TOTECH Group Supplementary Material for Q1 FY3/27

TOTECH CORPORATION

August 7, 2026

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Q1 FY3/27 Results Overview: Record High Q1 Net Sales

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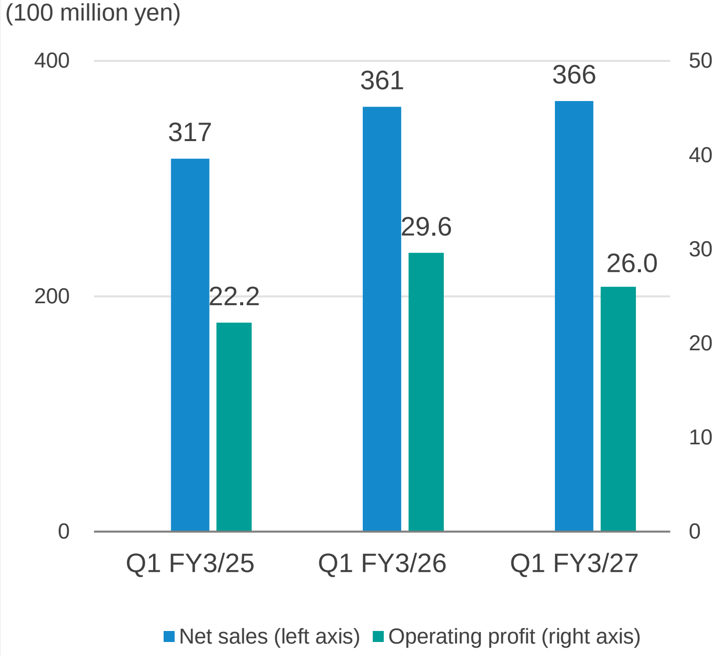
Financial Results: Record high first-quarter net sales, while operating profit declined 12% YoY due to strategic investments in human capital.

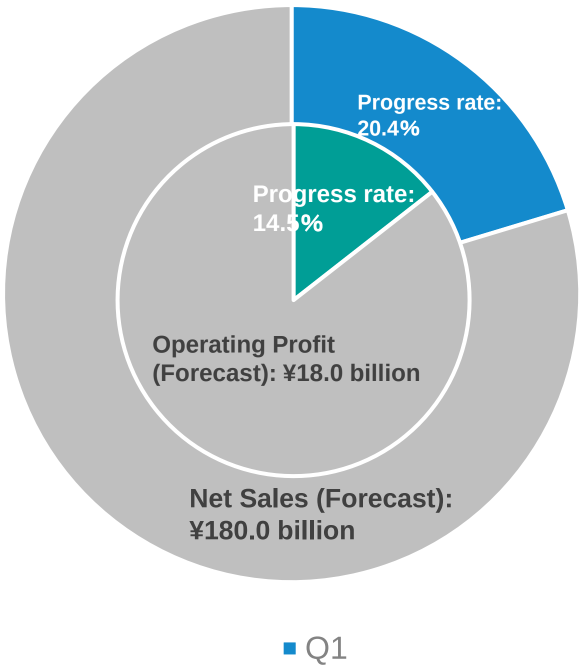
- Net sales increased steadily in both the Product Sales and Construction businesses, driven by demand associated with redevelopment projects in major metropolitan areas, as well as private-sector investment projects, including data centers, factories, and hotels, and public-sector projects. Although operating profit benefited from higher sales and an improved gross profit margin, it declined slightly year on year as we accelerated investments in human capital based on Second Mid-Term Management Plan.
- Orders remained strong, supported by solid order intake in Japan and large long-term contracts secured by overseas group company, resulting in significant increases in both orders received and the order backlog.

Orders Received	**¥87.4 billion** (+54.1% YoY)
Net Sales	**¥36.6 billion** (+1.5% YoY)
Operating Profit	**¥2.6 billion** (-12.4% YoY)
Operating Profit Margin	**7.1%** (-1.1ppt.)

3-period comparison



Progress rate (Outside: Net sales, Inside: Operating profit)



Consolidated Statements of Income

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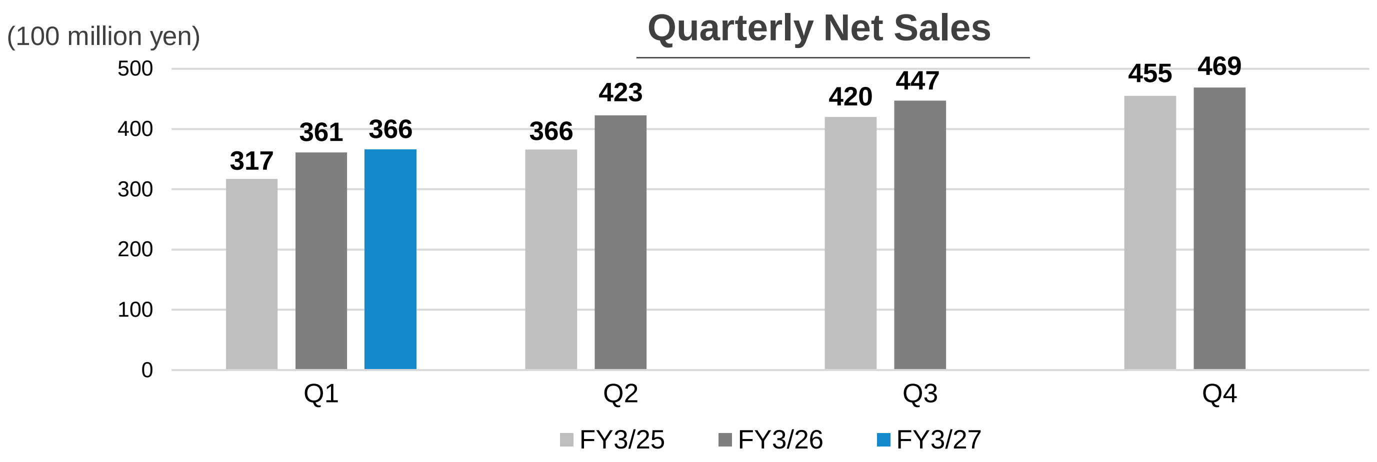
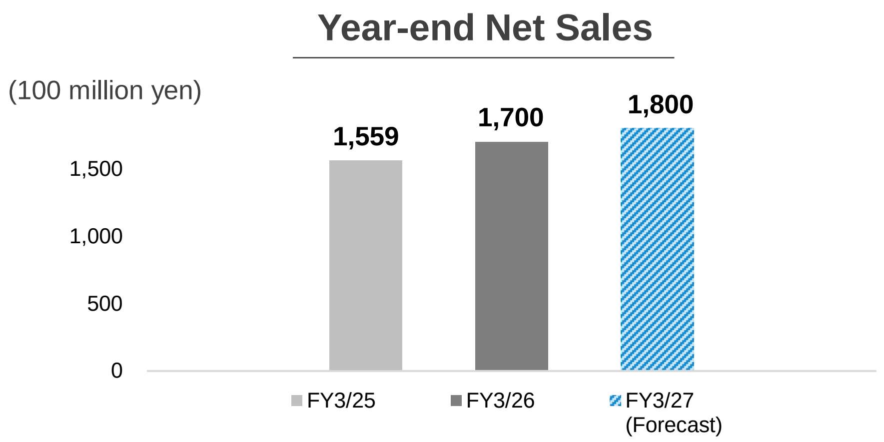
- **Net sales increased 1.5% YoY (up ¥0.5 billion).**
- **Operating profit declined by ¥0.3 billion YoY to ¥2.6 billion. Because, product sales were strong in both revenue and operating profit, but the progress of the first quarter shifted to the second quarter and beyond due to the larger and longer instrumentation construction projects. In addition, because of investments in human resources Ordinary profit and profit attributable to owners of parent also declined for the same reasons.**

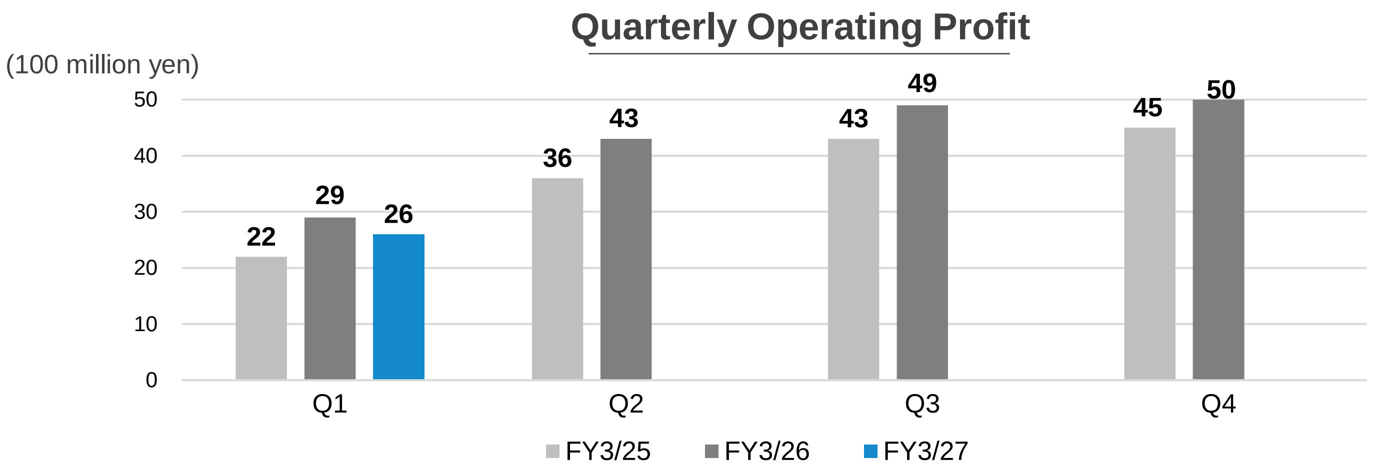
(100 million yen)	Q1 FY3/25 Results	Q1 FY3/26 Results	Q1 FY3/27 Results	Profit margin %	YoY Change
Net sales	317	361	366	—	+5
Operating profit	22	29	26	7.1%	-3
Ordinary profit	26	32	29	8.1%	-3
Profit attributable to owners of parent	20	21	19	5.4%	-2

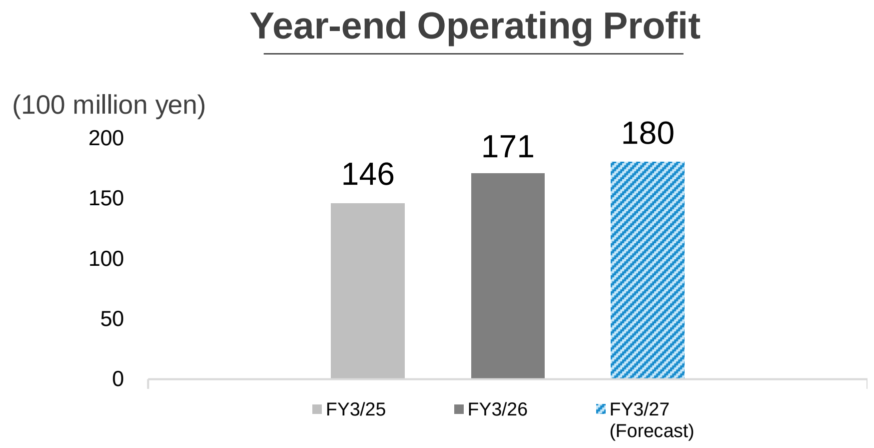
Quarterly Performance

- Net sales increased year on year on a first-quarter basis, while operating profit declined.









