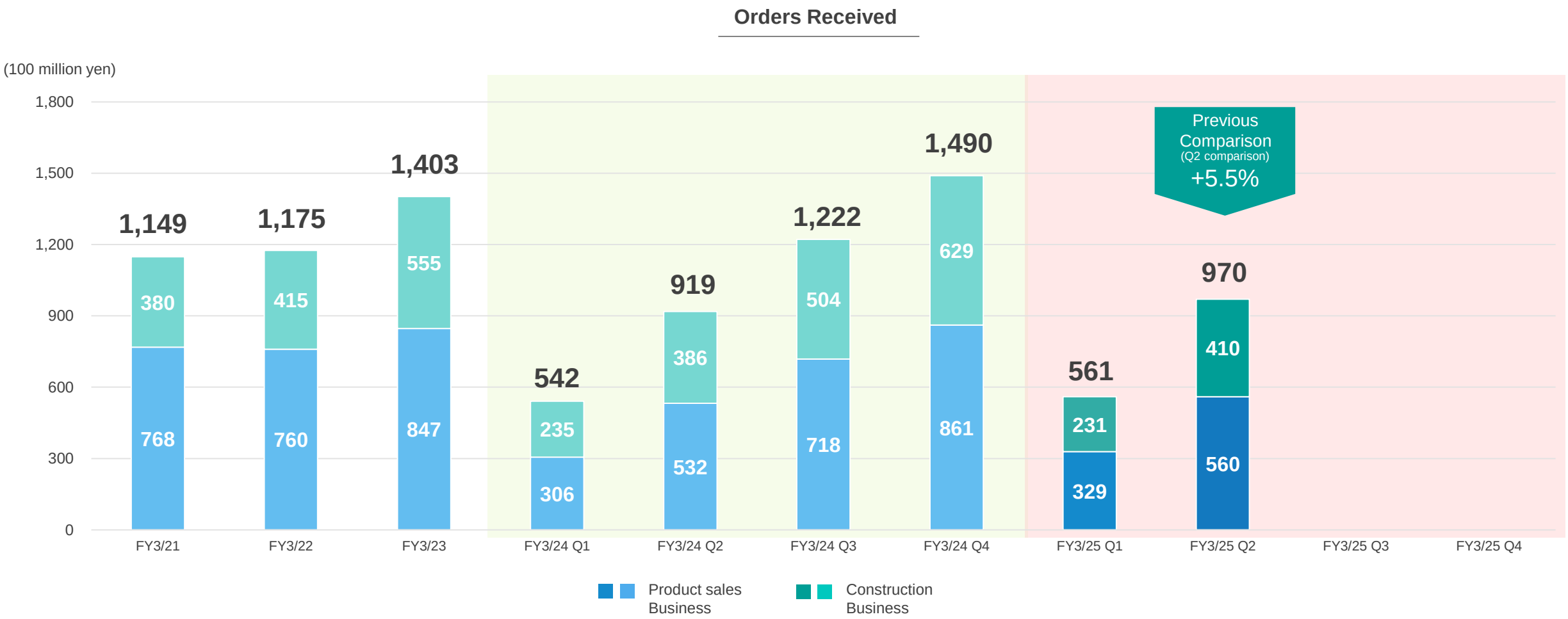
(100 million yen)	FY3/24	Q2 FY3/25	Change
Current assets	559	543	-16
Cash and deposits	86	89	+2
Notes and accounts receivable-trade, contract assets, and electronically recorded monetary claims	407	389	-18
Inventories	42	51	+8
Other	22	14	-8
Non-current assets	445	448	+3
Property, plant and equipment	202	203	+0
Intangible assets	33	32	-0
Investments and other assets	209	213	+4
Total assets	1,004	992	-12
Current liabilities	391	365	-26
Notes and accounts payable-trade, electronically recorded obligations-operating	238	225	-13
Short-term borrowings, Current portion of long-term borrowings	53	49	-4
Other	99	91	-8
Non-current liabilities	78	64	-14
Long-term debt	36	19	-17
Other	41	43	+2
Net assets	534	563	+29
Total shareholders' equity	443	469	+25
Accumulated other comprehensive income, etc.	90	94	+3
Total liabilities and net assets	1,004	992	-12
Shareholders' equity ratio	53.2%	56.8%	+3.6%

	Q2 FY3/24 (100 million yen)	Q2 FY3/25 (100 million yen)
Operating CF	15	43
Investment CF	-2	0
Free CF	12	43
Finance CF	10	-42
Cash balance	73	87



Orders Received

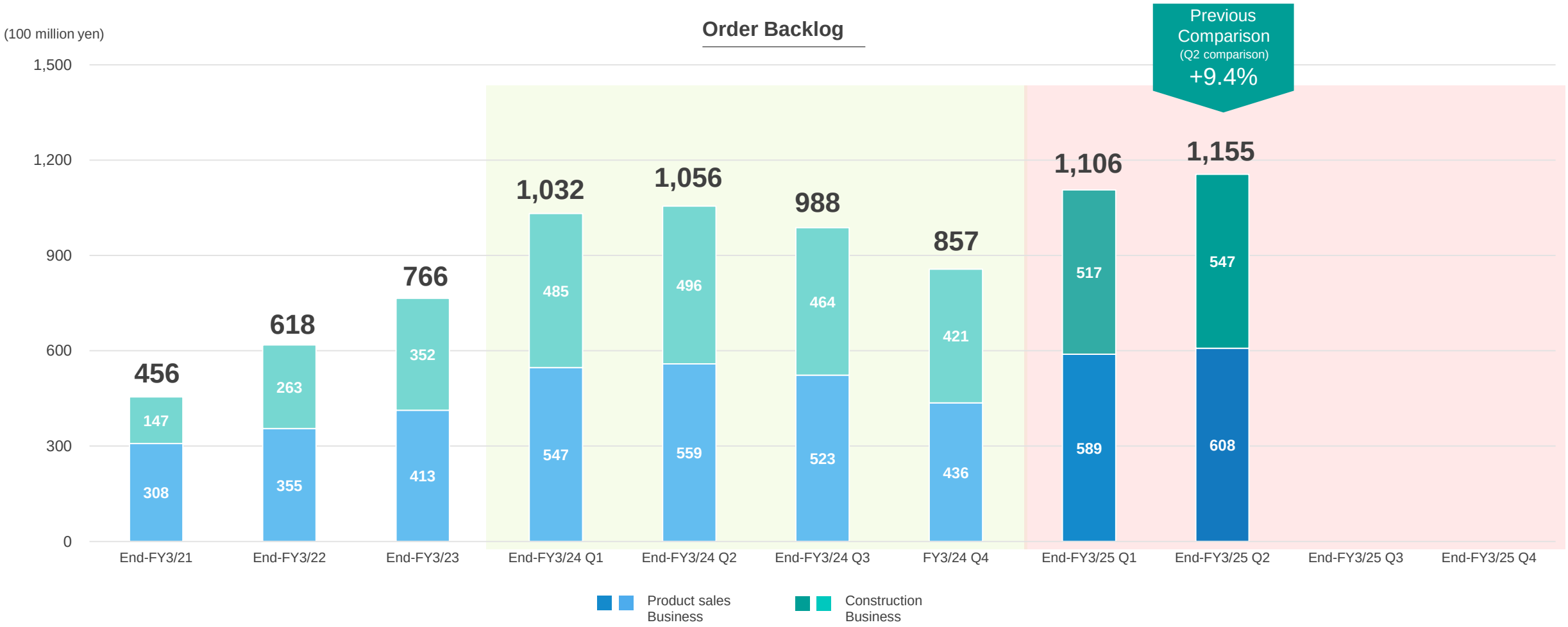
■ **The status of new orders remained strong (orders received: +5.5% YoY) in response to robust demand.**



