

# **Financial Results & State of Operating Activities (Supplementary Materials)**

**February 14, 2025**

**TOKYO ENERGY & SYSTEMS INC.**

# Financial Results & State of Operating Activities (Interim FY2024 and after)

## [Revisions to FY2024 Financial Results Forecast]

(per “Financial Results & State of Operating Activities” announced Nov 5, 2024)

### [Before Revision]

Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
hundred mil. yen	hundred mil. yen	hundred mil. yen	hundred mil. yen
<b>900</b>	<b>32</b>	<b>36</b>	<b>30</b>

For reference: ROE 4.5%

### [After Revision]

Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
hundred mil. yen	hundred mil. yen	hundred mil. yen	hundred mil. yen
<b>680</b>	<b>10</b>	<b>15</b>	<b>15</b>

For reference: ROE 2.2%

These materials provide supplementary progress updates and other information on the financial results forecast, as well as the causes, analyses, and countermeasures set out in the Revisions to FY2024 Financial Results Forecast section of “Financial Results & State of Operating Activities” announced on November 5, 2024.

- On November 5, 2024, the Company announced a "Notice Concerning Revision of Financial Results Forecast," taking into consideration sluggish net sales (low level of total orders received for the previous financial year and low contributions to net sales for the financial year under review) despite the steady growth in total orders received. In addition, on the same day, the Company announced the "Financial Results & State of Operating Activities" presenting an analysis of the causes for the downward revision of the financial results forecast and a summary of the countermeasures. Currently, the new initiatives we have implemented in addition to the initiatives that were already under way have produced a steady number of orders and other results (refer to p. 6).
- Total orders received have risen steadily in 2Q and 3Q as a result of progress on the countermeasures, as well as the unified sales activities of the whole Company. Growth was led by the general industrial and other markets, which recorded the highest number of total orders received in December for the financial year under review. We are continuing our efforts to increase the number of orders in 4Q (refer to pp. 4 & 6) and expect to achieve the target of approximately 900-950 hundred million yen at the end of the financial year, owing to delays to some orders and loss of orders, among others (refer to p. 3).
- Net sales saw an overall increase until 3Q (refer to p. 4) and is expected to grow through the end of the financial year led by the strong general industrial and other market, as well as the electric power market and renewable energy market (refer to p. 5). In addition, although we recorded a negative operating profit in 1Q, we began to achieve a turnaround from 2Q, and we expect to achieve our target for net sales and operating profit for the full year in line with the revised financial results forecast (refer to p. 4).
- The amount carried forward to the next period has been maintained at a high level and we expect to be able to secure a sufficient amount carried forward to the next period for FY2025 and beyond (refer to p. 3).

# Overview of FY2024 Third Quarter Financial Results (Consolidated Operating Results)

Net sales were favorable compared to the downward-revised financial results forecast announced in the interim financial results (November 5, 2024). As for profits, although we recorded a cumulative operating loss in 3Q, results improved over the interim financial results by around 2 hundred million yen, and we expect to achieve our target in the full-year financial results.

