

FY2023 Q1 Financial Results (January-March)

EPCO Co., Ltd. Securities Code : 2311 May 11,2023

CHALLENGE TO EVOLUTION

Carbon-Neutral × DX Strategy

**We support Housing, Living and Global Environment
by adopting Digital Transformation**

PURPOSE

HCDs

HOUSING

CARBON NEUTRALITY

DIGITAL SOLUTIONS



01. FY2023 Q1 Results

02. Medium term Business Plan

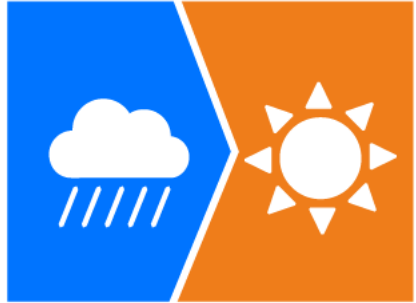
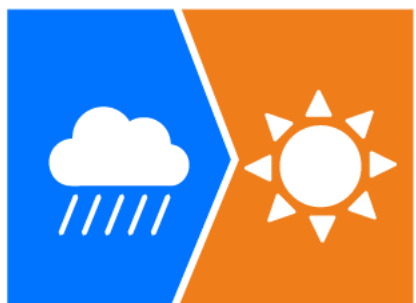


03. Appendix.

Net profit secured the increase in profit by gaining on sale of investments in capital of subsidiaries and associates (EPCO SZ).

(JPY Million)	FY22Q1 Results	FY23Q1 Results	Changes	Ratio
Net Sales	1,179	1,177	-1	-0.1%
Ordinary Profit	37	20	-17	-45.7%
Net Profit	33	55	+21	+64.1%

*Factor of increase in profit Gain on sales of investments in capital of subsidiaries and associates.

—	62
---	-----------

<h2>FY2023 Q1 Results</h2>	<p>Ordinary Profit YoY</p> <p>JPY 20mil. -45.7%</p>	<p>Renewable energy solutions is main factor of decrease in profit, expecting to improve from Q2 onward.</p>	
<h2>Renewable Energy Solutions</h2>	<p>Ordinary Profit YoY</p> <p>JPY 7mil. -67.4%</p>	<p>Strong performance and profit increase in TEPCO HomeTech, but temporary decrease in profit due to upfront investment on business in China. Expecting to improve from Q2 onward.</p>	
<h2>Maintenance</h2>	<p>Ordinary Profit YoY</p> <p>JPY 63mil. +11.9%</p>	<p>Increase in profit owing to expansion of sales from energy companies.</p>	
<h2>Design</h2>	<p>Ordinary Profit YoY</p> <p>JPY 45mil. -5.4%</p>	<p>Decrease in profit due to less sales of design on existing business, however design cost in China is decreased by reforming EPCO SZ to joint venture and expecting to recovery.</p>	

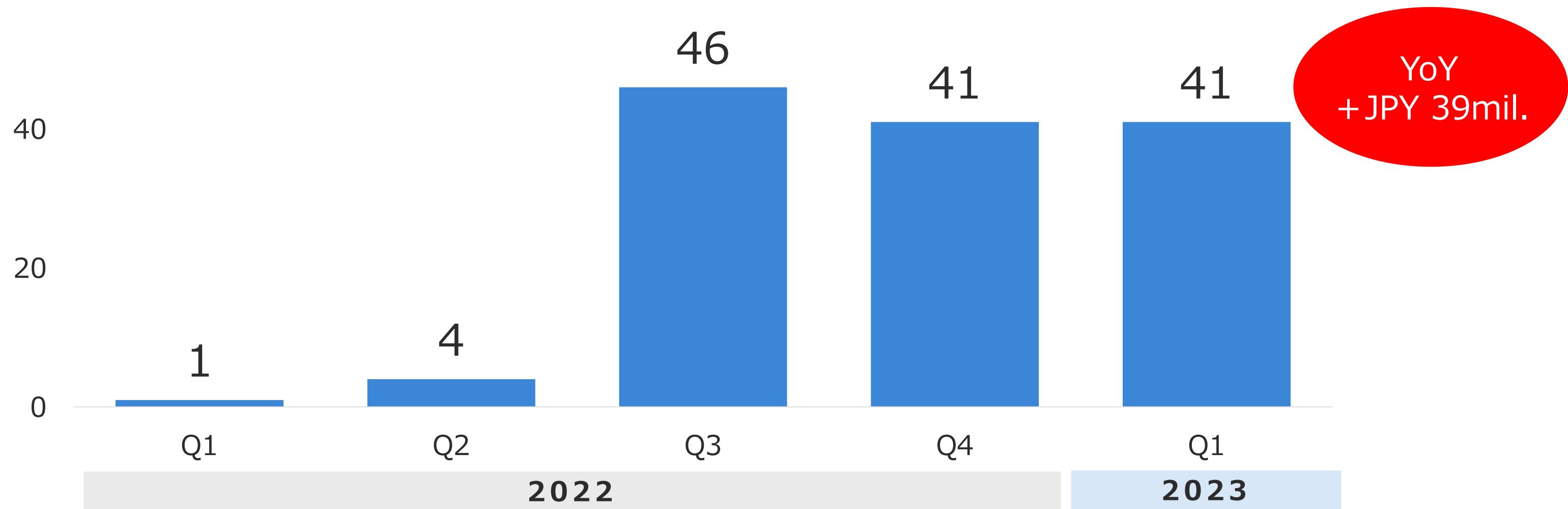
Equity in earnings of TEPCO HomeTech (Renewable Energy Solutions) has been remained strong.

Sales of renewable energy equipment construction for both new and existing housing have been increasing since Q3 of FY2022.

Order backlogs have remained strong and are expected remain stable in the future

TEPCO HomeTech Equity in Earnings Results History

(JPY Million)

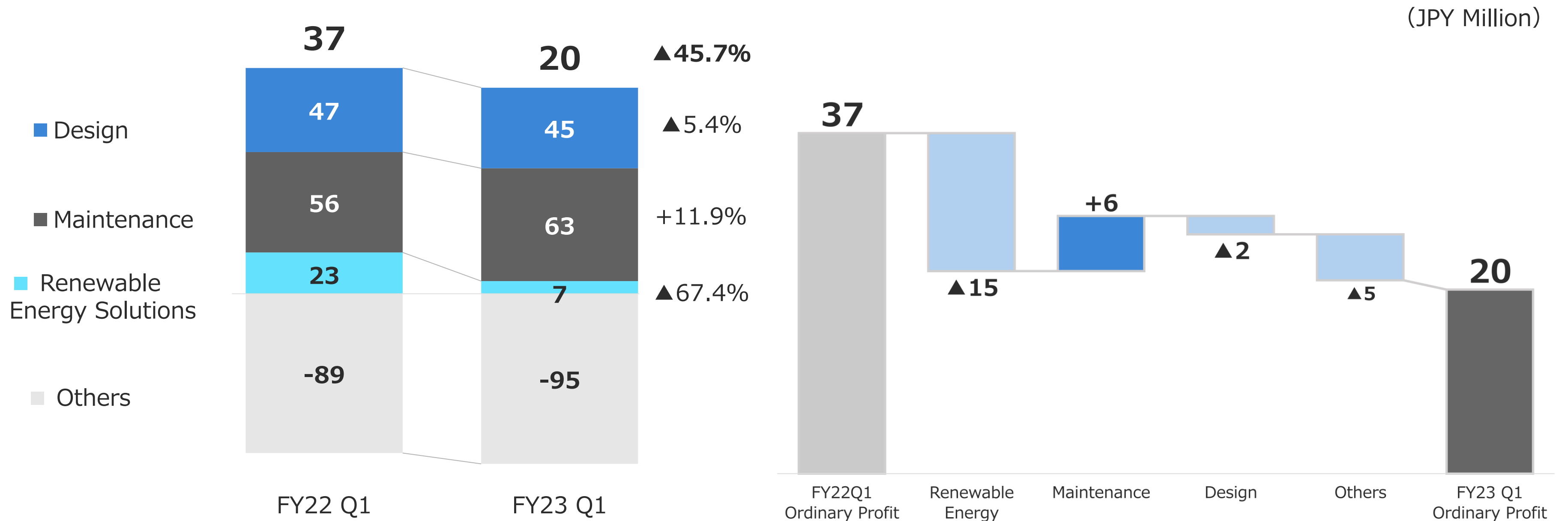


FY2023 Q1 | Consolidated Ordinary Profit (YoY)



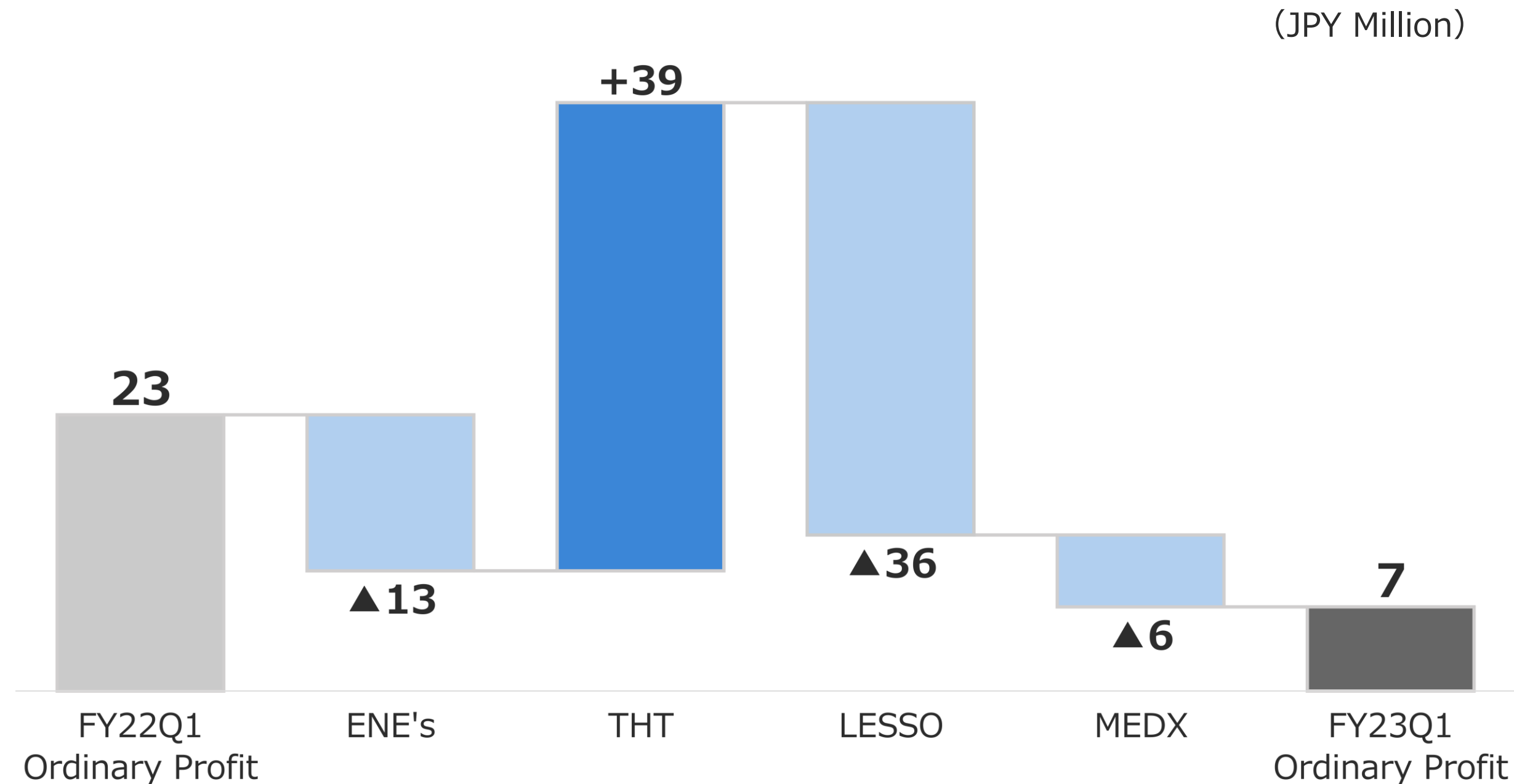
Main reason for the decrease in profit is due to upfront investment in renewable energy solution (in China).

EPCO Group Consolidated Ordinary Profit



Increased in profit on TEPCO HomeTech, however decreased in profit overall as a result of upfront investment on other group companies.

Renewable Energy Solutions Ordinary Profit Fluctuation Analysis



Major factors of Profit Loss

■ ENE's

- Gross margin decrease due to increase in outsourcing cost.
 - Increase in S&A expenses due to increase in headcount
- ⇒ **Reviewed the sales price, expecting to improve in profit**

■ LESSO

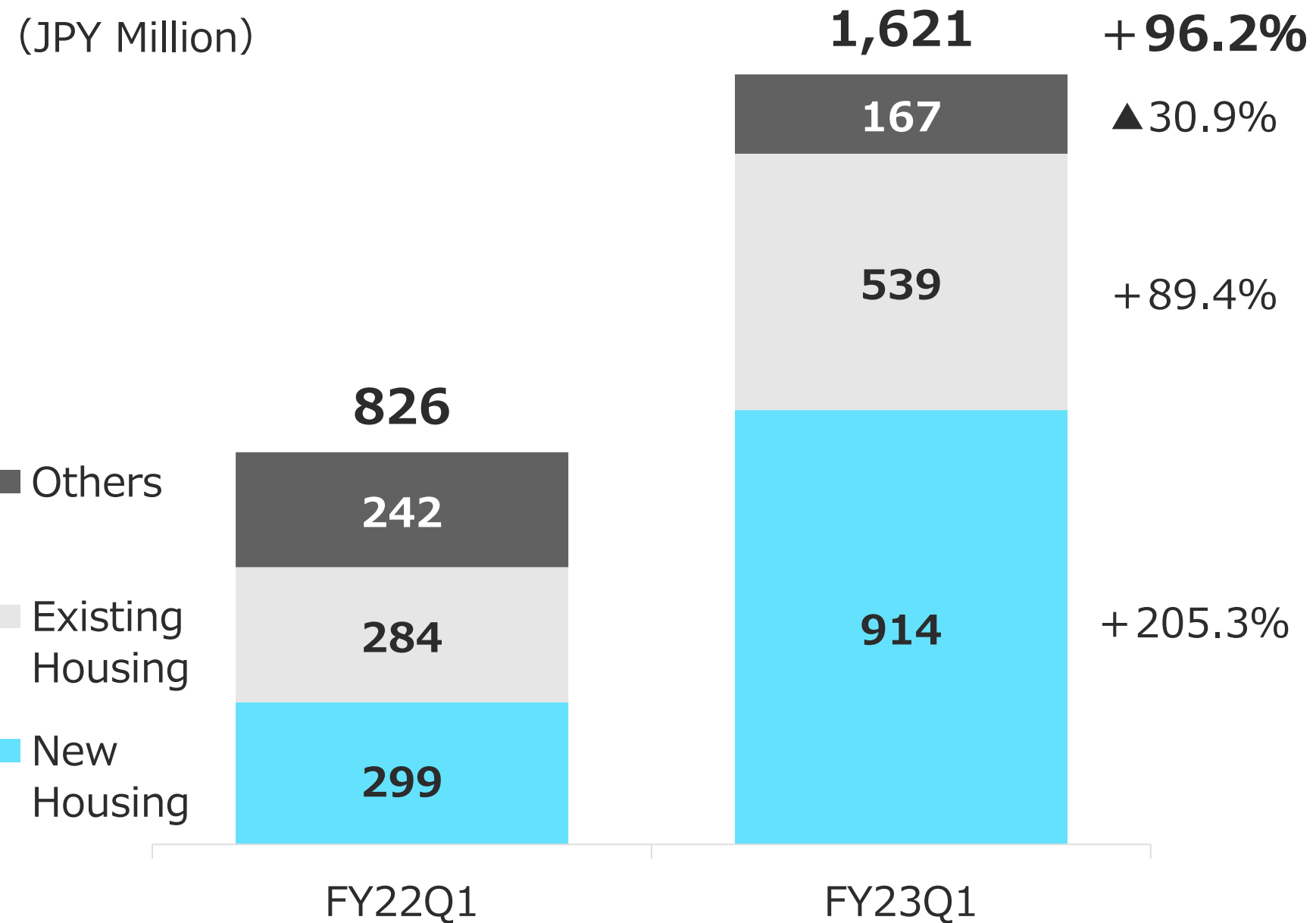
Preparing for operating solar power generation design in China (Training design staffs, obtain design qualification)