*Including overseas subsidiaries (QA) from FY23/3

Order Backlog

- **The order backlog remained strong (+9.4% 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 Q2: +8.8% YoY; Construction business orders in Q1: +10.3% YoY).**



*Including overseas subsidiaries (QA) from FY22/3

Full-year Business Forecasts: FY 3/25

(100 million yen)	FY3/24 (Results)	FY3/25 (Forecast)	Rate of change
Net sales	1,407	1,460	+3.7%
Operating Profit	99	122	+23.2%
Ordinary profit	105	130	+22.8%
Profit attributable to owners of parent	70	90	+28.5%

[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

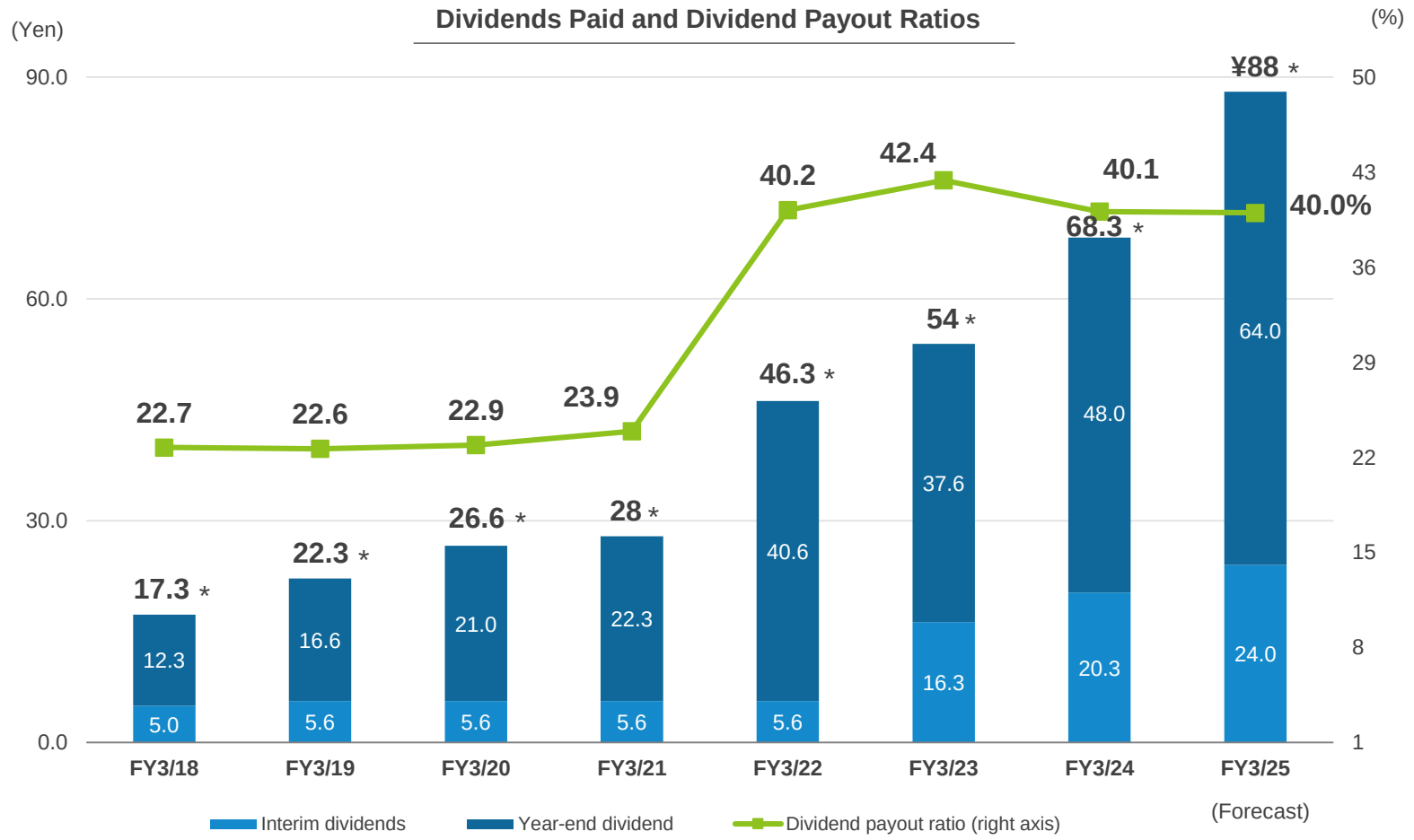
Starting from FY3/22, we have established a basic dividend policy of targeting a payout ratio of 40%.
Dividend for the previous fiscal year was increased by 23 yen from the initial forecast of 182 yen to 205 yen for the full year (before the 3-for-1 split).
Effective April 1, 2024, we conducted a 3-for-1 stock split. The post-split dividend forecast for this fiscal year is 88 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%

