TOTECH Group Supplementary Material for Q3 FY3/25

TOTECH CORPORATION

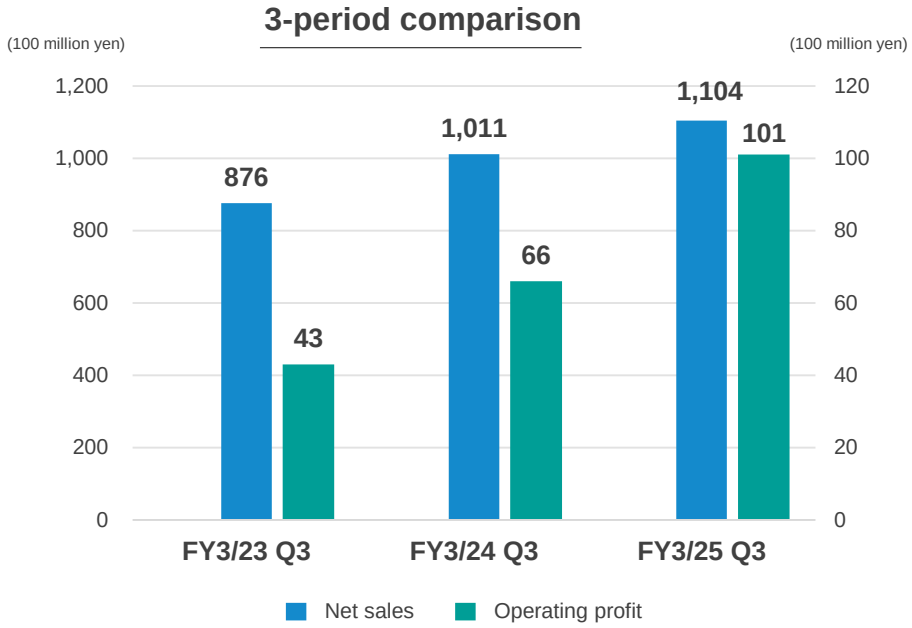
February 10, 2025

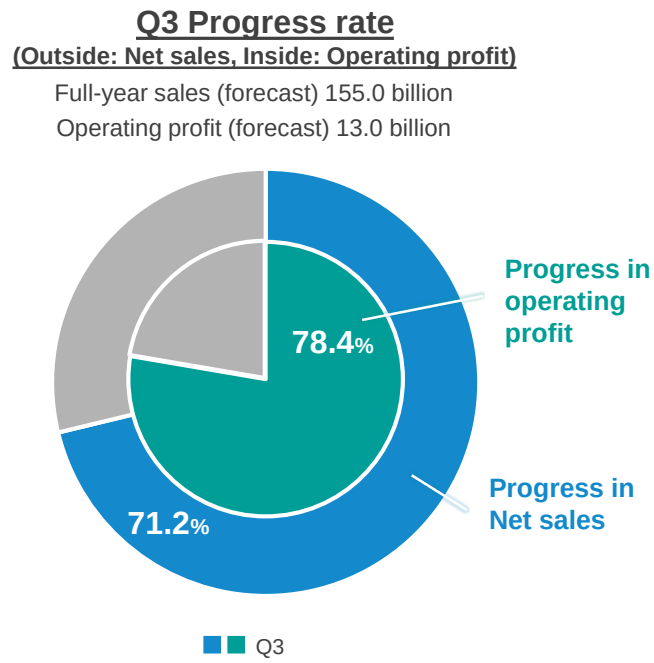
Overview of Q3 FY3/25 Performance

Earnings: Net sales and operating profit increased, reaching record-high 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. There was strong demand for instrumentation system for private-sector factories and office buildings, etc. In addition, the gross profit margin for each division and domestic and overseas affiliated companies improved and the operating profit margin improved for all group companies.
- Steady growth in both orders received and order backlog, leading to the stable growth.

Net sales	¥110.4bn (+9.2% YoY)
Operating profit	¥10.1bn (+52.1% YoY)
Operating profit margin	9.2% (+2.6 ppt. YoY)





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

- **Following the announcement of Q2 results on November 11, 2024, considering the Q3 performance, we have revised our business forecasts upward.**

	FY3/24 Results (100 million yen)	FY3/25 <Initial forecast> (100 million yen)	FY3/25 <Previous forecast> (100 million yen)	FY3/25 <Revised forecast> (100 million yen)	YoY ratio %	Vs. previous forecast %
Net sales	1,407	1,460	1,460	1,550	+10.1%	+90 (+6.2%)
Operating profit	99	105	122	130	+31.2%	+8 (+6.6%)
Ordinary profit	105	110	130	138	+30.4%	+8 (+6.2%)
Profit attributable to owners of parent	70	75	90	95	+35.6%	+5 (+5.6%)

Consolidated Statements of Income (Comparison with Q3 Results)

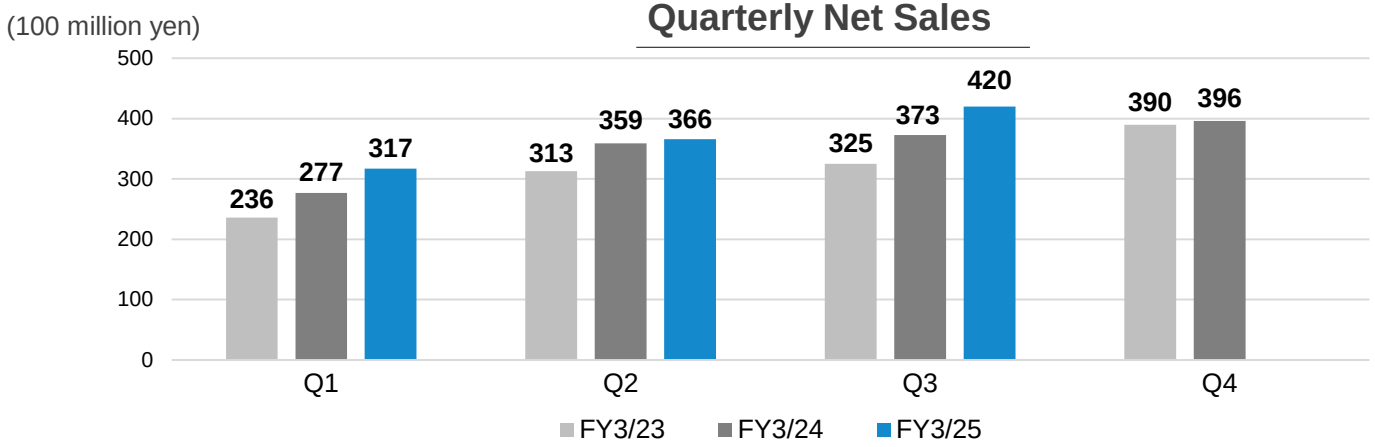
- **Net sales increased by 9.2% YoY, continuing strong performance from the first Half.**
- **Growth in the Construction business and improvement in gross profit margin of each division and domestic and overseas affiliates contributed significantly to the increase in profit at each stage.**

	Q3 FY3/23 Results (100 million yen)	Q3 FY3/24 Results (100 million yen)	Q3 FY3/25 Results (100 million yen)	Profit margin	YoY change	Progress to the full-year forecast
Net sales	876	1,011	1,104	-	+9.2%	71.2%
Operating profit	43	66	101	9.2%	+52.1%	78.4%
Ordinary profit	49	73	110	10.0%	+50.0%	80.0%
Profit attributable to owners of parent	31	49	76	7.0%	+56.1%	80.8%

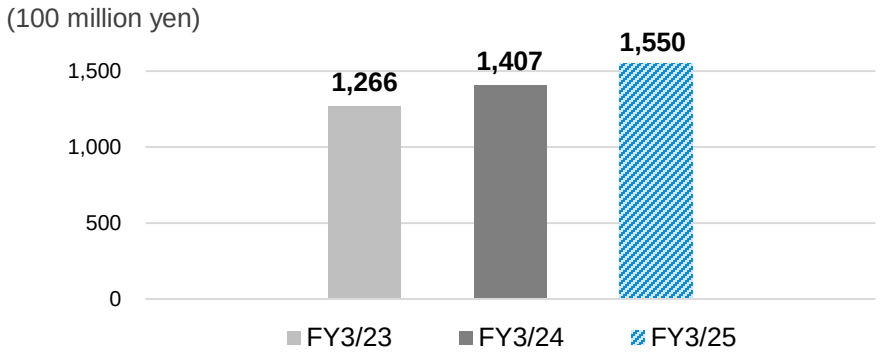
Quarterly Performance

- **Achieved record highs for both net sales and operating profit on a quarterly basis.**

