

Financial Results & State of Operating Activities

November 6, 2024

TOKYO ENERGY & SYSTEMS INC.

I

Overview of Interim FY2024 Financial Results

II

Revisions to FY2024 Financial Results Forecast

III

Topics

I

Overview of Interim FY2024 Financial Results

II

Revisions to FY2024 Financial Results Forecast

III

Topics

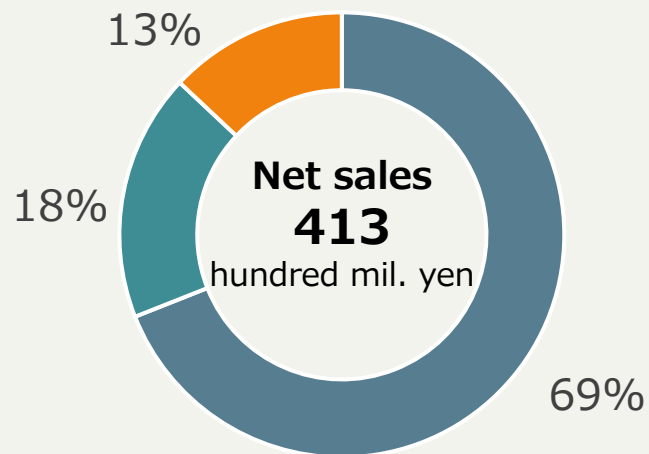
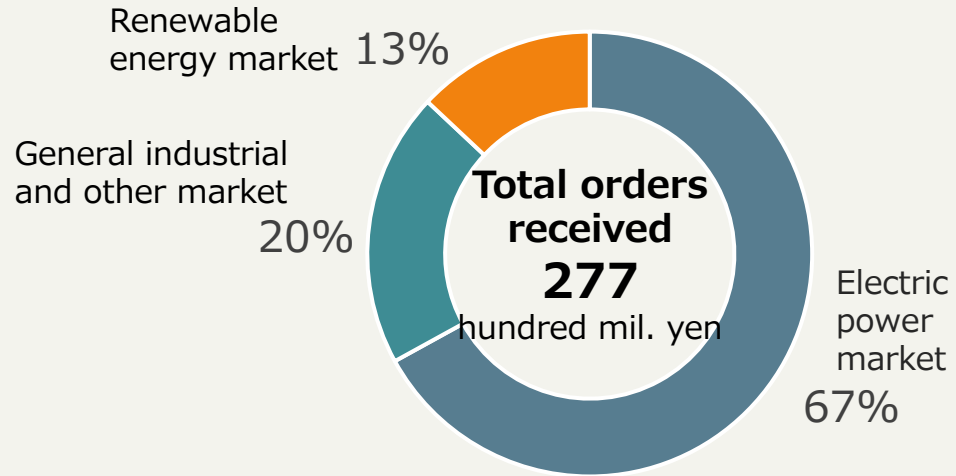
Overview of Interim FY2024 Financial Results (Consolidated Operating Results)

(Units: Millions of yen)	FY2023 Interim	FY2024 Interim	% change	Points (YoY comparison)
Total orders received	27,790	37,827	36.1%	<ul style="list-style-type: none"> Orders rose significantly overall, with an increase in construction work for installation of additional facilities for chemical plants and public facilities in the general industrial and other market, an increase mainly in solar power projects in the renewable energy-related market, and an increase in the electric power market due to preparation works for resumption of operation of nuclear power plants and other orders
Amount carried forward to the next period	108,422	104,962	▲3.2%	
Net sales	41,344	30,541	▲26.1%	<ul style="list-style-type: none"> Decreased due to projects for implementation of safety measures at nuclear power plants and construction of thermal power plants having run their course, and projects related to treated water at the Fukushima Daiichi Nuclear Power Plant being completed
Operating profit	1,002	▲249	-	<ul style="list-style-type: none"> Due to the decrease in net sales
Ordinary profit	1,728	243	▲85.9%	<ul style="list-style-type: none"> Recorded a loss on valuation of derivatives due to exchange rate fluctuations Recorded dividend income due to investments in the renewable energy business
Profit attributable to owners of parent	818	630	▲23.0%	<ul style="list-style-type: none"> Recorded extraordinary income from sale of cross-shareholdings to improve asset efficiency

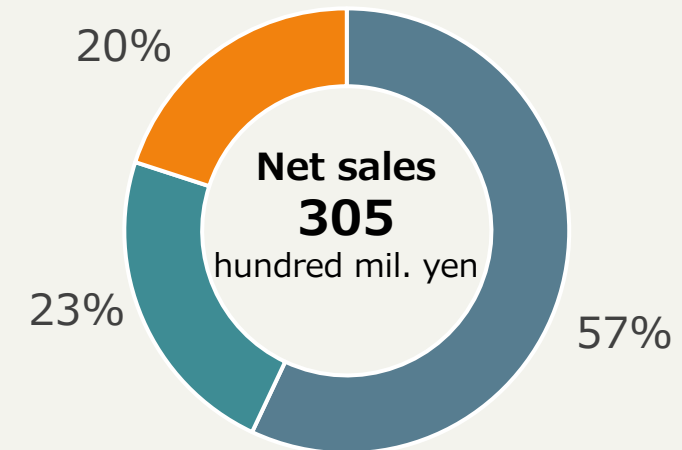
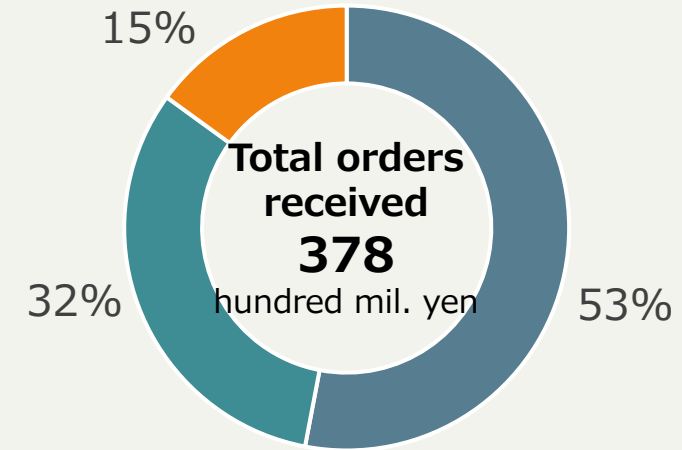
Total orders received and Net sales by Market

By expanding from the electric power market to which our business had been skewed into the general industrial and other market, as well as the renewable energy market, we have made progress in diversifying to balance the three markets that are our revenue sources.