Change Factors for Net sales by Segment

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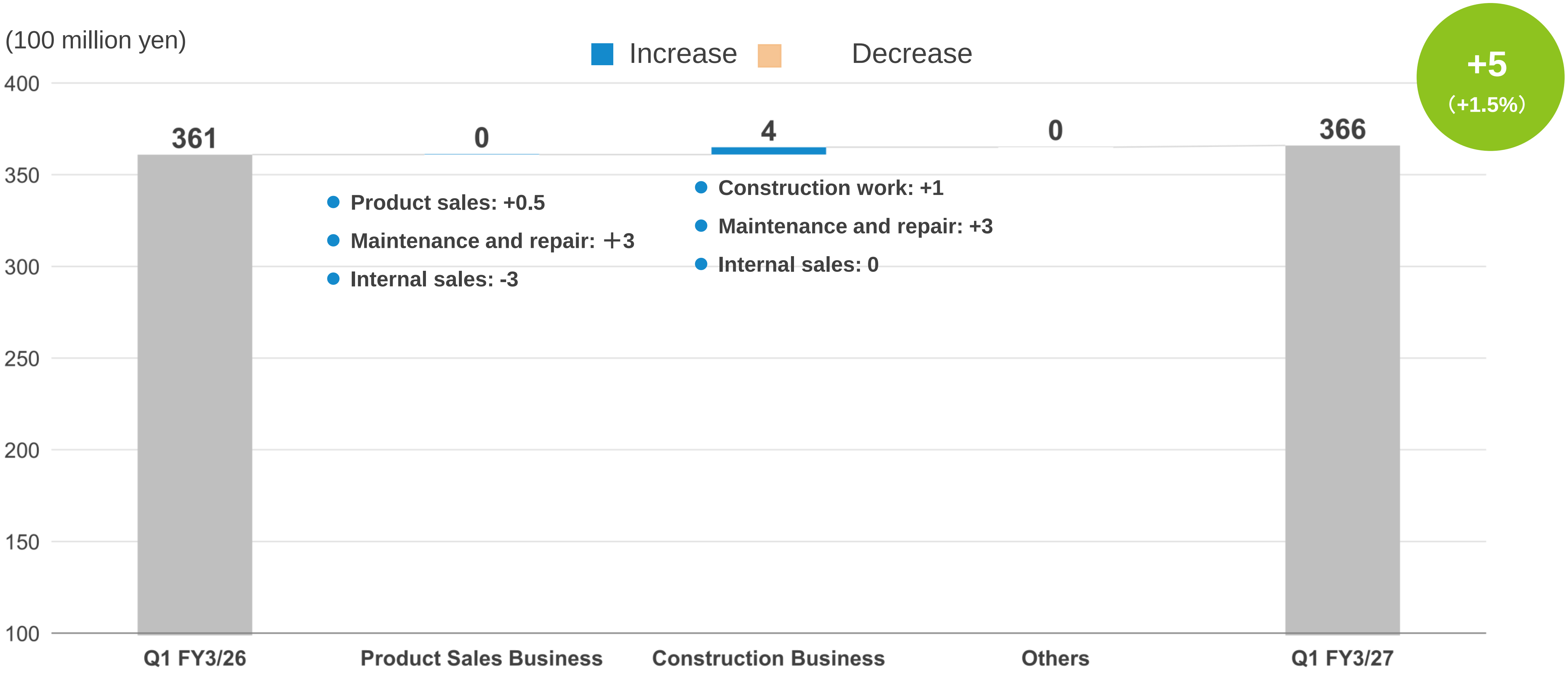
■ **Both the Product Sales Business and the Construction Business posted modest growth.**



Change Factors for Net sales by Business Field

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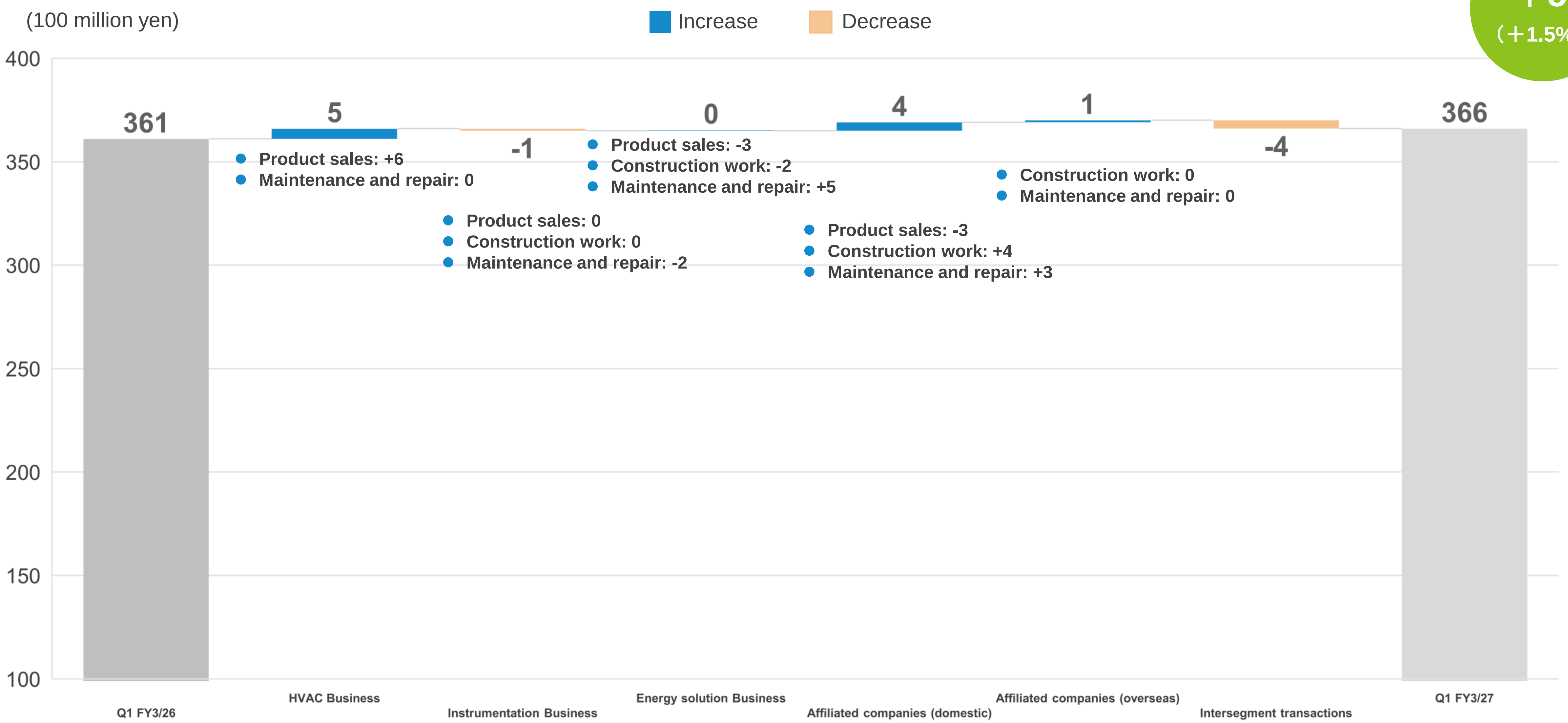
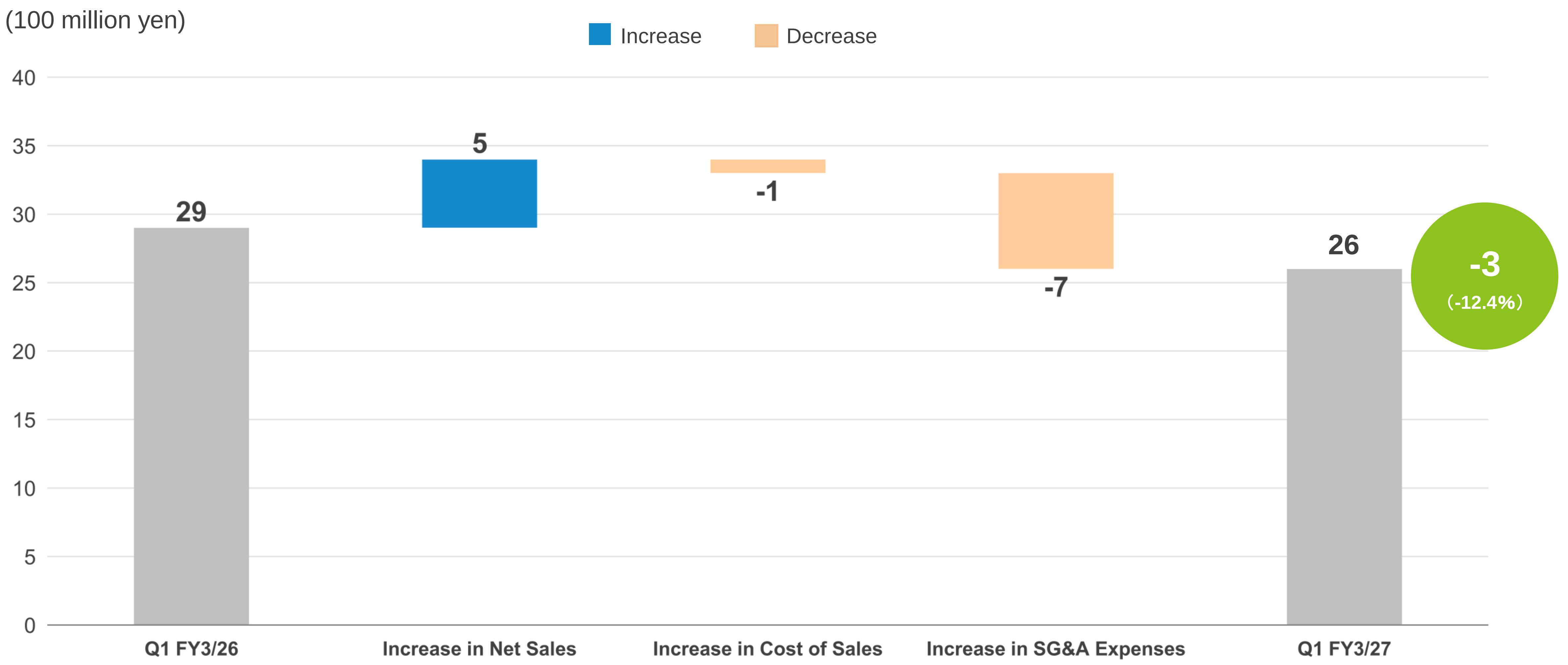
- **Net sales by business field remained generally solid, although the Instrumentation Business recorded a slight decline.**

+5 (+1.5%)



Change Factors for Operating Profit

- Net sales increased ¥0.5 billion YoY and ¥0.1 billion increased in cost of sales, in addition, general and administrative expenses increased by ¥0.7 billion primarily due to investments in human capital, resulting in operating profit of ¥2.6 billion, down ¥0.3 billion year on year.