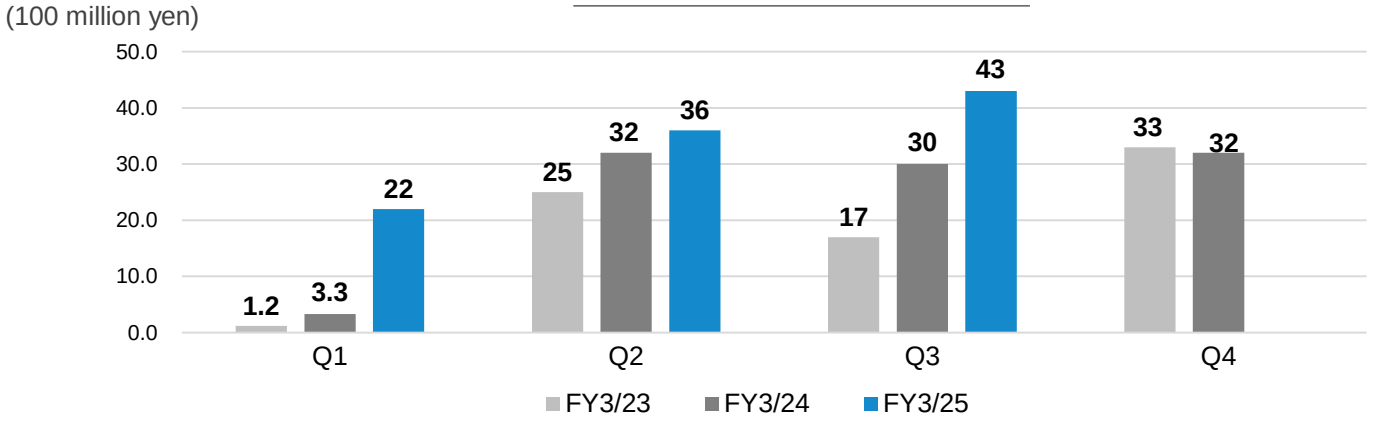
Quarterly Net Sales



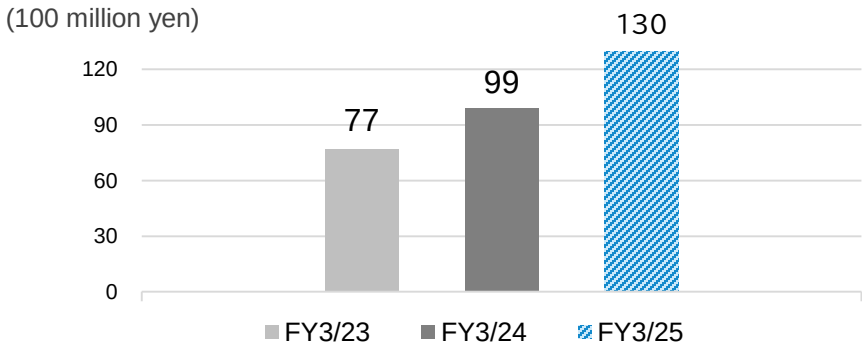
Year-end Net Sales



Quarterly Operating Profit

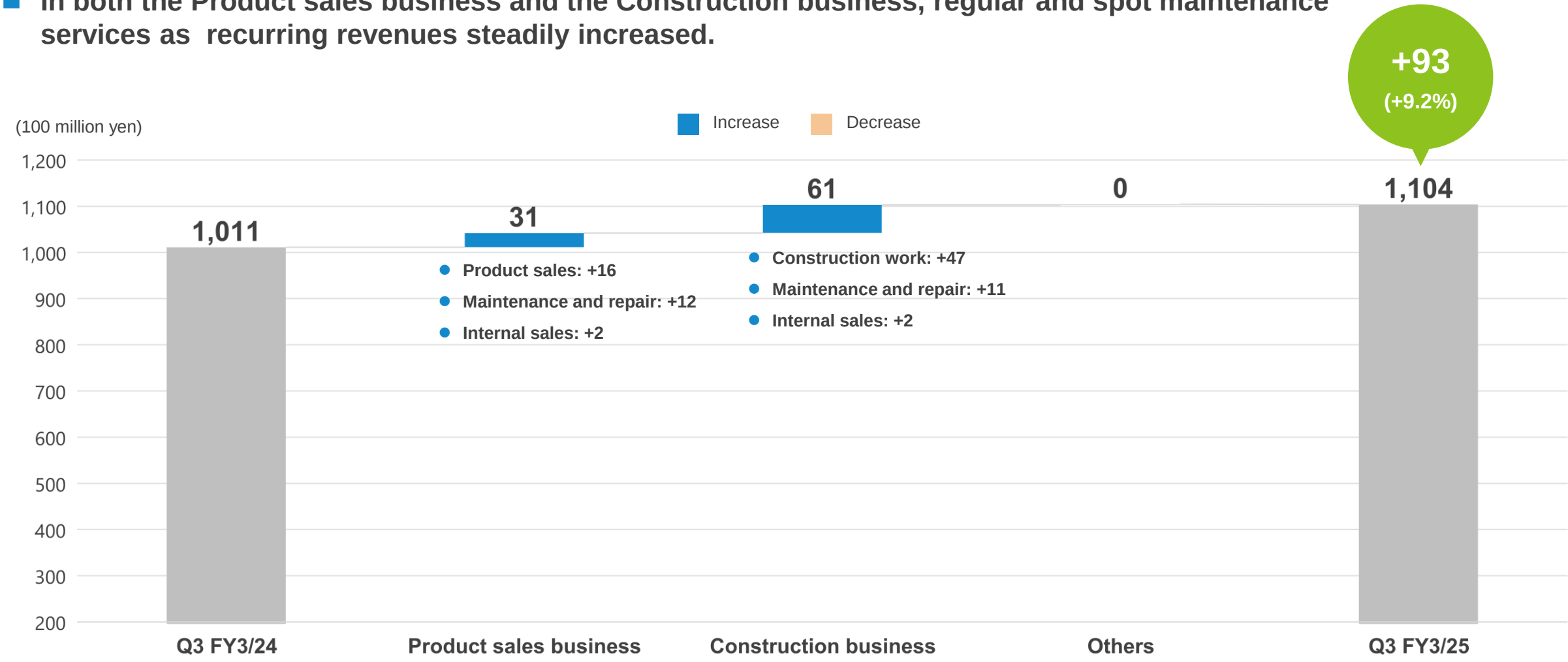


Year-end Operating Profit



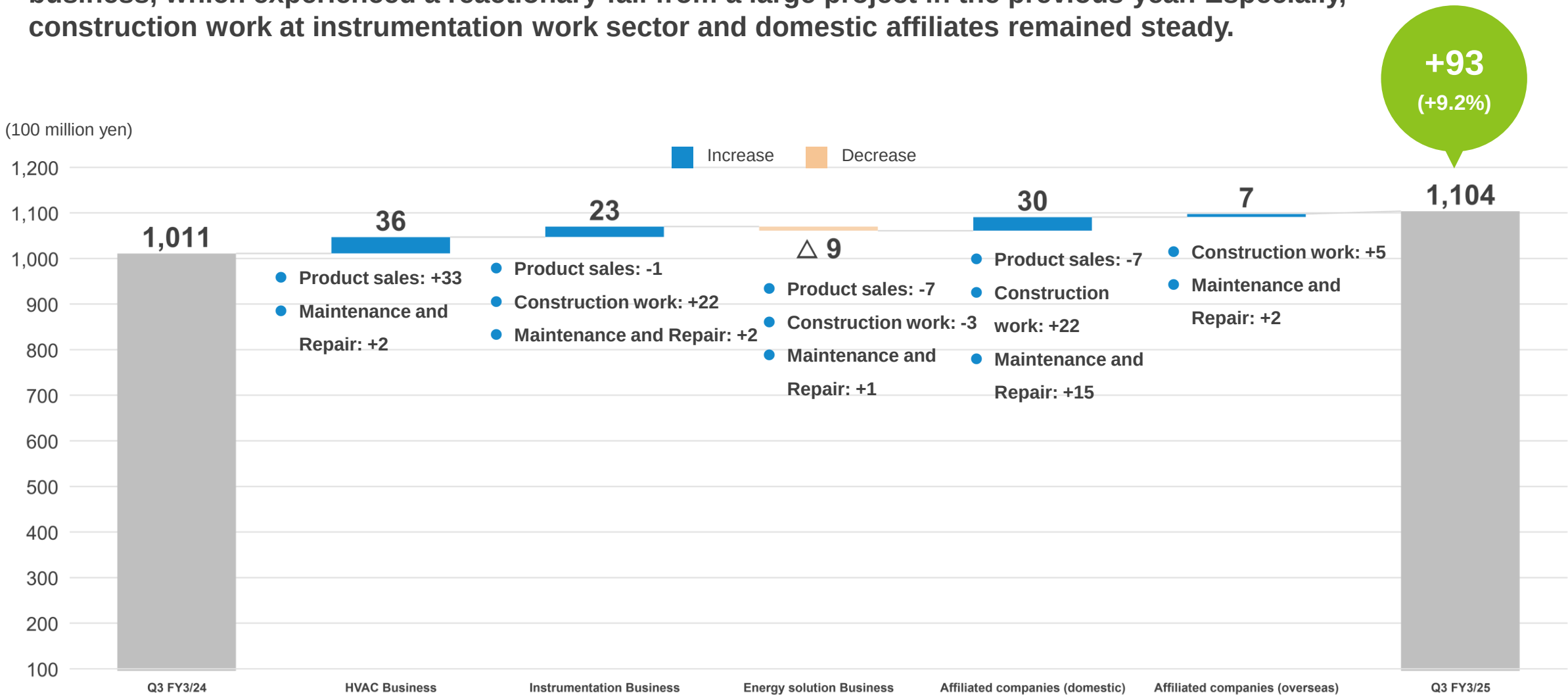
Change Factors for Net sales by Segment

- **Sales in the Product sales business increased 3.1 billion yen YoY, and sales in the Construction business increased 6.1 billion yen YoY, contributing to overall sales growth.**
- **In both the Product sales business and the Construction business, regular and spot maintenance services as recurring revenues steadily increased.**