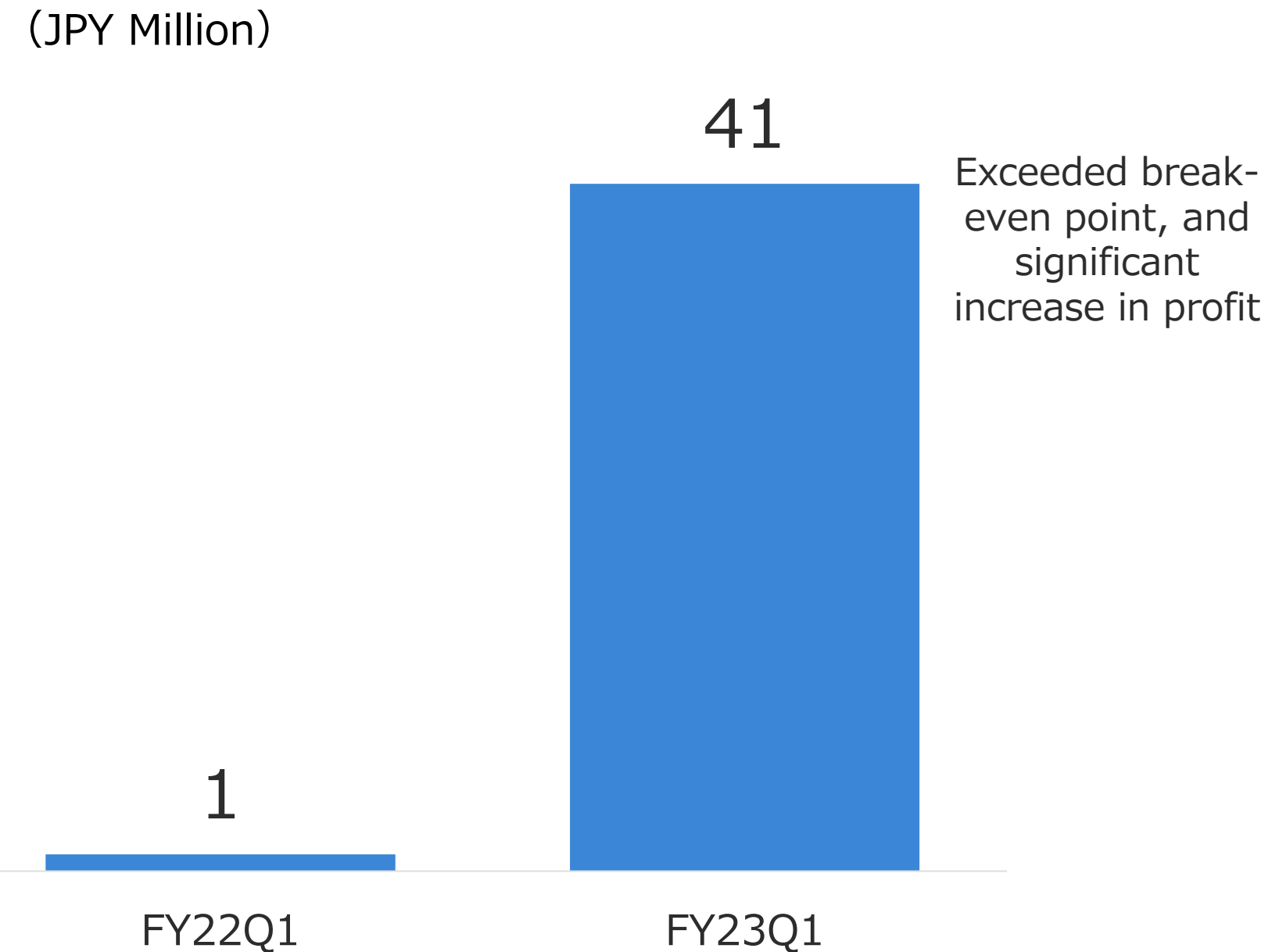
⇒ **Design contract will increase near future and profit will improve from Q2 onward.**

Factor of gain in profit on THT : Significant increase in sales and profit from both new and existing housing

TEPCO HomeTech Net Sales (YoY)



TEPCO HomeTech Equity in earnings (YoY)



Factors of increase in sales for new housing : Renewable energy asset management service (Enecari) has adopted by real estate and housing company and contracts are increasing gradually.

—信用と創造—
住友不動産

Decarbonization project with TEPCO as "SUMIFUXENECARI"

すみふ × エネカリ

2021.9

2021.10

2021.11

2022.1

2022.4

2023.3

2023.4

飯田グループホールディングス
株式会社アーネストワン

Adopted for all detached house for sale in Tokyo/Kanagawa area



野村不動産

Adopted for detached houses for sale
75 houses in Yokohama and Kashiwa



住友不動産のリフォーム

Adopted for "Almost new" renovated house project



相鉄不動産
SOTETSU

Adopted for "ZEH" project



こころまち つくろう
KEIHAN
京阪電鉄不動産

Adopted for "Midorigaoka Bright Garden" estate.





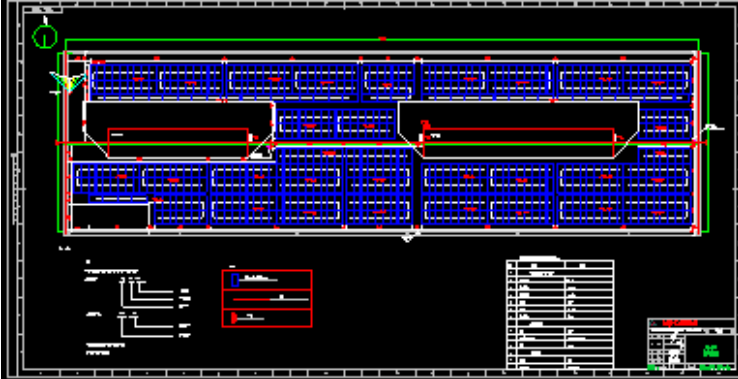

ファイブイズホーム
Fiveishome Co.,Ltd.

Adopted on detached house for sale

Expecting to complete the start-up preparation in the first half year and commencing to accept design orders in the second half year

【Status】

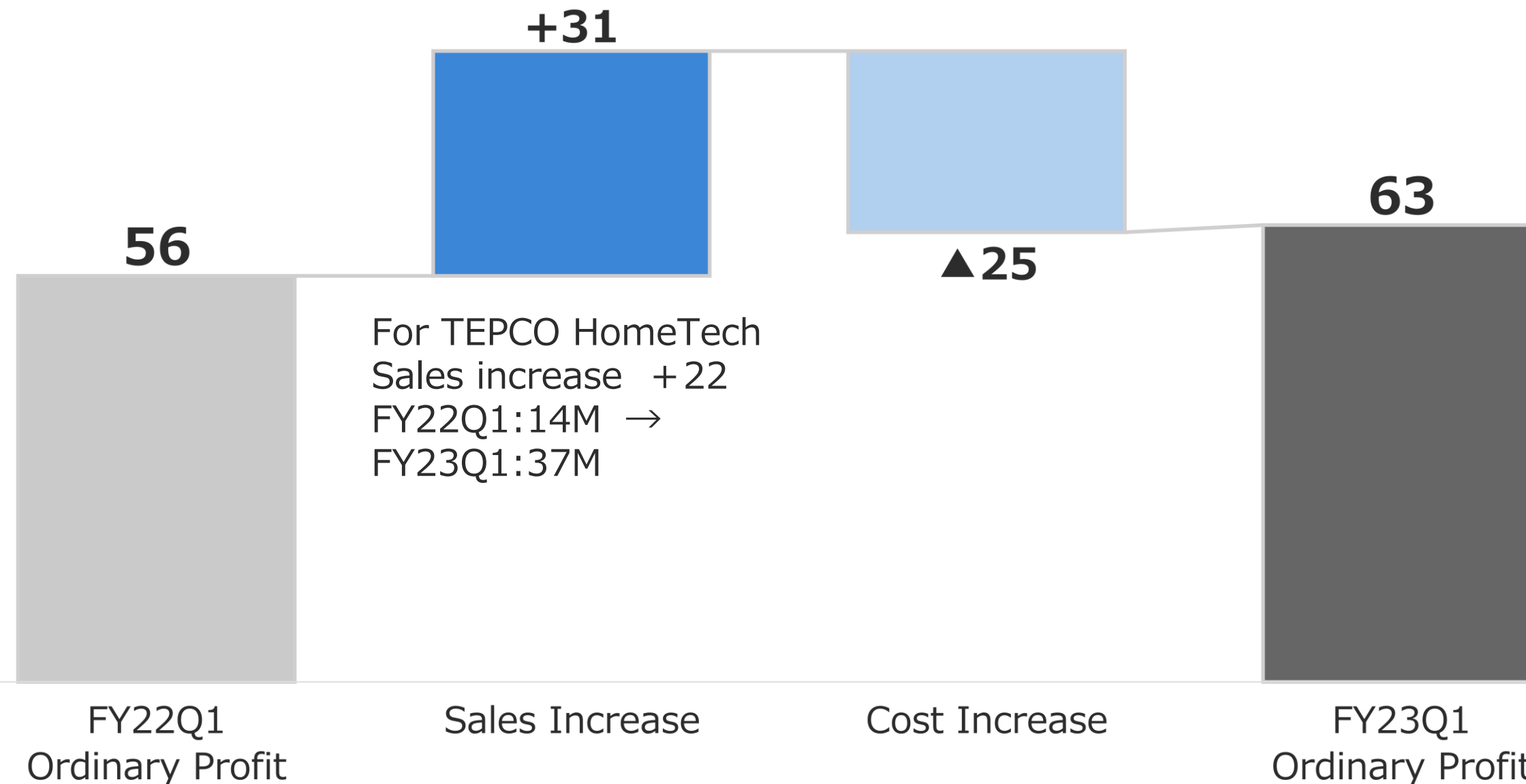
- Training of design staffs in China (Task verification with LESSO)
- Prepare to obtain the qualification of design in China to operate energy saving business
- Start design trial of actual properties.
- Start accepting orders of actual properties. (Mainly overseas case)
- Increase numbers of accepting orders (China domestic and overseas case)

	Q1 (Jan-Mar)	Q2 (Apr-Jun)	Q3 (Jul-Sep)	Q4 (Oct-Dec)
2023	<p>Training design staffs in China</p> 	<p>Preparation to obtain the qualification of design in China</p> 	<p>Solar power generation design image (DC wiring diagram)</p> 	<p>LESSO Solar Power Generation Project</p> 

Profit increased due to an increase in outsourcing contracts for energy-related operations from TEPCO Home Tech, etc.

Maintenance Service Ordinary Profit Fluctuation Analysis

(JPY Million)



Factors of Increase in Sales and Profit

Increased energy-related contract

(TEPCO HomeTech etc.)

- **Contracts & application**
- **Inquiry support**
- **System development**

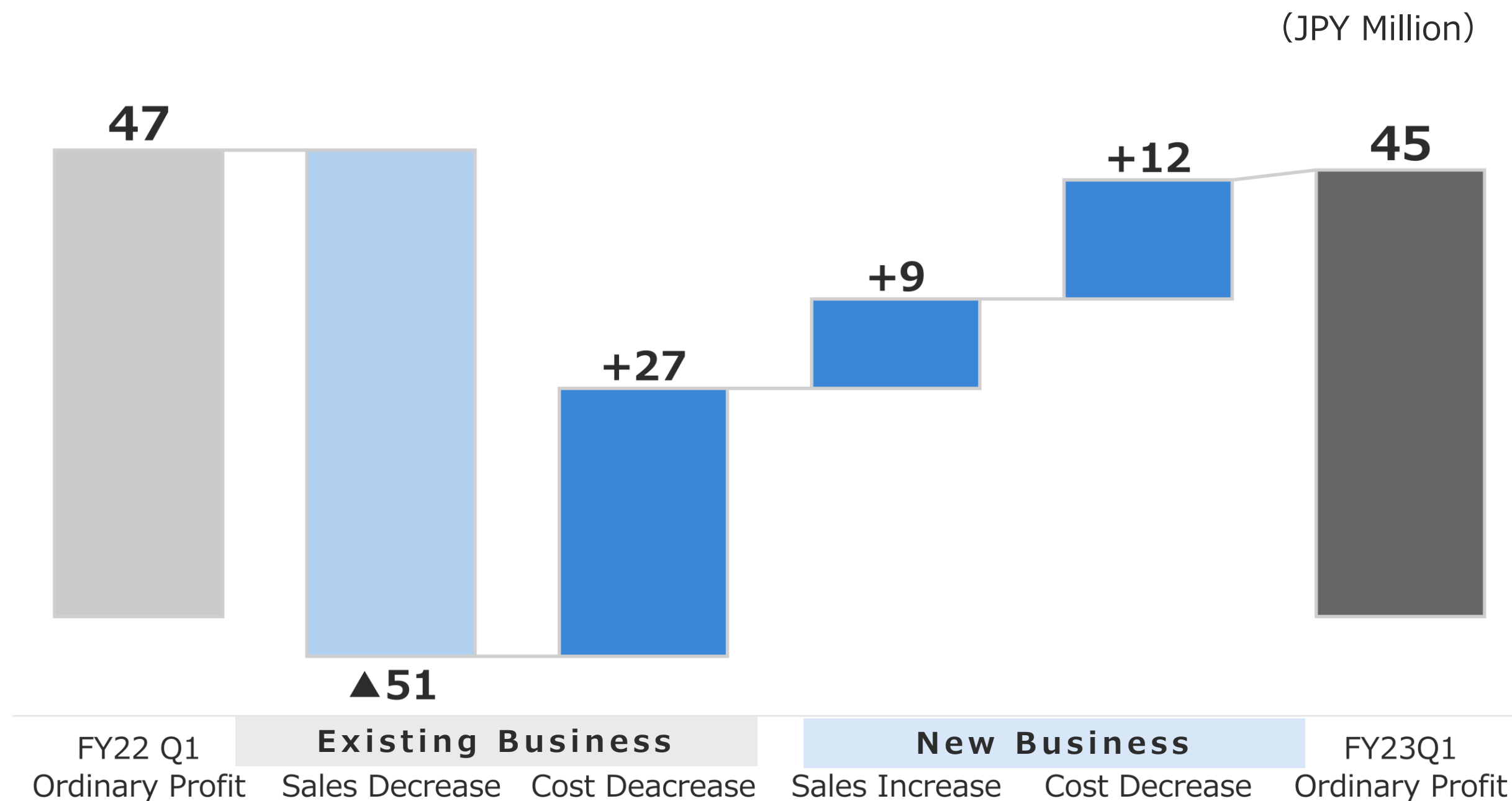


FY2023 Q1 | Design Service Ordinary Profit

Profits are improving owing to various measures taken in response to decreasing sales in existing businesses.

Major Factors and Countermeasures for Decrease in Profit

Design Service Ordinary Profit Fluctuation Analysis



■ Factors for sales decrease

Housing starts (owner-occupied) decreased -8.9% as YoY and numbers of design order decreased accordingly

■ Countermeasures

1. Expecting the effect of reviewed price will be shown from the 2nd half year
2. New business expansion (BIM)
3. Design cost decrease by reformation of EPCO SZ to joint venture company.