FY2023 Interim Results



FY2024 Interim Results



Total orders received and Net sales by Market

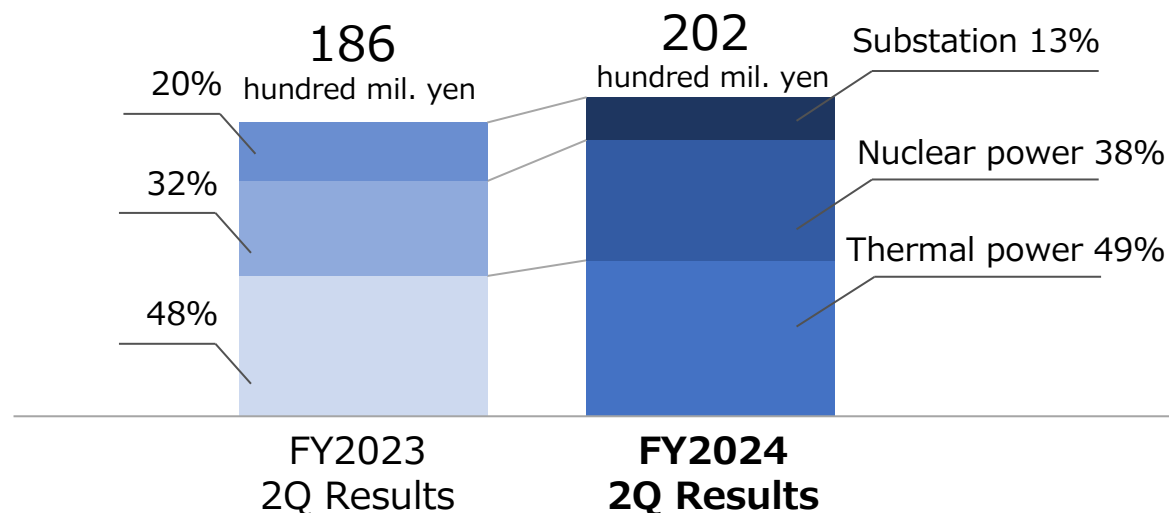
Electric Power Market

[Orders] Orders increased as a result of new projects for decarbonization of thermal power plants through synergy with the components manufacturing business of an overseas subsidiary and other large projects and works for preparation for resumption of operation of nuclear power plants.

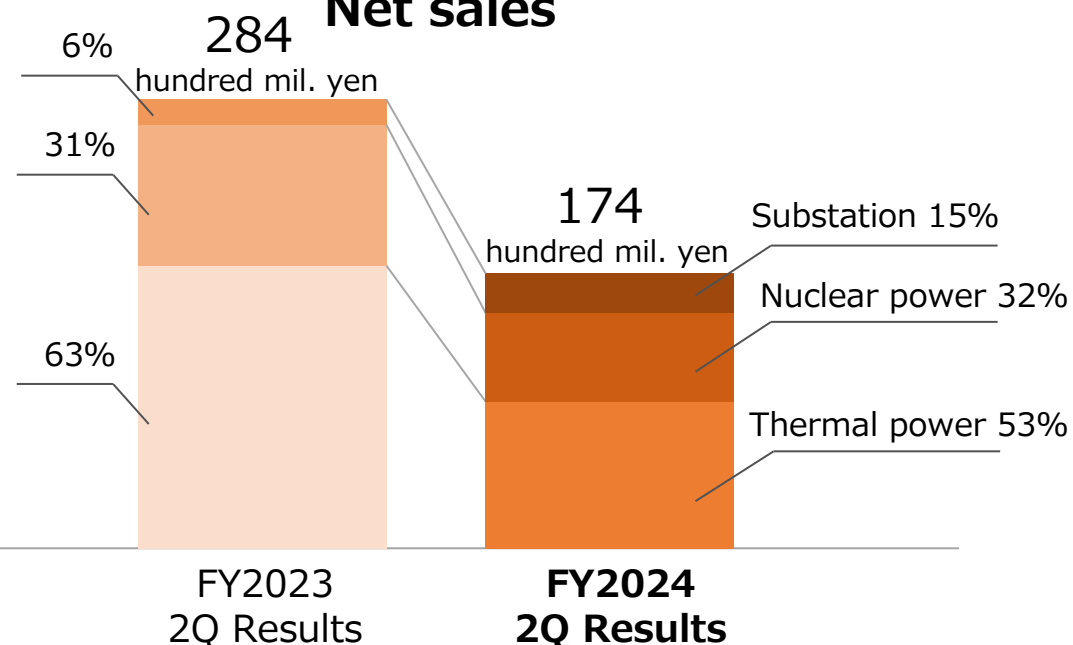
[Sales] Sales remained solid as a result of the construction of new facilities and upgrading works and the receiving of orders from new customers in the substation field. This is despite new construction projects and inherited large construction works having run their course in the thermal power field, a decrease in maintenance and repair works in the coal power field due to periodic inspections and seasonal drop-off, and the completion of works for implementation of safety measures at nuclear power plants and projects for treated water in the nuclear power field.