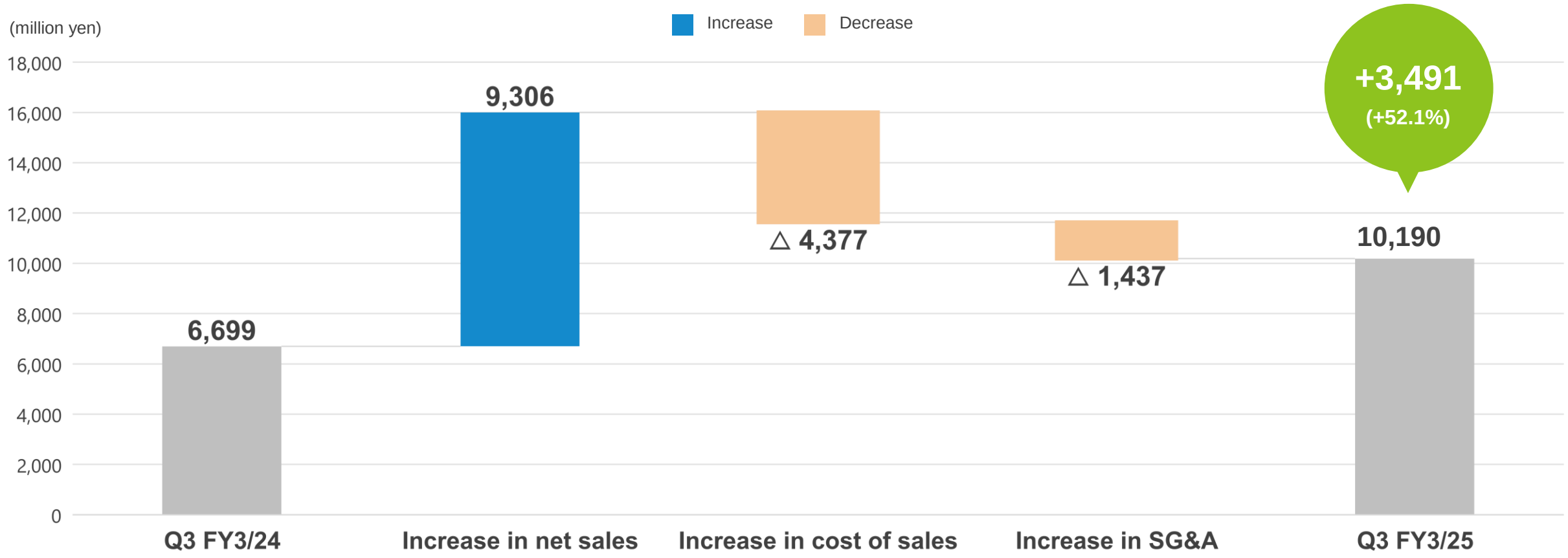
Change Factors for Net sales by Business Field

- **Growth in all business areas was higher than the previous year, except for the Energy solution business, which experienced a reactionary fall from a large project in the previous year. Especially, construction work at instrumentation work sector and domestic affiliates remained steady.**



Change Factors for Operating Profit

- **Increase in sales (+9.2% YoY) and improvement in gross margin offset higher SG&A expenses, resulting in an increase of 3,491 million yen (+52.1%) YoY.**



Sales Breakdown by Segment

- **Product sales business increased 5.2% overall, and both product sales and the Regular and spot maintenance business steadily increased.**
- **Sales in the Construction business increased 15.2% YoY, and sales in the Maintenance and repair business increased 16.6% YoY, contributing to higher profit.**

	Q3 FY3/24	Q3 FY3/25	
	Net sales (100 million yen)	Net sales (100 million yen)	YoY
Product sales business	**609**	**641**	+5.2%
Product sales	534	550	+3.1%
Regular and spot maintenance	111	124	+11.5%
Internal sales	-36	-33	-
Construction business	**401**	**462**	+15.2%
Construction work	333	380	+14.2%
Regular and spot maintenance	71	83	+16.6%
Internal sales	-3	-1	-

Sales Breakdown by Business

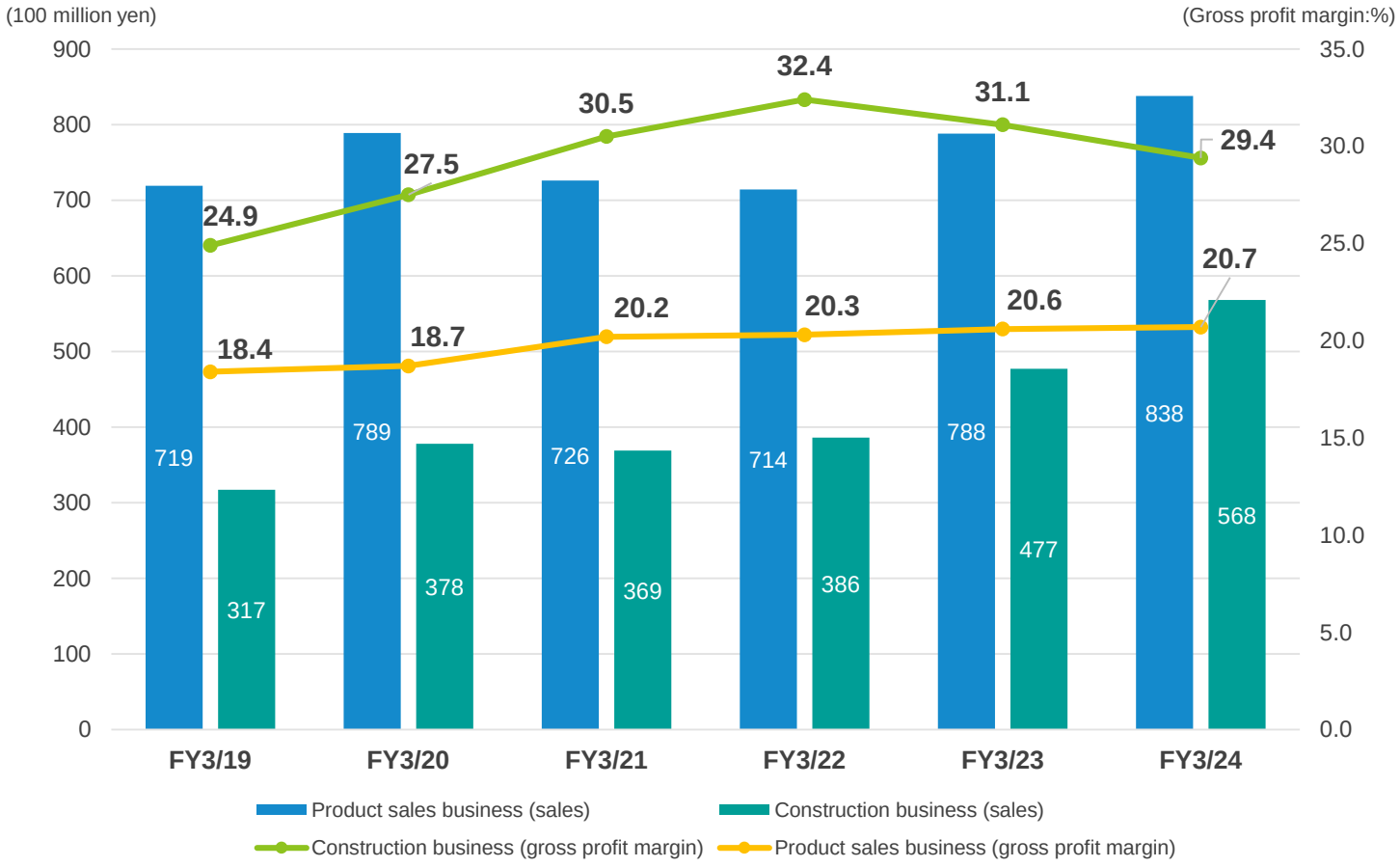
- **Sales in the Energy solution Business only declined YoY due to the absence of large projects in the previous fiscal year, but sales in all other businesses increased YoY.**
- **Companywide, sales in the Regular and spot maintenance business grew by 13.5% YoY, accounting for 18.8% of total sales.**

	Q3 FY3/24	Q3 FY3/25	
	Net sales (million yen)	Net sales (million yen)	YoY
HVAC Business	**47,156**	**50,781**	**+7.7%**
Product sales	44,995	48,354	+7.5%
Regular and spot maintenance	2,161	2,427	+12.3%
Instrumentation Business	**16,516**	**18,912**	+14.5%
Product sales	1,198	1,019	-15.0%
Construction work	13,183	15,473	+17.4%
Regular and spot maintenance	2,134	2,419	+13.4%
Energy solution Business	**11,558**	**10,565**	**-8.6%**
Product sales	2,094	1,310	-37.5%
Construction work	7,036	6,716	-4.6%
Regular and spot maintenance	2,427	2,538	+4.6%
Affiliated companies (domestic)	**26,290**	**29,316**	**+11.5%**
Product sales	5,138	4,379	-14.8%
Construction work	11,030	13,260	+20.2%
Regular and spot Maintenance	10,121	11,677	+15.4%
Affiliated companies (overseas)	**3,568**	**4,350**	**+21.9%**
Construction work	2,121	2,646	+24.8%
Regular and spot maintenance	1,446	1,703	+17.8%
Internal sales	**-4,010**	**-3,534**	**-**