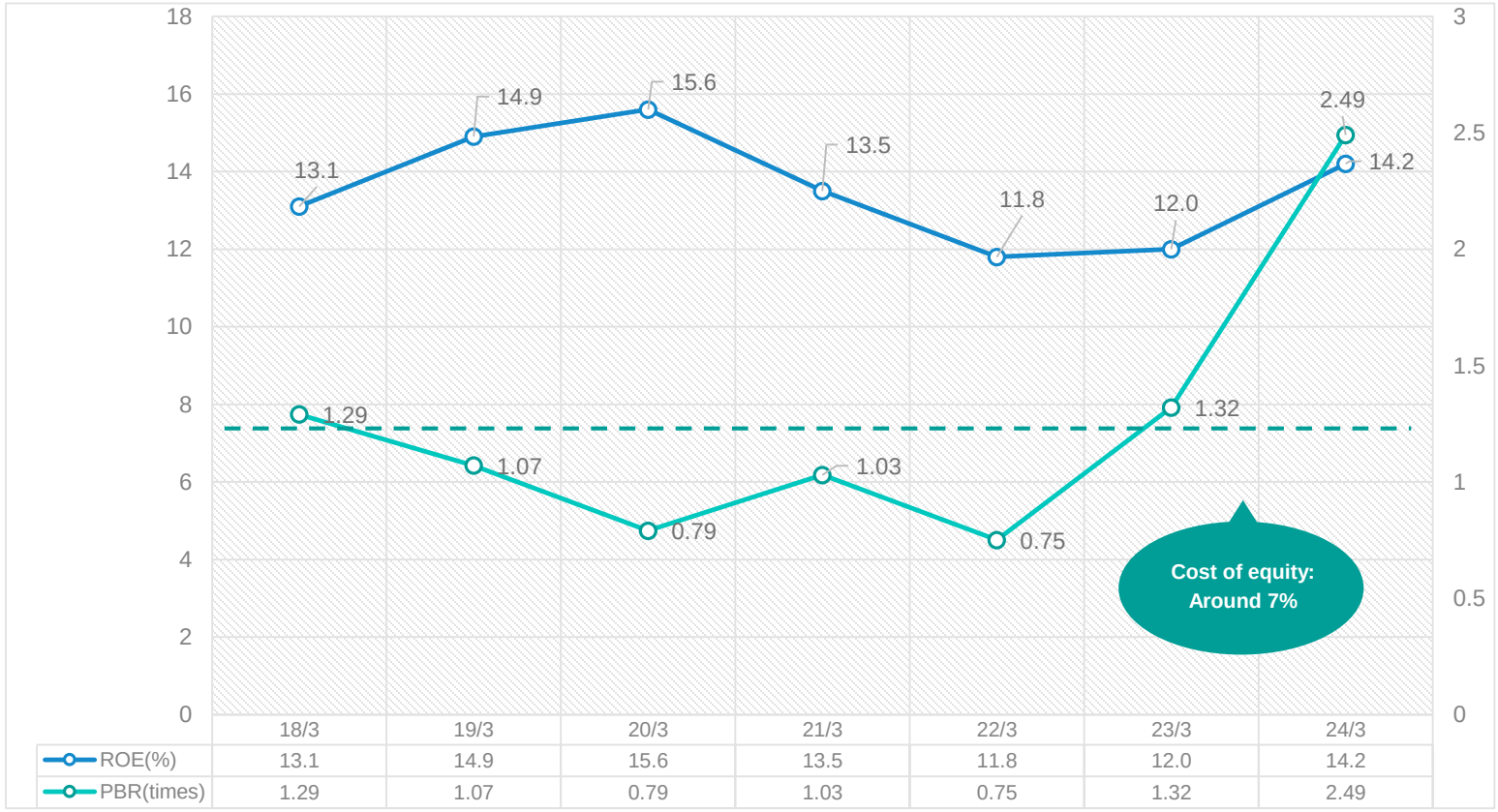
PBR : 1x or more

ROE : 12% 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(times)	1.29	1.07	0.79	1.03	0.75	1.32	2.49

1st Medium-Term Management Plan

(FY2023-FY2025)

Topics

Purpose and Long-term Vision

PURPOSE
Our raison d'etre

The Totech Group creates a comfortable environment that is rich in spirit.

Our mission is to seek not only economic efficiency and convenience, but also the spiritual richness that lies beyond them.

First Medium-term Management Plan
FY2023-FY2025

Net sales: 155 billion yen
Ordinary profit: 12 billion yen
*Revised upward on May 15,2024

Good for people

Fostering a culture of taking on challenges and accepting failure

■ **Slogan of the long-term vision**

Taking comfort to the next level.

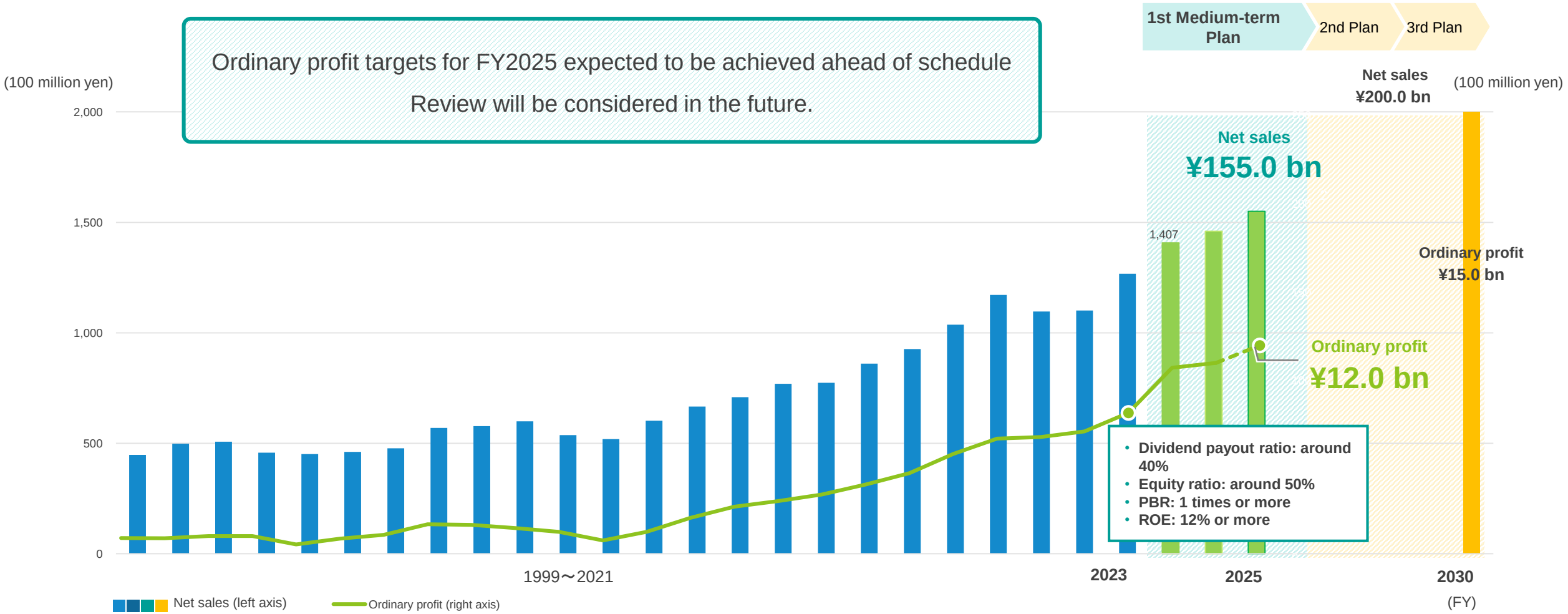
Comfort to people, society, and the earth.
We pursue that “comfort” of a new era
by capturing the changes in technological innovation
and social organization,
and aim to be a group that creates a comfortable
environment that is one step ahead.

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 the 1st Medium-Term Management Plan, 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".

Ordinary profit targets for FY2025 expected to be achieved ahead of schedule

Review will be considered in the future.



Overall Strategic Framework

In the First Medium-term Management Plan, we aim to realize a corporate group which is "good for people" and strategically promote the creation of social and economic values.