⇒ **Expecting further improvement of profit from Q2**

(Ref.) Breakdown of Design Service

FY23Q1	Existing	New	Total
Net Sales	444	17	462
OP Expenses	382	35	417
Ordinary Profit	62	-17	45

FY2023 Q1 | (Reference) Consolidated Net Sales Breakdown



(JPY Million)	FY22Q1 Results	FY23Q1 Results	Changes	Ratio
Net Sales (Consolidated)	1,179	1,177	-1	-0.1%
Renewable Energy Solutions	244	252	+8	+3.5%
Maintenance	429	461	+31	+7.4%
Design	504	462	-42	-8.3%

FY2023 Q1 | (Reference) Consolidated Ordinary Profit Breakdown

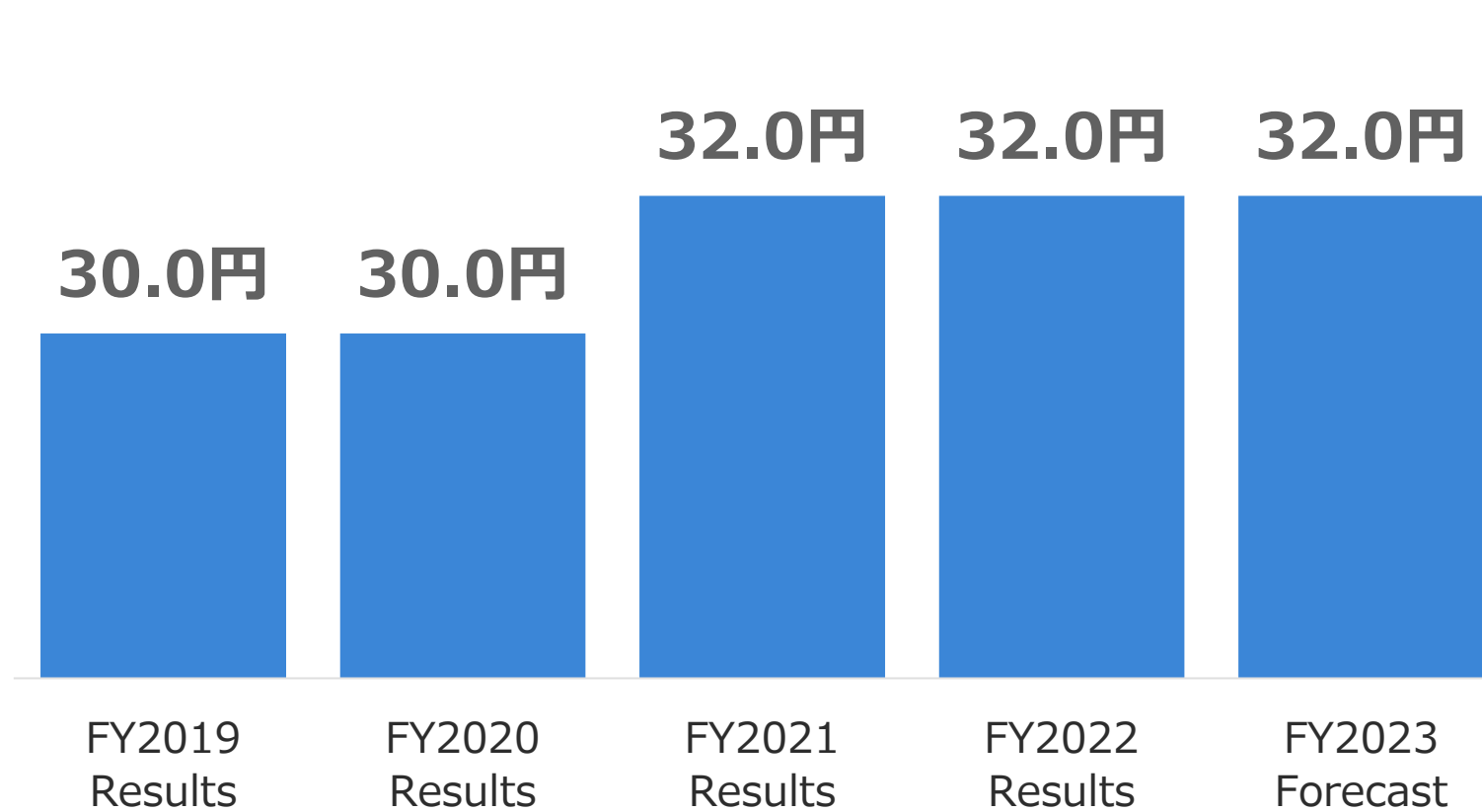
(JPY Million)	FY22Q1 Results	FY23Q1 Results	Changes	Ratio
Ordinary Profit (Consolidated)	37	20	-17	-45.7%
Renewable Energy Solutions	23	7	-15	-67.4%
ENE' s	14	1	-13	-90.0%
TEPCO HomeTech	1	41	+39	+3081.9%
LESSO	8	-27	-36	-
MEDX	-1	-7	-6	-
Maintenance	56	63	+6	+11.9%
Design	47	45	-2	-5.4%
Others (Whole company cost/Non-operating profit/loss)	-89	-95	-5	-

Dividend Policy : To provide **a stable** return of profits to shareholders, **with a target consolidated dividend payout ratio of 50% and a dividend on equity (DOE) ratio of 8%.**

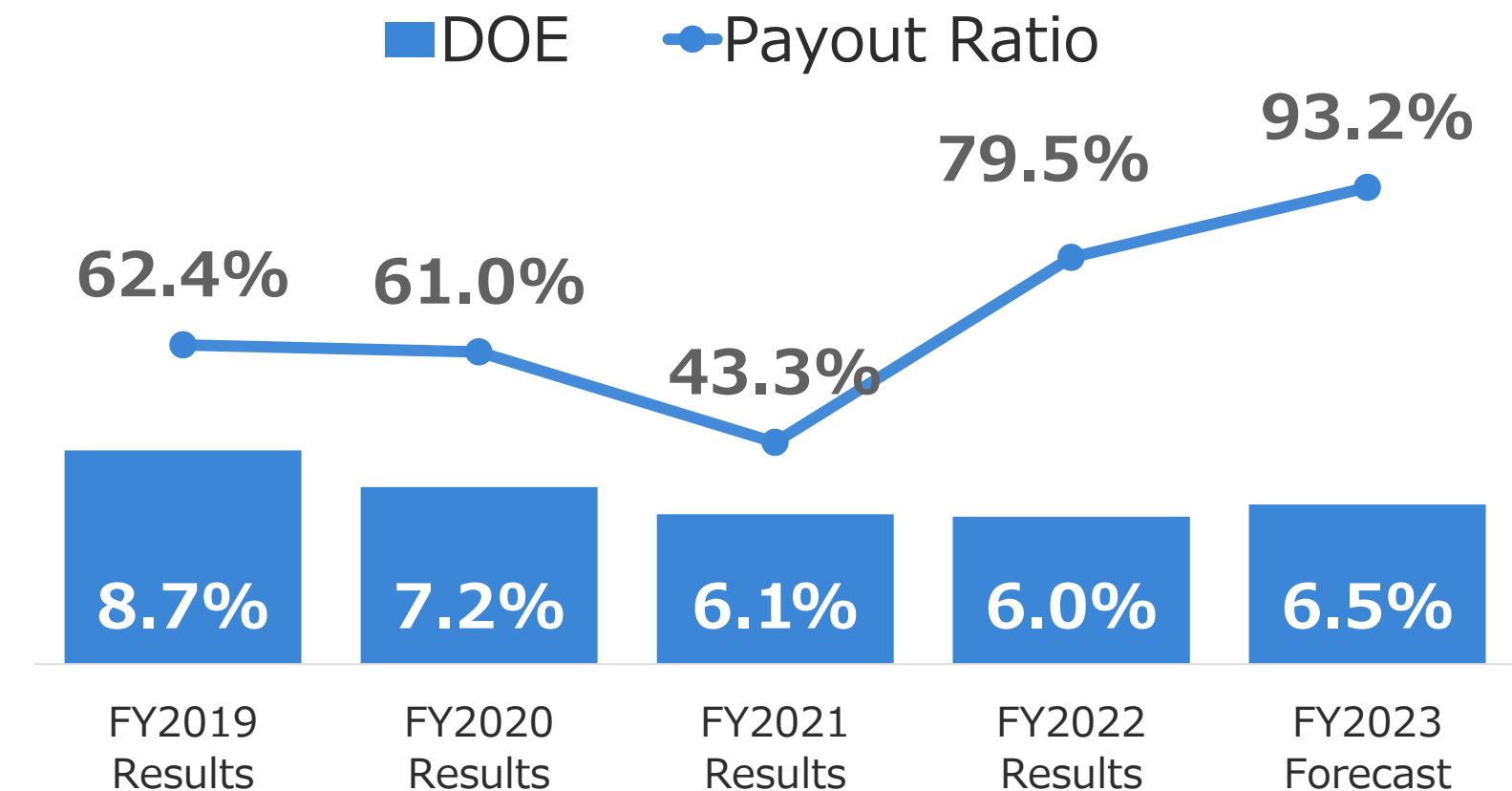
FY2023, expected dividend per share is **JPY32** (End of Q2 @JPY14, end of FY @JPY18)

Dividend Yield **4.3%** (Calculate with the price JPY740/share as of Apr. 28, 2023)

【Dividend】

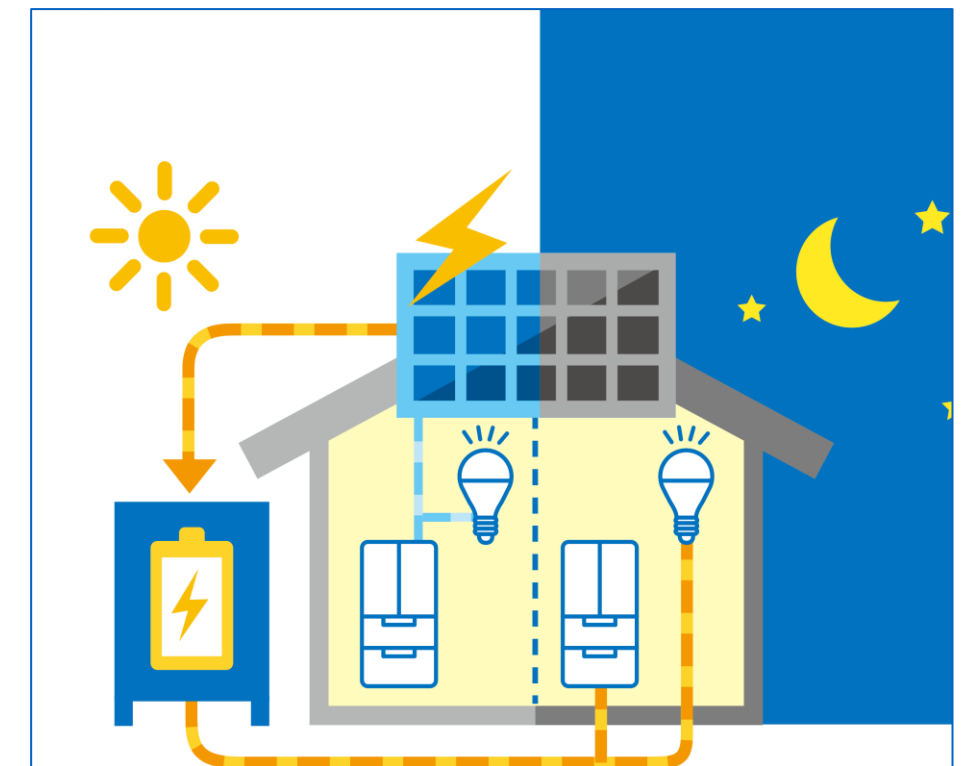


【Dividend on Equity Ratio (DOE)】



Established new “Three-way-win shareholder benefit plan” which is beneficial not only to shareholders but also to the Company and the global environment.

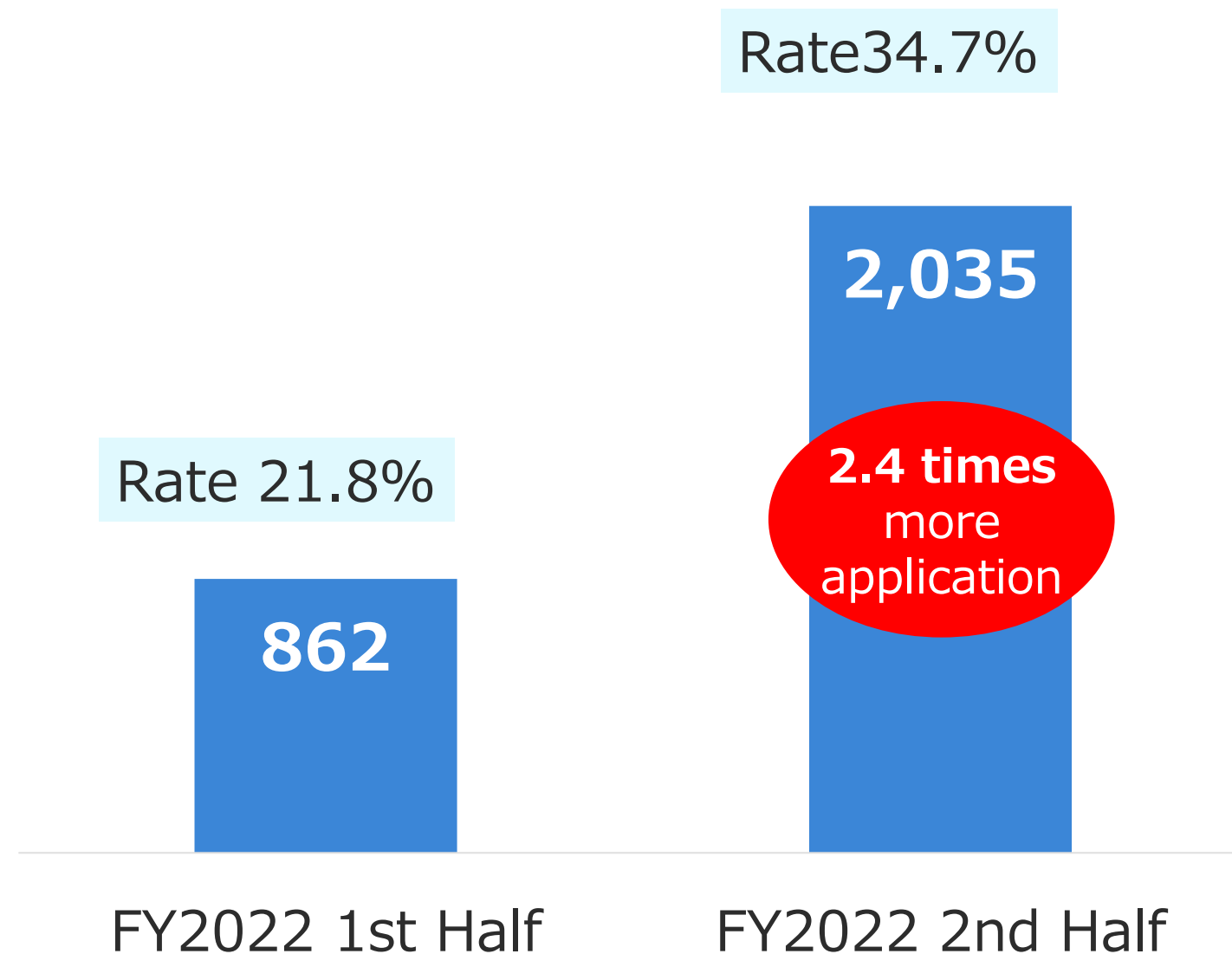
<p>Details of Benefit Plan</p>	<ul style="list-style-type: none"> ➤ The right to install “ Solar power generation system (worth JPY 1 mil.) ” for free. *Storage battery is available as well ➤ 5 winners (1st half of FY2023)
<p>Eligible Shareholder for lottery</p>	<ol style="list-style-type: none"> 1.Shareholder who own more than 1unit (100 shares) and on the shareholder list on end of June 2023(1st half). 2.Shareholder who have completed the procedures to apply the lottery.
<p>Condition</p>	<ul style="list-style-type: none"> ➤ Winner can pick any place for installation of solar panel ➤ Condition : House must be in Japan (Installation requirement will be applied)
<p>Details of lottery</p>	<ul style="list-style-type: none"> ➤ 1st half lottery date will be Late Aug. ,2023 ➤ The probability of winning increases proportionally with the number of shares held (up to 1,000 shares)



* Please refer our website for more details <https://www.epco.co.jp/ir/yutai.html>

The shareholder benefit plan was featured on TV Tokyo “World Business Satellite”
 The number of application for 2nd half in FY2022 is approx. 2.4times (2,035units)
 that of 1st half of FY2022.