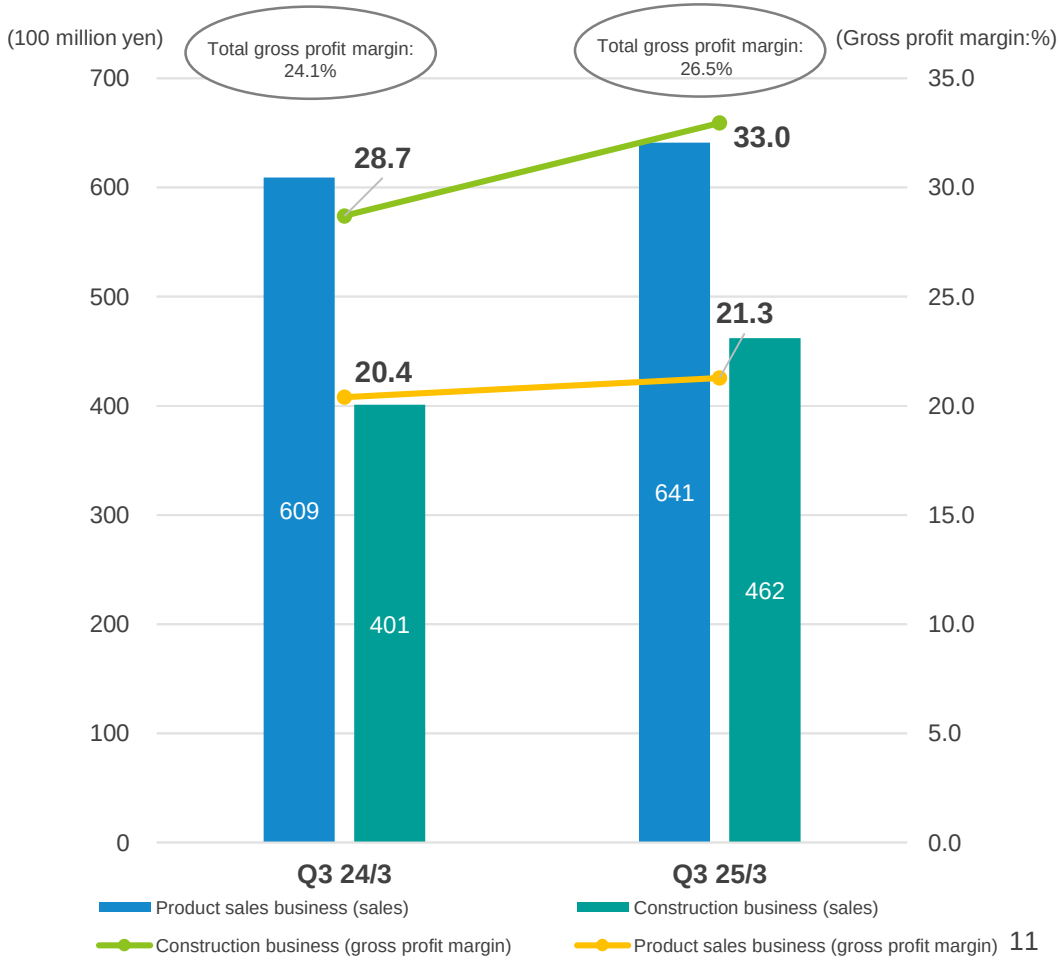
Segment Sales and Gross Profit Margin

- **Gross margin for Q3 improved to 26.5%, increasing 2.4ppt. YoY.**
- **In particular, gross profit margin in the Construction business was 33.0%, an improvement of 4.3ppt. from the previous year.**

6-year Trend



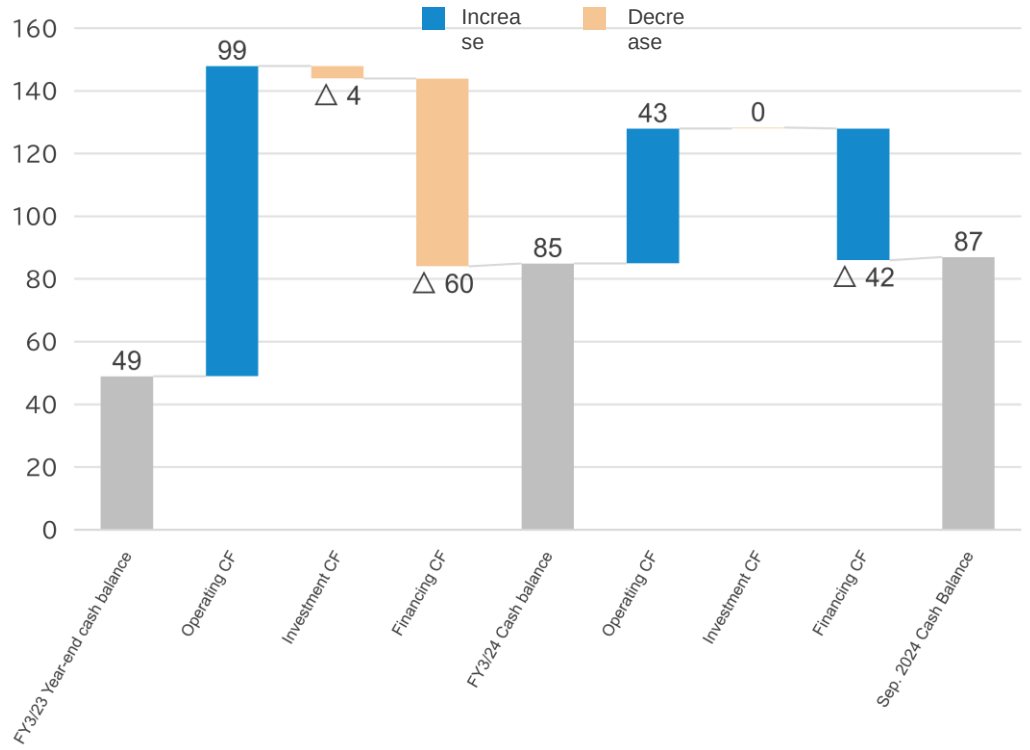
YoY Comparison (Q3)



Balance Sheet / Cash Flow

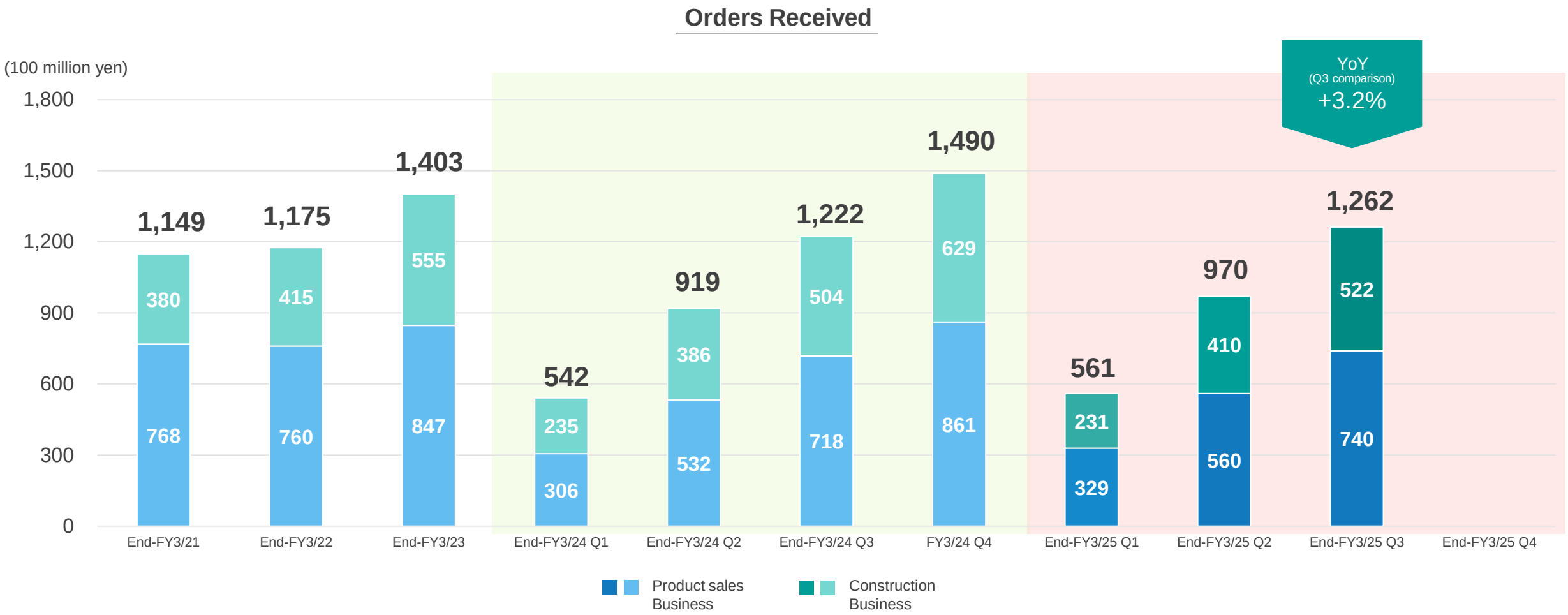
(100 million yen)	FY3/24	Q3 FY3/25	Change
Current assets	559	569	+10
Cash and deposits	86	102	+15
Notes and accounts receivable-trade, contract assets, and electronically recorded monetary claims	407	403	-4
Inventories	42	48	+6
Other	22	15	-7
Non-current assets	445	459	+14
Property, plant and equipment	202	202	+0
Intangible assets	33	29	-3
Investments and other assets	209	227	+17
Total assets	1,004	1,029	+24
Current liabilities	391	374	-19
Notes and accounts payable-trade, electronically recorded obligations-operating	238	240	+2
Short-term borrowings, Current portion of long-term borrowings	53	47	-5
Other	99	86	-13
Non-current liabilities	78	64	-14
Long-term debt	36	13	-23
Other	41	50	+8
Net assets	534	590	+56
Total shareholders' equity	443	490	+47
Accumulated other comprehensive income, etc.	90	99	+8
Total liabilities and net assets	1,004	1,029	+24
Shareholders' equity ratio	53.2%	57.4%	+4.2%

<reference>	FY3/24	Q3 FY3/25 (100 million yen)
Operating CF	99	43
Investment CF	-4	0
Free CF	95	43
Finance CF	-60	-42
Cash balance	85	87