2Q
Results

Total orders received



Net sales



Total orders received and Net sales by Market

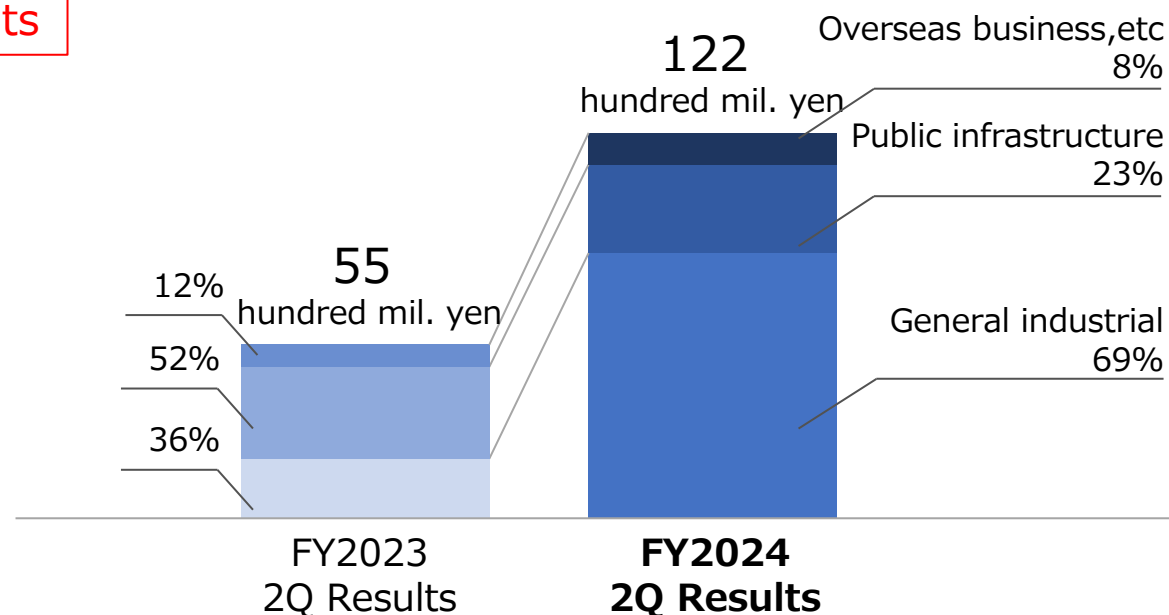
General Industrial and Other Market

[Orders] Leveraging our experience and expertise in the electric power market, we expanded orders in the general industrial and other market to around twice the previous number, for installation of additional facilities for chemical plants, maintenance and repair work for oil refineries, air conditioning work at public facilities, and other projects. We further expanded the number of new branches nationwide.

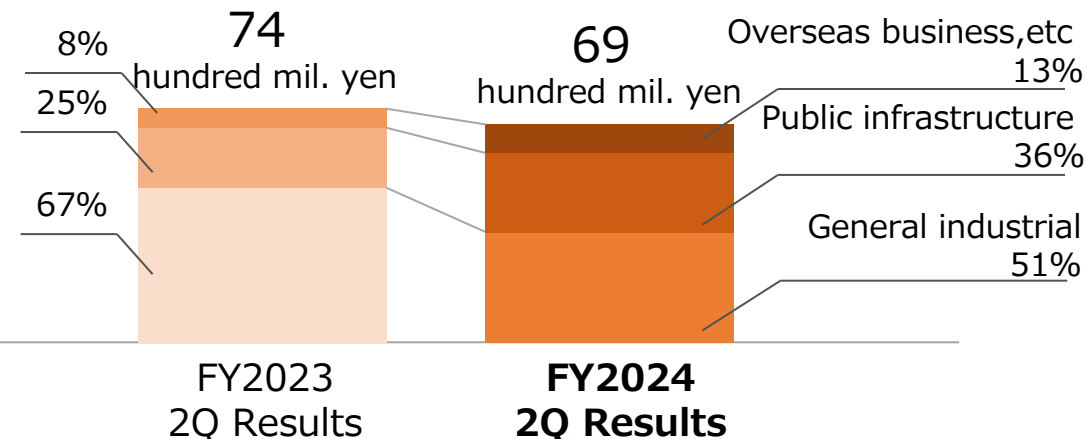
[Sales] Although sales decreased slightly compared to the previous FY, we expect sales for the full year to significantly exceed the previous FY's results owing to construction of waste processing plants, maintenance and repair work for oil refineries, electrical work at large public facilities.

2Q
Results

Total orders received



Net sales



Total orders received and Net sales by Market

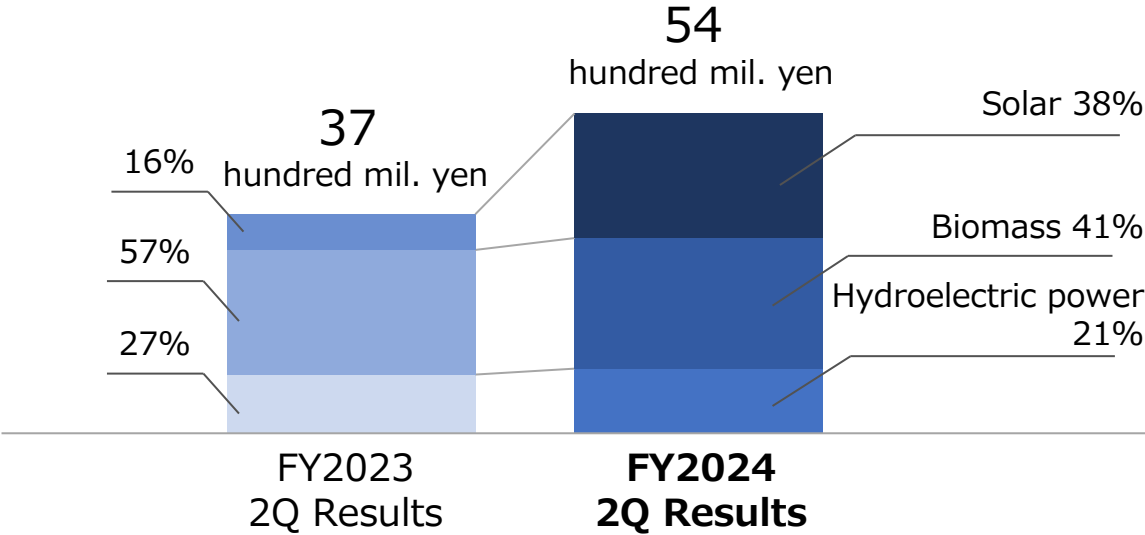
Renewable Energy Market

[Orders] Orders in each of the hydroelectric power, biomass, and solar fields increased year on year. In particular, there was a significant expansion of orders in the solar field for projects including onsite work for PPA power supply equipment, work for implementation of BCP measures, and work for recovery from torrential rain.