【Application Numbers and Rate】



Feedback from shareholder

I think it is a unique shareholder benefit. As an individual investor, even if the probability is low, I still have hope and enjoy it

The cost of electricity is keep going up and I believe its time to generate electric in-house.

I couldn't resist to buy shares of the company as soon as I knew about unique shareholder benefit

I become a shareholder for this unique benefit. I would like to install it on my relative house if I could win.

Installation of solar panel will be mandatory for new house in Tokyo near future, I am expecting for your great work.

01. FY2023 Q1 Results Summary

02. Medium term Business Plan

03. Appendix.

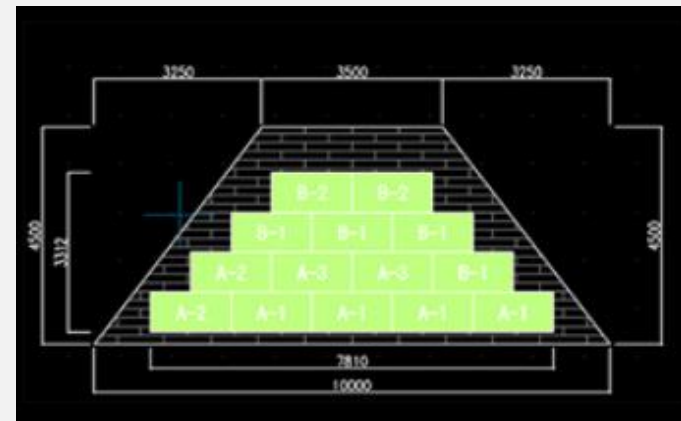
EPCO group is focusing on business growth of "Renewable Energy Solutions" with partners.

Renewable Energy Solutions (Solar Power·Storage Battery·EV)

【Manufacturing】 ▶



【Design】 ▶



【Installation】 ▶



【Maintenance】



Japan

Various
Manufacturers



東京電力グループ
TEPCOホームテック株式会社

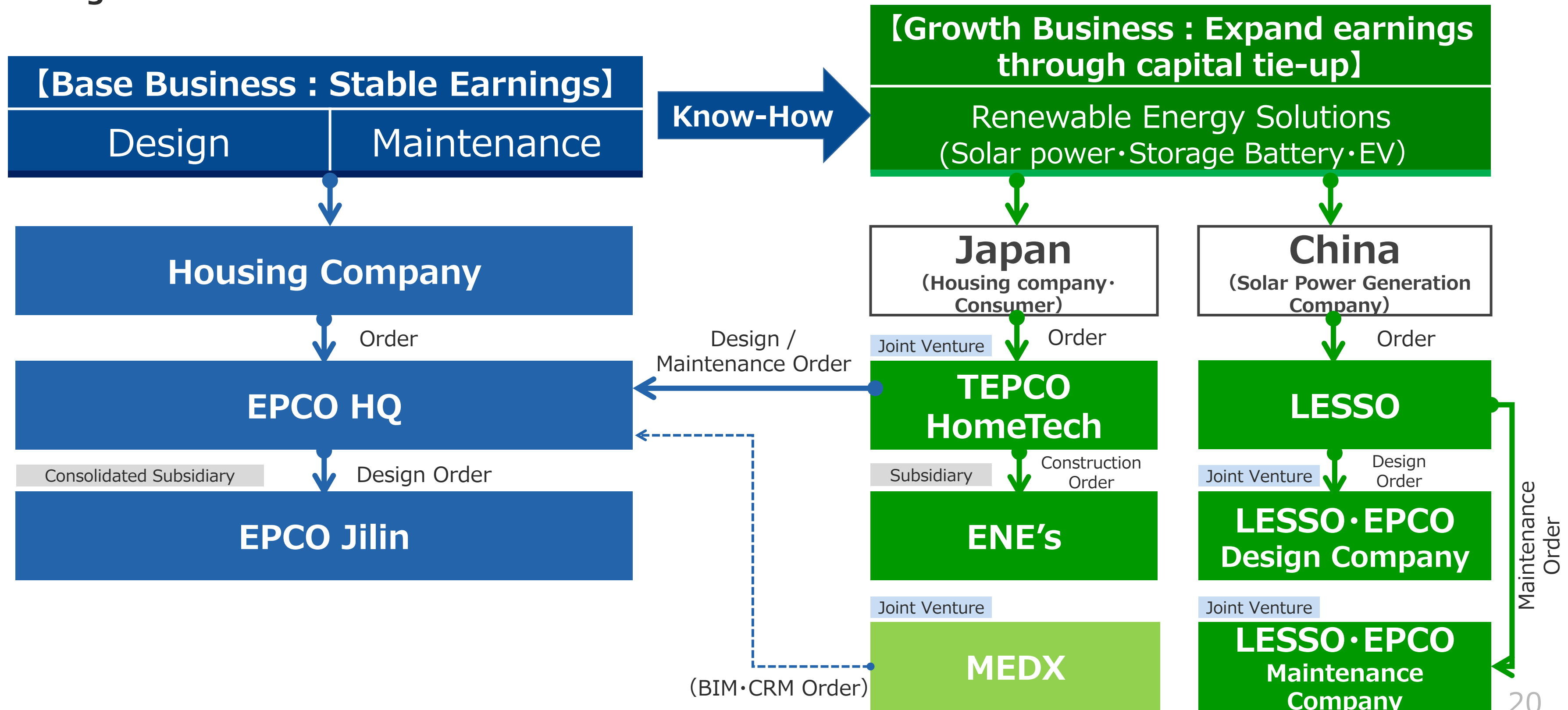


China

LESSO 联塑



The company aim to maximize earnings by focusing on growth businesses while keep stable earnings from base businesses.

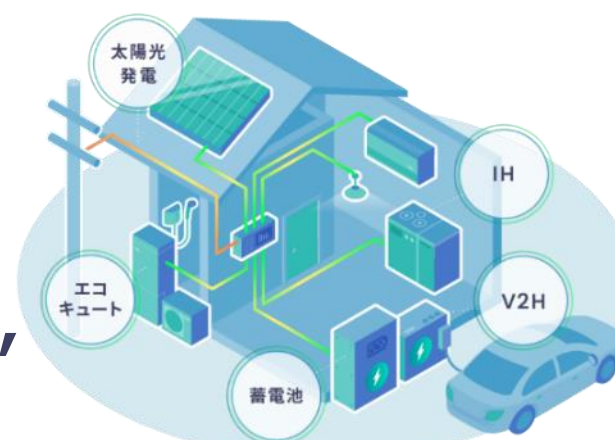


**TEPCO HomeTech aim to be a “Comprehensive Equipment Company”,
as essential for carbon neutrality in the household**

TEPCO

東京電力エナジーパートナー

Provide Name-value, Human Resources,
Electricity Know-How
Conversion to electric power
asset business



Housing all over Japan
(New・Existing)



Renewable Energy Asset Service

Energy Plan Company

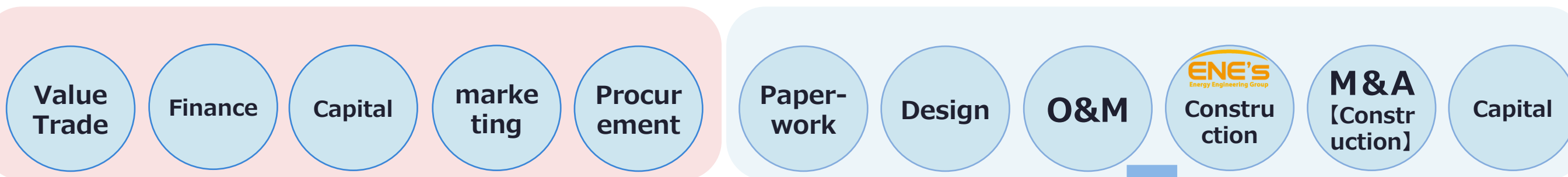
Provide know-how of
Resources (manpower, goods
capital, and clients)
THT and EPCO form energy
community with a common destiny

TEPCO HomeTech

TEPCO

東京電力エナジーパートナー

Energy Plan Company

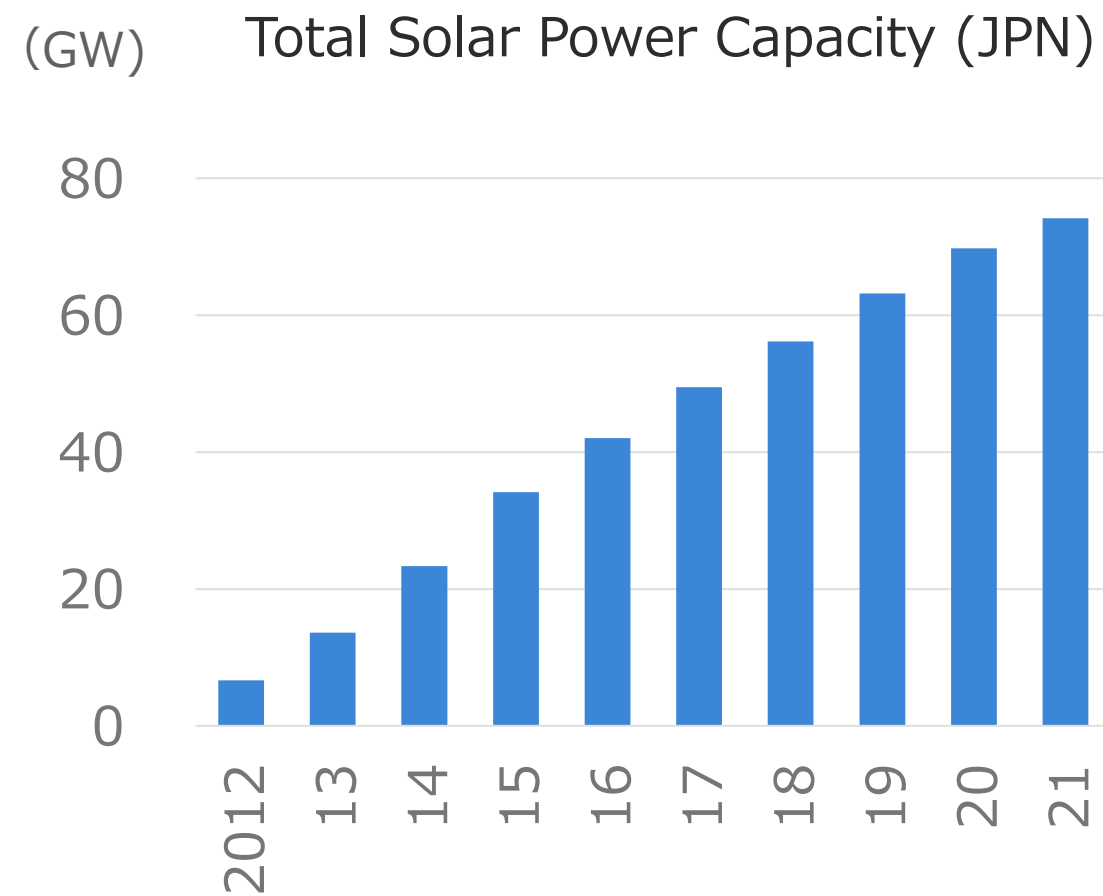


Utilize know-how from results of Design 100k case/yr, Maintenance 1.6mil. case/yr

The main business area of renewable energy solutions is expected to continue to grow

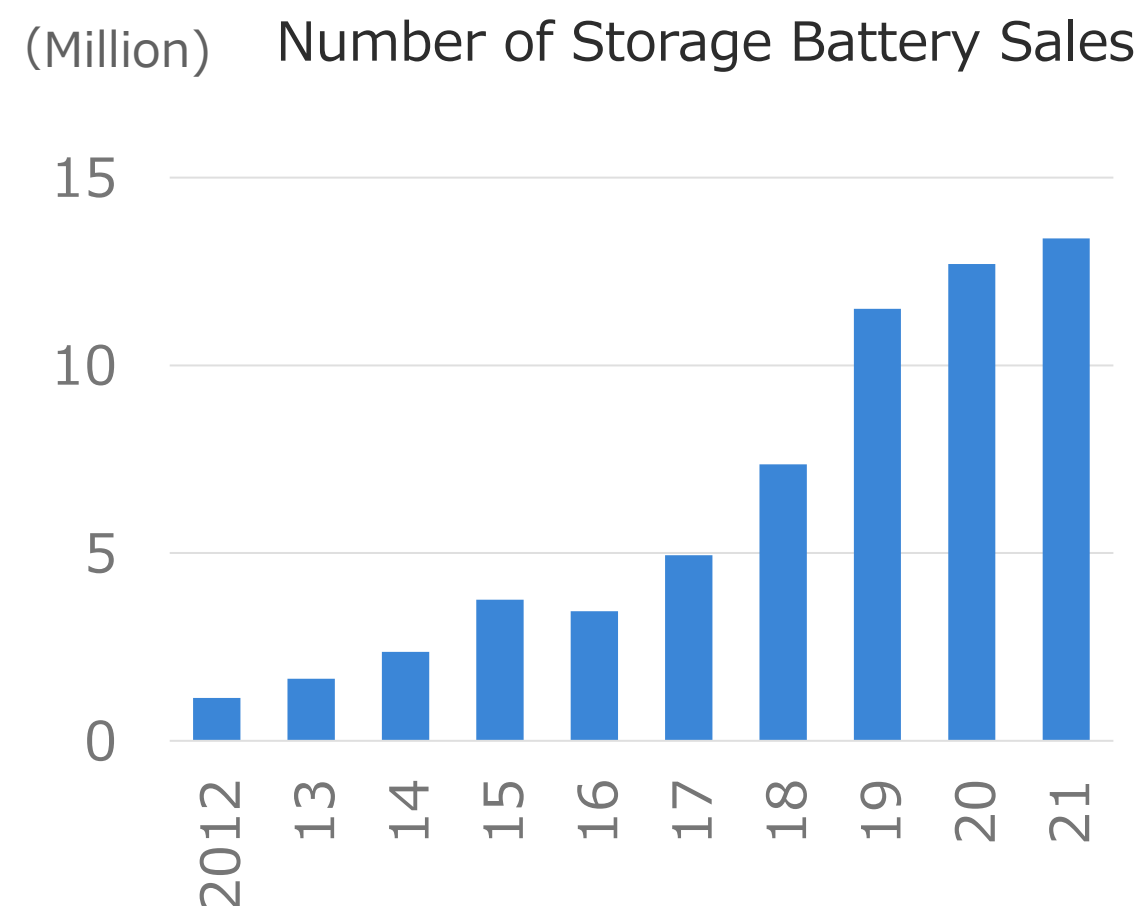
Contract of renewable energy asset management service (Enecari) by TEPCO HomeTech is increasing. Expecting to grow further by spreading solar power generation, storage batteries and EV.