Orders Received

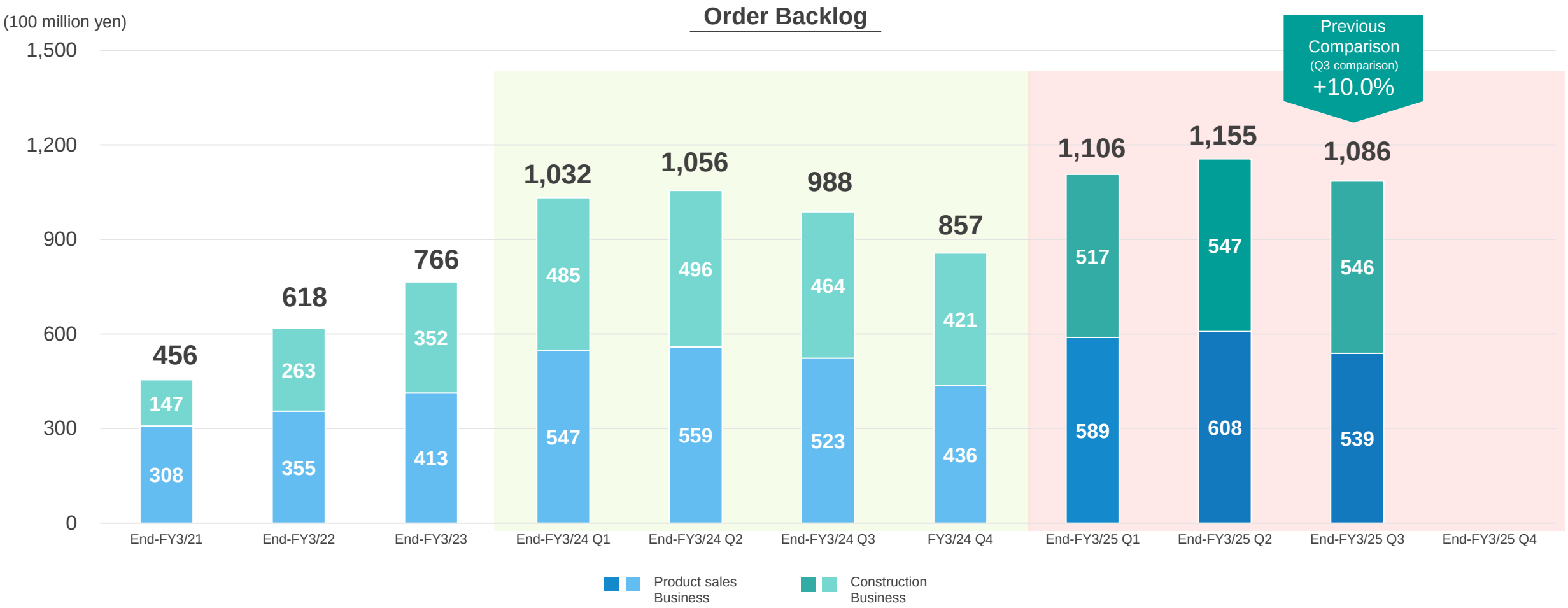
■ **The status of new orders remained strong in response to robust demand (orders received: +3.2% YoY).**



*Including overseas subsidiaries (QA) from FY22/3

Order Backlog

- **The order backlog remained strong (+10.0% YoY) due to strategic order receipt, taking supply status into consideration.**
- **In particular, the backlog of orders in the Construction business remained strong, increasing by 17.7% (product sales orders increased 3.1% 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	1,550	+10.1%
Operating Profit	99	130	+31.2%
Ordinary profit	105	138	+30.4%
Profit attributable to owners of parent	70	95	+35.6%

[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).

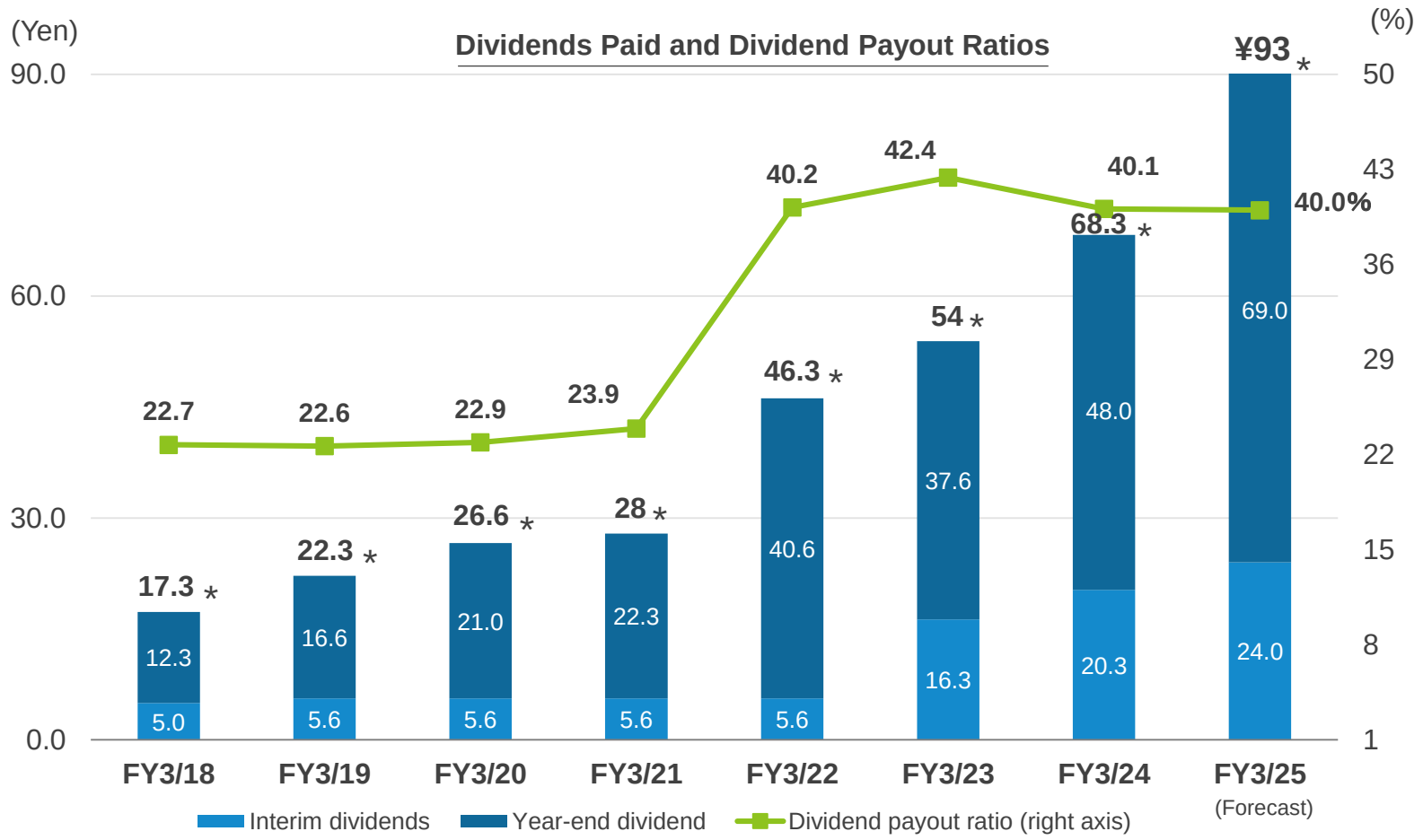
Effective April 1, 2024, we conducted a 3-for-1 stock split. The post-split dividend forecast for this fiscal year is 93 yen (dividend payout ratio of 40%).

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.

Topics (1) Conducted a Secondary Offering of Shares

- Purpose of the offering: Restructuring of the Company's shareholder composition by reducing cross-shareholdings and improving market liquidity
- Seller: Sumitomo Mitsui Banking Corporation, The Bank of Mitsubishi UFJ, Ltd., Resona Bank, Ltd., and The Senshu Ikeda Bank, Ltd.
- Number of shares offered: 2,745,700 shares (6.54% of outstanding shares)
- Offering price: 2,353 yen



	Average stock price (Yen)	Number of shares traded per day	Trading volume per day
Aug. 1 – Oct. 31	2,475	49,032	121
Nov. 1 – Jan. 31	2,565	211,435	542

Topics (2) Raising Employee Salary

- **Starting in May 2024:**
  (For full-time employee of TOTECH)

  Base salary increase, average of 20,000 yen per person per month (equivalent to 7% of standard wages for career-track employees)
  New graduates' starting salary: 270,000 yen (FY2023: 249,260 yen)

  *University graduate, general employee, Tokyo metropolitan area

- **Starting in December 2024:**
  (For full-time employee of TOTECH)

  In addition to the base salary increase in May, we will increase base salaries as follows.
  Average per employee: 20,000 yen/month (773 career-track employees)
  Average 15,000 yen/month (208 general employees)
  New graduates' starting salary in FY2025: 290,000 yen (planned)

  *Salary changes at group companies will be considered on a rolling basis.

Enhance Corporate Value that is Conscious of Cost of Capital

We recognize that our assumed cost of equity is around 7-8%, 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%