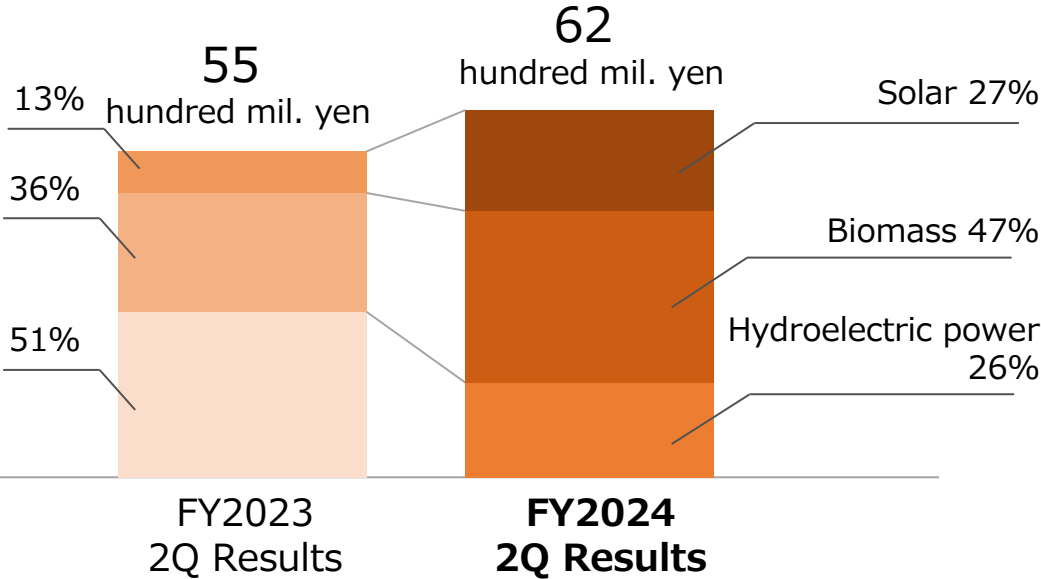
[Sales] Despite a decrease in sales in the hydroelectric power field due to the partial completion of large-scale S&B works, overall sales increased as a result of sales in the solar and biomass fields. We expect sales for the full year to increase year on year.

2Q
Results

Total orders received



Net sales



I

Overview of Interim FY2024 Financial Results

II

Revisions to FY2024 Financial Results Forecast

III

Topics

Revisions to FY2024 Financial Results Forecast (Consolidated)

[Before Revision]

Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Interim dividend	Year-end dividend (Forecast)	Annual dividends (Forecast)
hundred mil. yen	hundred mil. yen	hundred mil. yen	hundred mil. yen	yen	yen	yen
900	32	36	30	26	26	52

For reference: ROE
4.5%

[After Revision]

Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Interim dividend	Year-end dividend (Forecast)	Annual dividends (Forecast)
hundred mil. yen	hundred mil. yen	hundred mil. yen	hundred mil. yen	yen	yen	yen
680	10	15	15	26	26	52

For reference: ROE
2.2%

We are aiming to meet the initial target for total orders received, having received an expected volume of orders from new customers and in new fields as we work to diversify revenue streams. However, as regards net sales, although current construction projects are progressing according to plan, we expect net sales to fall short of the previous forecast, as orders for the period under review do not contribute significantly to sales. Each kind of profit is similarly expected to fall below the previous forecast as a result of the decrease in net sales. There is no revision to the cash dividend forecast.

Revisions to FY2024 Financial Results Forecast (Consolidated)

Cause	Analysis	Countermeasures
Insufficient projects to boost sales	[Portfolio transformation] <ul style="list-style-type: none"> Construction orders from new customers and in new fields are different from long-term on-site projects, with few projects that contribute to an increase in sales in the short term Orders and construction take a longer time due to insufficient knowledge in new fields and the slow building of relationships with new customers Delays in construction due to longer materials and equipment delivery times 	[Evolve our sales activities] <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Aggregate and integrate the sales structure <ul style="list-style-type: none"> Bolster the number of staff for closing new sales Open branches nationwide and optimize sales activities Accumulate and share sales know-how <input type="checkbox"/> Shorten the period for determining specifications for design support provided to customers
Loss of orders that would have boosted net sales	[Loss of target orders] <ul style="list-style-type: none"> Insufficient know-how in estimating costs in new fields and lack of competitiveness in procurement of materials and equipment 	[Enhance cost estimation and procurement capabilities] <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Establish a new body specializing in estimating costs <input type="checkbox"/> Create a database of cost estimates using the latest knowledge <input type="checkbox"/> Procure competitive materials and equipment from diverse sources, including overseas sources
Reduction in on-site activity due to labor shortages	[Constraints due to labor shortages] <ul style="list-style-type: none"> Selective order-winning due to insufficient construction supervisors Labor shortages in partner companies caused by an ageing workforce and other factors Longer planning periods due to customer busy periods 	[Strengthen the workforce] <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Enhance the employment of new graduates and experienced workers (the number of new graduate hires expected to join in April 2025 is around 2.2 times the average for FY2022-FY2024) <input checked="" type="checkbox"/> Achieve flexible placement of employees by aggregating and integrating the construction departments <input type="checkbox"/> Carry out joint simulations with key partner companies to ensure sufficient workers by early sharing of construction information <input type="checkbox"/> Accelerate orders by improving customer design support and sales proposal capabilities

