

FY2024 Medium-Term Management Plan

(FY2024-FY2026)



TOKYO ENERGY & SYSTEMS INC.

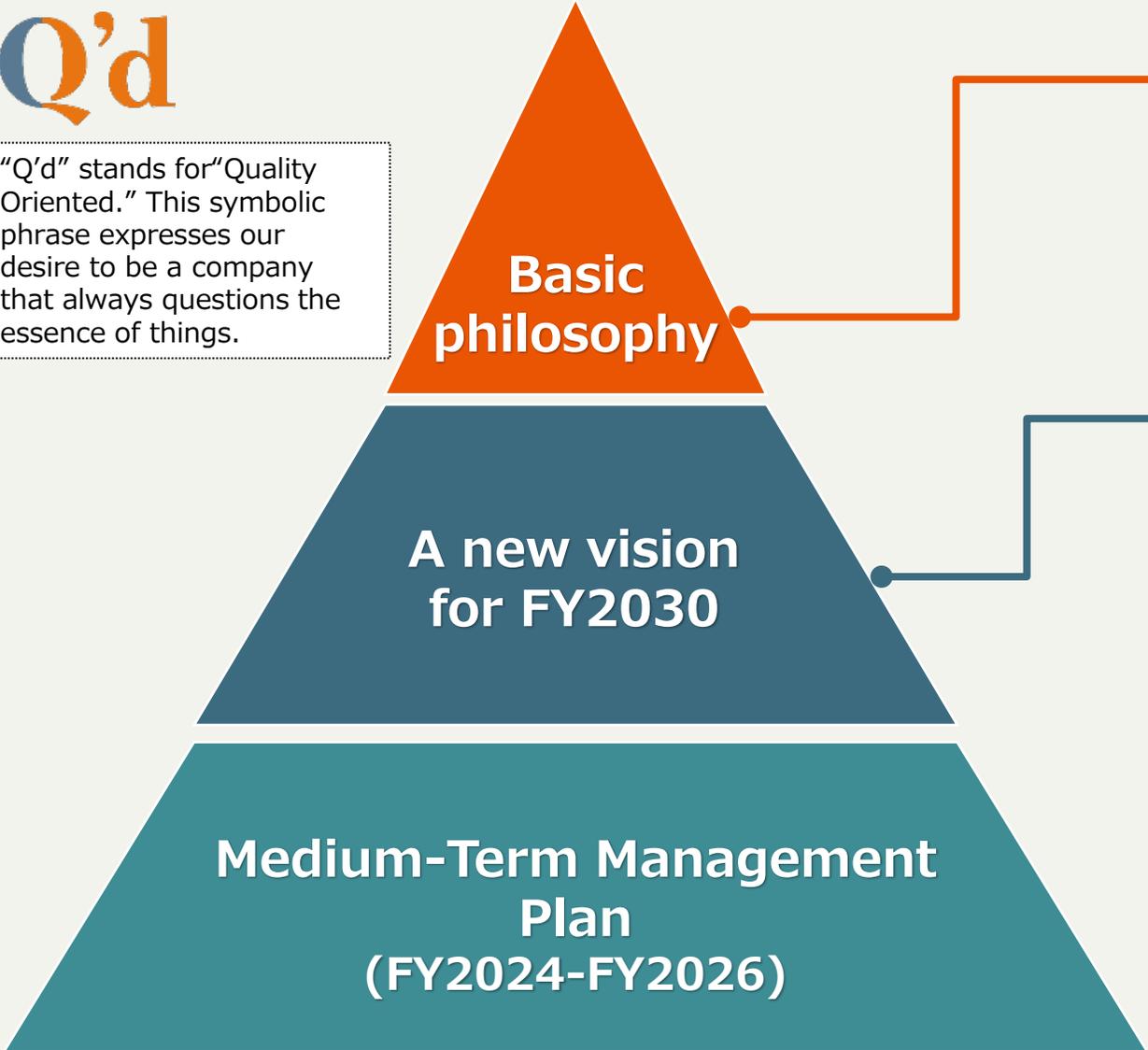
- 1. TOKYO ENERGY & SYSTEMS INC. Group's Vision**
- 2. FY2024 Medium-Term Management Plan**
- 3. FY2024 Medium-Term Management Plan : Financial Policy**
- 4. Action to Implement Management that is Conscious of Cost of Capital and Stock Price**

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Our Basic Philosophy & Vision



"Q'd" stands for "Quality Oriented." This symbolic phrase expresses our desire to be a company that always questions the essence of things.



AIM Building a More Reliable Foundation for Living

At Q'd, our aim is to be a vibrant group that earns the longstanding loyalty of clients by delivering value that exceeds expectations, always putting safety first and constantly refining our quality and technology, and building a more reliable foundation for living to help shape a more sustainable society.

Quality-first company leading carbon neutrality capitalizing on the technological capabilities of each employee

We are committed to acquiring and diligently pursuing a variety of technologies with wisdom and passion, to enhance the added value of all our comprehensive engineering functions and offer services that always satisfy the three "rights" (right price, right quality, and right time).

Positioning of the FY2024 Medium-Term Management Plan

FY2024 Medium-Term Management Plan

Creating a strong and flexible Q'd with people at the core

FY2026 performance targets (consolidated)

Total orders received	1,000 hundred mil. yen
Net sales	1,000 hundred mil. yen
Operating profit	56 hundred mil. yen
Ordinary profit	60 hundred mil. yen
Profit attributable to owners of parent	40 hundred mil. yen
ROE	5.5 %

A new vision for FY2030

Quality-first company leading carbon neutrality capitalizing on the technological capabilities of each employee

Net sales	≥ 1,300 hundred mil. yen
* CN-related business share	≥ 70 %
ROE	≥ 8 %

*CN = Carbon Neutral

AIM

Building a More Reliable Foundation for Living

Contributing to a future society

A society that can reliably deliver high-quality electric power in the face of growing demand for energy and for more diverse power supply configurations in line with advances in AI, etc.