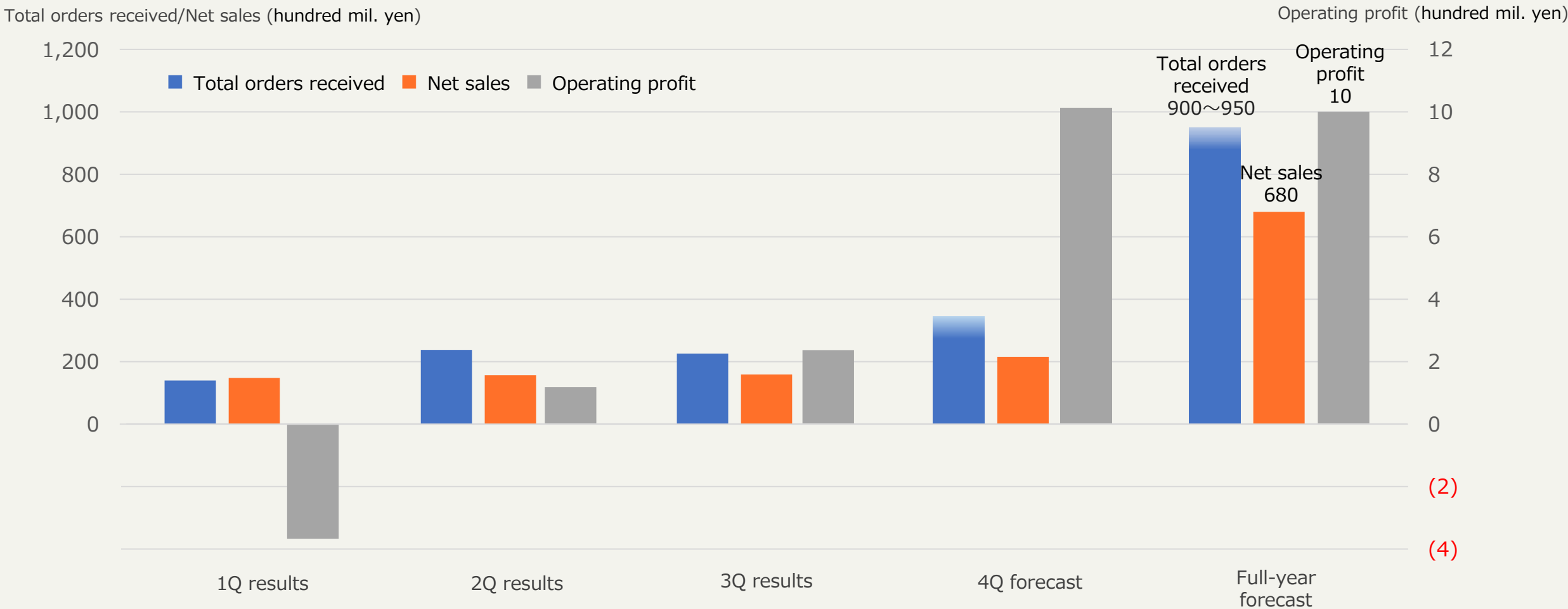
Total orders received in 3Q were strong, at approximately 604 hundred million yen (up 46.6% year-on-year). However, due to factors such as delays in some orders and loss of some orders received at the time of the interim financial results, we expect to achieve around 900-950 hundred million yen of total orders received in the full-year financial results. In addition, the amount carried forward to the next period remained high, at approximately 1,116 hundred million yen, and we expect to be able to secure a sufficient amount carried forward to the next period for FY2025 and beyond.

(Units: Millions of yen)	Financial results forecast (Nov. 5, 2024)	3Q financial results	Progress (%)	Points
Net sales	68,000	46,462	68.3%	Net sales were favorable in 3Q as a result of air conditioning work and electrical work at public facilities and new and additional facilities for substations.
Operating profit	1,000	▲12	—	Profits increased across the board due mainly to a relatively small number of construction works with a high cost ratio, foreign exchange gains resulting from exchange rate fluctuations, sale of cross-shareholdings in order to improve asset efficiency, and efforts to reduce expenses.
Ordinary profit	1,500	611	40.7%	
Profit attributable to owners of parent	1,500	1,091	72.7%	

# FY2024 Financial Results by Quarter (Consolidated)

Total orders received and net sales increased gradually each quarter up to 3Q and are expected to rise further in 4Q. In addition, although an operating loss was recorded in 1Q, performance improved from 2Q onward, and we expect to achieve our targets in the full-year financial results.

\*The full-year profit forecast does not take into account the effects of the recent increase in interest rates.