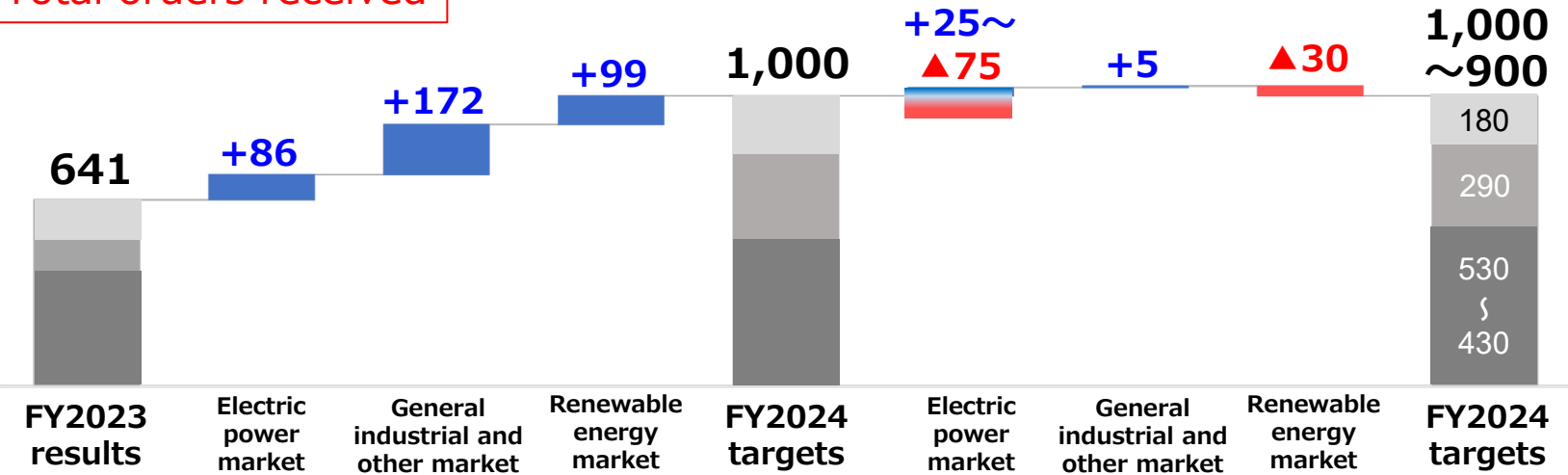
✓ indicates countermeasures which have been initiated

- : Renewable energy market
- : General industrial and other market
- : Electric power market

Revisions to FY2024 Financial Results Forecast (Consolidated)

[units: hundred mil. yen]

Total orders received



Electric power market

Orders for modification of power plants for decarbonization and works for preparation for resumption of operation of nuclear power plants, among others, were strong. Changes are expected to occur depending on results of decarbonization power source auctions.

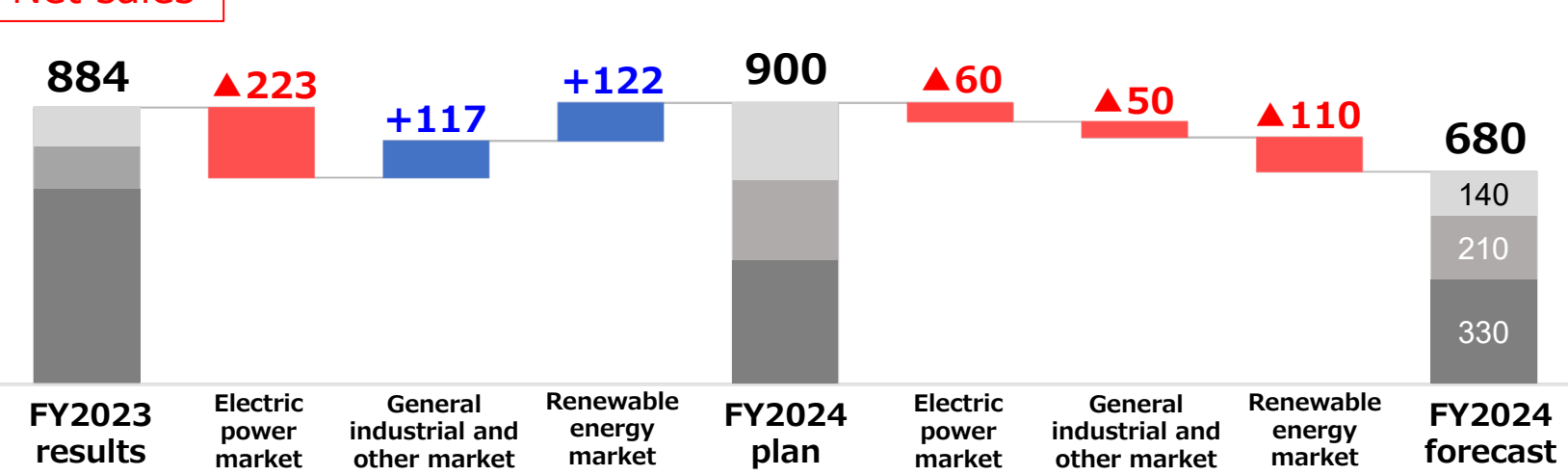
General industrial and other market

Results were as planned as a result of strong orders for construction of additional facilities for chemical plants and work at public facilities, among others.

Renewable energy market

All fields performed better than in the previous period, but the fuel sales business is being revised due to market price conditions.

Net sales



Electric power market

Loss of orders for thermal boiler modification projects which could have boosted net sales for the current period; substation projects failing to contribute to net sales for the current period as a result of delays in construction