FY2021 Medium-Term Management Plan

Establish a comprehensive engineering company

2021

2023

2024

2026

2030

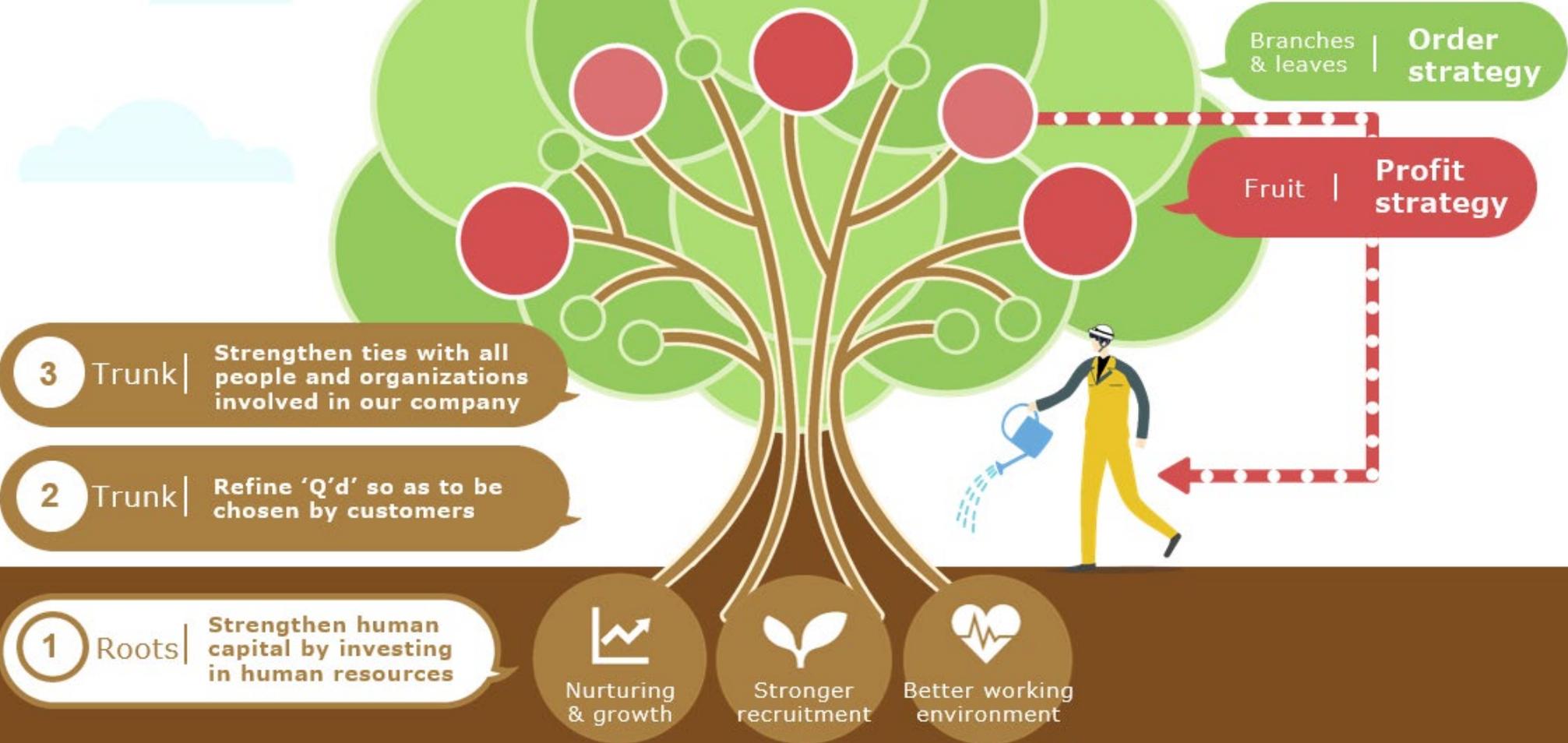
2050

(Final year of FY2024 Med.-Term MP)

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FY2024 Medium-Term Management Plan

Creating a strong and flexible Q'd with people at the core



Basic Policy

Creating a strong and flexible Q'd with people at the core

- **People at the core: Focusing on human capital investment**
- **Strong: The toughness to compete**
- **Flexible: The flexibility to keep up with rapidly changing market environments without collapsing or breaking**

FY2024 Medium-Term Management Plan: Key Challenges

Strive to continue delivering quality that exceeds the expectations of clients by strengthening the technical capability of every employee.
Tackle three key challenges in our FY2024 Medium-Term Management Plan, making “people” our highest priority.

Key challenge

01

Strengthen human capital
by investing in human resources

Key challenge

02

Refine ‘Q’d’ so as to be chosen by customers

Key challenge

03

Strengthen ties with all people and
organizations involved in our company

Strengthen human capital by investing in human resources

DOUBLE* Investment in human resources

* Relative to FY2023

More spending on:

- Education and training
- Welfare
- Workplace environment improvement
- Other related measures



Nurturing & growth

- Review assessment system
- New training programs
- Job-specific skills training

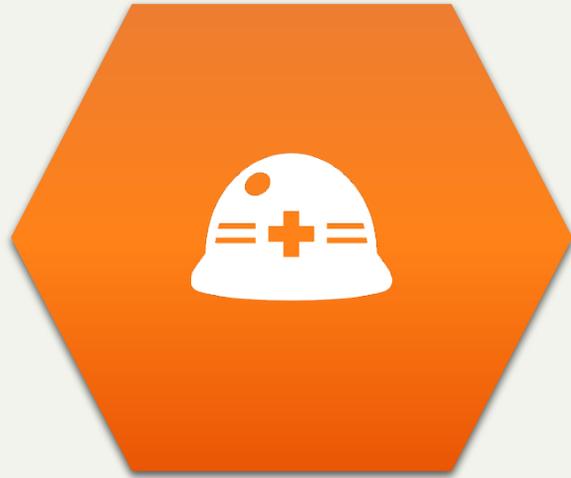
Stronger recruitment

- Optimize recruitment process
- Enhance recruitment channels
- More advanced recruitment PR
- Improve employee treatment

Workplace improvement

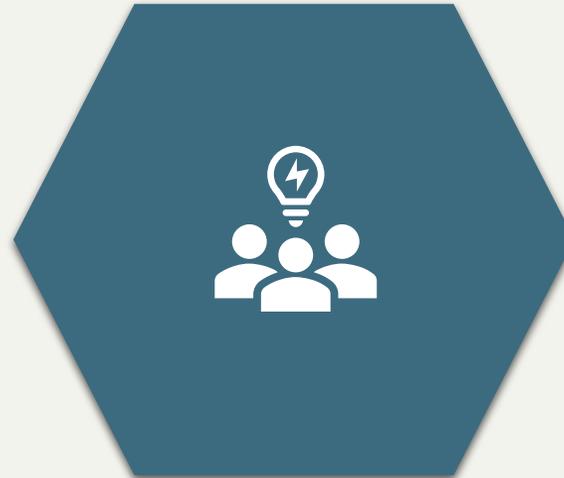
- Create systems to make work more fulfilling
- Adopt systems to make working easier
- Promote good mental and physical health

Refine 'Q'd' so as to be chosen by customers



Safety & Quality

- Refine management processes
- Improve safety management and quality assurance training
- Advance the three principles of *kaizen* (the three "actuals")



Technology development

- Development based on technology roadmaps
- Collaboration with industry and academia
- Investment in new technologies to promote carbon neutrality (CN)



DX

- Transform business processes
- Utilize accumulated "big data"
- Digitalize on-site work and construction management