Gist of the First Medium-term Management Plan "Good for people" (Fostering a culture of taking on challenges and accepting failure)

Strategic framework	Creation of social value	Creation of economic value
1 Investment in human resources	◎	◎
2 ESG-focused Management	◎	
3 Strengthen core business		◎
4 Expand overseas Business		◎

[Medium-Term Management Plan] Topics 1. Investment in human resources

Recruitment Initiatives

- **We continue active recruitment activities. In the next fiscal year, the group as a whole expects to hire more than 100 new graduates. Regarding to mid-career recruitment, we are strengthening our ability to hire people with ready-to-use skills through referral recruitment and the conversion of technical temporary staff to full-time employees.**
- **After joining the company, we will support their career developments based on an enhanced education and rank-based training system. Support career realization through free participation video training and in-house recruitment**

Hiring of new graduates

TOTECH Welcoming ceremony
(In 2024 October 1)





Key Points for Strengthening Hiring Activities

New graduates

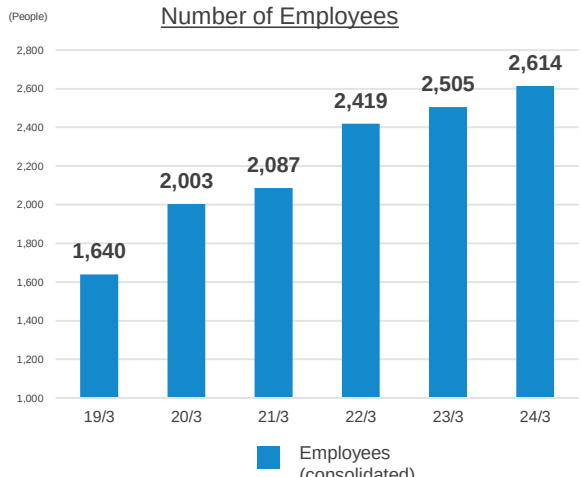
- Use of job information websites and events according to area characteristics
- Enhancement of internship content (3 types of operation, including those limited to science students)

Create opportunities for dialogue between students and the company (experienced employees, etc.). Generous follow after informal offers

- Use of offer system recruitment and strengthening of school visits (especially in science)

Mid-term

- Aggressive recruitment of ready-to-work human resources, including the use of referral recruitment and the conversion of technical dispatched employees to permanent employees



April - Oc-ber 2024

New graduates hired: 87 employees
Mid-career hires: 84 employees
(Group total)

[Medium-Term Management Plan] Topics 2. ESG-focused management

Group-wide activities to calculate and reduce GHG emissions

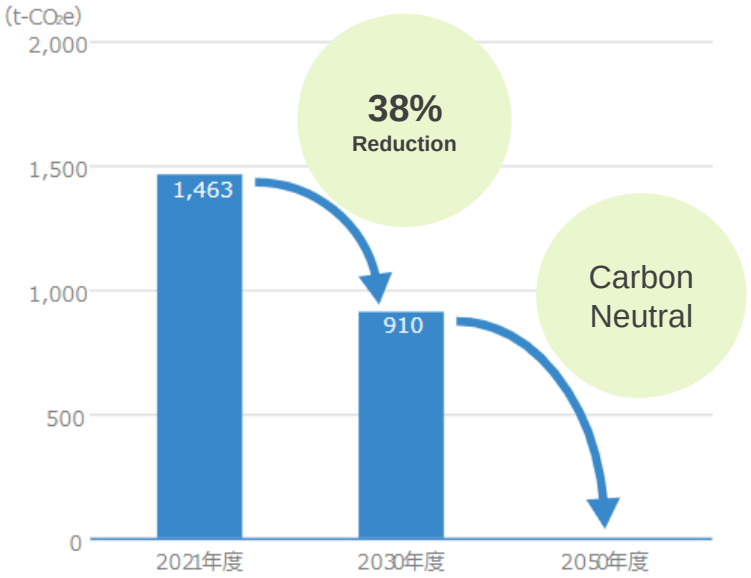
- In May 2023, in favor of TCFD, disclosed climate-related financial informations. Established the Sustainability Committee and formulated action policies
- Disclosure of GHG emissions Scope1,2 including major group companies, and disclosure of Scope3 on a non-consolidated basis

Set 2050 GHG savings targets

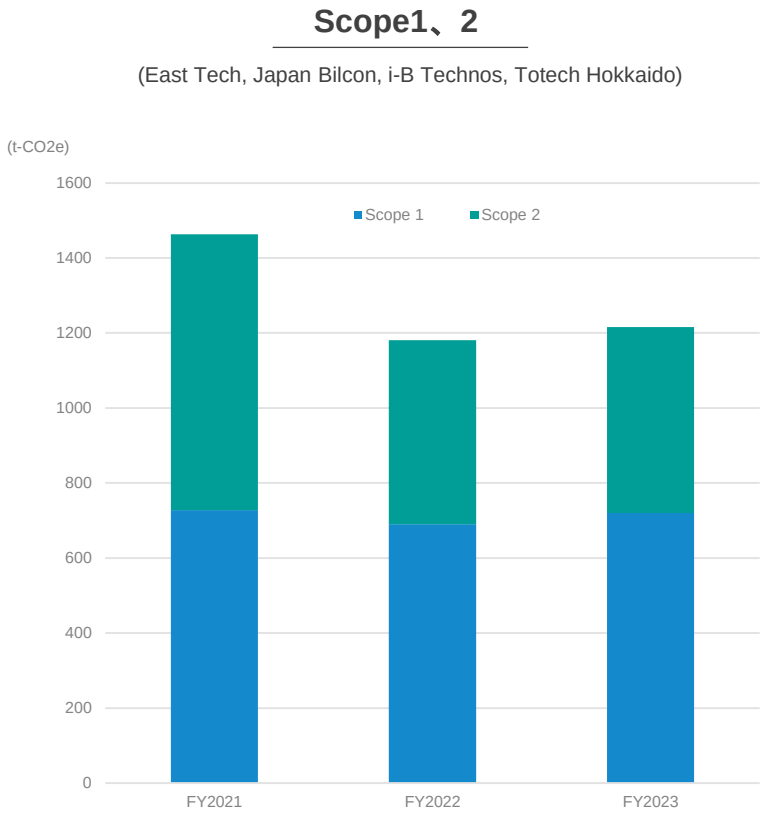
TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Toward Zero-Emissions of GHG in 2050

Set GHG reduction targets for achieving carbon neutral emissions (Scope1,2) of "38% reduction in fiscal 2030" and "100% reduction in fiscal 2050" compared to fiscal 2021
Set GHG reduction targets aimed at carbon neutral: 38% reduction in FY2030 and 100% reduction in FY2050



GHG emissions



[Medium-Term Management Plan] Topics 3. Strengthen core business

Strengthen product/service capabilities (Energy solution business)

- **Energy solution business is strengthening its renewable energy & e-solutions, and in collaboration with designing companies, it has constructed the "Solar Car Port for Disaster Prevention and Dual Use" at the NOHMI BOSAI LTD. Menuma Plant. In the future, we will work to expand sales to businesses and municipalities that are expected to have needs.**

Dual-purpose solar car port for disaster prevention



EV charger　Power mover　Manhall toilet

Features of the disaster prevention dual-purpose solar car port

1. **Combine the functions of evacuation centers**
   Solar carports, EV chargers, and disaster-prevention manhole toilets installed

2. **Normal time**
   The electricity generated by the solar power generation system is used to power the factory and electric vehicles.

3. **In the event of a disaster (during a power outage)**
   The electricity generated by the solar power generation system is supplied to the emergency power outlet. It is also possible to supply power from an electric vehicle.　Manhole toilets with water supply and drainage functions are also installed.
   ※Depending on the construction site, it is also possible to install a disaster prevention well.