General industrial and other market

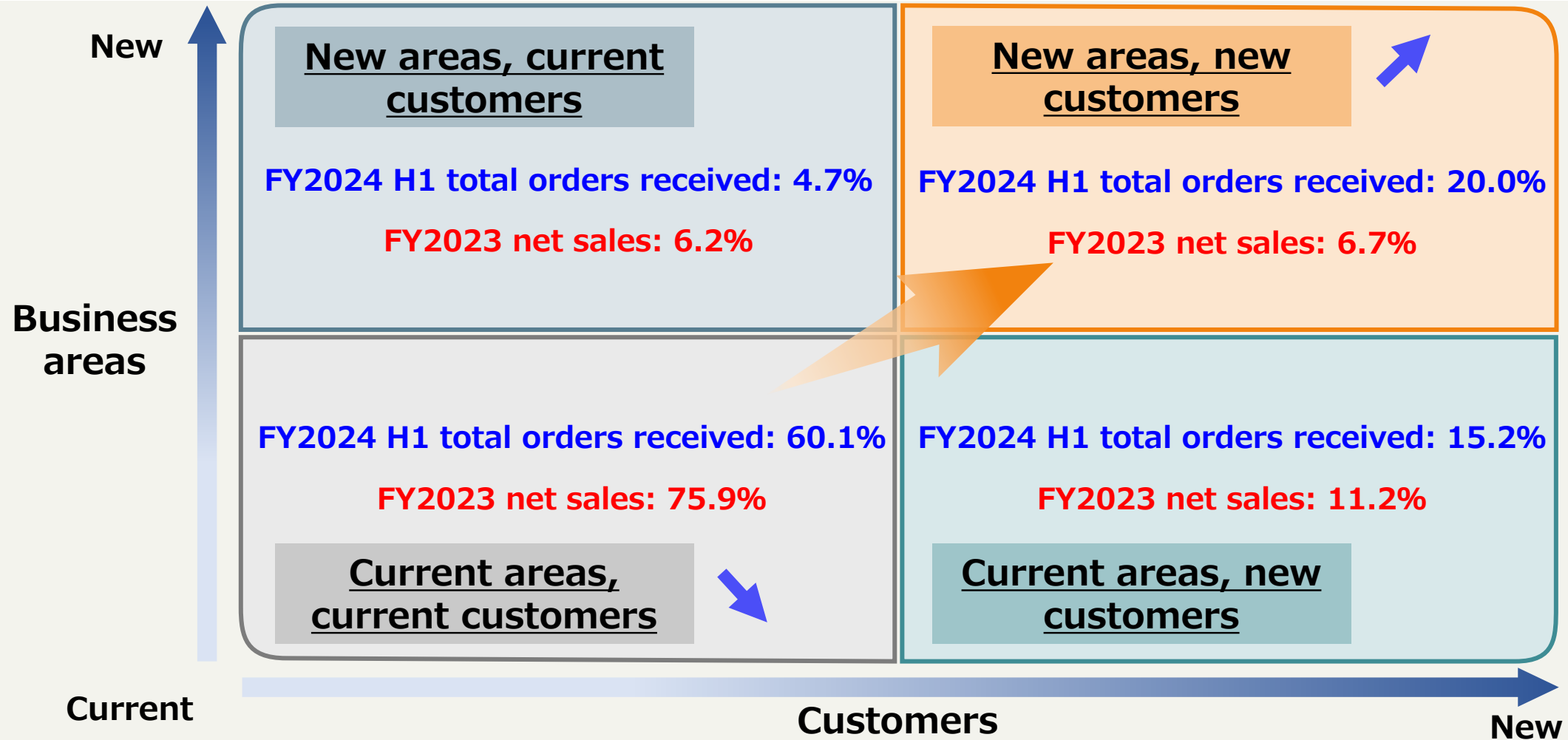
Loss of orders for public infrastructure and steel-related projects which could have boosted net sales for the current period; failure to win projects contributing to net sales for the current period due to slow building of relationships with new customers

Renewable energy market

Suspension of solar projects; loss of orders which could have boosted net sales for the current period; revision of the fuel sales business

Changes to Business Areas and Customers in FY2024 Orders

- In the first half of the year, we steadily won construction projects in new areas of business and new customers, and the results of organizational restructuring to diversify revenue sources have begun to show.
- Taking into account orders in the second half of the year, we expect to achieve an adequate amount carried forward to the next period for FY2025 and beyond.



Topics in Interim FY2024 Orders

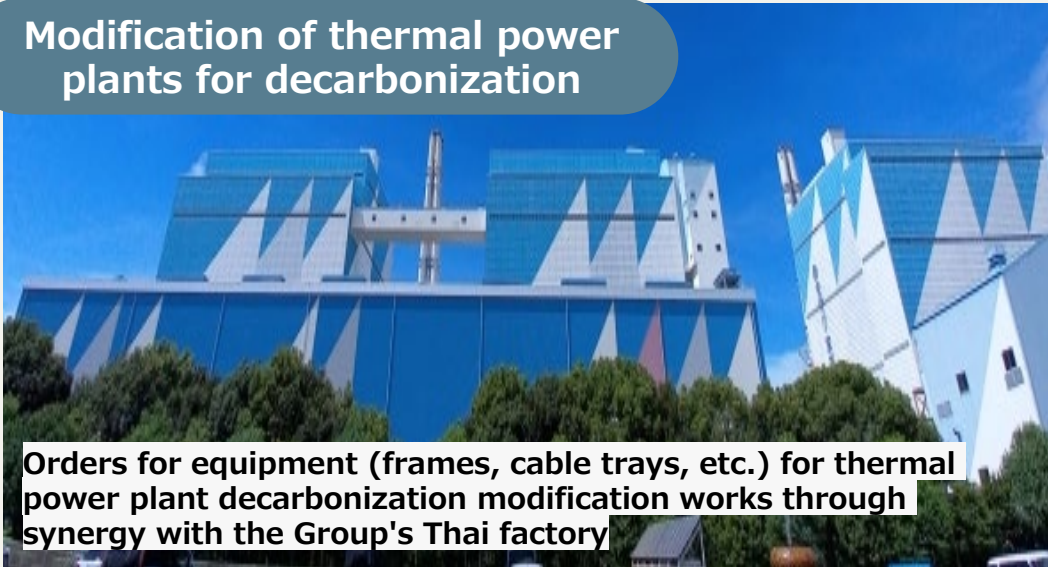
PPA: Power Purchase Agreements

Air conditioning work at public facilities



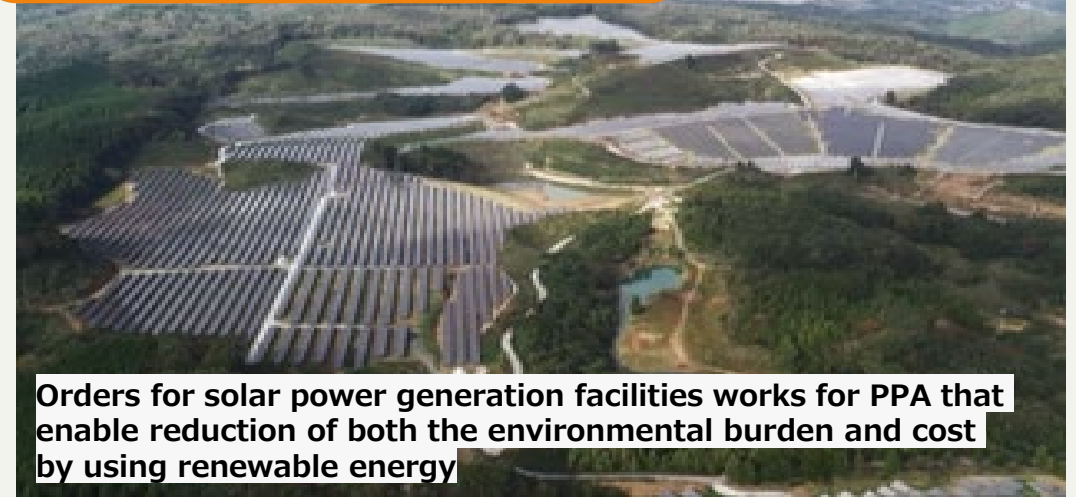
Orders for air conditioning equipment renewal works in public schools in the process of upgrading gymnasiums and zones outside classrooms to improve the teaching environment