Segment Information

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- Sales of equipment in the Product Sales Business and construction work in the Construction Business both increased modestly.
- Maintenance and service operations continued to expand steadily in both the Product Sales Business and the Construction Business.

(100 million yen)	Q1 FY3/26	Q1 FY3/27	
	Net sales	Net sales	YoY %
Product Sales Segment	**204**	**205**	+0.2%
Product sales	174	175	+0.3%
Maintenance and repair	41	44	+7.8%
Internal sales	-11	-14	-
Construction Segment	**156**	**161**	+3.1%
Construction work	128	130	+1.4%
Maintenance and repair	28	32	+13.3%
Internal sales	-0	-1	-

* Segment net sales exclude intersegment sales.

Sales Breakdown by Segment

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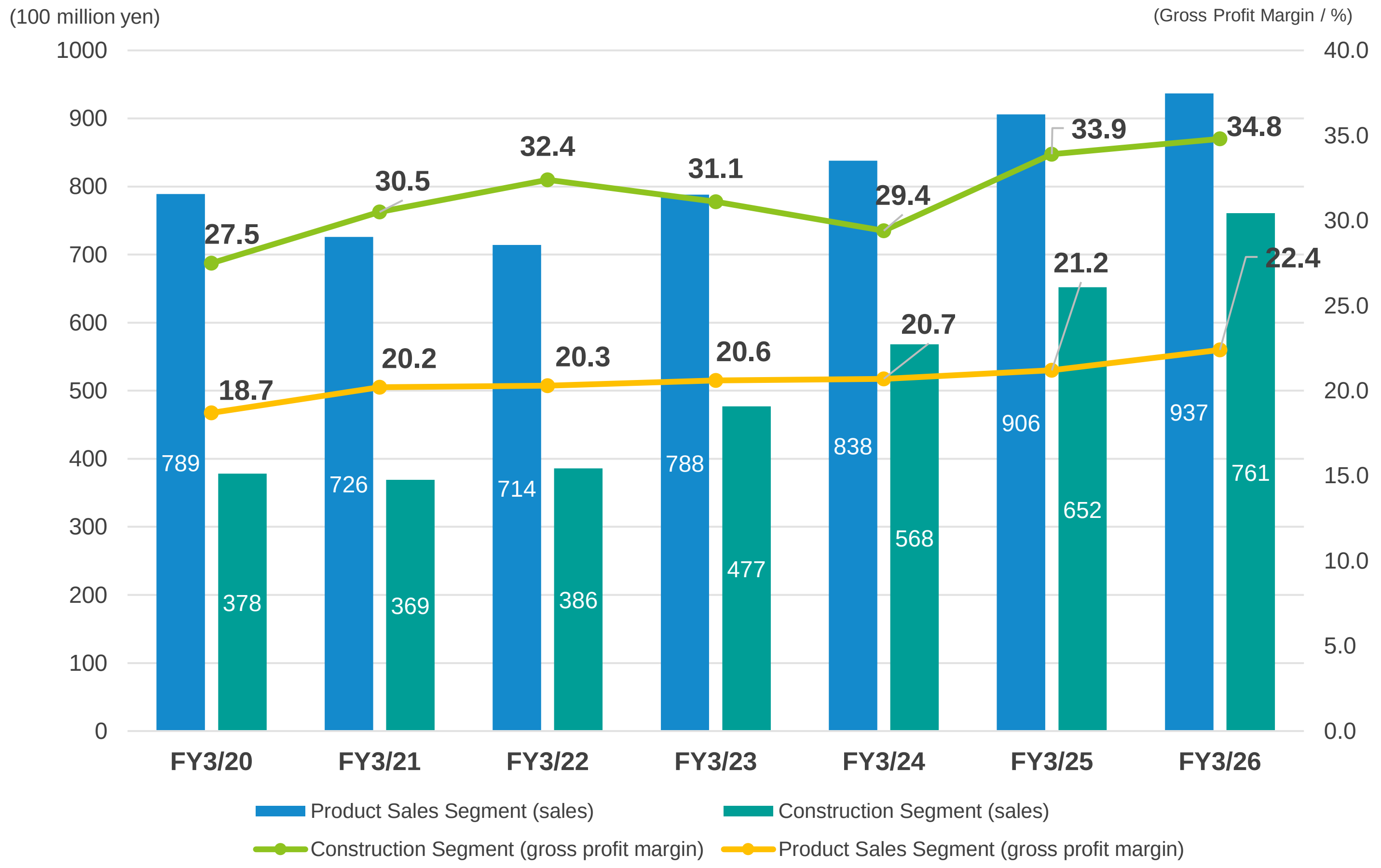
- **By business division, the Instrumentation Business was lower sales due to a decline in maintenance and repair revenue, while the other businesses continued to perform solidly.**

		Q1 FY3/26	Q1 FY3/27	
		Net sales (100 million yen)	Net sales (100 million yen)	YoY
HVAC Business		**158**	**164**	**+3.4%**
	Product sales	149	155	+4.1%
	Maintenance and repair	9	8	-6.6%
Instrumentation Business		**66**	**64**	**-2.3%**
	Product sales	2	2	+42.1%
	Construction work	54	53	-0.6%
	Maintenance and repair	10	8	-19.9%
Energy Solution Business		**38**	**38**	**+0.4%**
	Product sales	7	4	-44.2%
	Construction work	23	20	-9.1%
	Maintenance and repair	8	13	+64.2%
Affiliated companies (domestic)		**97**	**101**	**+4.4%**
	Product sales	15	12	-20.5%
	Construction work	45	50	+9.2%
	Maintenance and repair	36	39	+8.9%
Affiliated companies (overseas)		**11**	**12**	**+9.4%**
	Construction work	5	5	+1.2%
	Maintenance and repair	5	6	+17.3%
Internal sales		**-11**	**-15**	**-**

Segment Sales and Gross Profit Margin

- The first-quarter gross profit margin improved by 0.5 percentage points year on year to 28.4%.
- 1.1 percentage point improvement in the gross profit margin of the Product Sales Business more than offset a 0.9 percentage point decline in the Construction Business.

6-year Trend



YoY Comparison

Balance Sheet / Cash Flow

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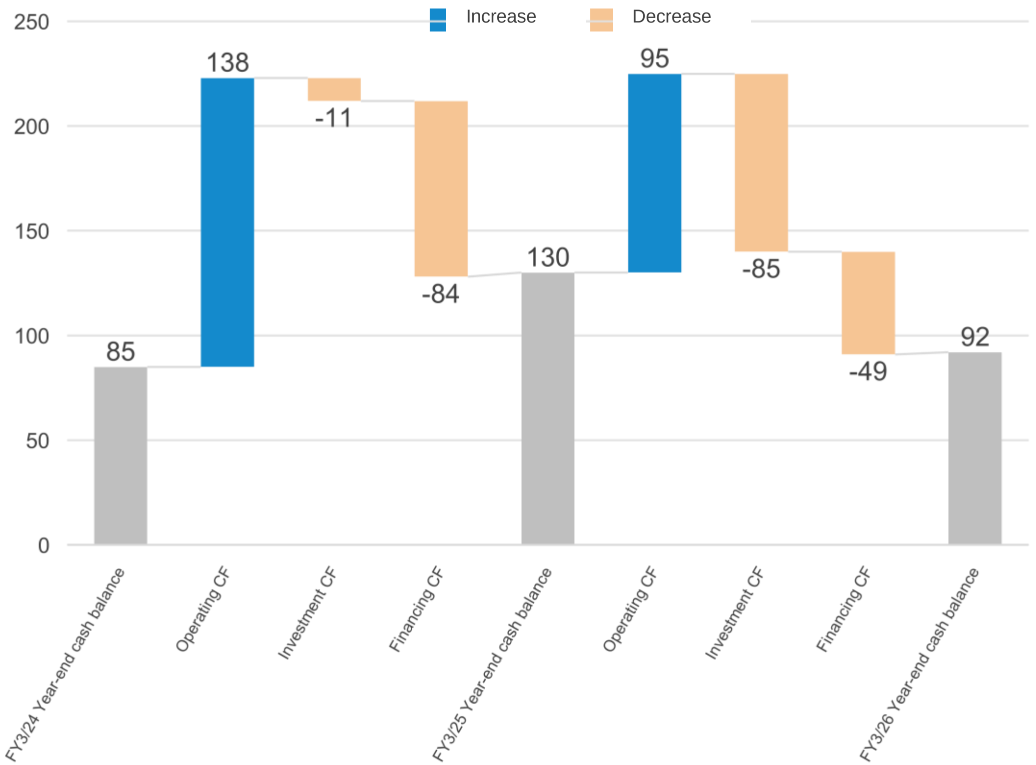
(100 million yen)	FY3/26	Q1 FY3/27	Change
Current assets	563	499	-63
Cash and deposits	113	120	+7
Notes and accounts receivable-trade, contract assets, and electronically recorded monetary claims	397	329	-68
Inventories	37	36	-1
Other	14	13	-1
Non-current assets	587	630	+42
Property, plant and equipment	264	267	+3
Intangible assets	36	34	-1
Investments and other assets	287	327	+40
Total assets	1,151	1,130	-21
Current liabilities	346	294	-52
Notes and accounts payable-trade, electronically recorded obligations-operating	155	119	-35
Short-term borrowings	49	64	+15
Other	141	109	-32
Non-current liabilities	67	89	+21
Long-term debt	3	3	-0
Other	64	86	+21
Net assets	736	746	+9
Total shareholders' equity	597	579	-18
Accumulated other comprehensive income, etc.	138	167	+28
Total liabilities and net assets	1,151	1,130	-21
Shareholders' equity ratio	64.0%	66.1%	+2.1%