[Medium-Term Management Plan] Topics 3. Strengthen core business

Strengthen product/service capabilities (Energy solution business)

- **Energy solution business began offering a lead-acid battery recycling service as a product that contributes to the achievement of a carbon-free society. CO2 in the manufacturing process is reduced by using recycled products when replacing storage batteries. Also contributing to the reduction of industrial waste and the reuse of resources**
- **Lead-storage batteries are used in emergency power supplies, emergency power generation machines, UPS (*1), CVCF (*2), etc. in all buildings. We will propose and expand sales to customers who need to secure power supplies in case of an emergency.**

*1 Abbreviation for 1 UPS・・・Uninterruptible Power Supply, an uninterruptible power supply. Supplying backup power in the event of a power failure such as a power failure
*2 The abbreviation for 2 CVCF・・・ Constant Voltage Constant Frequency refers to constant-voltage constant-frequency/alternating-current stabilized power sources. Stable supply of specified voltage and frequency

Lead-acid battery



Control valve-type stationary lead-acid battery

Features of Recycled Lead-acid Batteries

1 Reliable quality and low cost
- Only offers products with a 95% reclaim rate equivalent to new products
- Price image of about half the price of a new product

2 Environmental Considerations
- Significantly reduced CO_2 by reducing the frequency of new manufacturing and waste
  - ・Reduce CO_2 generated by 98% compared to manufacturing of new products
  - ・Contributing to reduction of industrial waste and reuse of resources

3 Long-term guarantee
- Warranty for 6 years after replacement (charged for the fourth to sixth year)

Medium-Term Management Plan Topics 4. Expand overseas business

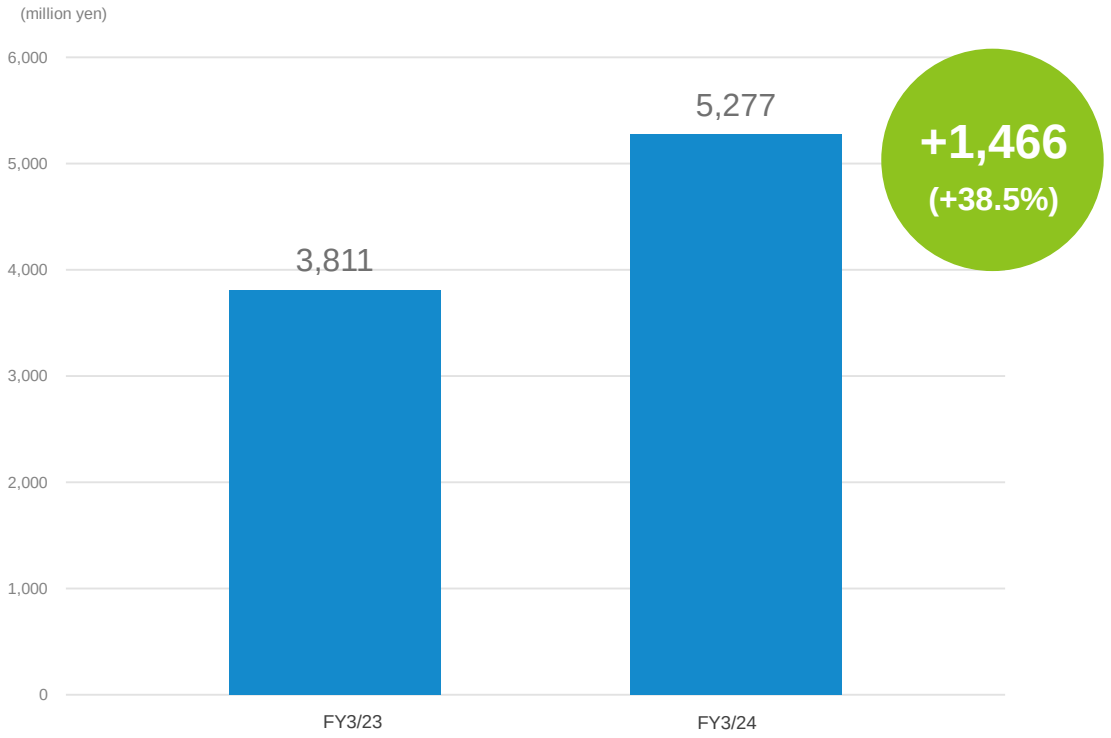
Expanding the customer base

- Singapore-headquartered Quantum Automation, which became a subsidiary in March 2022, leverages synergies with the Totech group
- Received an order from a local Japanese subcontractor for automated control of government-affiliated railways and high-speed tunnels (tunnel ventilation control, station BMS, etc.)

BMS(Building Management System)



Sales Trends of Affiliated Companies (Quantum Automation)



<APPENDIX>

Corporate Profile

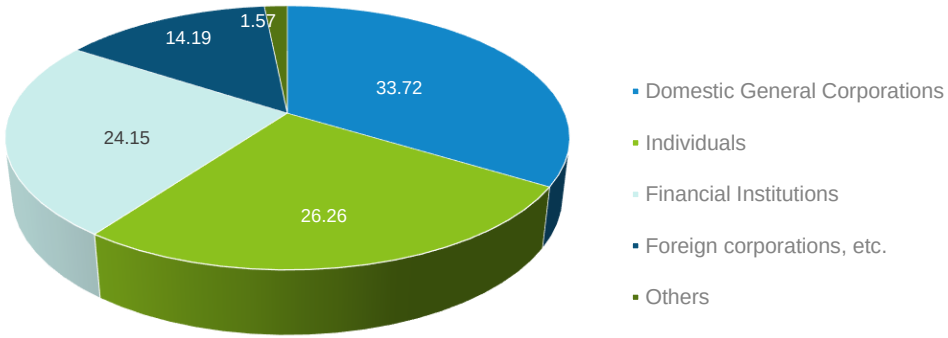
Company name	TOTECH CORPORATION (Tokyo Stock Exchange Prime Market; 9960)
Established	July 6, 1955
Business	Sales of Air Conditioning and other Equipment Business, Instrumentation work Business, Energy Business, etc.
Head Office	3-11-11, Nihonbashi, Honcho, Chuo-ku, Tokyo
Capital Stock	1,857 million 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