Modification of thermal power plants for decarbonization



Orders for equipment (frames, cable trays, etc.) for thermal power plant decarbonization modification works through synergy with the Group's Thai factory

PPA power supply



Orders for solar power generation facilities works for PPA that enable reduction of both the environmental burden and cost by using renewable energy

Power system enhancements



Orders for new construction and upgrades of substations as electric power demand rises due to the construction of new data centers and other facilities

I

Overview of Interim FY2024 Financial Results

II

Revisions to FY2024 Financial Results Forecast

III

Topics

Topics

- Operational launch of Hyuga Biomass Power Plant
- Using VR goggles for technical and skills training
- Delivery of first batch of spent fuel to Recyclable-Fuel Storage Center
- Initiatives for Decarbonization Leading Areas
- Completion of Kitaibaraki Biomass Power Plant
- Establishment of Onagawa construction office
- Appreciation award from Sakaiminato City
- Donation of emergency food items to accredited NPO
- Initiatives to support paraclimbing athletes



TOKYO ENERGY & SYSTEMS INC.

[Biomass] Operational Launch of Hyuga Biomass Power Plant

- Hyuga Biomass Power Co., Ltd., in which the Company has a 5% share, commenced business operation of its Hyuga Biomass Power Plant (Hyuga City, Miyazaki Prefecture) on October 16, 2024. The Company is responsible for plant construction and owner's engineering.
- This biomass-fired power plant with a capacity of 50 MW is capable of supplying power for around 110,000 typical households. The power generated is sold to Kyushu Electric Power Transmission and Distribution under a FIT (feed-in tariff) scheme.
- After the commencement of operations, the Company will work to ensure the safe and secure operation of the plant, taking responsibility for long-term operations and maintenance (O&M) works, as well as technical support, leveraging our cumulative experience and technical expertise from operating our own Sakaiminato Biomass Power Plant (Sakaiminato City, Tottori Prefecture).
- The Company recruited 18 employees for handling operations and maintenance works for the facility and provided skill development such as prior training using VR goggles.



Hyuga Biomass Power Plant

[Using DX] Using VR Goggles for Technical and Skills Training

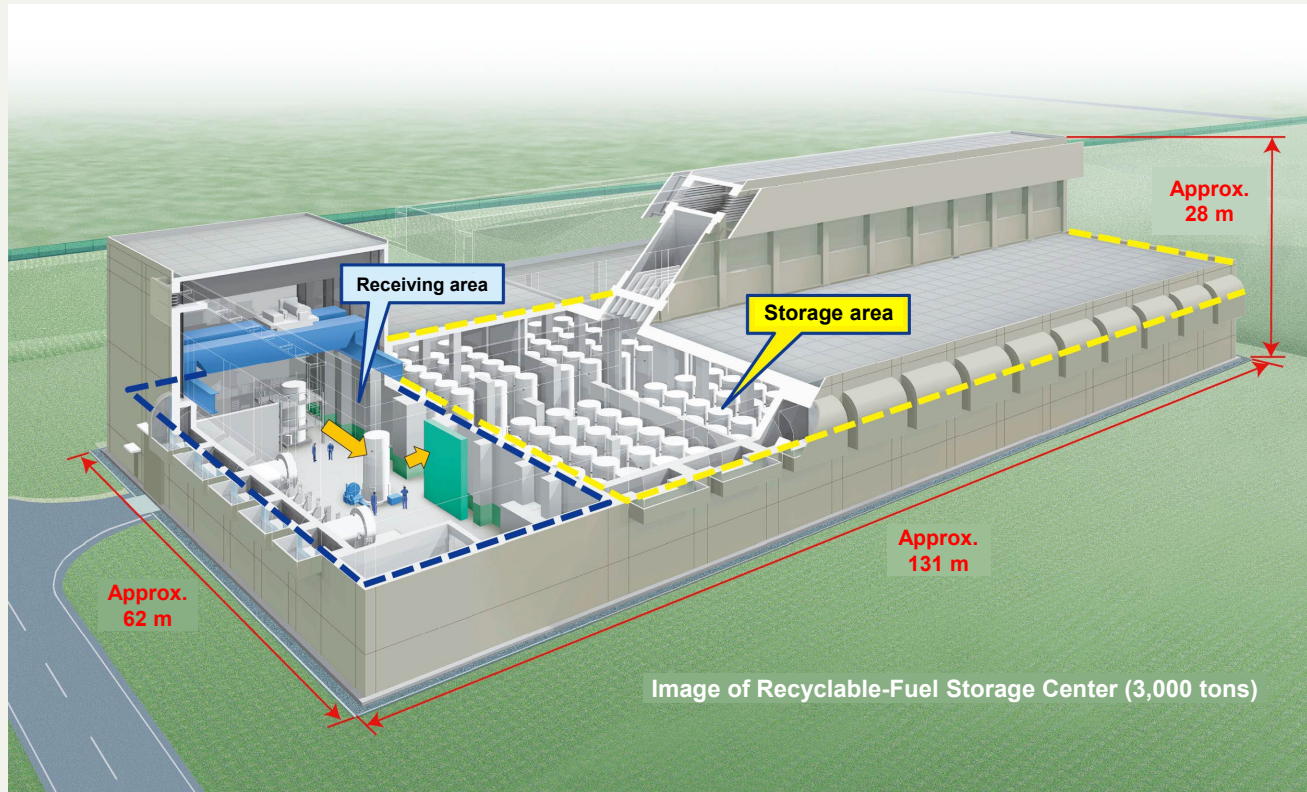
- The O&M Department is responsible for operations and maintenance of thermal power plants and biomass power plants. The Division conducts training using VR goggles to transfer O&M knowledge, expertise, experience, and know-how so that on-site work can take place safely and securely.
- To date, 80 employees have undergone VR training, including eight employees for the Hyuga Biomass Power Plant.
- This training format is expected to provide benefits in the form of the standardization of lectures, heightened participant motivation, alleviation of location and timing constraints, and reduction in labor, facility, and other costs.
- Furthermore, a feature of the training content is that it was filmed and created by employees, ensuring the thorough and proper transmission of on-site know-how.