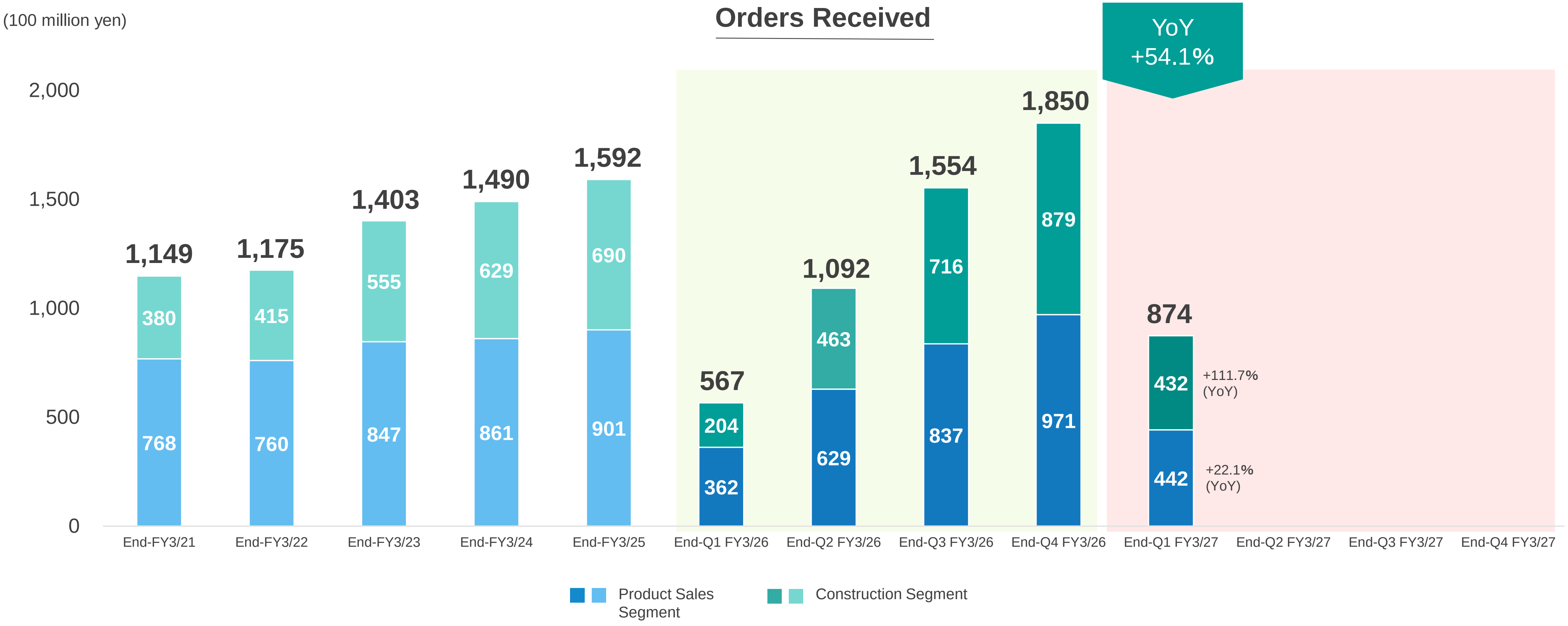
(Reference)

(100 million yen)	FY3/25	FY3/26
Operating CF	138	95
Investment CF	-11	-85
Free CF	127	10
Finance CF	-84	-49
Cash balance	130	92



Orders Received

- In Japan, we continued to pursue strategic order acquisition while taking supply capacity into consideration. Together with a large long-term contract (over one year) worth approximately ¥10.0 billion secured by our Singapore subsidiary, Quantum Automation, orders received increased 54.1% year on year to ¥87.4 billion.
- Although the large-scale project secured by Quantum Automation carries a lower gross profit margin than domestic construction projects, we will continue to promote initiatives to expand our overseas business.



Order Backlog

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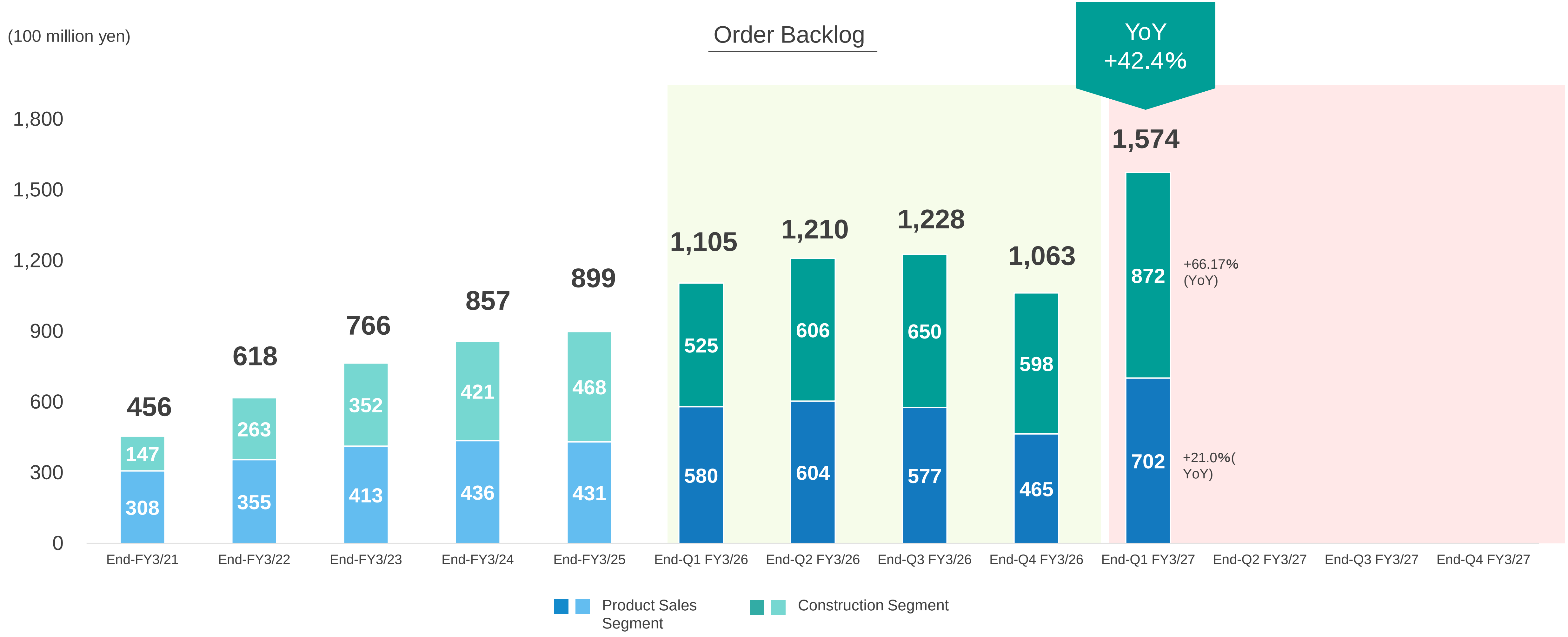
- Supported by strategic order acquisition that takes supply capacity into account, order backlog continued to expand steadily. Including the large overseas project, order backlog increased 42.4% year on year.
- Order backlog in the Construction Business increased 66.1% year on year (including approximately ¥10.0 billion attributable to overseas projects), while order backlog in the Product Sales Business increased 21.0% year on year.



Full-year Business Forecasts: FY3/27

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- **No change to the full-year forecast announced at the beginning of the fiscal year.**

(100 million yen)	FY3/26 (Results)	FY3/27 (Forecasts)	Pct. change
Net sales	1,700	1,800	+5.9%
Operating profit	171	180	+5.1%
Ordinary profit	179	185	+2.9%
Profit attributable to owners of parent	131	137	+4.3%

[Business Environment Outlook]

The construction industry surrounding our group is expected to continue seeing large-scale redevelopment projects, especially in urban areas. However, rising costs of goods and increasing logistics expenses are anticipated. Additionally, to boost employee motivation and attract top talent, we plan to raise our group-wide salary levels, which will lead to higher SG&A expenses. While the business environment remains uncertain, we aim to achieve higher sales and profit through the execution of the business expansion strategy outlined in the Second Medium-term Management Plan..