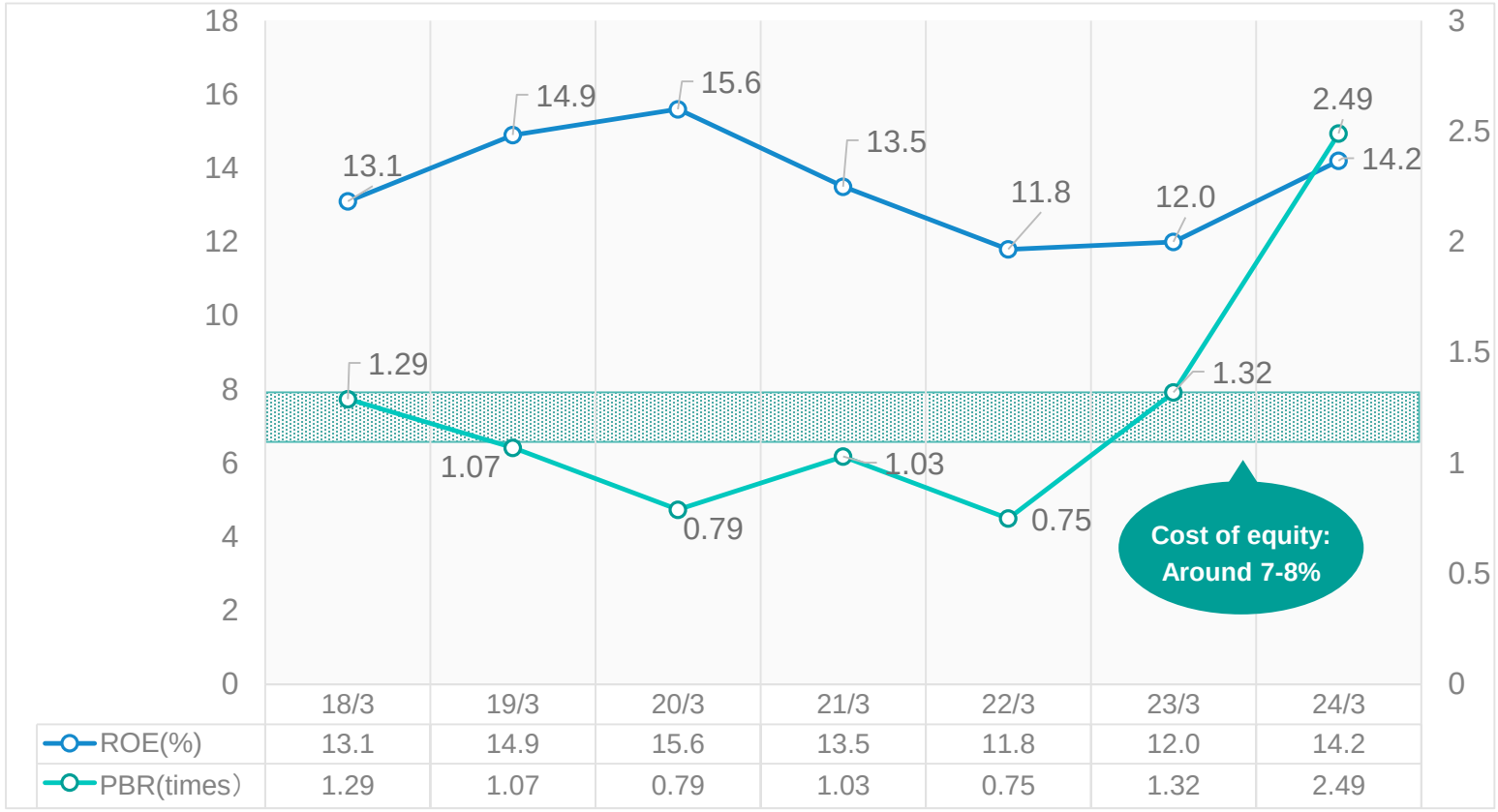
PBR : 1x or more

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

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.

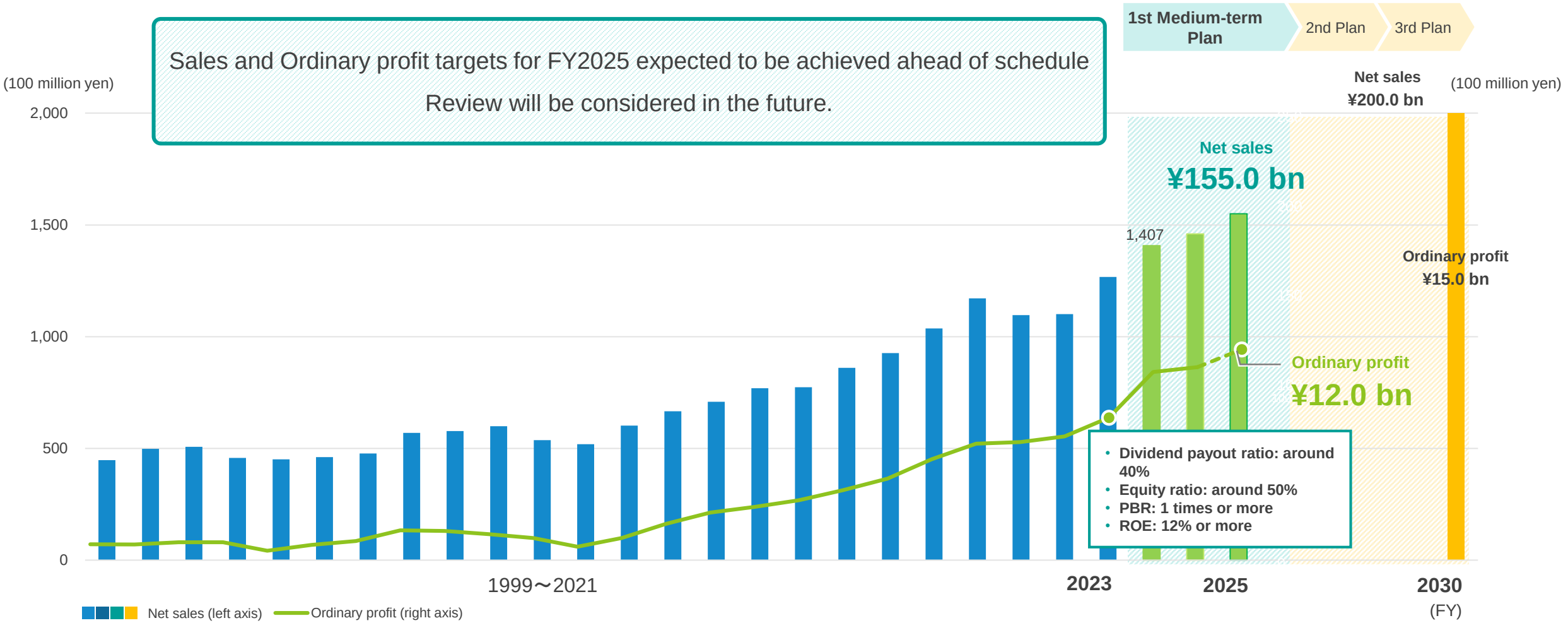
Comfort to people, society, and the earth.
We pursue that “comfort” of a new era
by capturing the changes in technological innovation
and social organization,
and aim to be a group that creates a comfortable
environment that is one step ahead.

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".

Sales and 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		◎

<APPENDIX>

Corporate Profile

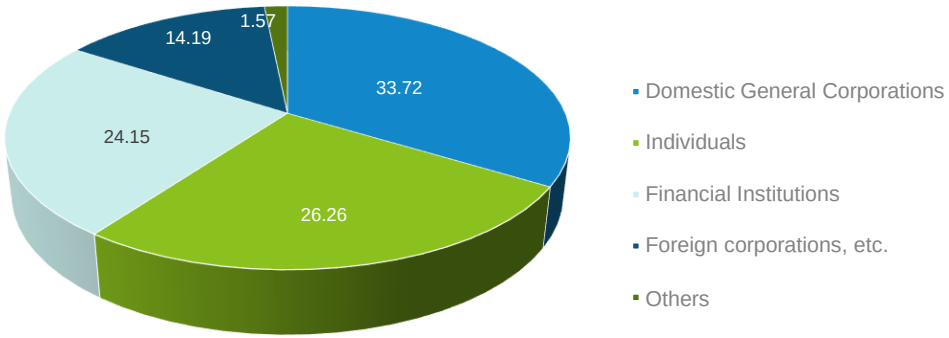
Company name	TOTECH CORPORATION (Tokyo Stock Exchange Prime Market; 9960)
Established	July 6, 1955
Business	Sales of Air Conditioning and other Equipment Business, Instrumentation work Business, Energy Business, etc.
Head Office	3-11-11, Nihonbashi, Honcho, Chuo-ku, Tokyo
Capital Stock	1,857 million 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
Consolidated Subsidiaries	7 in Japan; 6 overseas (As of March 31, 2024)



Kiyotaka Kaneko,
Representative Director and President

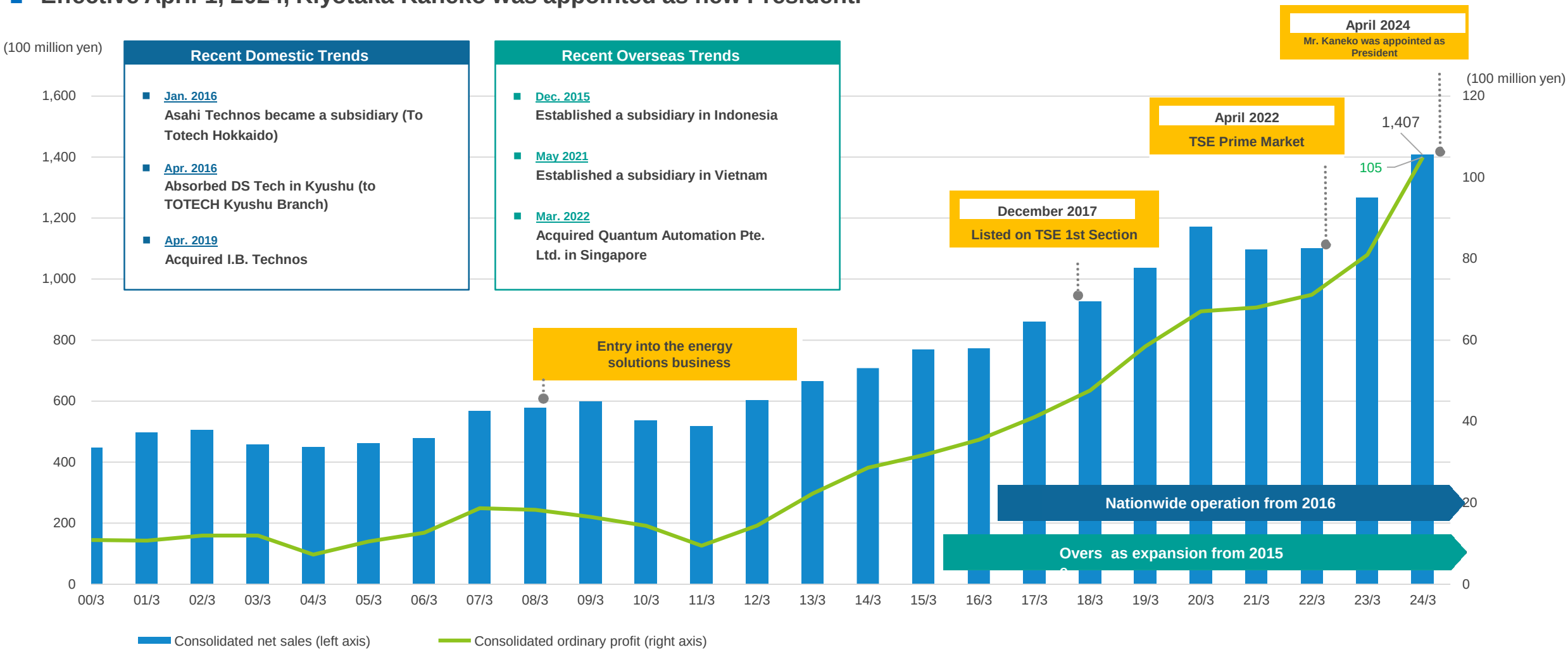
April 1988: Joined Toshiba Corporation
October 2013: General Manager, Global Solutions Engineering Department, Community Solutions Division, Toshiba Corporation
April 2016: General Manager, Global Engineering Department, Business Development Center, Toshiba Corporation
July 2018: Joined I.B. Technos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