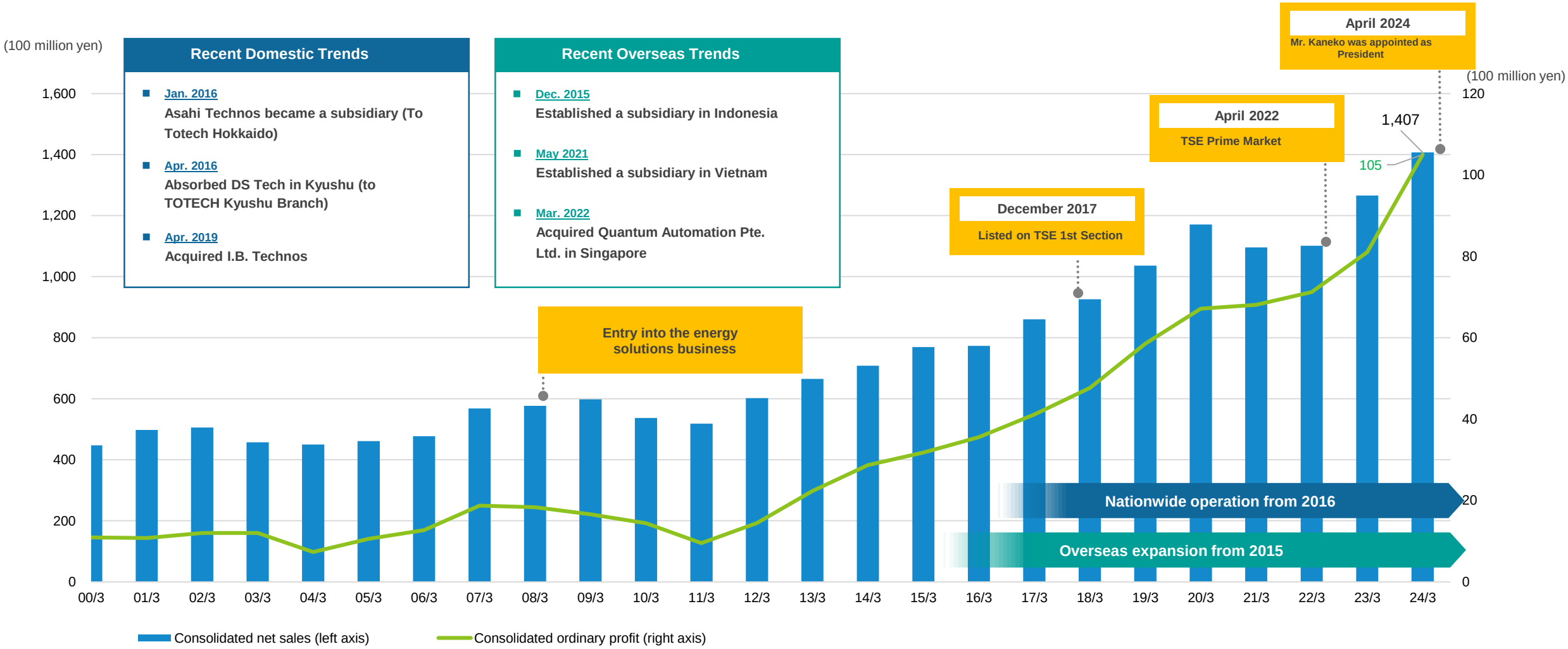
April 1988: Joined Toshiba Corporation
October 2013: General Manager, Global Solutions Engineering Department, Community Solutions Division, Toshiba Corporation
April 2016: General Manager, Global Engineering Department, Business Development Center, Toshiba Corporation
July 2018: Joined I.B. Technos 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

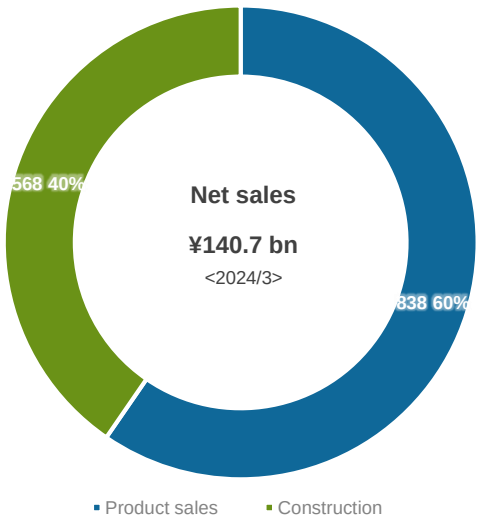
- **July 2025 marks the 70th anniversary of our founding. In addition to organic growth, we have been promoting sales and profit growth through M&As (domestic and overseas).**
- **Effective April 1, 2024, Kiyotaka Kaneko was appointed as new President.**

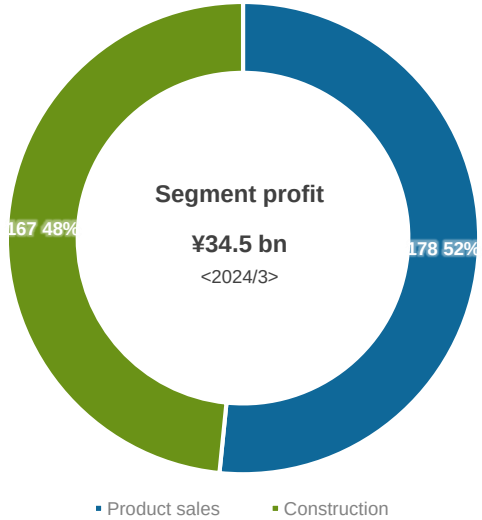


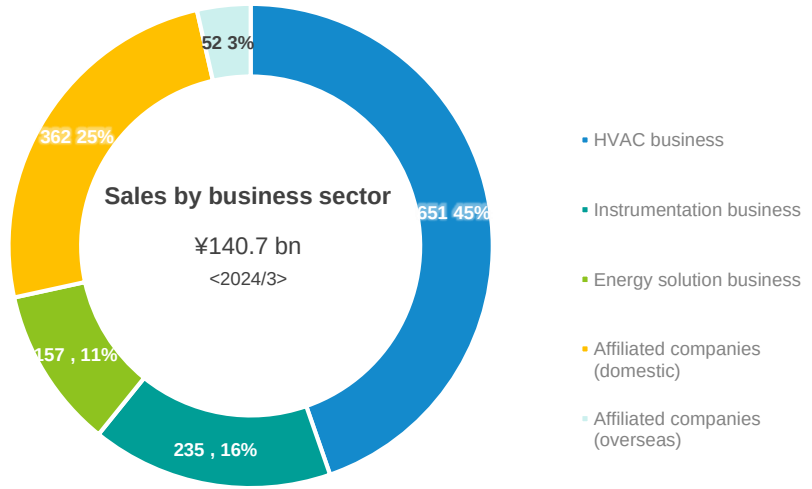
TOTECH Group: Business Areas

- **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. ● Large 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