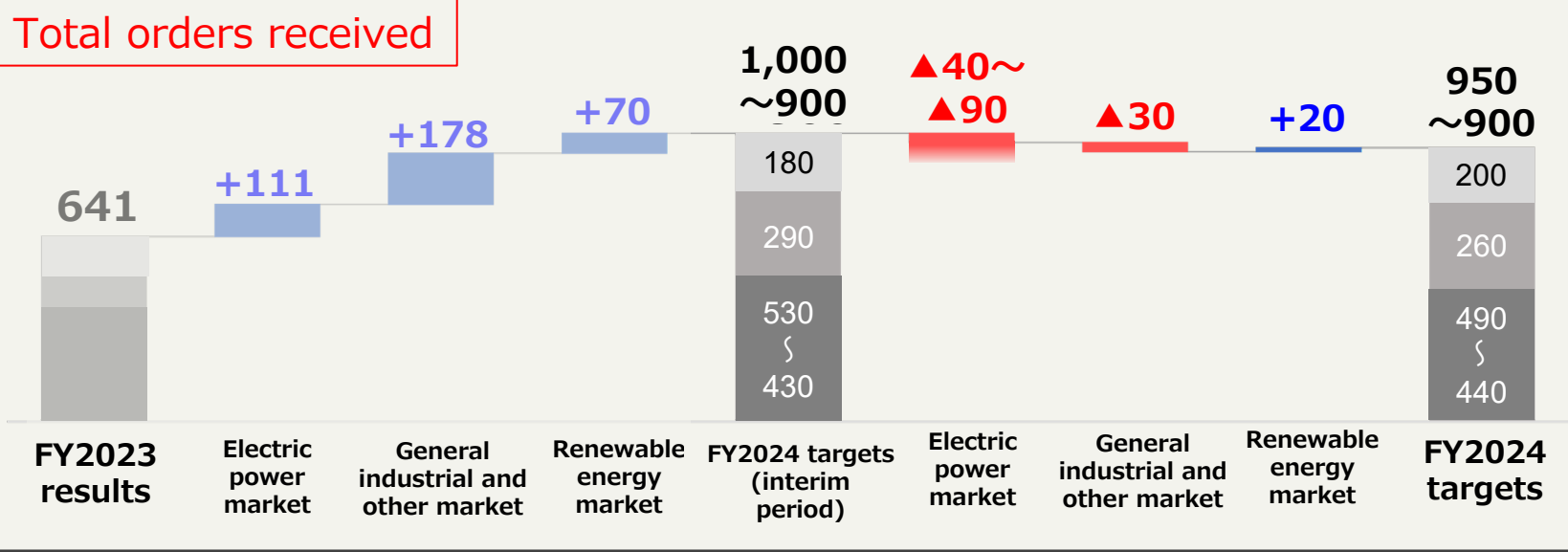


# Performance vs FY2024 Interim Targets & Financial Results

## Forecast (Consolidated)

[units: hundred mil. yen]

- : Renewable energy market (hydroelectric power, biomass, solar & batteries)
- : General industrial and other market (general industrial, public infrastructure, overseas business, etc.)
- : Electric power market (thermal power, nuclear power, substation)



### Electric power market

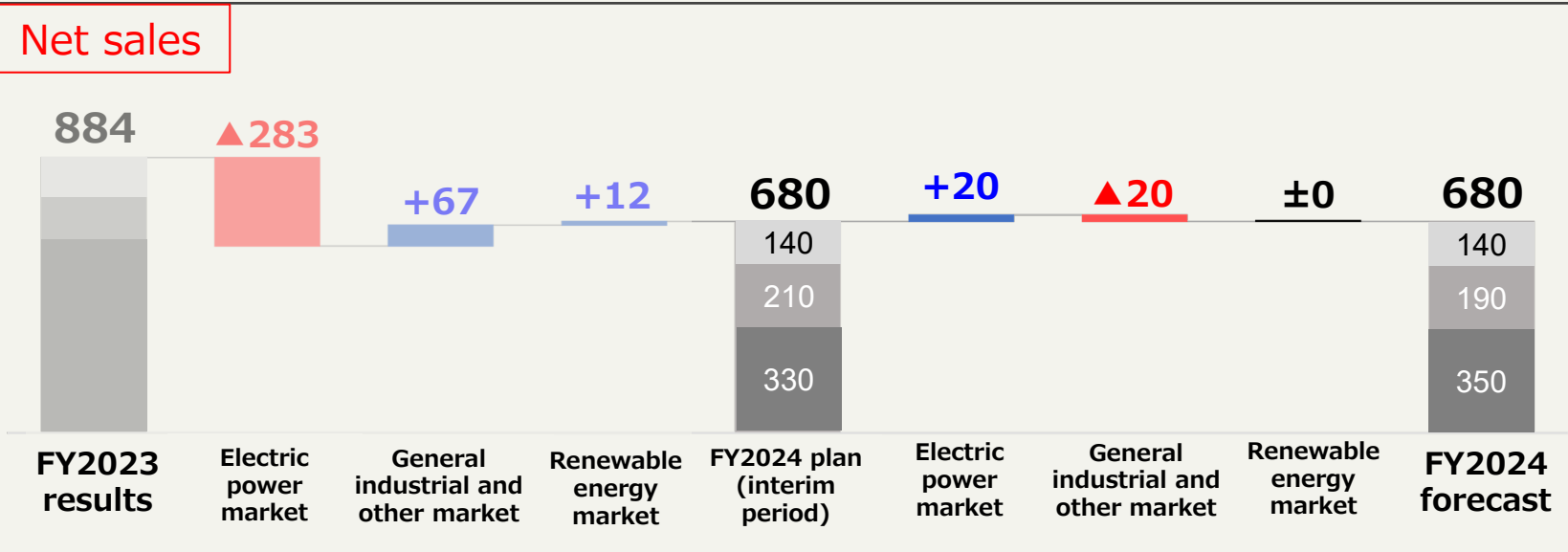
Changes are expected to occur due to reduced orders resulting from delays in projects for decarbonization of thermal power plants and of decarbonization power source auction results.