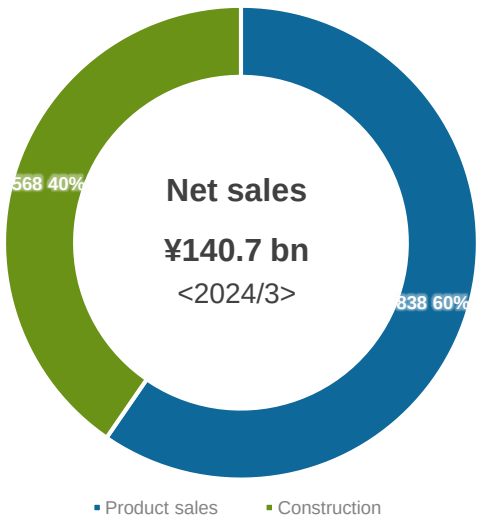
- **July 2025 marks the 70th anniversary of our founding. In addition to organic growth, we have been promoting sales and profit growth through M&As (domestic and overseas).**
- **Effective April 1, 2024, Kiyotaka Kaneko was appointed as new President.**

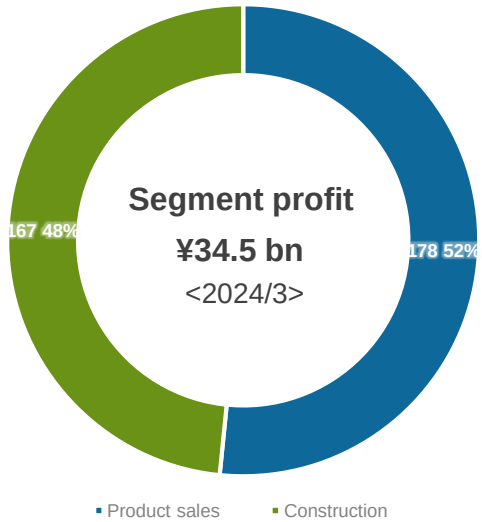


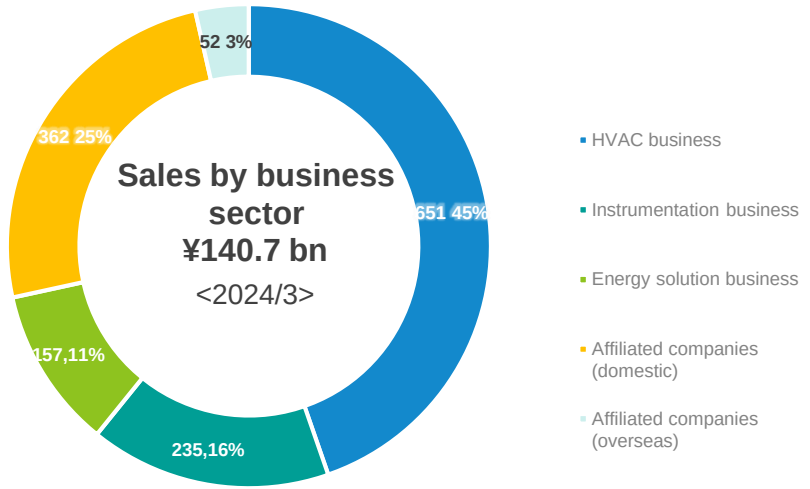
TOTECH Group: Business Areas

- **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



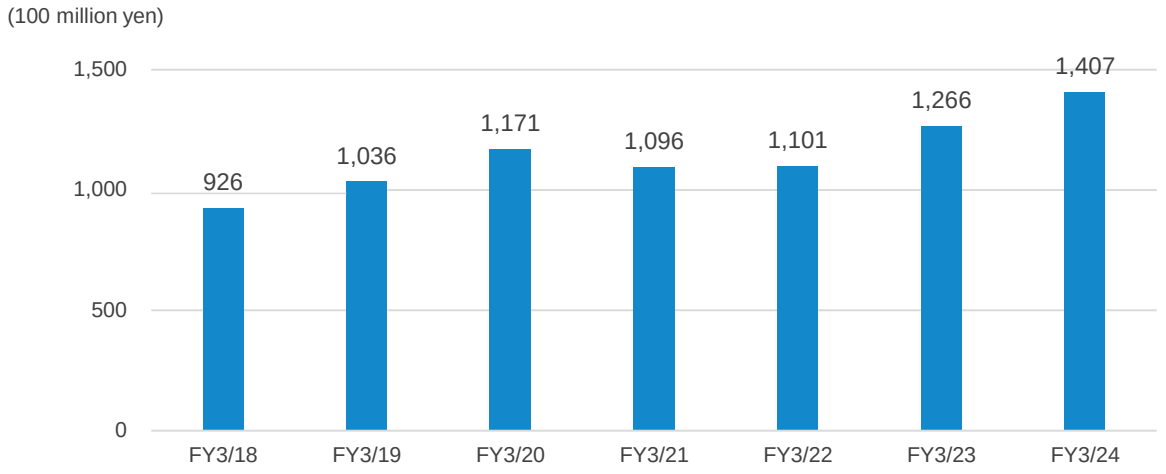




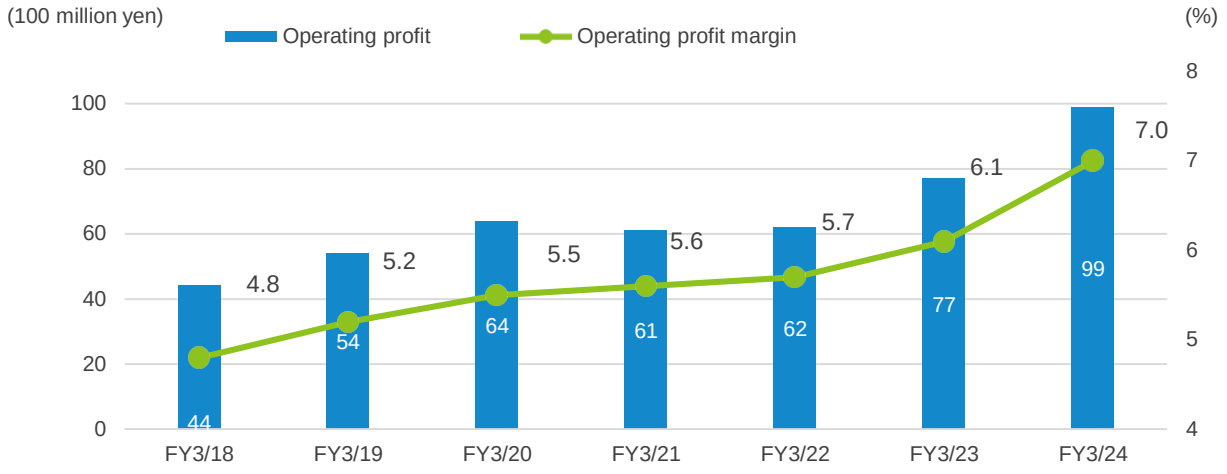
[APPENDIX] Financial Indicators

<Consolidated>

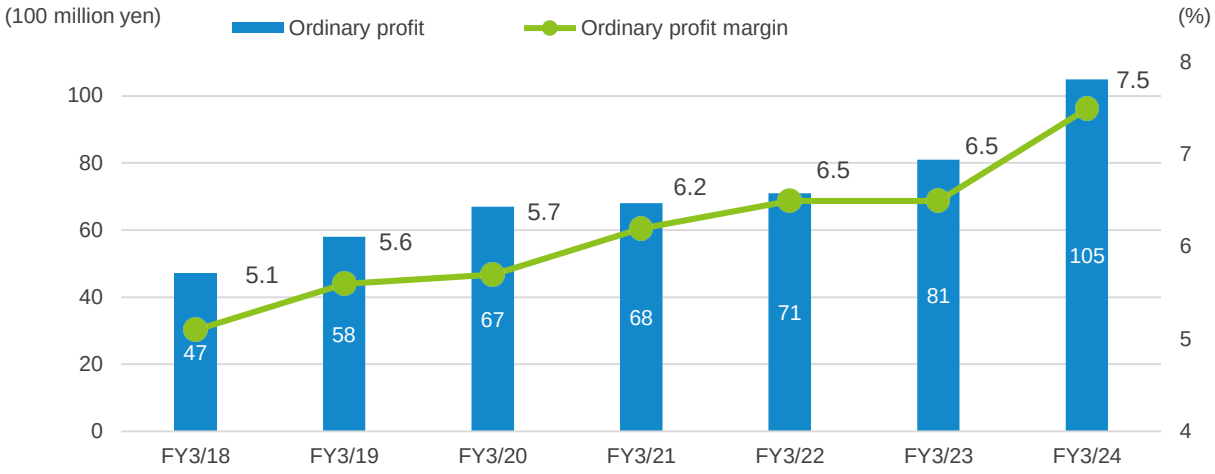