Solar Power Generation



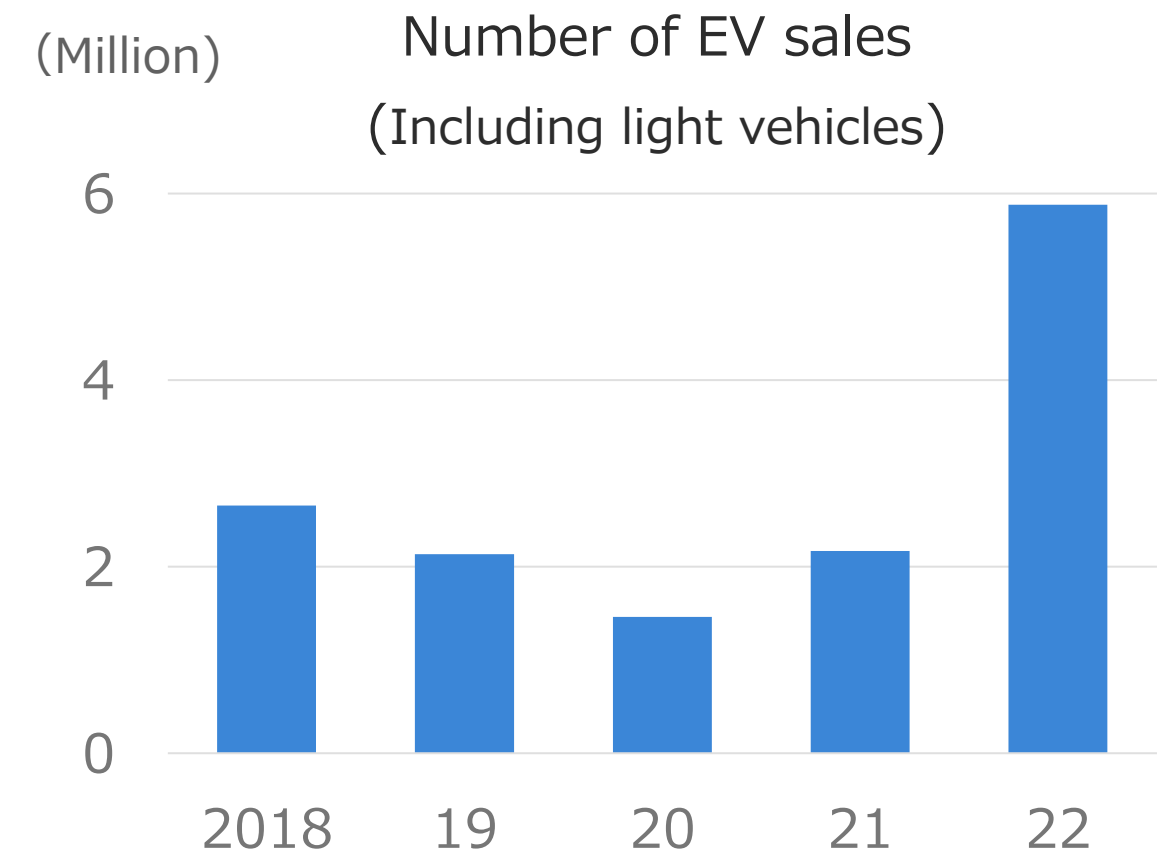
The Source : IRENA "RENEWABLE CAPACITY STATISTICS 2022"

Storage Batteries



The Source : JEMA "Voluntary statistics on lithium-ion energy storage systems for stationary use"

EV



The Source : Own data statistics by JADA, Zenkeijikyo data

LESSO & EPCO develop solar power generation market in China

LESSO 联塑

Provide name value, manufacturing technology, sales network
Renewable energy business will be 2nd core business



For solar power plants
One-stop service



Provide design and maintenance system
To form energy community with a common destiny in China renewable business

LESSO · EPCO Joint Venture*

LESSO 联塑



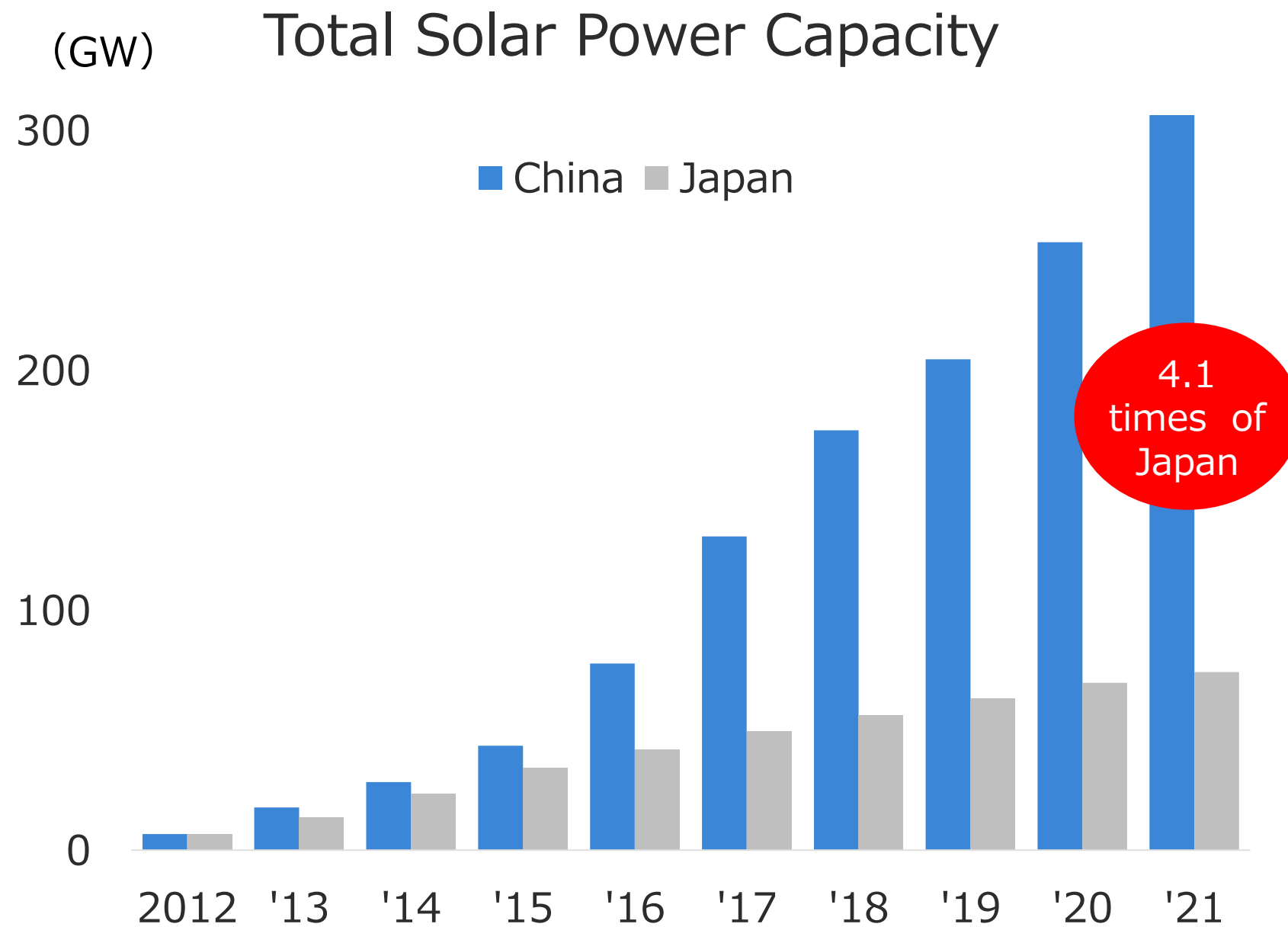
- Product Development
- Sales
- Panel
- Logistics
- Construction

- IT Development
- Design
- Integration
- Confirmation
- Monitoring
- Maintenance

Utilize the know-how of solar system development and design

* New company name is BANHAO EPCO (SZ)LIMITED : LESSO50%、EPCO50%

Planning to develop business in solar power generation market in China which is the largest in the world



The Source : IRENA 「RENEWABLE CAPACITY STATISTICS 2022」

China is the world's largest to install solar power generation equipment

China has the world's largest cumulative capacity of solar power generation facilities(308.5GW)
It's 1/3 of total solar power generation capacity of the world
(Ref. : IEA「Snapshot 2022」)

Plans to further promote solar power generation facilities as a national policy

National Goal Based on "3060 Goal", plan to promote more expansion of solar power generation
Solar power generation capacity in 2025 : 150GW/yr (Estimate)
(3times more than 2020)

LESSO entered full-scale into solar power generation market

Jan 2022 LESSO group established subsidiary company for solar power generation business
Solar panel production capacity will be 7GW/yr in 2023

【Name of the company】 中国联塑集团控股有限公司 (China Liansu Group Holding Limited)

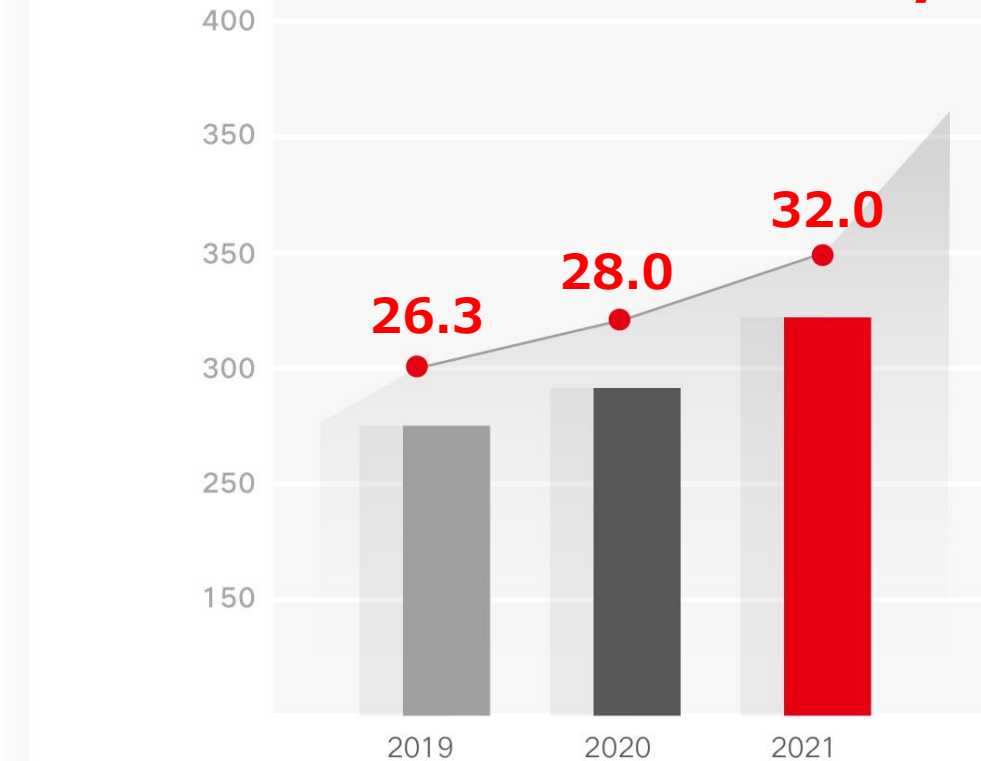
【Address】 Fushan, Guangdong,

【Summary】 ·Established in1986

- Largest manufacturer of plastic pipe and fitting in China, Top 500Enterprises of China (375th)
- Listed on HK Market (Securities Code 2128:HK)
- Manufacturing Factory : 30 locations in China, 7 locations in overseas
- Distribution Outlet : About 30,000 locations in China

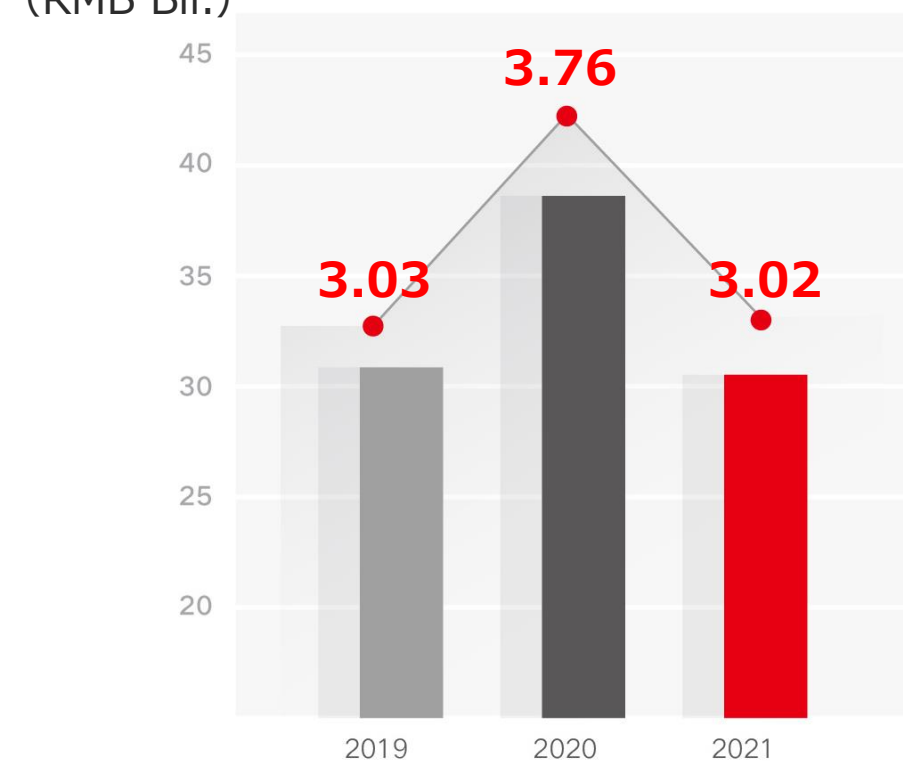
LESSO HQ

(RMB Bil.) **Net Sales in last 3yrs**



单位: 亿元

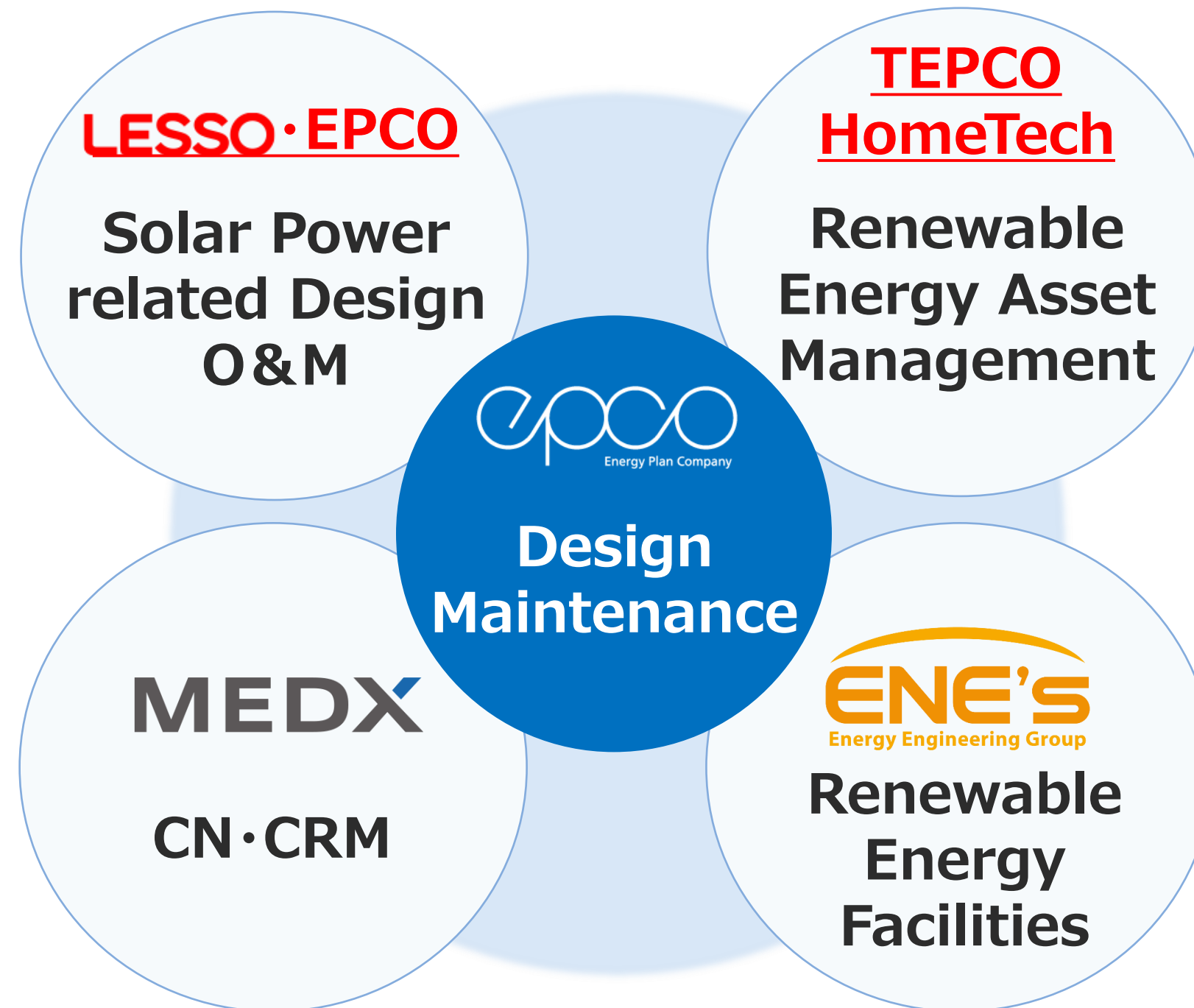
(RMB Bil.) **Net Profit in last 3yrs**



单位: 亿元



Our group's purpose, to realize
"We support housing, living, and the Global Environment by adopting Digital Transformation"
EPCO will collaborate with group companies to achieve growth through renewable energy services.