### General industrial and other market

Despite a reduction due to loss of orders for cogeneration projects, we expect a significant increase year-on-year driven by air conditioning work and electrical work at public facilities.

### Renewable energy market

We expect an increase as a result of hydroelectric power plant renovation projects and long-term operations and service work agreements for biomass power plants, among others.



### Electric power market

We expect an increase as a result of steady growth in projects for new construction and upgrades of substations, among others.

### General industrial and other market

Despite a reduction due to loss or extension of some of orders for chemical plants and steelworks projects, we expect an increase year-on-year driven by air conditioning work and electrical work at public facilities.

### Renewable energy market

Performance is progressing according to plan for solar power generation facilities on-site works for PPA and other projects.

# Causes of Revisions to FY2024 Financial Results Forecast and Progress on Countermeasures (Consolidated)

[Main countermeasures implemented in 3Q and status of implementation]

Shorten the period for determining specifications for design support provided to customers/accelerate orders ⇒ Construction plan proposals have been submitted to various customers and we expect to close some orders ahead of schedule

Create a database of cost estimates using the latest knowledge ⇒ Work has begun on creating a database of productivity units, unit prices, etc., and the system will be partially operational this financial year

Procure competitive materials and equipment from diverse sources, including overseas sources ⇒ We select and bid for equipment on advantageous price and delivery terms through cooperation with overseas manufacturers

Carry out joint simulations with key partner companies to ensure sufficient workers by early sharing of construction information ⇒ We strengthen our capabilities to close medium- to long-term orders and plan construction work through simulations conducted with partner companies

Cause	Countermeasures	Results
Insufficient projects to boost sales	<div>[Evolve our sales activities]</div> <div><div>✓ Implemented</div><div>✓ Implemented in 3Q</div></div> <div><div>✓</div> Aggregate and integrate the sales structure<ul style="list-style-type: none"><li>•Bolster the number of staff for closing new sales</li><li>•Open branches nationwide and optimize sales activities</li><li>•Accumulate and share sales know-how</li></ul><div>✓</div> Shorten the period for determining specifications for design support provided to customers</div>	<div>Large increase in total orders received year-on-year from 2Q onward</div> <div>Total orders received by quarter in FY2023-2024 and forecast</div> <div>[units: hundred mil. yen]</div> <div><div>FY2023 / FY2024</div><div><div>■ / ■</div> Electric power market</div><div><div>■ / ■</div> General industrial and other market</div><div><div>■ / ■</div> Renewable energy market</div></div> <div><div>1 Q</div><div>2 Q</div><div>3 Q</div><div>4 Q</div></div> <div>139 140 138 238 135 226 229 296~346</div>
Loss of orders that would have boosted net sales	<div>[Enhance cost estimation and procurement capabilities]</div> <div><div>✓</div> Establish a new body specializing in estimating costs</div> <div><div>✓</div> Create a database of cost estimates using the latest knowledge</div> <div><div>✓</div> Procure competitive materials and equipment from diverse sources, including overseas sources</div>	
Reduction in on-site activity due to labor shortages	<div>[Strengthen the workforce]</div> <div><div>✓</div> 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)</div> <div><div>✓</div> Achieve flexible placement of employees by aggregating and integrating the construction departments</div> <div><div>✓</div> Carry out joint simulations with key partner companies to ensure sufficient workers by early sharing of construction information</div> <div><div>✓</div> Accelerate orders by improving customer design support and sales proposal capabilities</div>	

## 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.





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