Net sales



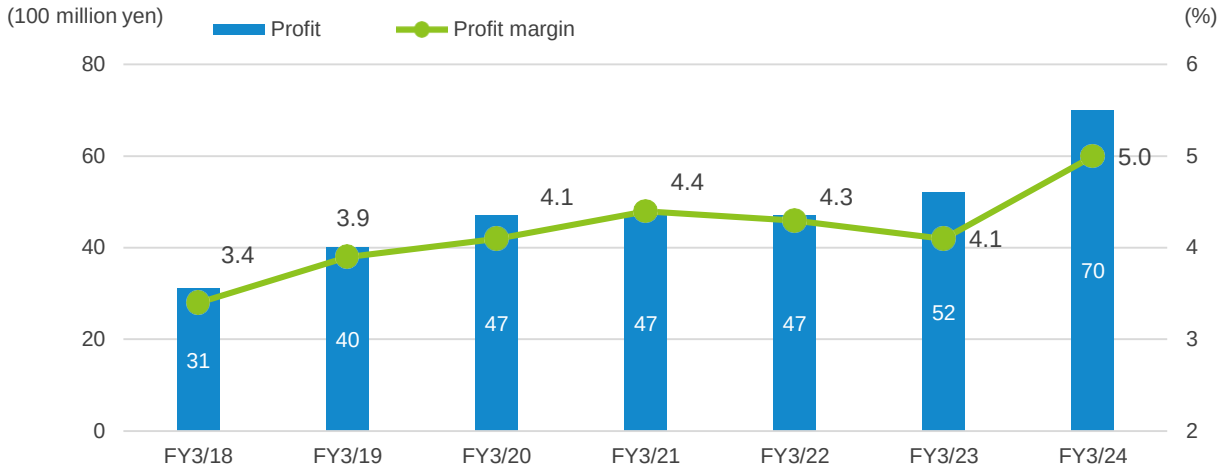
Operating profit



Ordinary profit



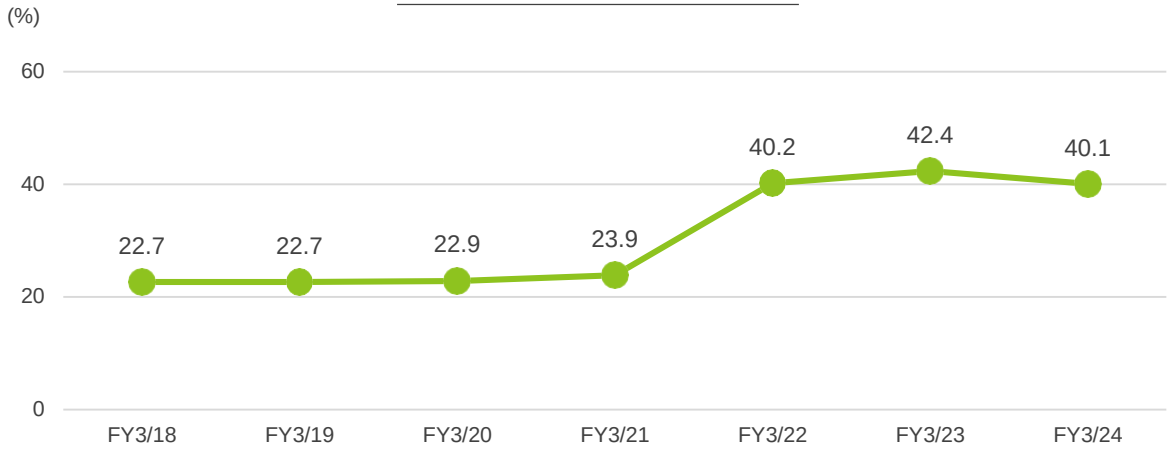
Profit



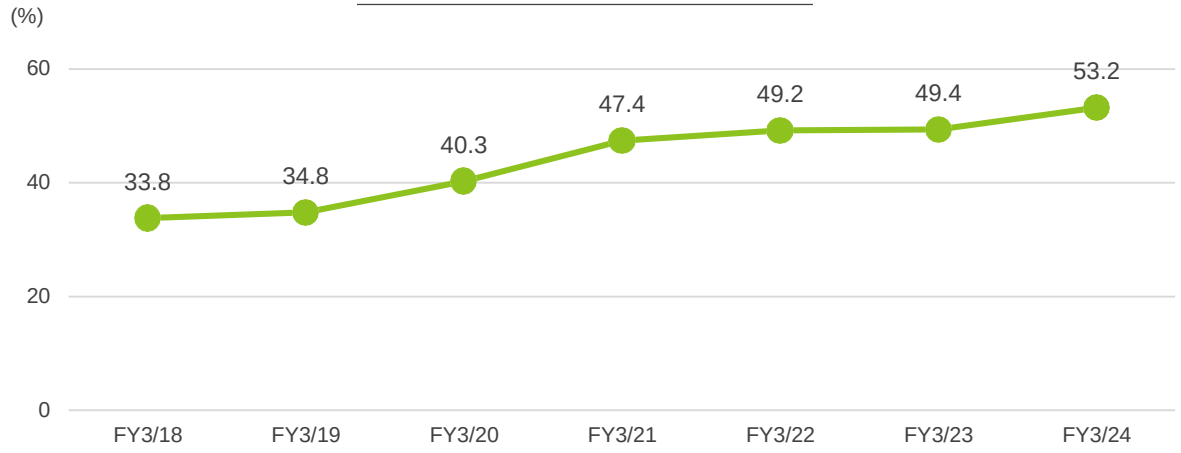
[APPENDIX] Financial Indicators

<Consolidated>

Dividend payout ratios



Shareholders' equity ratio



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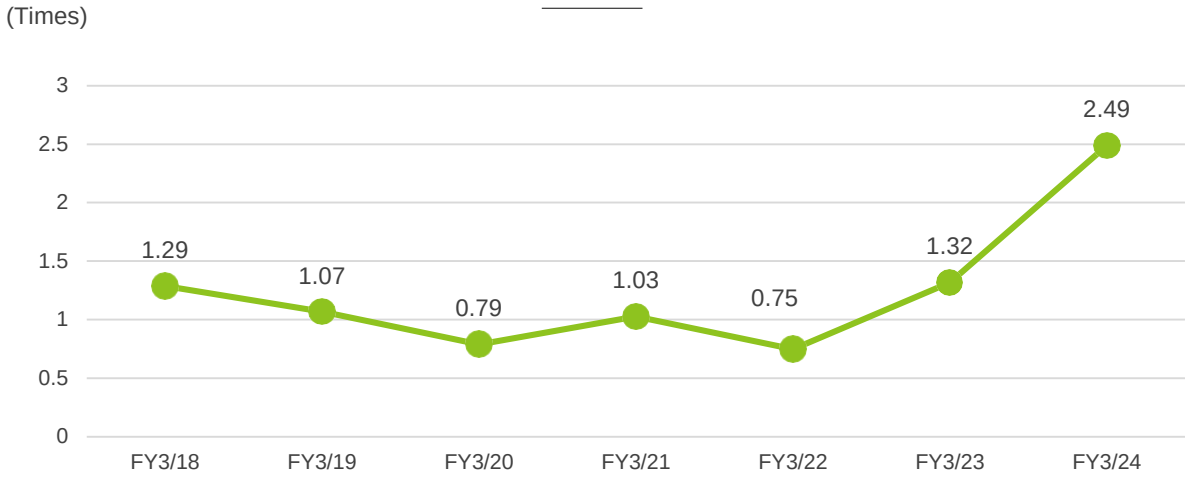
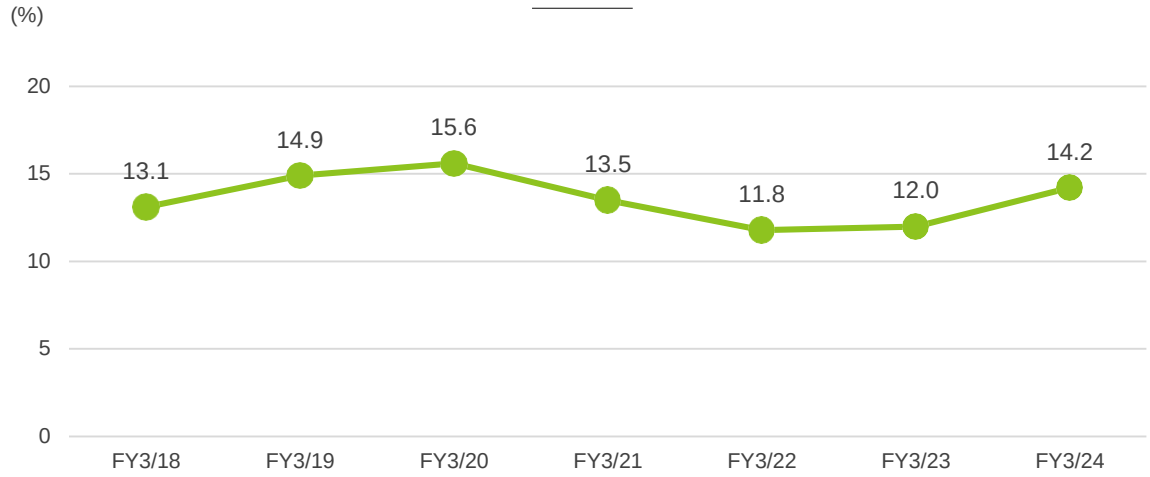


ROE



[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.

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*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.

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