Dividend Policy: Dividends Paid and Forecasts

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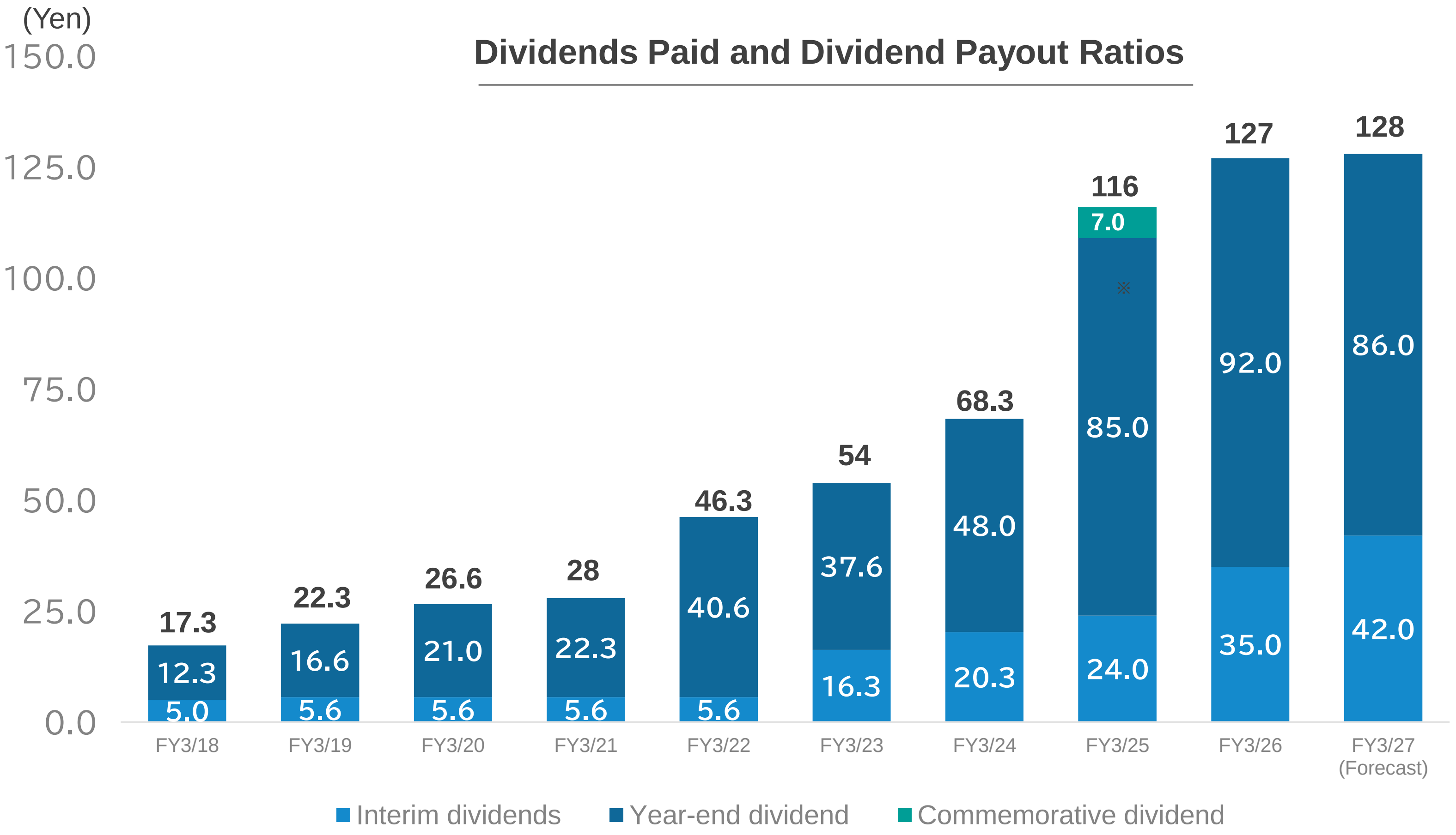
- For FY3/26, we implemented dividends 128 yen per share increase the annual dividend by 24 yen from the initial forecast.
- Based on the Second Medium-term Management Plan which is the shareholder return policy target to “DOE of 6% + progressive dividends.”
  [FY3/27 Dividend Forecast will be planned annual dividend: 128 yen

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

During the period of the Second Medium-term Management Plan, our basic policy will be to maintain “DOE of 6% + progressive dividends,” with the aim of providing stable dividends that are less susceptible to earnings fluctuations.



* 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.

Numerical Targets: Capital Policy / Shareholder Value

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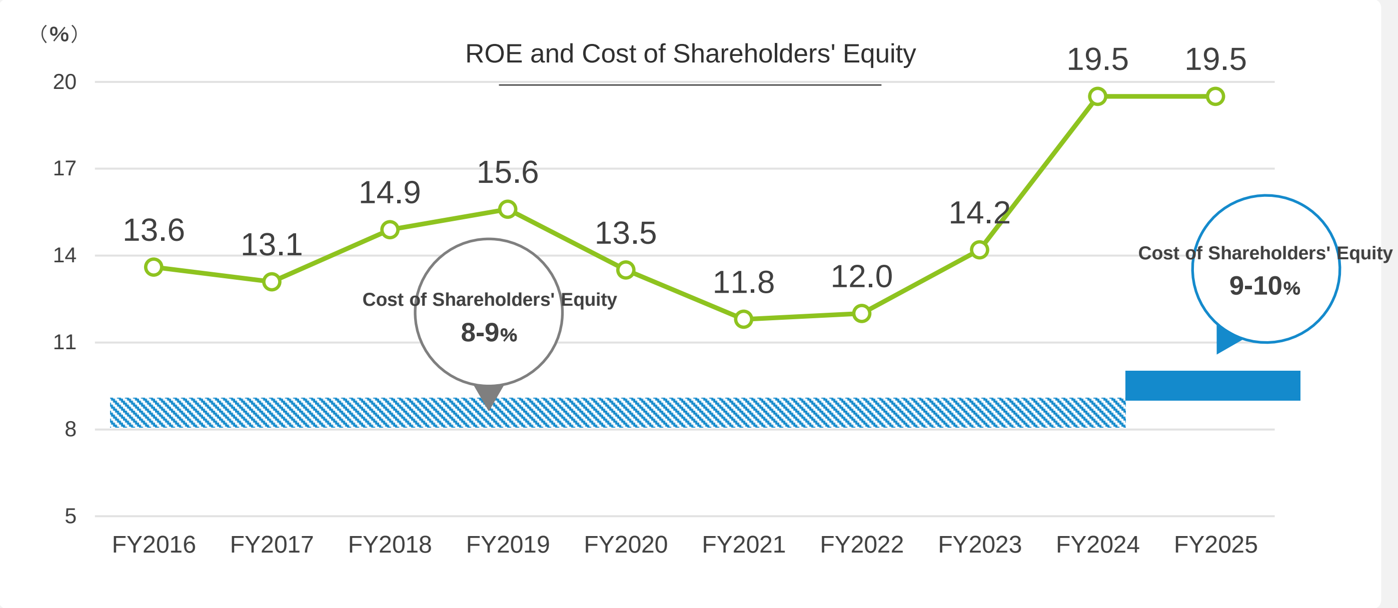
- **Maximize capital efficiency and shareholder value by achieving a ROE above the cost of shareholders' equity while optimizing the levels of strategic shareholdings and cash and cash equivalents.**

- We estimate our current cost of shareholders' equity at **approximately 9–10%,** reflecting recent increases in long-term interest rates and investors' expected returns, representing an upward revision from the previous Medium-Term Management Plan.

- ROE has remained above 10% in each of the past ten fiscal years. Going forward, we target ROE of **12–15%** while maintaining a positive equity spread.



- In line with the Corporate Governance Code, we aim to reduce strategic shareholdings to **15% or less** of consolidated net assets by the end of FY2030.

  →Proceeds from the sale of strategic shareholdings will be allocated to growth investments, debt reduction, and shareholder returns.

- We aim to optimize our cash position by balancing efficient capital utilization with financial resilience. While excess cash will be allocated to investments and shareholder returns, a certain level of cash will be maintained as part of our Business Continuity Plan (BCP), with **approximately 1.5 months of monthly sales** serving as a guideline.

<APPENDIX>

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Purpose and Long-term Vision

PURPOSE

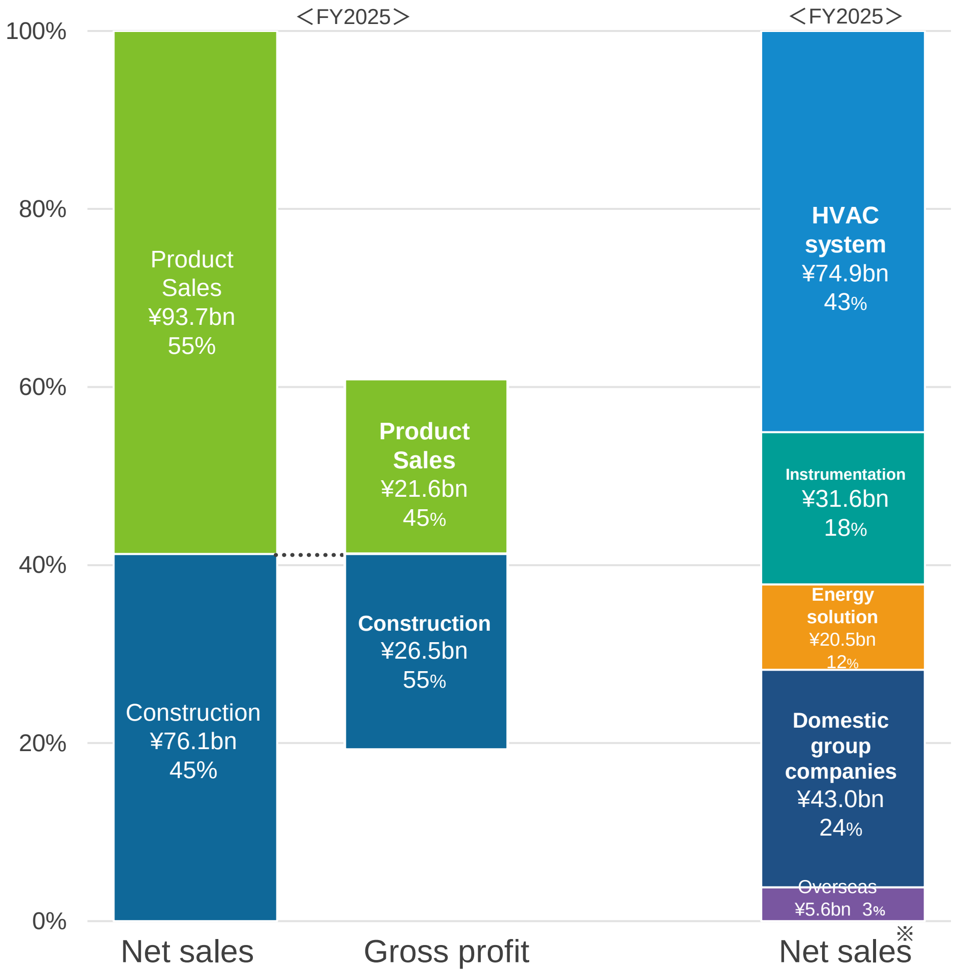
The Totech Group creates a comfortable environment that is rich in spirit.

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

Business Domains

- Under the product sale and construction business segments, the pillars of our business activities are the HVAC business, instrumentation business, energy solution business, and domestic and overseas group companies.