Strengthen ties with all people and organizations involved in our company

- Collaborate in transforming work style
- Provide optimal quality
- Pursue client satisfaction

- Foster an organizational climate in which people feel free to communicate openly
- Dialogue between management and employees
- Share the values of Q'd
- Share and understand the Medium-Term Management Plan

- Actively disclose information
- Improve dialogue
- Ensure good shareholder returns



- Align with key partner companies
- Share information in a timely manner
- Implement the "Declaration of Partnership Building"

- Contribute to the local community through sports events
- Initiatives to promote carbon neutrality
- Continue contributing to the reconstruction of Fukushima

FY2024 Medium-Term Management Plan: Targets

FY2026 performance targets (consolidated)

Total orders received **1,000** hundred mil. yen

Net sales **1,000** hundred mil. yen

Operating profit **56** hundred mil. yen

Ordinary profit **60** hundred mil. yen

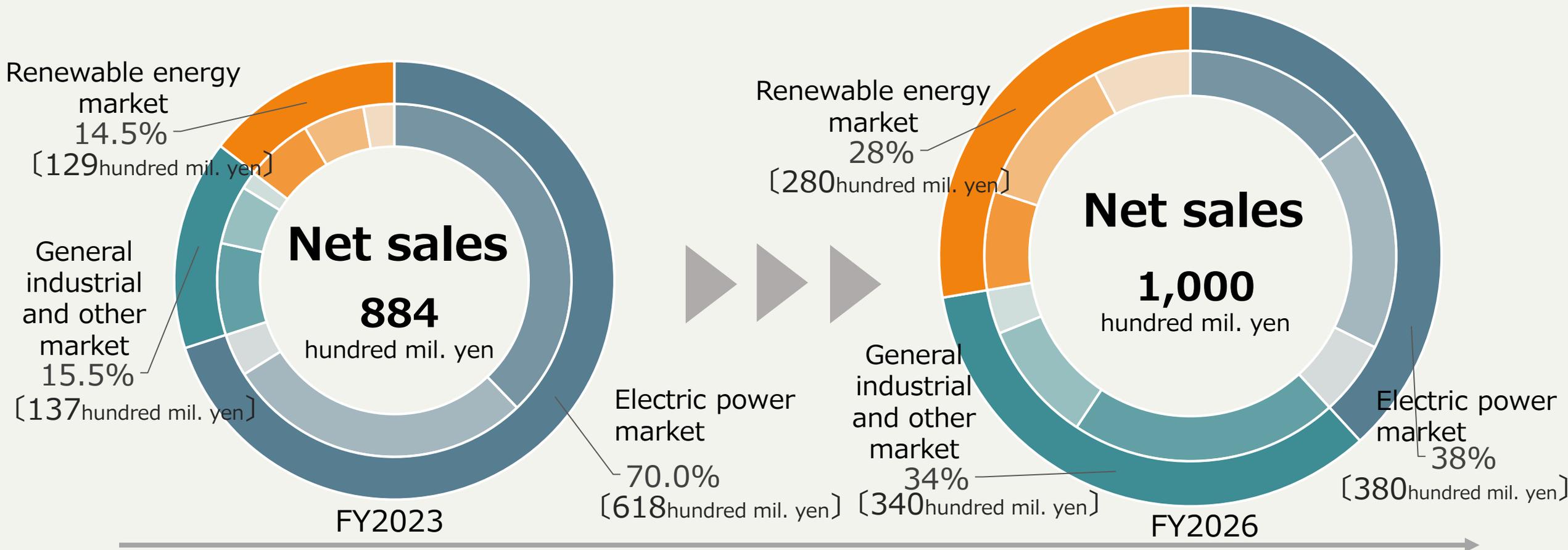
Profit attributable to owners of parent **40** hundred mil. yen

ROE **5.5** %

FY2024 Medium-Term Management Plan: Sales by Market (Consolidated)

- Thermal power
- Nuclear power
- Substations
- General industrial
- Public infrastructure
- Overseas business, etc.
- Hydroelectric power
- Biomass
- Solar & batteries

The electric power market, our traditional core business, will shrink over the next three years until nuclear safety countermeasures are completed and the construction of thermal power plants for long-term decarbonization power auctions gets into full swing. Meanwhile, to help shape a carbon-neutral society, the worldwide renewable energy market will inevitably grow, and demand for energy-saving in the general industrial market will present a great business opportunity. We can therefore work to diversify our revenue sources, which have been skewed to specific markets.



FY2024 Medium-Term Management Plan

[Electric Power Market]

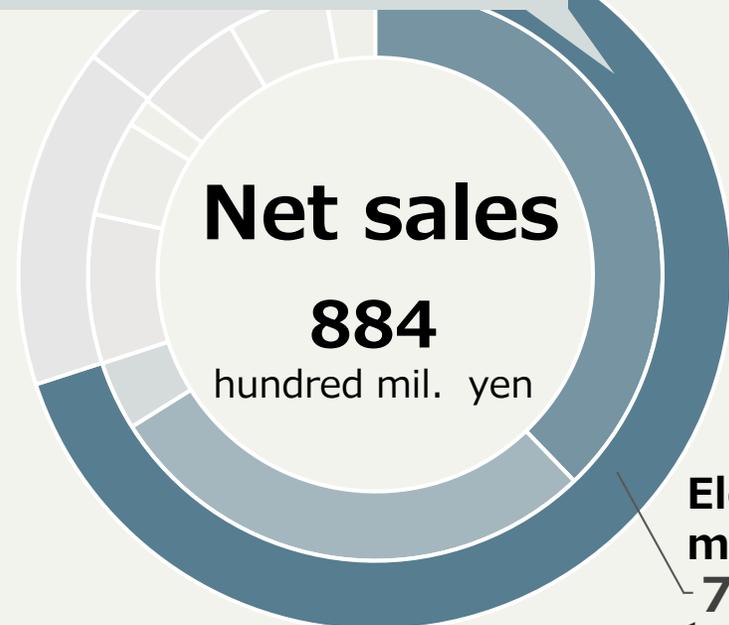


We will expand the scope of our core business—construction and maintenance of thermal and nuclear power plants, and substations—throughout Japan, while also expanding into construction projects related to decarbonized power supply auctions. In the nuclear power field, we will expand the range of our maintenance work, both in preparation for the restart of nuclear power plants and after their restart, as needed in accordance with restart status. In the substation field, we will also address the demand for new construction and upgrades of substations as electric power demand rises due to the construction of new data centers and other facilities.