01. FY2023 Q1 Results Summary

02. Medium term Business Plan

03. Appendix.

Company Overview

Management Philosophy

We pursue the happiness of our passionate employees and their family. Purpose of our existence is to reduce social problems and contribute human's lives.

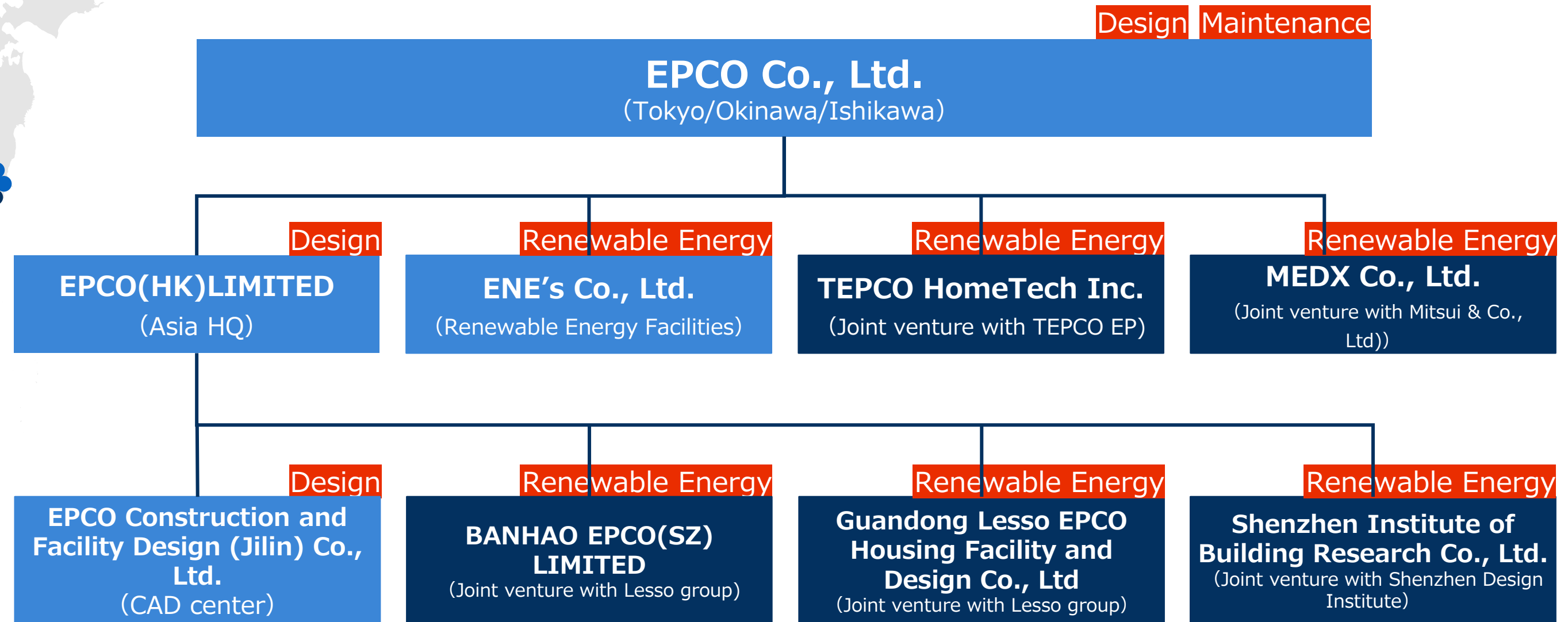
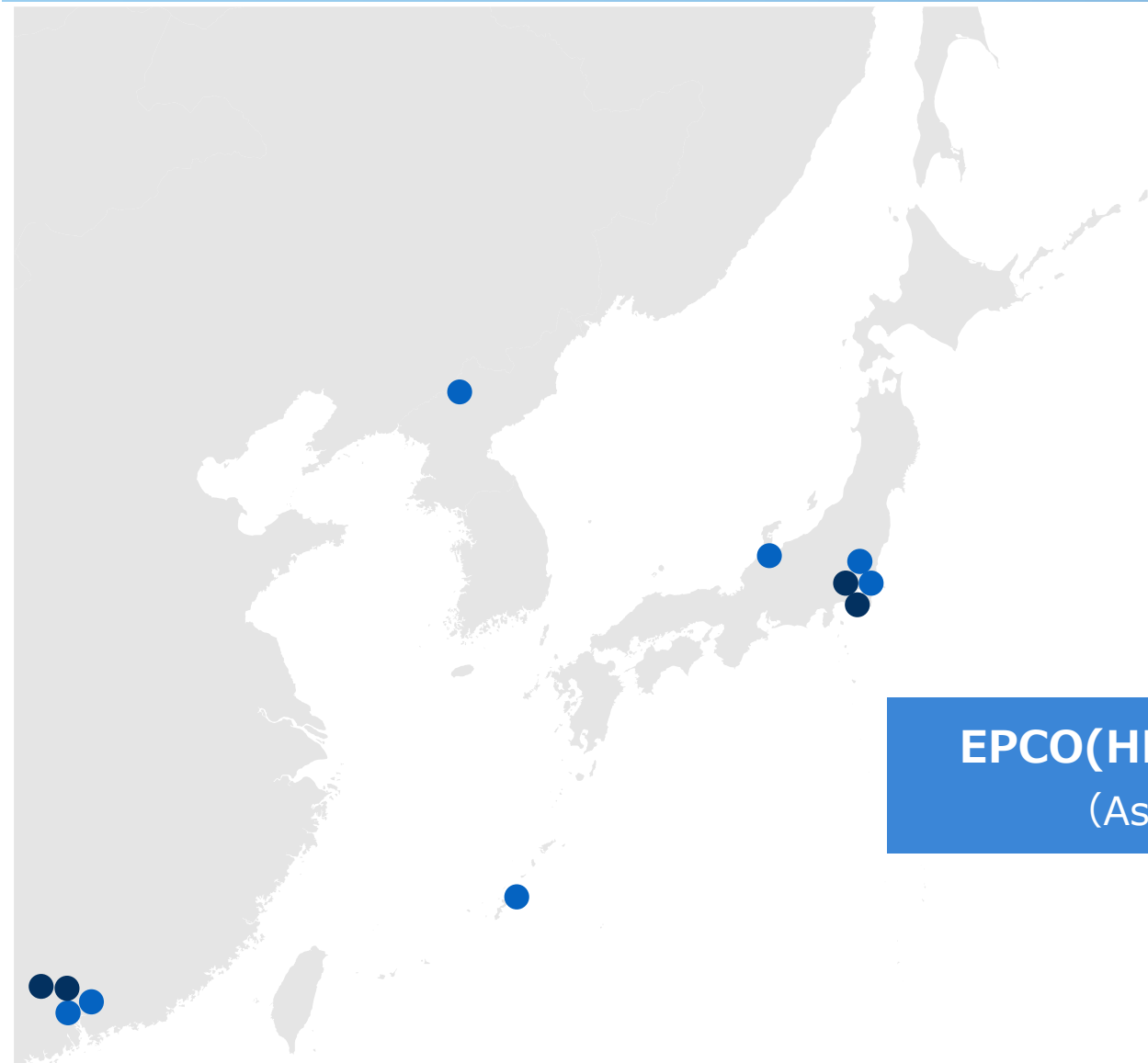
We aim to be infrastructure company to support the homes and lifestyles of people around the world.



Representative Director
Group CEO

岩崎 辰之

Company Name	EPCO Co., Ltd.	
Head Office	12/F, OLINAS tower, 4-1-3 Taihei, Sumida-ku, Tokyo, 130-0012 JAPAN	
Securities Code	2311 (Prime of the Tokyo Stock Exchange)	
Establishment	April 12, 1990	
Capital	JPY 87 mil.	
Numbers of employee	541 (Consolidated total 853) Including temporary employees and dispatched workers *As of Dec. 31, 2022	
Directors	Representative Director and Group CEO Representative Director and CFO Director Outside Director (Audit & Supervisory Committee) Outside Director (Audit & Supervisory Committee) Outside Director (Audit & Supervisory Committee)	Yoshiyuki Iwasaki Shinichiro Yoshihara Tohru Miyano Masashi Watanabe Takuo Akino Tadashi Tamura
Executive Officer	In charge of Business Development In charge of Design Services and Information Systems In charge of Maintenance Service In charge of Group Management	Kim Jungheon Yang Chao Takatsugu Urayama Tomohisa Hirakawa



Subsidiary Affiliated

EPCO is group structure with active use of joint ventures (Group Management)
 All equity in earnings of joint ventures is attributable to ordinary profit of “Renewal Energy Solution”.

EPCO Subsidiary(00%) Equity in earnings of	Design	Maintenance	Renewable Energy Solutions	
Operating Profit	EPCO Co., Ltd (TOKYO, Okinawa)	EPCO Co., Ltd (Tokyo, Okinawa, Ishikawa)	—	
	EPCO(HK)LIMITED EPCO Construction and Facility Design (Jilin) Co., Ltd	—	ENE's	
Non operating Profit/Loss (Equity in earnings of affiliates)	—	—	<u>Joint Venture</u> TEPCO HomeTech MEDX Banhao EPCO *1 Lesso EPCO *2	<u>Partner compnay</u> TEPCO EP Mitsui & Co., Ltd China Lesso *3 China Lesso *3

※1 Banhao EPCO : 班皓艾博科新能源設計 (深圳) 有限公司

※2 Lesso EPCO : 廣東聯塑艾博科住宅設備設計服務有限公司

※3 China Lesso : 中国聯塑集团控股有限公司

Challenge to Evolution

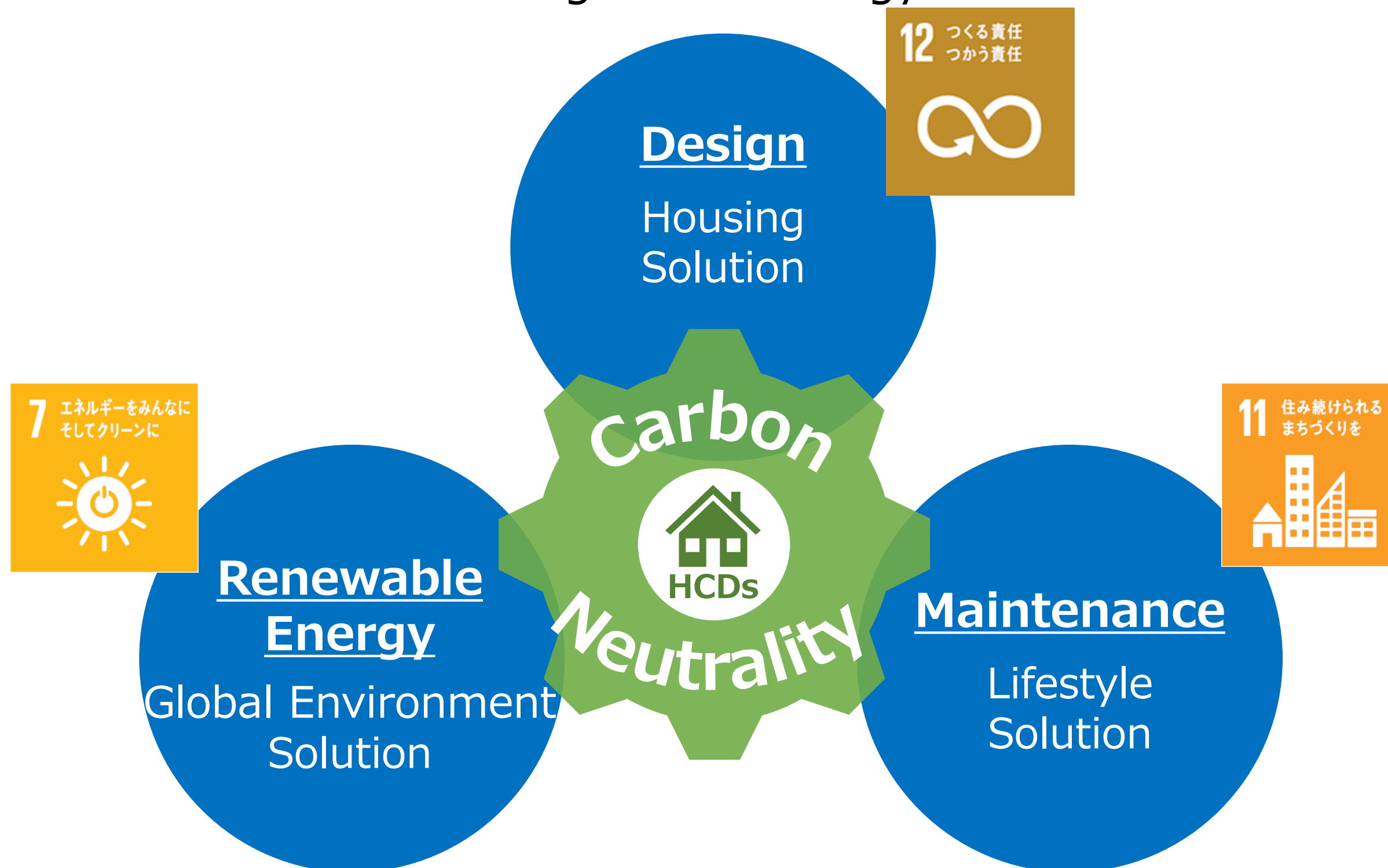
Carbon Neutral × DX Strategy

- 2023 • Established BANHAO EPCO (SZ)LIMITED
- 2022 • Opened Kanazawa Operation center
- Established MEDX Co., Ltd.
- 2020 • Acquired in System Engineering Co., Ltd. (Current ENE's Co., Ltd.) and made it as a subsidiary
- 2019 • Listed on the first section of the Tokyo Stock Exchange
- Market change to the second section of the Tokyo Stock Exchange
- 2018 • Relocated Okinawa call center
- 2017 • Established TEPCO HomeTech Inc.
- 2016 • Established EPCO Construction and Facility Design (Jilin) Co., Ltd.
- 2014 • Relocated Tokyo Office
- 2011 • Established EPCO (HK) LIMITED
- Established Guandong Lesso EPCO Housing Facility and Design Co., Ltd.
- 2005 • Opened Okinawa office
- 2004 • Established a subsidialy EPCO Construction and Facility Design (Shenzhen) Co., Ltd.
- 2002 • Relocated head office to Adachi-ku, Tokyo
- Listed on JASDAQ
- 1992 • Reorganized into EPCO Co., Ltd.
- 1990 • Established EPCO Limited Company