By segment



Business

HVAC business
- Distributer sales, installation, and maintenance and repair of HVAC for commercial buildings, etc.
- Major distributor (equipment dealer) of Daikin's HVAC for commercial buildings in Japan

Instrumentation business
- Design and installation of instrumentation equipment (including building automation and management systems) as well as distributer sales, construction, and maintenance and repair operations, etc.
- Major distributor of Azbil Corporation

Energy solution business
- Distributer sales, installation, maintenance and repair of energy saving and generation equipment (solar panels, storage batteries) and generators
- Energy solutions (ESCO business)

Domestic group companies
- Maintenance, repair and renewal of equipment (Nippon Builcon)
- Design, installation, distributer sales, construction, maintenance and repair of instrumentation equipment (I.B. TECHNOS)
- HVAC, instrumentation, and energy solution business in the Hokkaido area (TOTECH HOKKAIDO)

Overseas group companies

(Consolidated)
- BMS* business operated by Quantum Automation Pte. Ltd. (Singapore)

* BMS: Building Management System

***Figures for each business exclude intersegment sales.**

Second Medium-term Management Plan: Basic Policies

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Strengthening human capital management

Enhancing the value of human capital and pursuing optimization

Shift to a high-profit structure

- Allocating resources to profitable businesses
- Strengthening measures to create added value
- Improving cost control
- Strengthening initiatives to improve productivity

Establishment of management foundation

- Accelerating aggressive business reforms
- Enhancement of investments in broadly defined human capital
- Enhancing governance
- Stable returns to shareholders supporting business

Demonstration of ability to execute and sustainability

Aiming to become a 100-year company by playing a vital role in social infrastructure and continuing to deliver value to our stakeholders

Second Medium-term Management Plan: Business Portfolio

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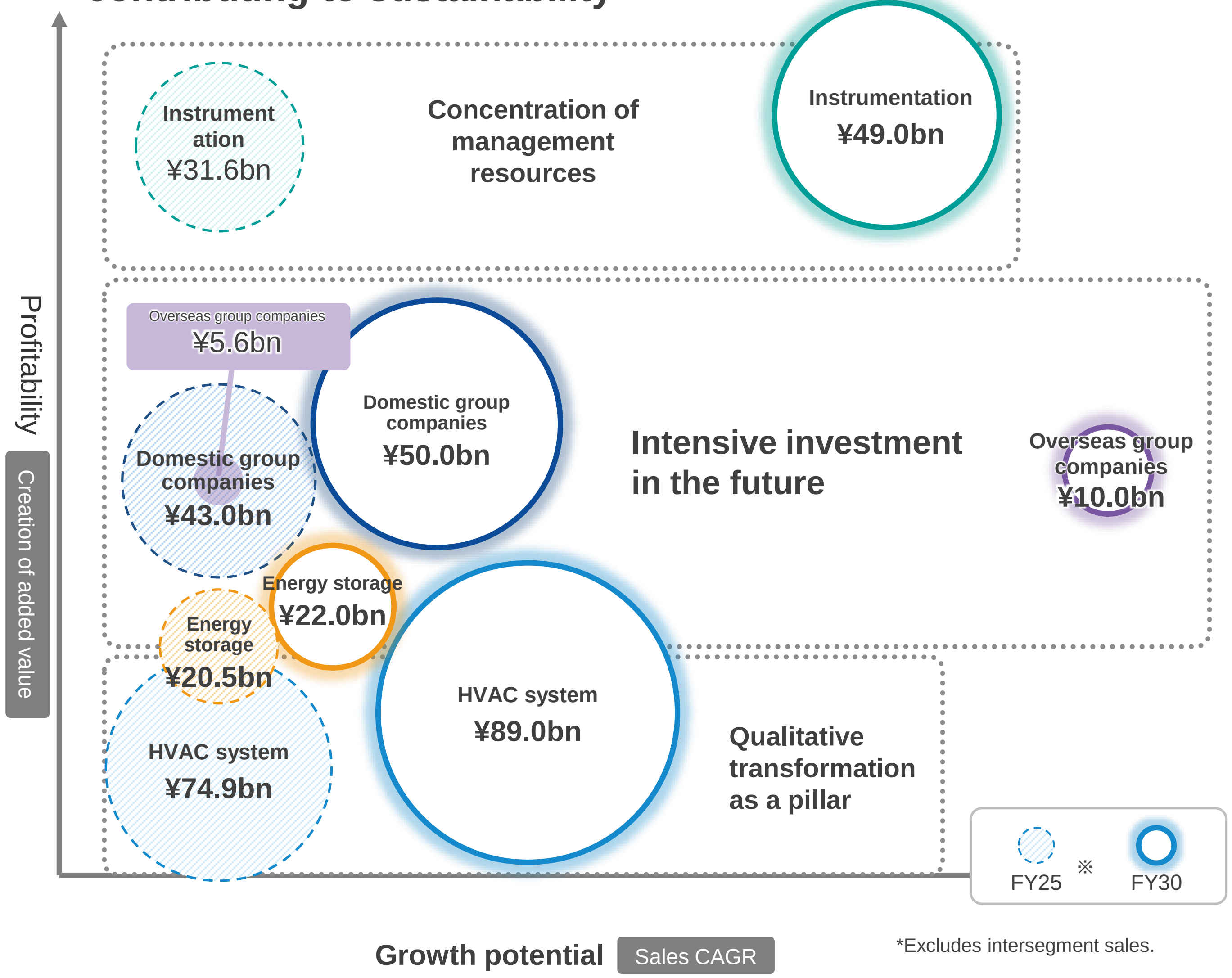
■ **Transformation into a high-profit structure through unified Group management, alongside clarification of roles contributing to sustainability**



*Excludes intersegment sales.

■ **HVAC business**
[Rev] Profit contribution in the core project price band through high added value proposals
[Sus] Revenue scale = embodiment of market needs = foundation for creation of social credibility

■ **Instrumentation business**
[Rev] Driver of profit expansion through high operating leverage
[Rev/Sus] Simultaneous pursuit of earnings in the current fiscal year and investment in future growth (continuous lifecycle business)

■ **Energy solution business**
[Rev] Broadening new market domains leveraging energy efficiency, renewable energy, and BCP as hooks
[Sus] A role focused on expanding our customer base and range of solutions through direct proposals
[Sus] Through solutions aimed at the realization of a decarbonized society, we are committed to addressing social challenges from an ESG perspective

■ **Domestic group companies**
[Rev/Sus] Capability to meet a wide range of customer needs in the provision of products and services, through the complementary strengths of TOTECH and its group companies
[Rev/Sus] Maintenance and repair services as the cornerstone of the continuous lifecycle business

■ **Overseas group companies**
[Rev/Sus] Strengthening the construction and maintenance and repair services business
[Sus] Contribution to diversification of country risk

[Rev] Shift to a high-profit structure
[Sus] Sustainability

Second Medium-term Management Plan: Numerical Targets <Growth and Profit Level>

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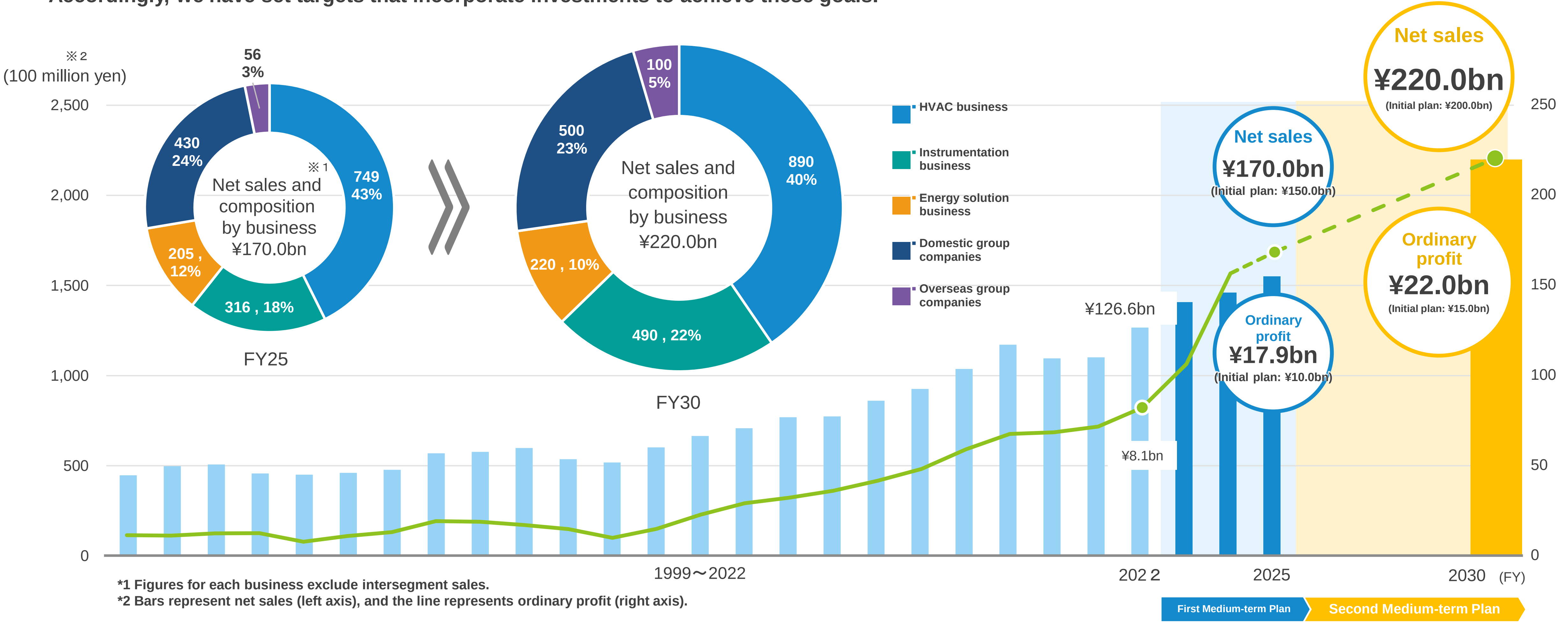
- Revised up the performance targets for FY2030 (the final year of the Second Medium-term Management Plan), which were set as part of our long-term vision
- Based on our strong performance during the first Medium-term Management Plan, we have determined that further strengthening of human capital and the consolidation of our management foundation are essential for sustainable growth moving forward, with an eye toward becoming a 100-year company. Accordingly, we have set targets that incorporate investments to achieve these goals.



*1 Figures for each business exclude intersegment sales.
*2 Bars represent net sales (left axis), and the line represents ordinary profit (right axis).

Second Medium-term Management Plan: Investments and Cash Allocation

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- **We will actively invest in growth initiatives that enhance human capital while pursuing stable shareholder returns and disciplined capital allocation.**

Cash in

FCF
About ¥92.0bn
FY2026–FY2030
Estimated cumulative total

*Before deduction of human capital investment
*Sale of strategic shareholdings

Cash and deposits
About ¥11.0bn
End-FY2025 balance

Cash out

Shareholder returns
About ¥26.0bn +α
Five-year total

- From the perspective of stable dividends, we shifted our policy to **DOE + Progressive dividends**. Projecting about 26.0 billion yen over five years
- Execute share buybacks in a flexible and timely manner
  *In the +α share buybacks, as part of human capital management in the following strategic investments, we will consider stock returns for the purpose of employee incentives and management awareness and education.