- Thermal power plant construction and maintenance
- Nuclear power plant decommissioning and safety measures
- Substation construction and maintenance

- Thermal power plant construction, maintenance and **modification**
- Nuclear power plant decommissioning and safety measures
- Nuclear power plant maintenance**
- Substation construction and maintenance
- Construction related to decarbonized power supply auctions**

General industrial and other market
15.5%



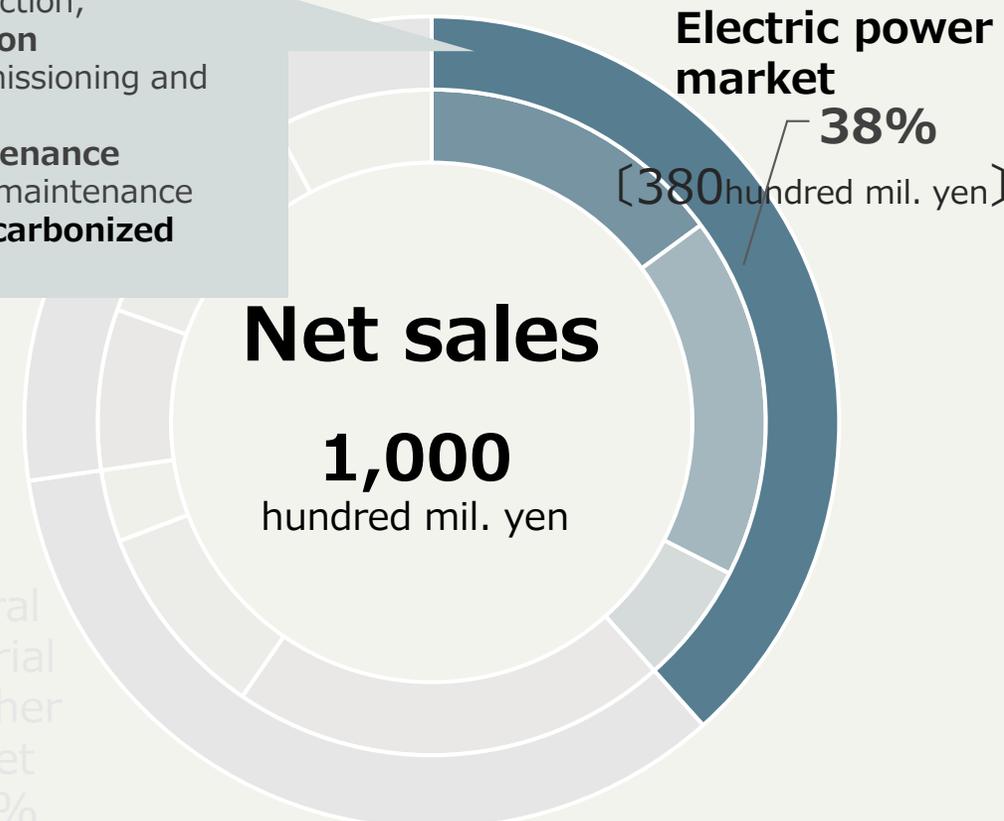
FY2023



Net sales

1,000 hundred mil. yen

General industrial and other market
34%



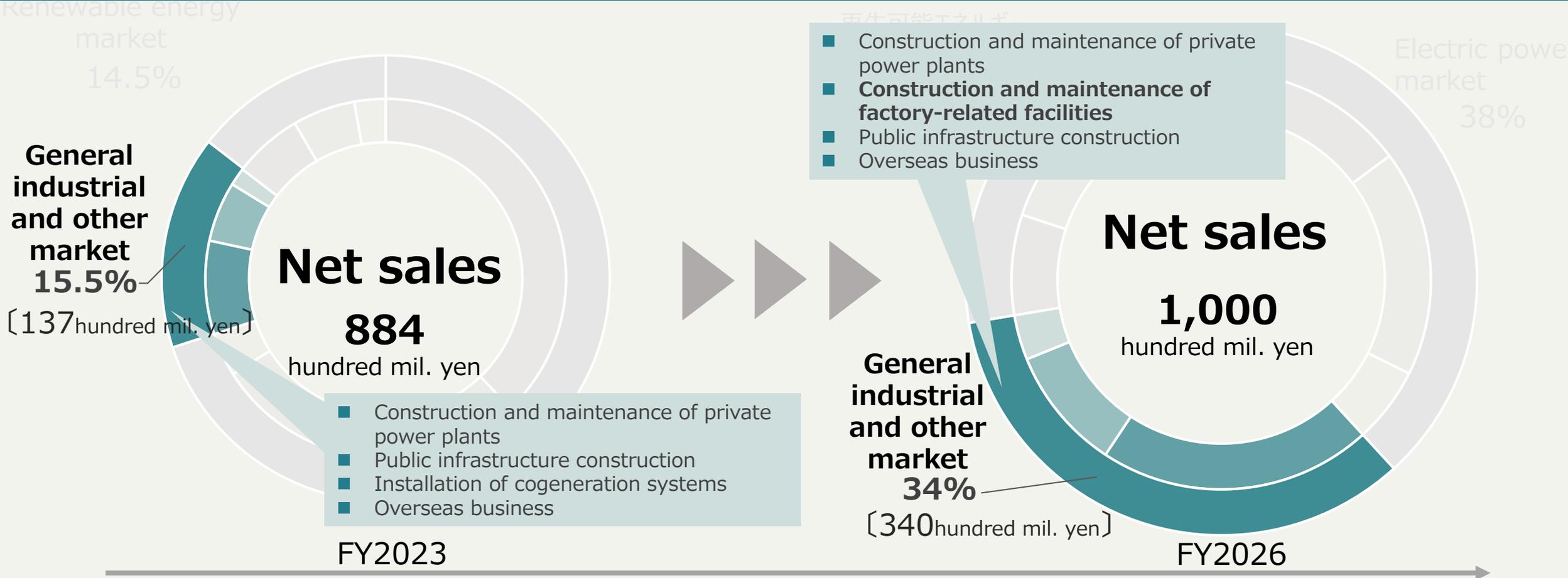
FY2026

FY2024 Medium-Term Management Plan

[General Industrial and Other Market]

- Thermal power
- Nuclear power
- Substations
- General industrial
- Public infrastructure
- Overseas business, etc.
- Hydroelectric power
- Biomass
- Solar & batteries

Leveraging our experience and expertise in the electric power market, we will expand our areas of business in the general industrial market, e.g., to production facilities (factories), and also in public infrastructure construction. As part of our organizational strategy, we will establish new company branches nationwide and boldly deploy resources to accelerate our entry and growth in the construction and maintenance of factory-related facilities. We will also use our existing bases as springboards for expanding our range of overseas business to help address the vigorous demand for investment in the electric power infrastructure business in Asia.