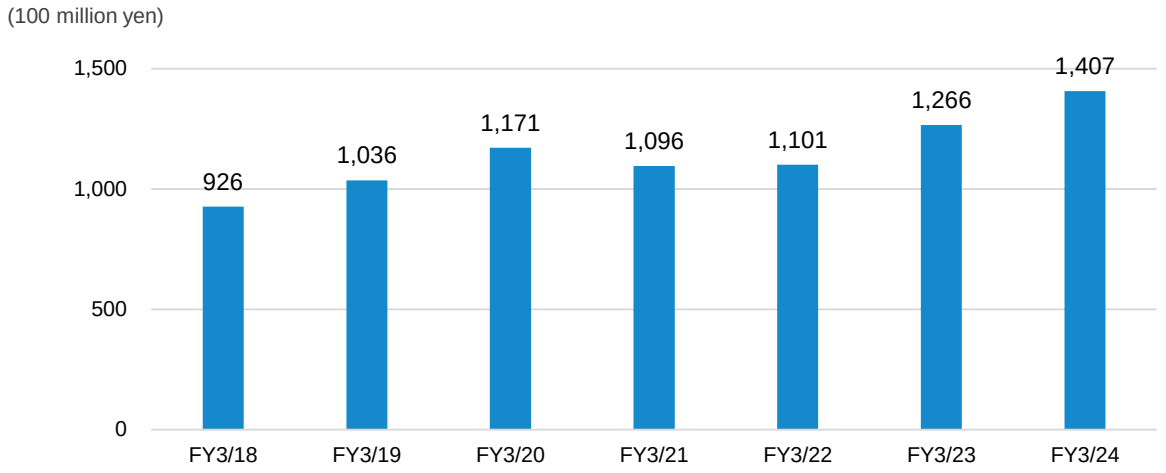




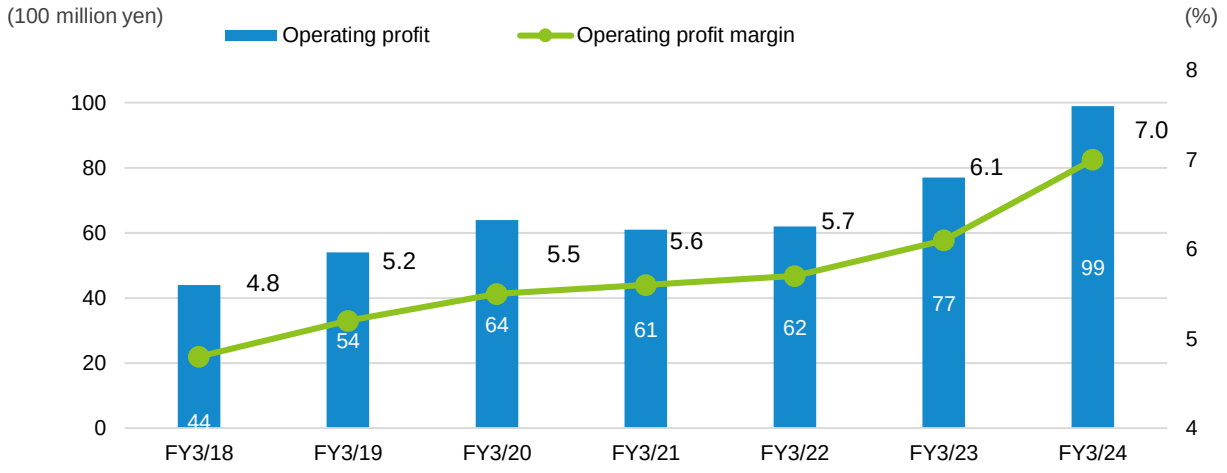
[APPENDIX] Financial Indicators

<Consolidated>

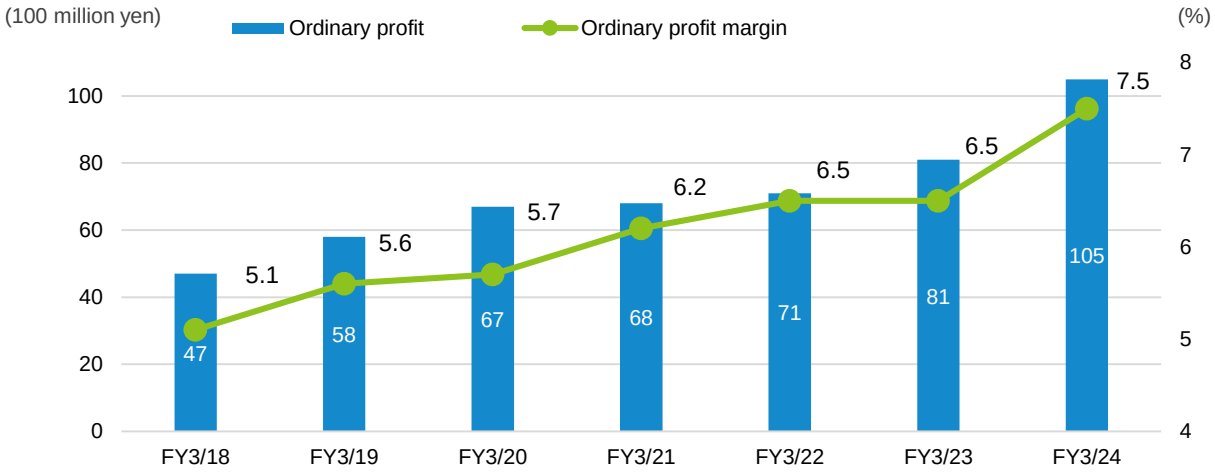
Net sales



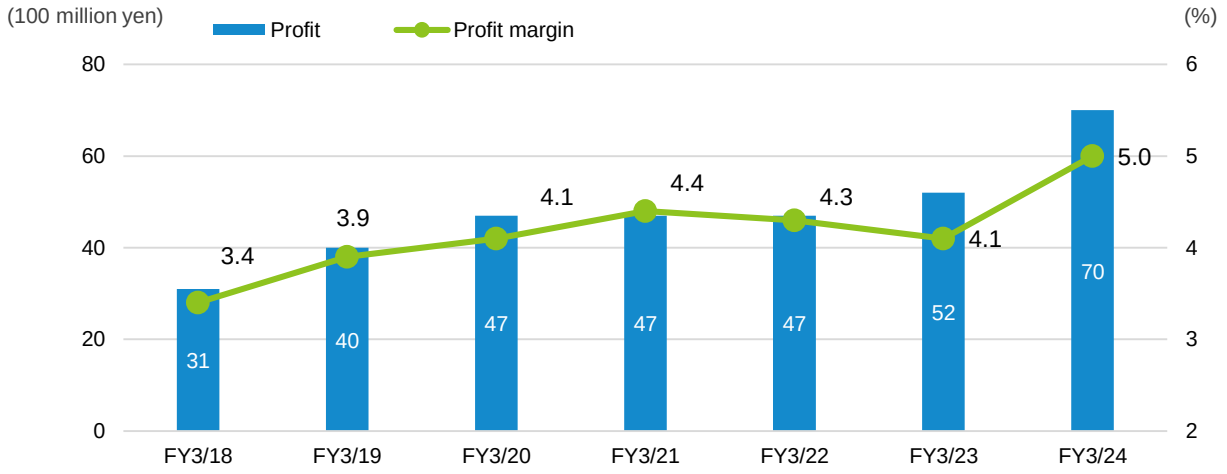
Operating profit



Ordinary profit



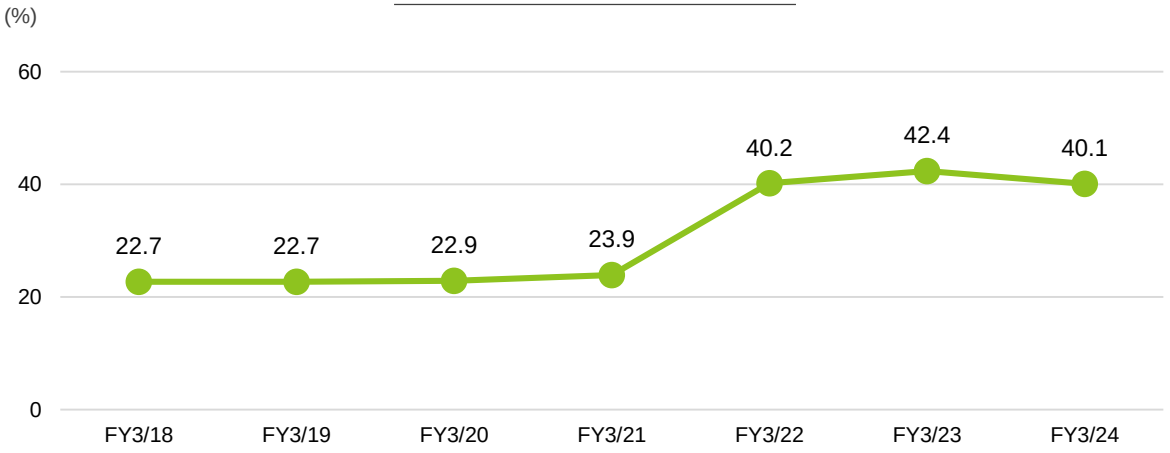
Profit



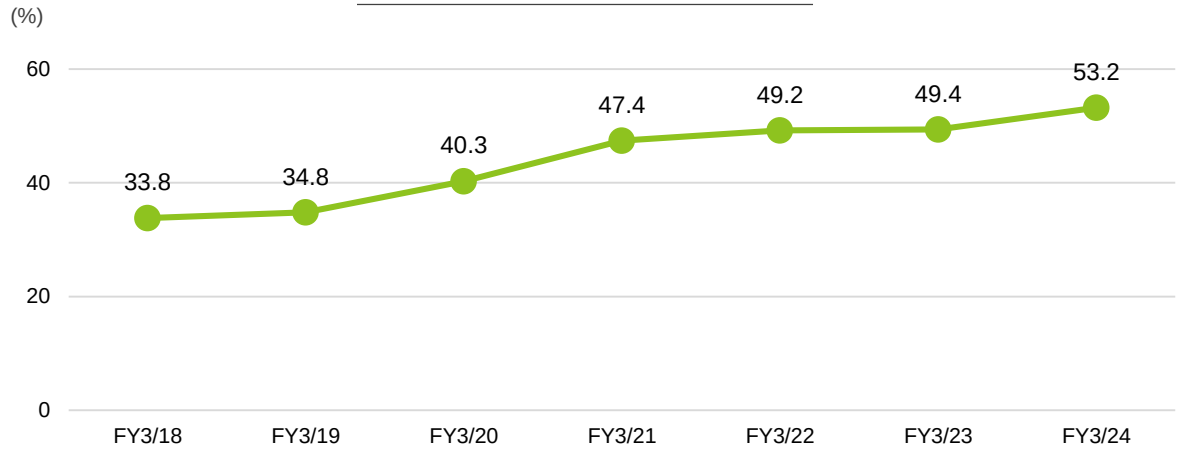
[APPENDIX] Financial Indicators

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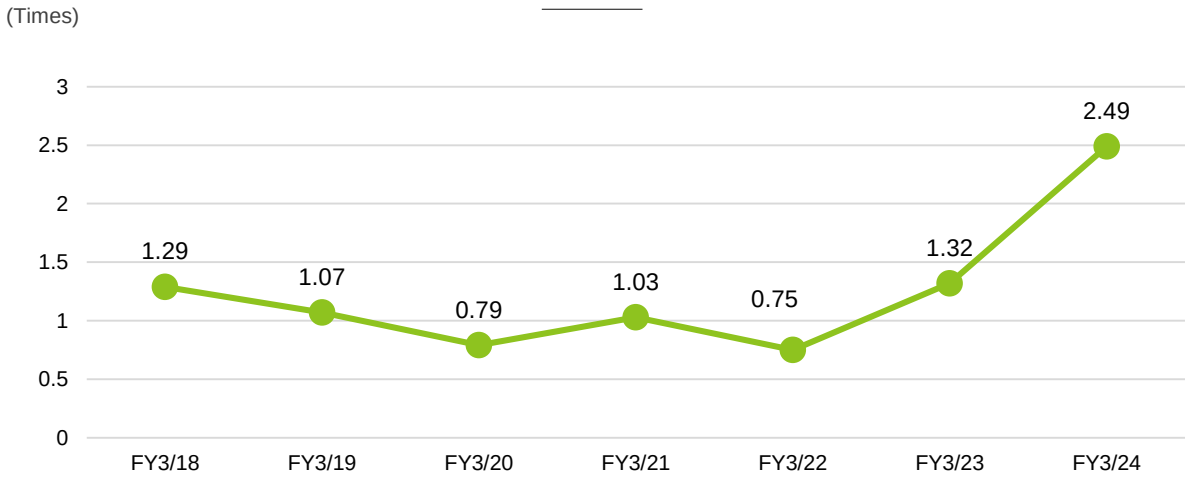
Dividend payout ratios



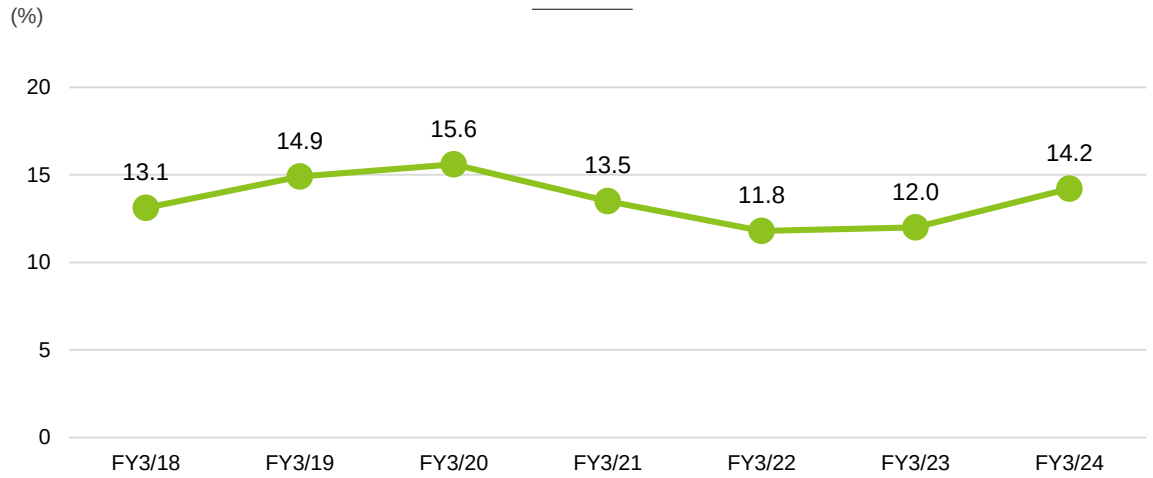
Shareholders' equity ratio



PBR



ROE



[APPENDIX] TOTECH's Materiality

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.

*The company accepts no liability whatsoever for any losses incurred as a result of the use of this material.

*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.

*This document is an English translation of the original document in Japanese and has been prepared solely for reference purposes. In the event of any discrepancy between this English translation and the original in Japanese, the original shall prevail in all respects.

[Contact]

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