HCDs HOUSING
CARBON NEUTRALITY
DIGITAL SOLUTIONS

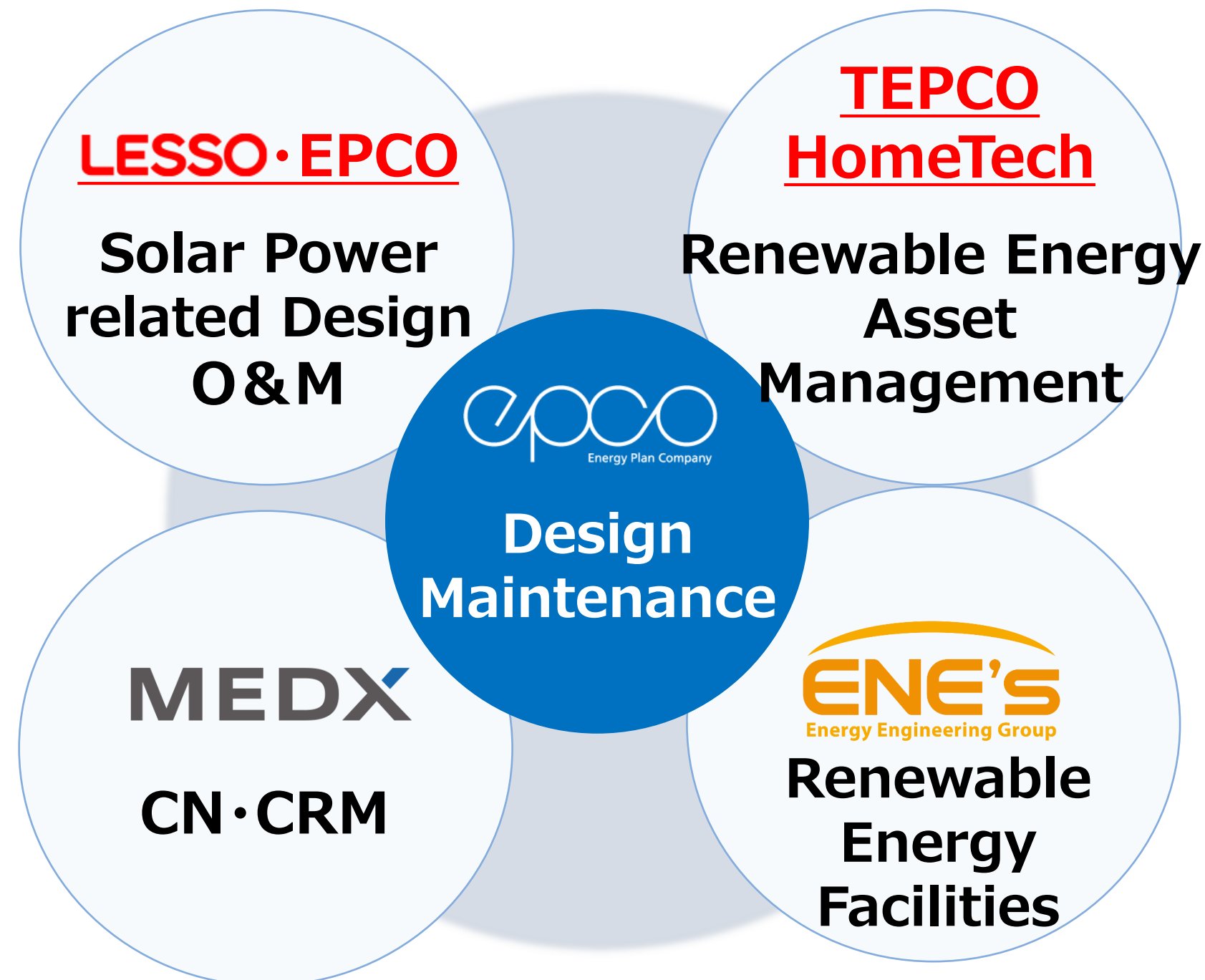
HCDs : Housing Carbon Neutrality Digital Solutions

EPCO Group support housing, living, and the global environment with digital technology



Group Management

EPCO collaborate with group companies and aim for business growth by providing value to group companies



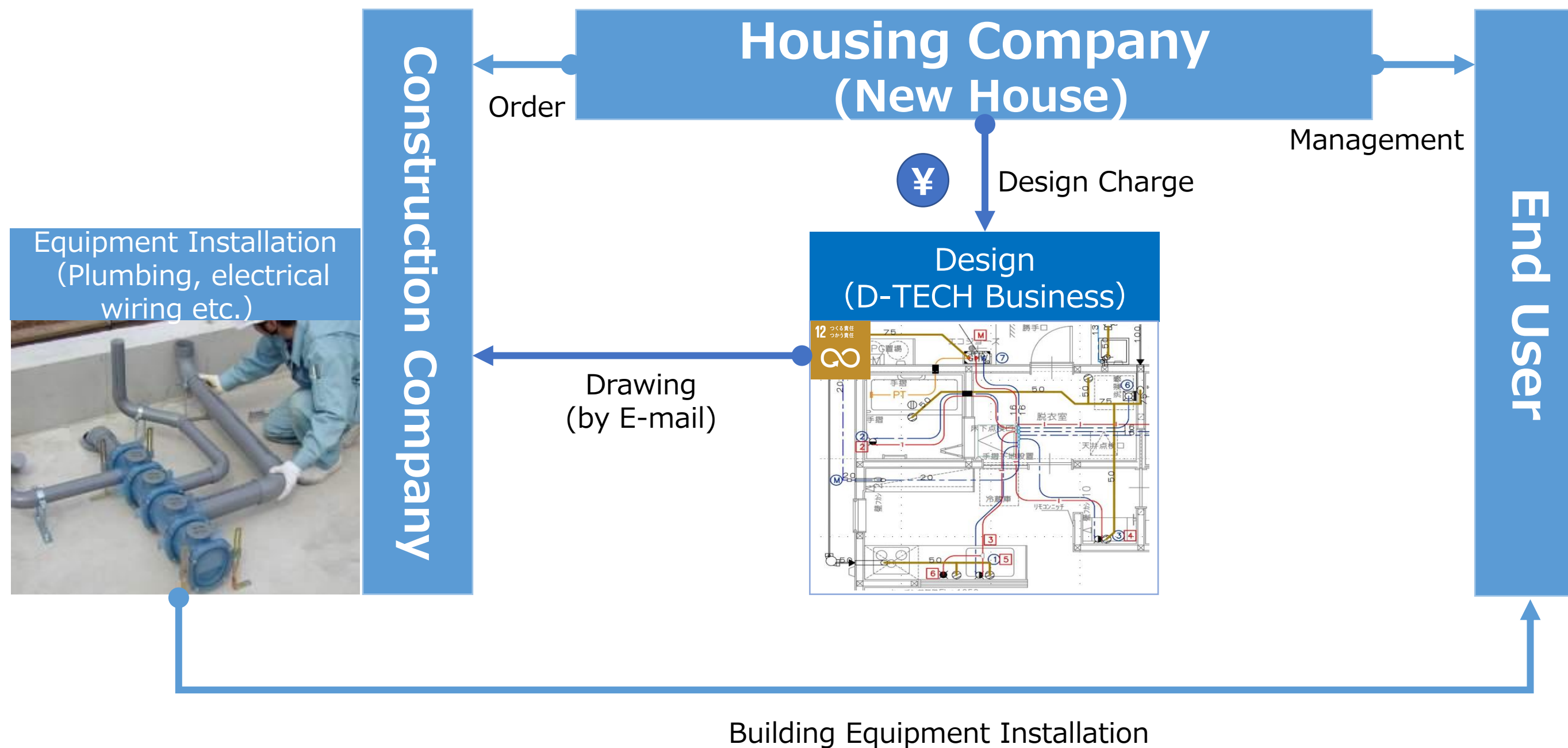
Core Business of EPCO Group | General View

- Three core business to support housing lifeline (Design, Maintenance, Renewable energy solutions) are stable revenue base



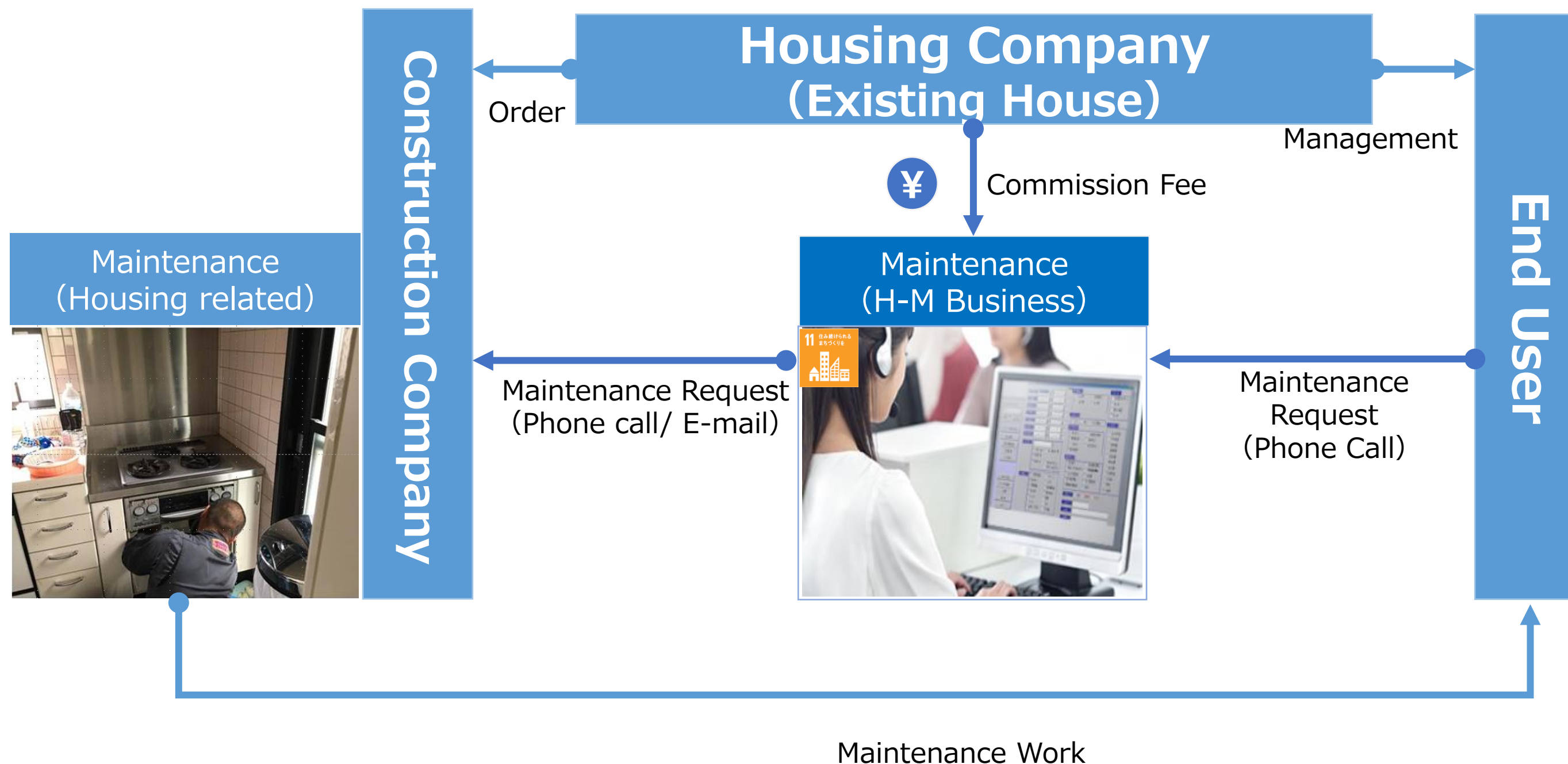
Core Business of EPCO Group | Design

- One of the largest design organization to support the supply chain of housing company. (Total 460 designer in Japan and China)
- Design performance is approx. 100,000 unit/year in residential field. (Market share of new low-rise residence is 14%)

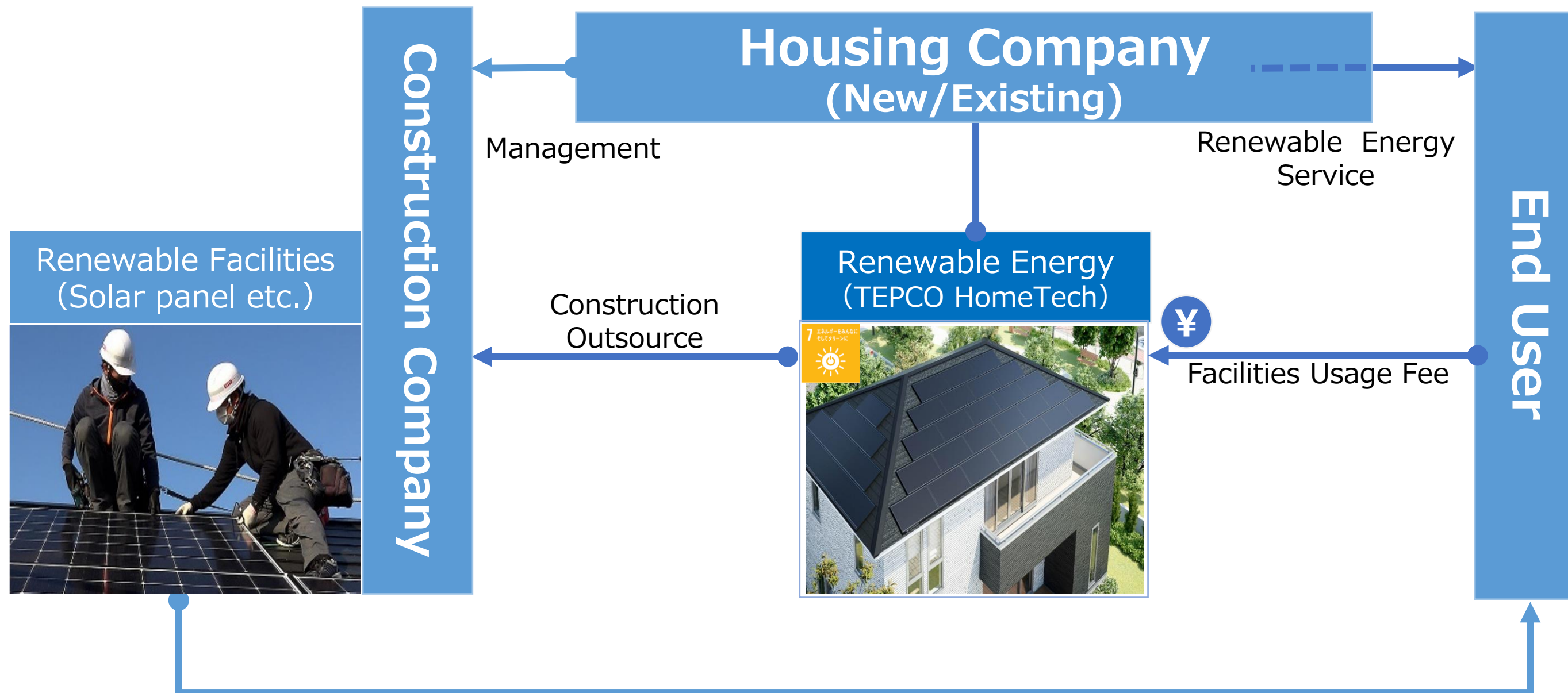


Core Business of EPCO Group | Maintenance

- 24/7 call center network to support maintenance service of house builder.
(200 operators in Okinawa and Kanazawa)
- Approx. 600,000 cases of maintenance request received annually.
(Managing 1.6 mil. household nationwide)