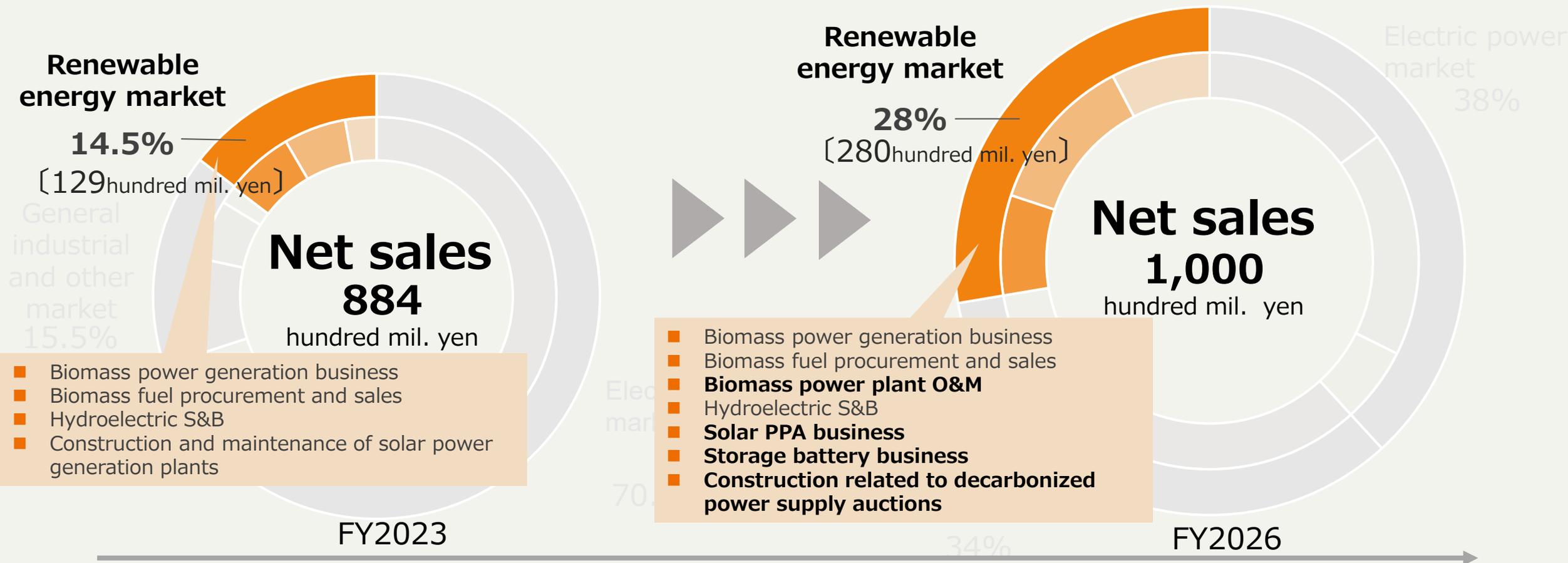


FY2024 Medium-Term Management Plan

[Renewable Energy Market]

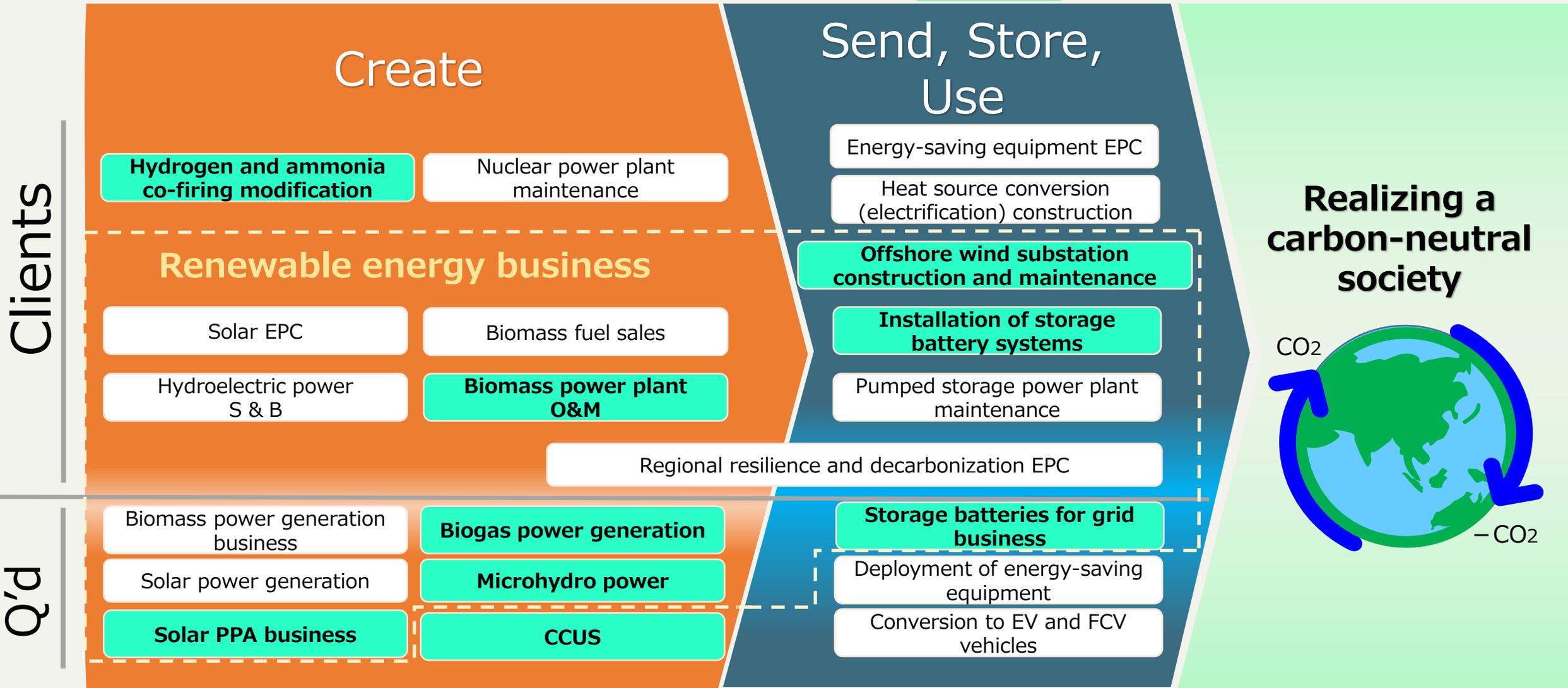
- Thermal power
- Nuclear power
- Substations
- General industrial
- Public infrastructure
- Overseas business, etc.
- Hydroelectric power
- Biomass
- Solar & batteries

In order to realize a carbon-neutral society, we will aim to expand the renewable energy market as our primary focus market, and accelerate our sales ratio from a target of 30% or more in FY2030 to 28% in FY2026. In the hydroelectric power generation business, we will continue to capture strong demand for S&B projects, and in the solar power generation business, we will develop businesses that combine PPA and storage batteries, thereby following the expansion of the renewable energy market itself and expanding our scope of activity. Additionally, the company will work to expand fuel sales in line with the rush to start up operations at biomass power plants.