A training session using VR goggles

[Nuclear] Delivery of First Batch of Spent Fuel to Recyclable-Fuel Storage Center

- On September 26, 2024, we completed the delivery of one metal cask for storing spent fuel from Tokyo Electric Power Company Holdings, Inc. Kashiwazaki-Kariwa Nuclear Power Station to the Recyclable-Fuel Storage Center operated by Recyclable-Fuel Storage Company.
- This is the first batch of spent fuel to be stored at the facility, and the Company was responsible for installation of the metal cask.
- We will continue to make safety our top priority.



Left: Diagram of the Recyclable-Fuel Storage Center's storage building



Right: Lifting the metal cask from the trailer inside the storage building (from the website of Recyclable-Fuel Storage Company)

[Decarbonization] Initiatives for Decarbonization Leading Areas

- This project (500 units across 31 facilities, supplying 3,972,505 kWh/year of electricity demand, 79.3% of the village's total demand until FY2030) has commenced in Ueno village in Gunma Prefecture. Ueno village was selected as a Decarbonization Leading Area in the second year of the initiative organized by the Ministry of Environment in 2022.
- Last fiscal year, the Company received and completed orders from Ueno village for 456.4 kW of solar power equipment and 645 kWh of storage battery equipment (refer to photos) (to supply the electricity demand for six public facilities, five units of village-managed housing, and 13 regular residences).
- This fiscal year, we have again received orders for 300 kW of solar power equipment, 335 kWh of storage battery equipment (for five public facilities). Work commenced in September 2024 and is scheduled to be completed in March 2025.
- We will promote initiatives to realize a decarbonized society, solving regional problems and improving regional resilience with the cooperation of regional communities.



Solar power generation equipment installed at Saseragi (a public facility)



Solar power generation equipment installed on village-managed housing

[Biomass] Completion of Kitaibaraki Biomass Power Plant

- The Company completed the construction of The Tokyo Electric Generation Co., Ltd.'s Kitaibaraki Biomass Power Plant (power generation equipment/capacity: fluid bed boiler + steam turbine/1,990 kW) on October 28, 2024 under a turnkey contract for EPC (engineering, procurement, and construction).
- This construction project leveraged our cumulative experience and technical expertise from operating our own Sakaiminato Biomass Power Plant.
- This energy project is rooted in the local community, as it promotes the woody biomass power business as an expansion of our renewable energy power generation business while also using timber from regional forest thinning as fuel, achieving coexistence and co-prosperity.



Kitaibaraki Biomass Power Plant



At the completion ceremony for the Kitaibaraki Biomass Power Plant



[Nuclear] Establishment of Onagawa Construction Office

- We established a new construction office in Onagawa as a result of the internal organizational restructuring undertaken in April 2024, to allow us to respond to our customers' needs more swiftly and effectively than before.



Office opening ceremony and prayer for safety



Onagawa construction office

[Regional contributions] Appreciation Award from Sakaiminato City

- Thanks to the understanding and support of the residents and community of Sakaiminato city, the Sakaiminato Biomass Power Plant (operated by SAKAIMINATO ENERGY POWER, a wholly owned subsidiary of the Company) has been operating steadily since commencing operations in October 2022.
- Sakaiminato city presented us with an appreciation award for our donation to the city's project for town development utilizing its three ports, as well as its marine and tourism resources, which we had made out of our gratitude to the regional community.
- The Company will continue with initiatives to realize a decarbonized society and contribute to Sakaiminato city's declaration to become a zero-carbon city.



Receiving the appreciation award from Mayor Date



View of Sakaiminato Biomass Power Plant

[Regional contributions] Donation of Emergency Food Items to Accredited NPO

- We donated expired food items for use as emergency stockpiles to the food bank (of NPO Second Harvest Japan).
- We will continue with initiatives to solve social problems and realize a sustainable society.



Donation of emergency food items

[Items donated]

- Magic Rice (550 servings)
- Hardtack (480 servings)

[Recipient of donation]

Name: NPO Second Harvest Japan

About: Operator of Japan's first food bank, Second Harvest Japan accepts donations of surplus food from food manufacturers/producers, businesses, and individuals, and safely distributes them to childcare facilities, shelters for victims of domestic violence, food pantry organizations and other organizations.

[Promoting diversity & inclusion] Initiatives to Support Paraclimbing Athletes

- The Company works to challenge each of our employees to be eager to take on new challenges.
- The Company sponsored one of our employees as a paralympic athlete, and will hold internal events in which they will touch on know-how for setting targets and staying motivated for fellow employees, among others.
- Our employee participated in the FY2024 Paraclimbing Japan Series held in October 2024 (Round 1) in the AL1 class (reduced functioning of lower limbs), qualified in third place, and finished wonderfully as runner-up in the finals.
- We will continue to promote diversity and inclusion through our support for paraclimbing athletes.



A paraclimbing competition



President Toshiaki Majima and employees who supported our athlete at the competition

Disclaimer:

The forward-looking statements in this document, including earnings forecasts, are based on information currently available to the Company and certain assumptions that the Company considers reasonable, but they are not intended to be a commitment by the Company.

Actual results may differ significantly due to various factors.

This document is intended to provide information to help investors make decisions. It is not an invitation to buy or sell shares in the Company.



Building a More Reliable
Foundation for Living

ENERGY×SYSTEM

Shaping Communities, Society,
and the Future