- TEPCO HomeTech is joint venture with TEPCO Energy Partner, Inc.
- Subscription service of renewable energy facilities (Flat-rate usage with zero initial cost) has been adopted and increased in major housing companies



Renewable Energy Facilities Installation

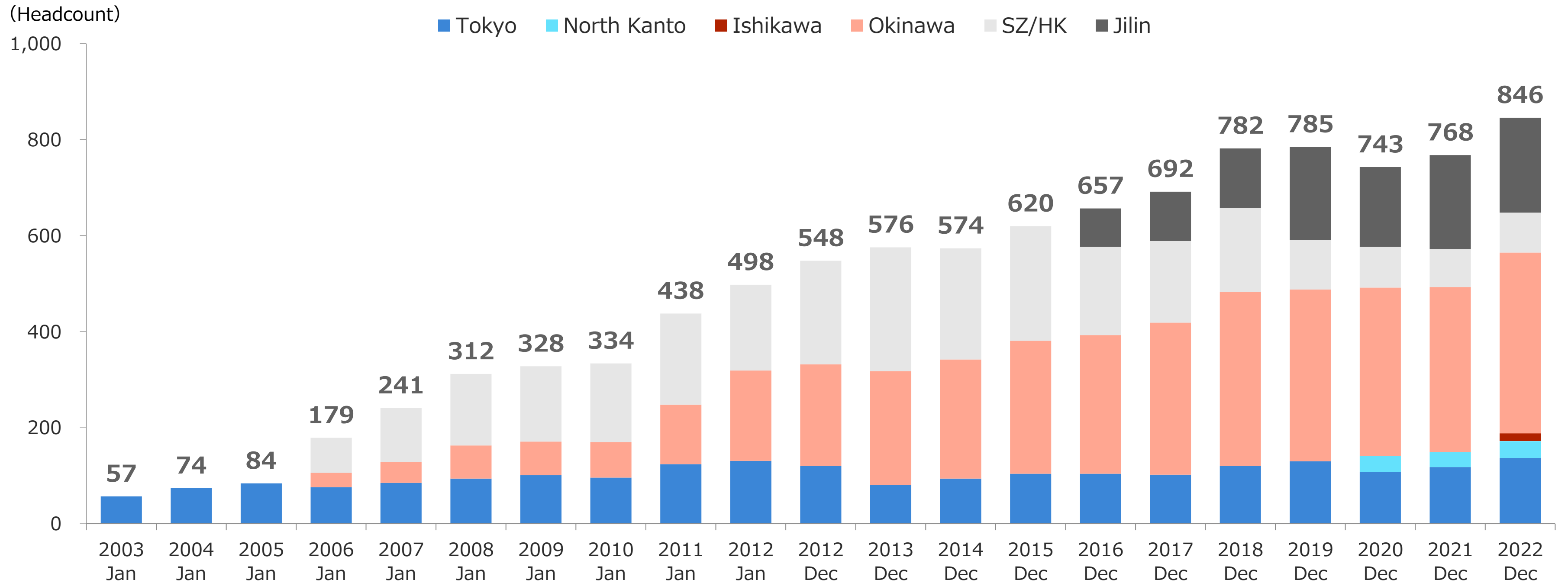
EPCO Group's ESG initiative

	Theme	Summary	Our Major Initiative	SDGs	
Environment : E	Environmental preservation through business activities	Reduction of industrial waste by pre-fabrication Visualization of CO2 emissions with BIM	Reduction of industrial waste through optimal design and pre-fabrication of housing facilities. Calculation of CO2 emissions in the building phase by BIM design.	12 つくる責任 つかう責任 	
		Reduction of CO2 emissions by installation of renewable energy equipment	Reduction of CO2 emissions by installing renewable energy equipment such as solar panels and storage batteries. Contributing to the spread of energy-efficient equipment through a flat-rate usage service without an initial cost.	7 エネルギーをみんなに そしてクリーンに 	
	Reduction of environmental impact	Reduction of printed materials by using IT	Reduction of printed materials for checking design drawings using IT.		
Society : S	Residence	Relationship with residences	Corresponding 24/7 for various problems in all aspects of housing. Quick problem resolution through efficient maintenance arrangements	11 住み続けられる まちづくりを 	
	Customer	Relationship with customers (e.g. Housing company)	Improve customer satisfaction by realizing low cost, high quality, and quick delivery		
	Shareholder	Relationship with shareholder	Timely and appropriate disclosure of information https://www.epco.co.jp/ir/ Proactive and stable shareholder returns https://www.epco.co.jp/ir/highlight.html		
	Employee	Promotion of diversity	The ratio of female employees is 46%, and foreign employees is 37% in EPCO group. (As of end of Dec. 2021)		
		Creating a safe and healthy workplace	Promotion of health management (employee health management in collaboration with industrial physicians and external organizations)		
Governance : G	Corporate Governance	Corporate Governance Structure	Company with an Audit Committee and 50% is outside directors (3 out of 6) Corporate Governance report https://ssl4.eir-parts.net/doc/2311/ir_material6/174682/00.pdf		
		Compliance Structure	Establishment of a code of conduct in EPCO group and compliance education for employees, and an internal reporting system		
	Securities	Information Security Management	Establishment of Information Security Management System (ISO 27001 certification)		
		Protection of personal data	Establishment of a personal information protection management system (Acquisition of Privacy Mark)		

Transition of Consolidated Results



Consolidated Numbers of Employee

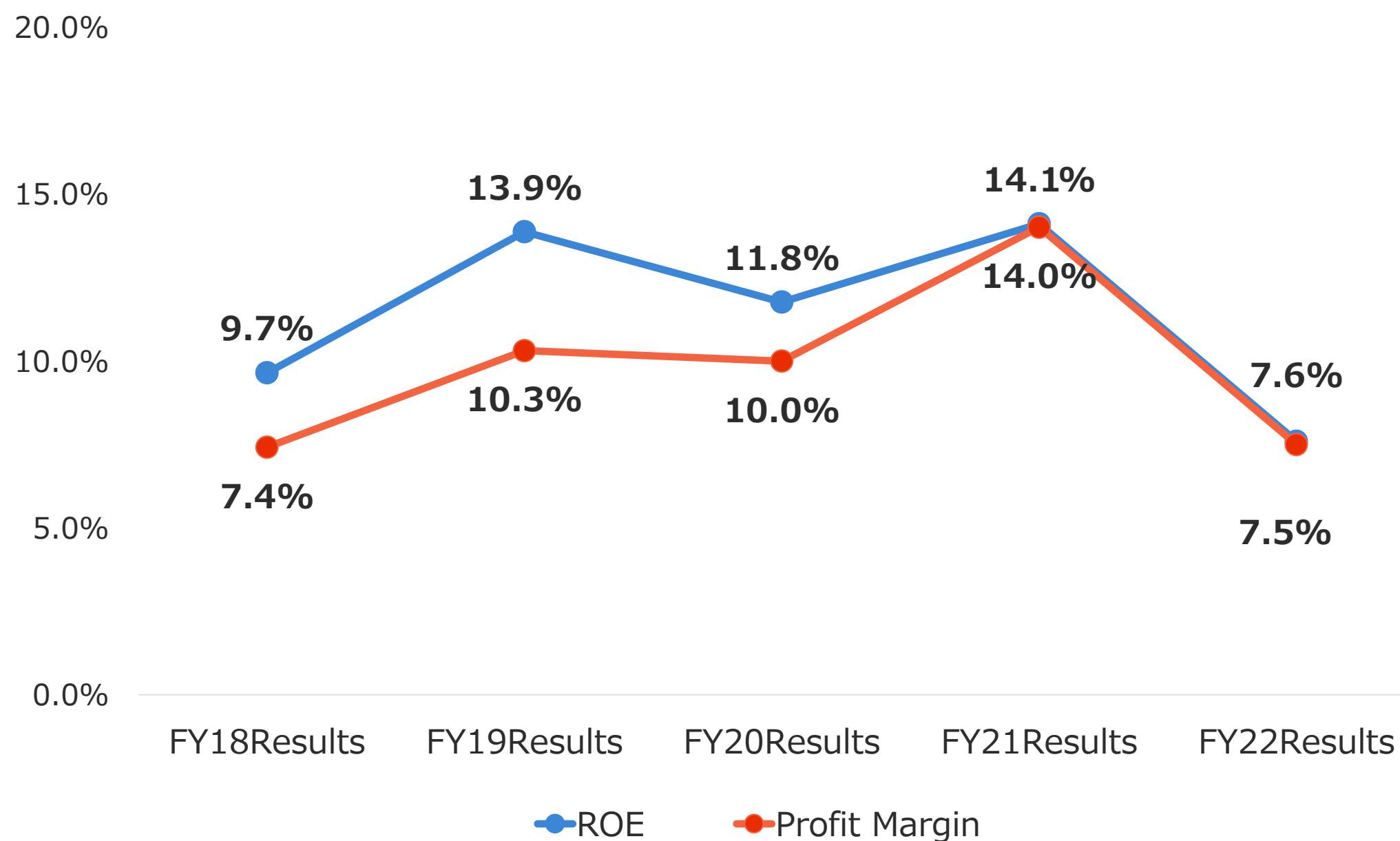


*Including temporary employees (Counted temporary employee as average during the period)

Target Management Index (ROE)

Past 5 years (average) ROE 11.4% → Aiming higher ROE by profit improvement

【Transition of ROE and profit margin】



Views on ROE

【Further improvement measures of ROE】

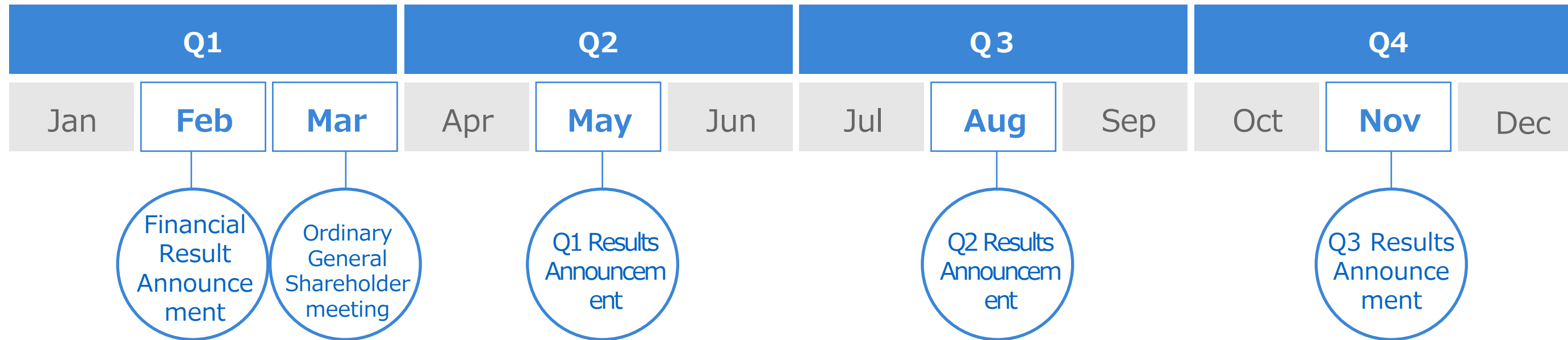
① Improve profit margin by promoting the medium term business plan.

We will increase sales in each business, operation profit, equity in earning of affiliates by promoting medium term business plan and improve profit margin.

② Appropriate management of surplus assets

To improve total asset turnover and financial leverage through proactive shareholder returns in line with business expansion.

IR Schedule 2023 (Planned)



2023

Feb. 13 Mon	FY2022 financial results announcement	Jun. 29 Thu	EX-rights date
Feb. 27 Mon	FY2022 business plan briefing (Full-year)	Aug. 9 Wed	FY2023 Q2 results announcement
Mar. 11 Sat	Online seminar for individual investor	Late Aug	FY2023 business plan briefing (Q2 results)
Mar. 24 Fri	33rd ordinary general shareholder meeting	Nov. 8 Wed	FY2023 Q3 Results announcement
May 11 Thu	FY2023 Q1 results announcement	Dec 27 Wed	Final date of year-end dividend rights acquisition
Jun. 28 Wed	Final date of Q2 dividend rights acquisition		

IR and Contact Information



IR Website

<https://www.epco.co.jp/ir/>



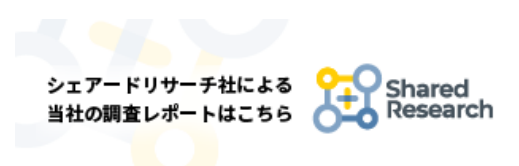
IR information E-mail
distribution service

<https://www.epco.co.jp/ir/mail.html>



ENGLISH (IR)

<https://www.irstreet.com/new/en/brand/index.php?brand=159>



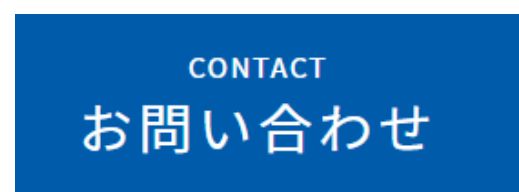
Analyst Report

<https://sharedresearch.jp/ja/companies/2311>



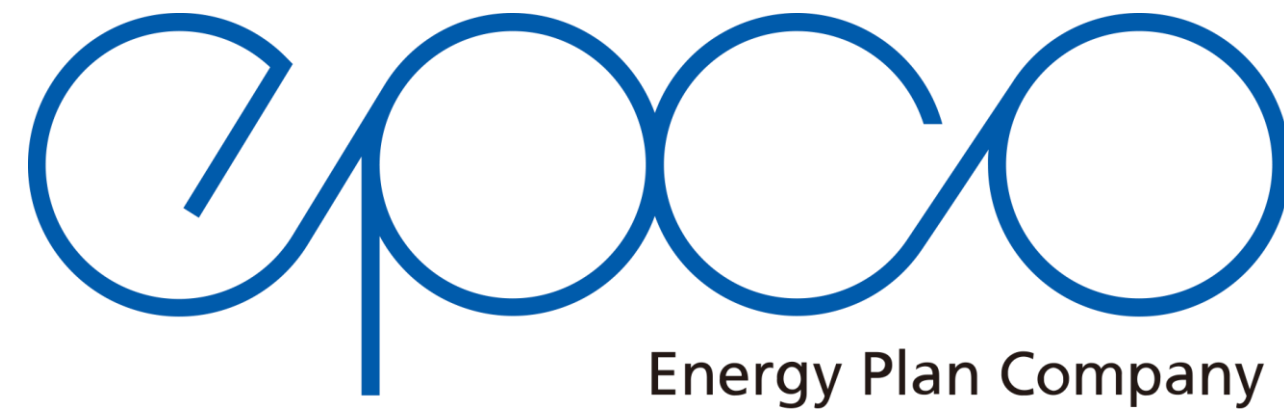
CEO Blog

<https://www.epco.co.jp/aroute/>



Contact Us

<https://www.epco.co.jp/contact/contact.php>



Disclaimer

The performance outlook on the materials are based on the information available and certain assumption that are considered reasonable. Actual results may differ significantly from the forecast due to various factors. Therefore, the Company does not guarantee its certainty.