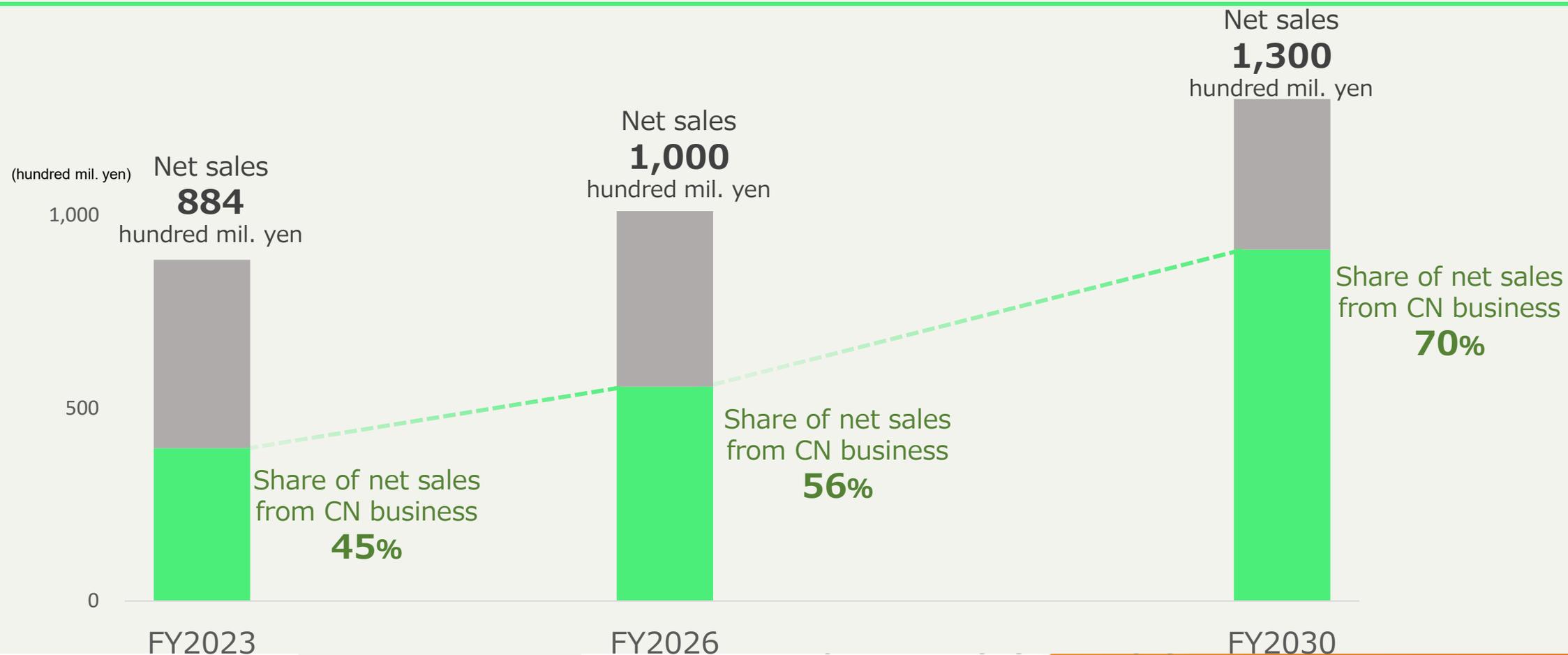
FY2024 Medium-Term Management Plan: Carbon-Neutral Initiatives

New initiatives in the FY2024 Medium-term MP



Carbon-Neutral Business: Share of Net Sales (Consolidated)

In the FY2021 Medium-Term Management Plan, we set the goal of achieving at least 30% of net sales from our renewable energy business by FY2030, but we now plan to accelerate this effort to achieve a 28% share of net sales by FY2026, a goal we now expect to achieve ahead of schedule. To expand not only in the renewable energy market but across the whole of the carbon-neutral market, in the FY2024 Medium-Term Management Plan, we set ourselves the ambitious goal of generating 70% of net sales in carbon-neutral-related business by FY2030.

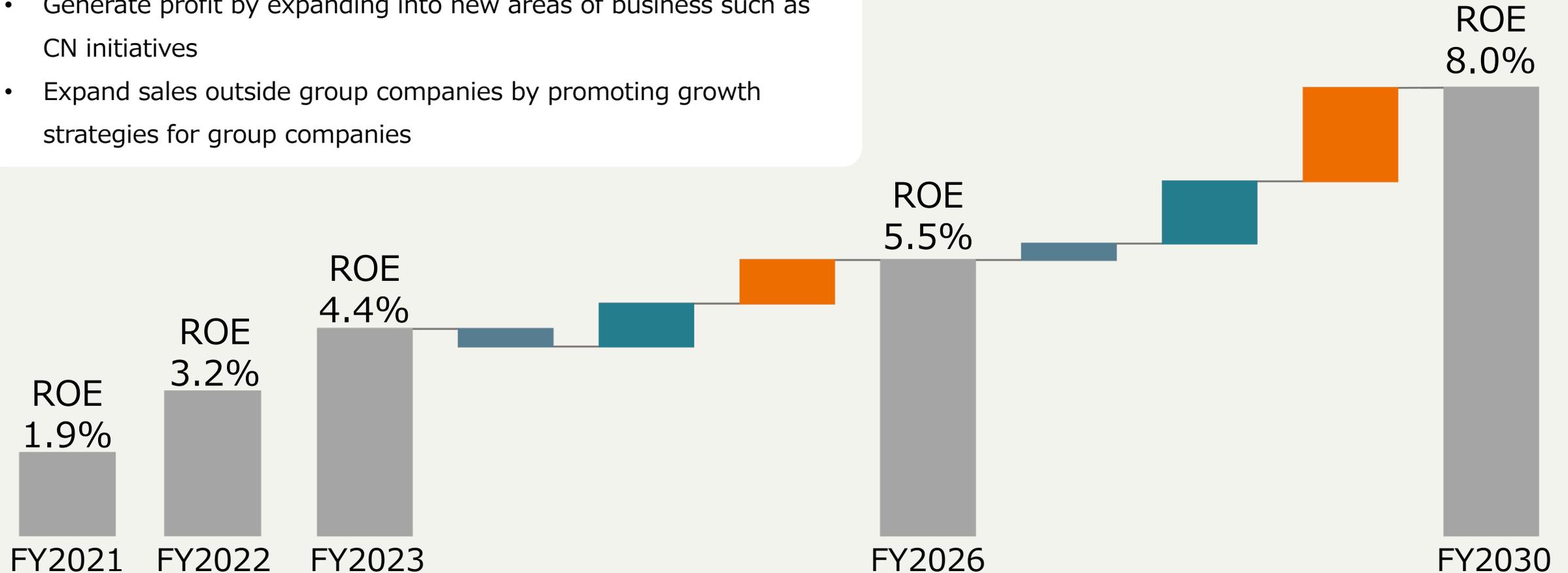


Medium- to Long-Term ROE Improvement Plan (Consolidated)