Strategic investment
About ¥50.0bn
Five-year total

- Promote the following as investment in human capital (including investment in broadly defined human capital)
  - Human capital investment
    - **Workforce increase, performance bonuses, fringe benefits, recruiting expenses, education and training expenses, etc.**
    - Stock returns to employees through share buybacks
  - Investment in broadly defined human capital
    - IT investment aimed at improving operational efficiency and reducing the workforce
    - Office environment improvement to increase employee motivation
    - Development of training facilities for technological capabilities development
    - **Investment in brand awareness**
      Utilization of external human resources
- Business expansion and creation of added value
  - Strengthening sales bases
  - **M&A**
- Reinforcement of management foundation
  - Strengthening information security and promoting effective utilization of data

Cash and deposits
About ¥27.0bn
End-FY2030 balance

- With respect to our policy on optimizing cash and deposit levels, we recognize the need to balance the allocation of excess liquidity to investments and shareholder returns with the retention of an appropriate level of cash as part of BCP (Business Contingency Planning). Accordingly, **we use about 1.5 months of monthly sales as a benchmark**

Second Medium-term Management Plan: Sustainability <Numerical Management>

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Contributing to a sustainable society by creating enriching and comfortable environments

Our Vision

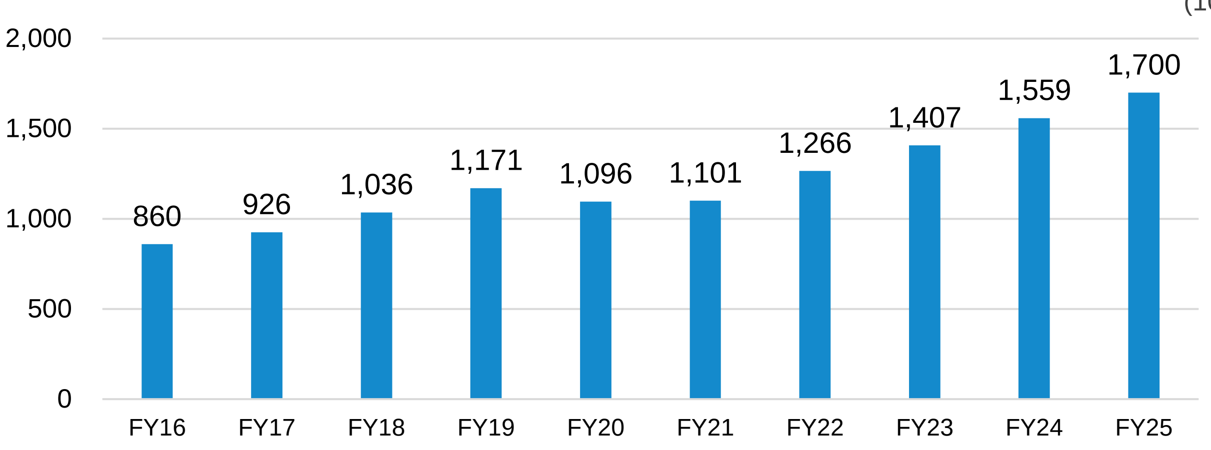
Over the years, the Totech Group has pursued not only economic efficiency and convenience, but also the spiritual richness that goes beyond that, by providing comfortable spaces. We continue to create a comfortable environment that is "comfort to people, society, and the earth" in order to realize both a sustainable society and pleasantness.

	Details of initiatives	Indicator	Current status (FY2025)	Target (FY2030)
E	Reduction of greenhouse gas emissions	Scope 1 + 2 reduction rate (versus FY2021)	1,202 t -CO_2 (Forecast)	910t-CO_2
E	Reduction of greenhouse gas emissions	Percentage of renewable energy in the electricity used for business activities	49.7% (Forecast)	80% or more
S	Improvement of job satisfaction and ease of working	Engagement score	76.4pt	76.4pt or more
S	Retention of talent	Attrition rate	4.3%	5.0% or less
S	Promotion of workstyle reforms	Total hours worked per employee per year Rate of paid leave taken	2,048 hours 68.0%	2,000 hours 70% or more
S	Strengthening talent development	Growth rate of investment in education and training per employee	Approximately ¥50 million	Approximately ¥110 million
G	Thorough compliance	Number of serious legal violations	0	0
G	Improving the effectiveness of the Board of Directors	Completion rate of improvement actions based on evaluations	—	100%
G	Constructive dialogue with investors	Number of dialogues with institutional investors	99 cases	120 cases or more

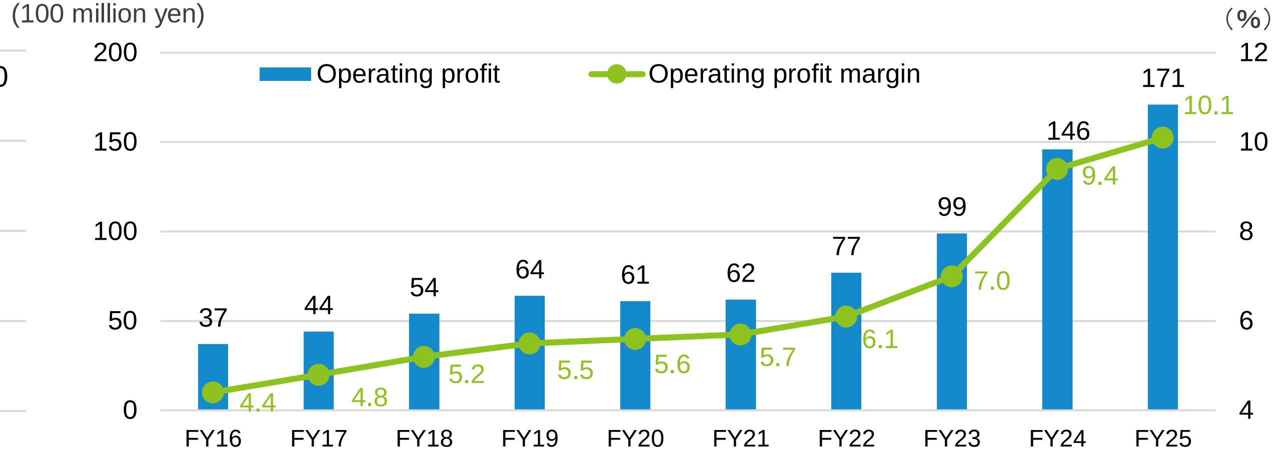
[APPENDIX] Financial Indicators

<Consolidated>

Net sales

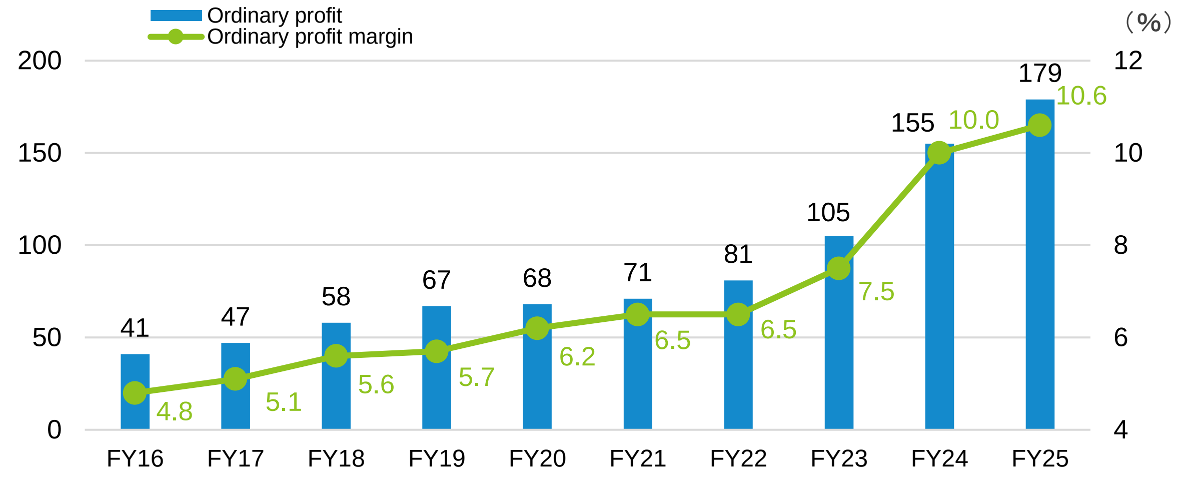


Operating profit

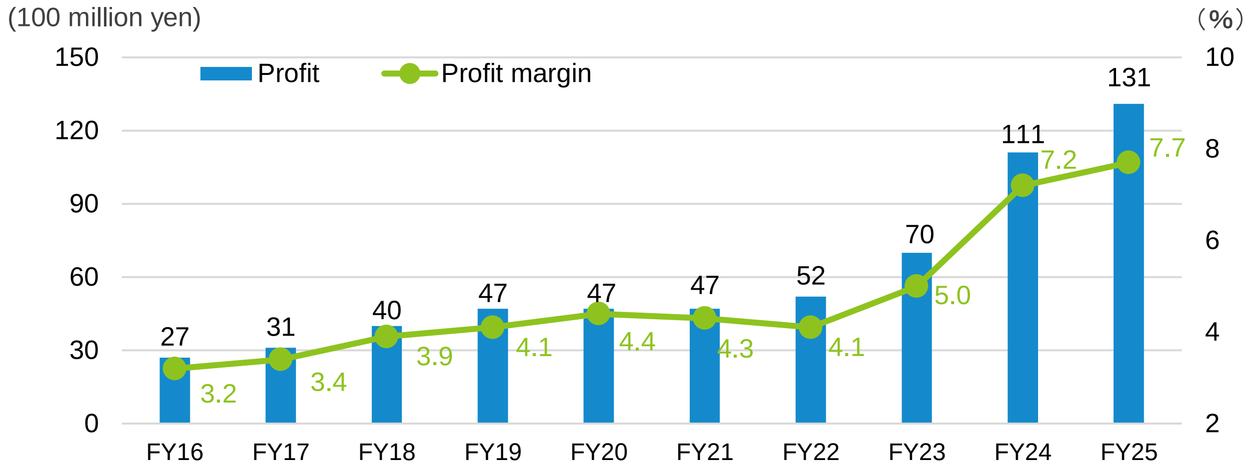


(100 million yen)