Initiatives to improve ROE

- Improve profit through DX and other productivity enhancements
- Eliminate risk and add value by enhancing quality assurance
- Generate profit by expanding into new areas of business such as CN initiatives
- Expand sales outside group companies by promoting growth strategies for group companies

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

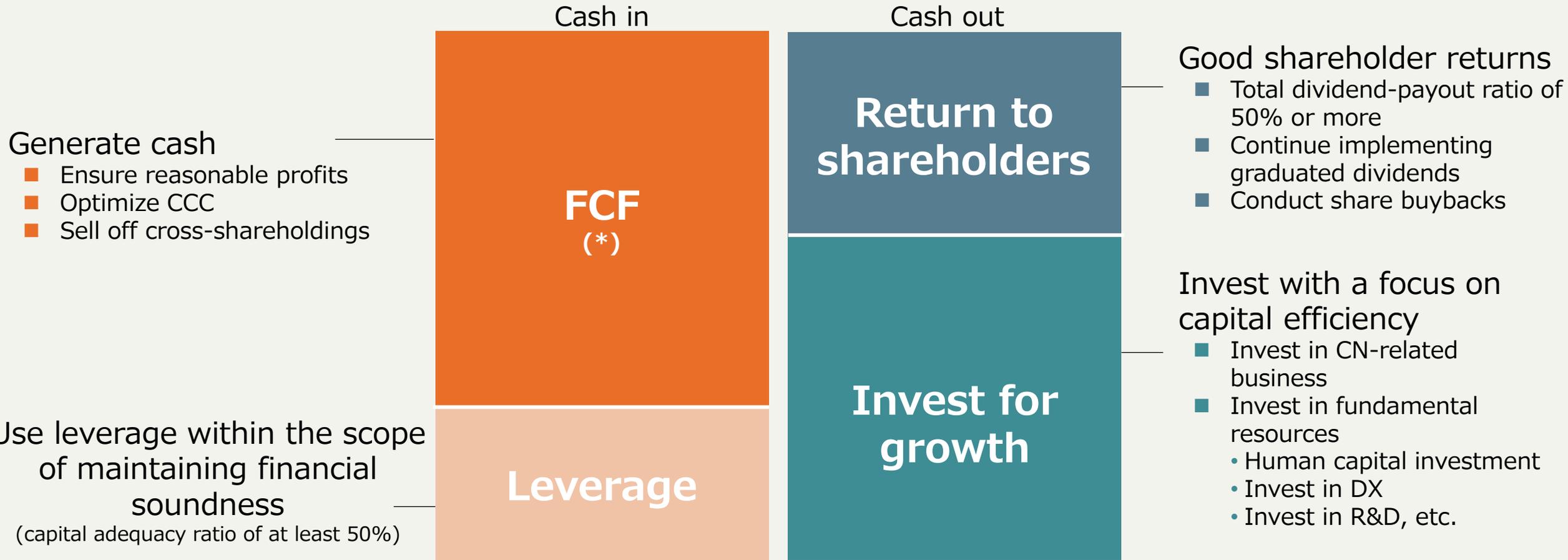


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FY2024 Medium-Term Management Plan: Increase Capital Efficiency

Generate cash from business activities and use leverage for growth investment and shareholder return to increase business value

Total for 3 years:
around **200** hundred mil. yen



*Excluding cash out from investment CF due to FCF

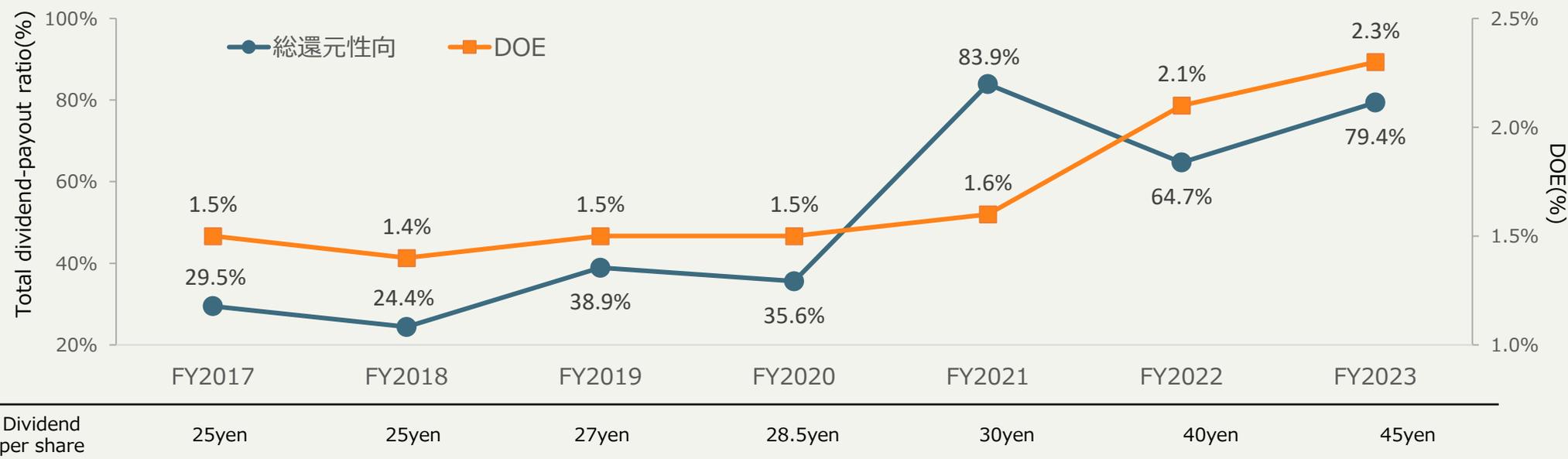
FY2024 Medium-Term Management Plan: Shareholder Return

Basic Policy: Graduated dividends in line with profit growth

- **DOE** of 2.5% with a minimum payout ratio in line with the average for Prime market (on Tokyo Stock Exchange)
- Conduct share buybacks flexibly with the aim of achieving a **total dividend-payout ratio** of at least 50%

Shareholder return indicators in FY2024 Medium-Term Management Plan

Target indicator	Target value
DOE (dividend on equity)	2.5% (FY2026)
Total dividend-payout ratio	≥ 50% (continued every fiscal year)



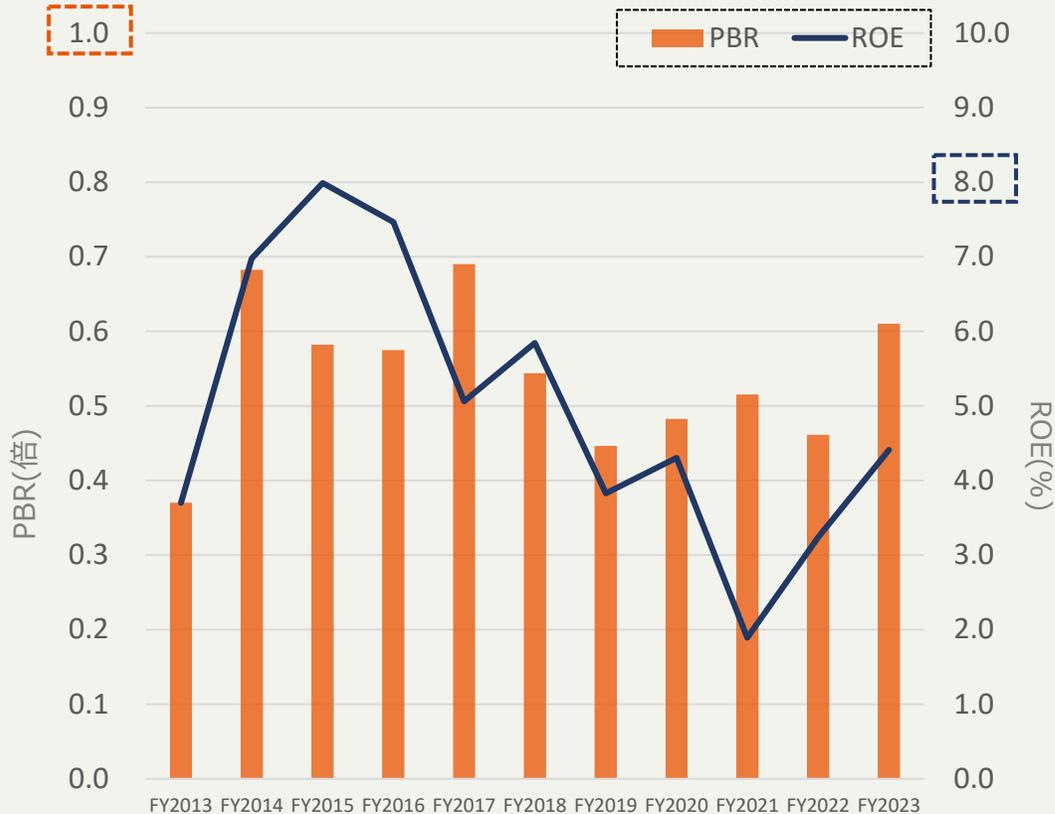
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Analysis and Assessment of Current Situation

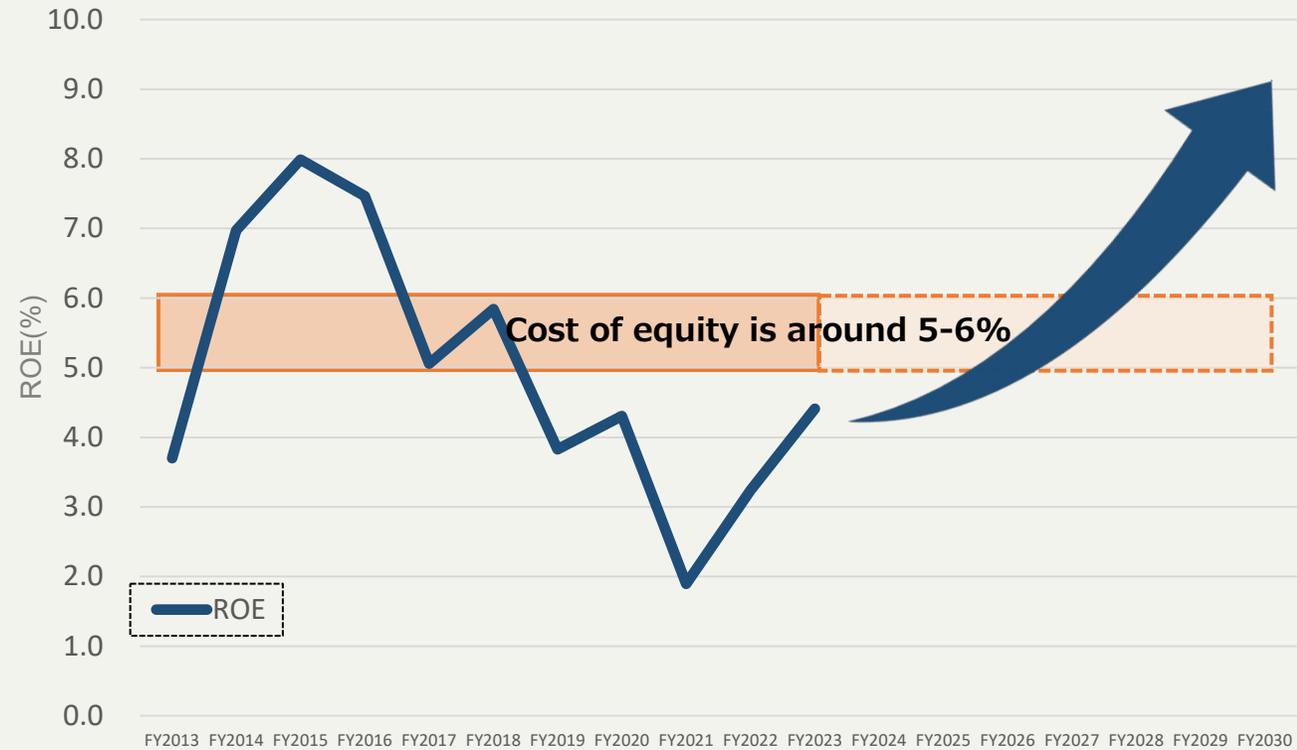
- Sales have grown steadily, but **ROE has stagnated** due to various unforeseen factors such as foreign exchange risk, as the company has pursued new businesses
- Since we have been highly dependent on specific clients in the electric power industry up to now, **our name is not widely known**
- The future prospects and growth potential of the company **have not been fully communicated** to investors

Recognition that market valuations are low and PBR is generally trending down

PBR and ROE trends



ROE trends and cost of equity



Initiatives for Improvement

- Aim to attain **an ROE of 8% by FY2030** and develop various measures during the term of the FY2024 Medium-Term Management Plan to help achieve this goal
- Try to **improve PBR** by implementing **shareholder returns** as well as making continuous **efforts to increase profitability**

Increase PBR to 1 or more