Ordinary profit



Profit



[APPENDIX] Financial Indicator Trends

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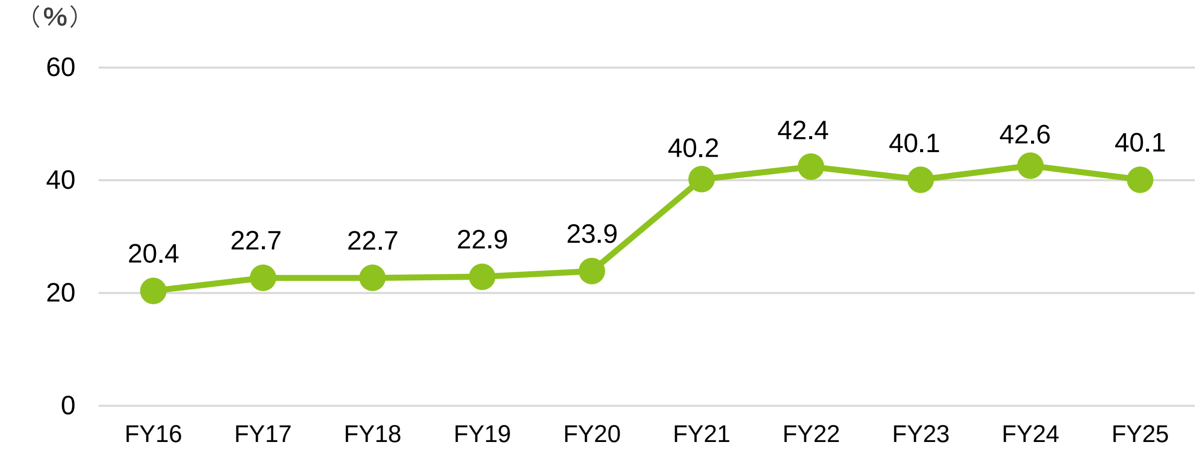
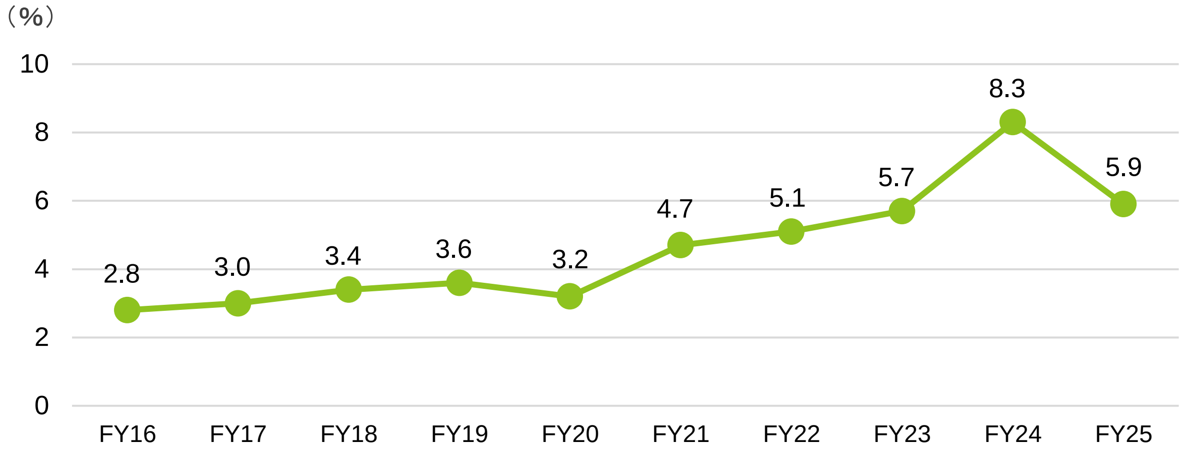
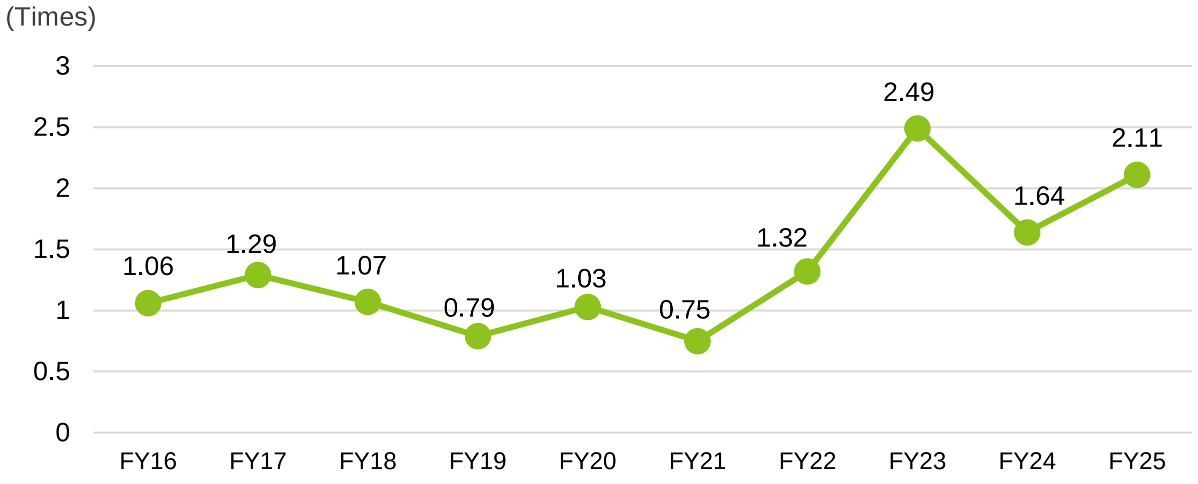
Dividend payout ratios



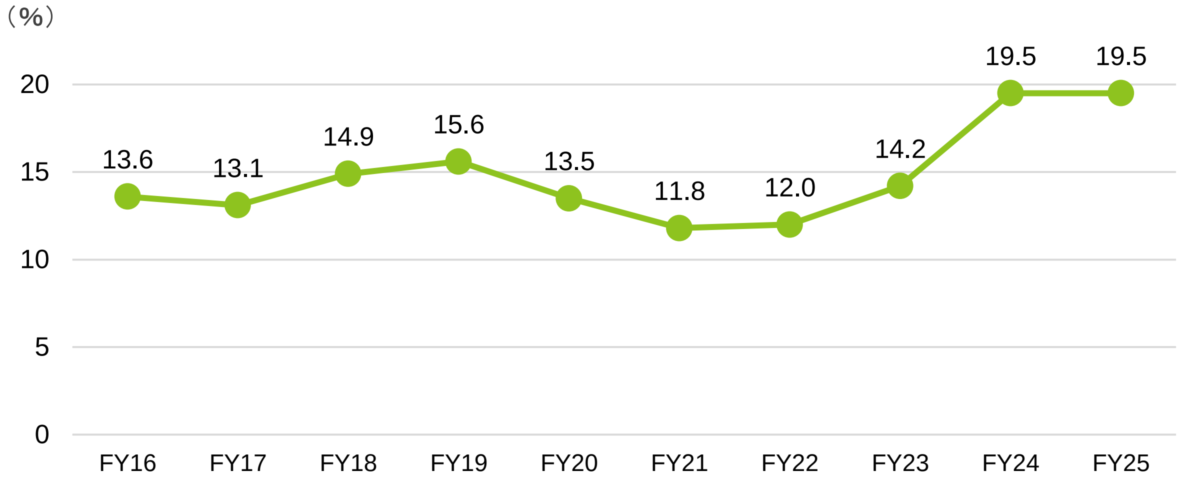
DOE（Dividend on Equity）



PBR



ROE



Corporate Profile

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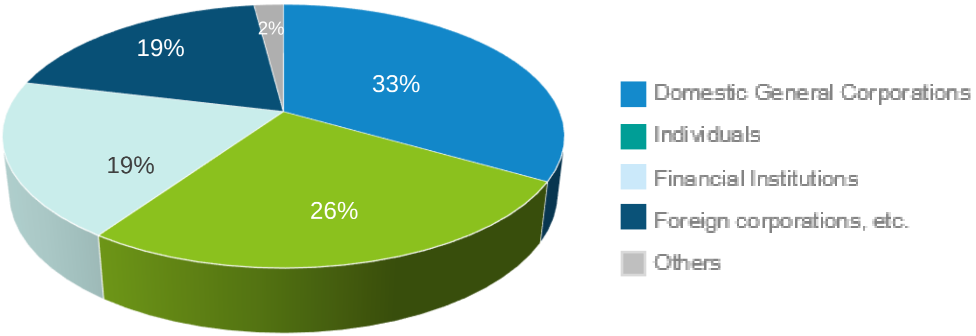
Company name	**TOTECH CORPORATION (Tokyo Stock Exchange Prime Market; 9960)**
Established	July 6, 1955
Business	Sales of Air Conditioning and other Equipment Business, Instrumentation Business , Energy Business, etc.
Head Office	3-11-11, Nihonbashi, Honcho, Chuo-ku, Tokyo
Capital Stock	1,857 million yen (Number of shareholders: 6,023) (As of March 31, 2026)
Fiscal Year-end	March 31
Number of Employees	2,855 (Consolidated); 1,171 (Non-consolidated) (As of March 31, 2026)
Directors	Kaoru Koyama, President and Representative Director / Koji Yoshikawa, Director / Junji Wakamoto, Director/ Kengo Fukui, Outside Director / Atsuko Usami, Outside Director / Toshiro Nakamizo, Audit & Supervisory Board Member / Kazuhito Arata, Audit & Supervisory Board Member / Seira Kubota, Audit & Supervisory Board Member / *Company with an Audit Committee and Nomination and Compensation Committee
Consolidated Subsidiaries	7 in Japan; 5 overseas (As of March 31, 2026)

Kaoru Koyama,
President and Representative Director

April 1978: Joined the Company
April 2001: General Manager of TA System Sales Department, Osaka Branch
April 2010: General Manager of Osaka Branch
April 2016: Senior Executive Officer and General Manager of Osaka Branch
June 2018: Director and General Manager of Instrumentation Business Management Department of the Company
April 2019: Director, Managing Executive Officer and General Manager of Instrumentation Business Management Department of the Company
April 2023: Director, Senior Managing Executive Officer, General Manager of Engineering Headquarters and General Manager of Instrumentation Business Management Department General Manager of Engineering Headquarters and General Manager of Instrumentation Business Supervisory Div.
April 2025: Appointed as President and Representative Director

Shareholder Composition as of March31, 2026 (%) Number of shareholders: 6,023



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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