



東京産業株式会社
TOKYO SANGYO CO., LTD.

FY2022 Results Briefing

May 30, 2023

TOKYO SANGYO CO., LTD.





I. FY2022 Results	3
II. Implementation Status of Measures to Prevent Recurrence of Fraudulent Transactions	7
III. Introduction to Medium-term Management Plan	8
IV. FY2023 Plan	19
V. About Tokyo Sangyo	20

I. FY2022 Results Profit/Loss and Dividends



- ▶ Achieved record-high operating profit and ordinary profit
- ▶ Profit attributable to owners of the parent down due to recording of extraordinary loss (around 1.9 billion JPY) related to renewable energy segment
- ▶ Full-year dividend to be 30 Japanese yen according to initial forecast from standpoint of providing stable dividends

Unit: 100 millions of Japanese yen (rounded off)

	Results for FY2021	Results for FY2022	YoY
Orders received (*1)	403	431	+28
Backlog (*1)	771	679	(92)
Net sales (*2)	588	638	+50
Gross profit	80	95	+14
Operating profit	24	31	+6
Ordinary profit	26	33	+7
Profit attributable to owners of the parent	12	4	(7)
Earnings per share (JPY)	45.69	18.10	(27.59)
Annual dividend (JPY)	26.0	30.0	+4.0

*1. Orders received and backlog are presented on a non-consolidated basis and are currently being audited.

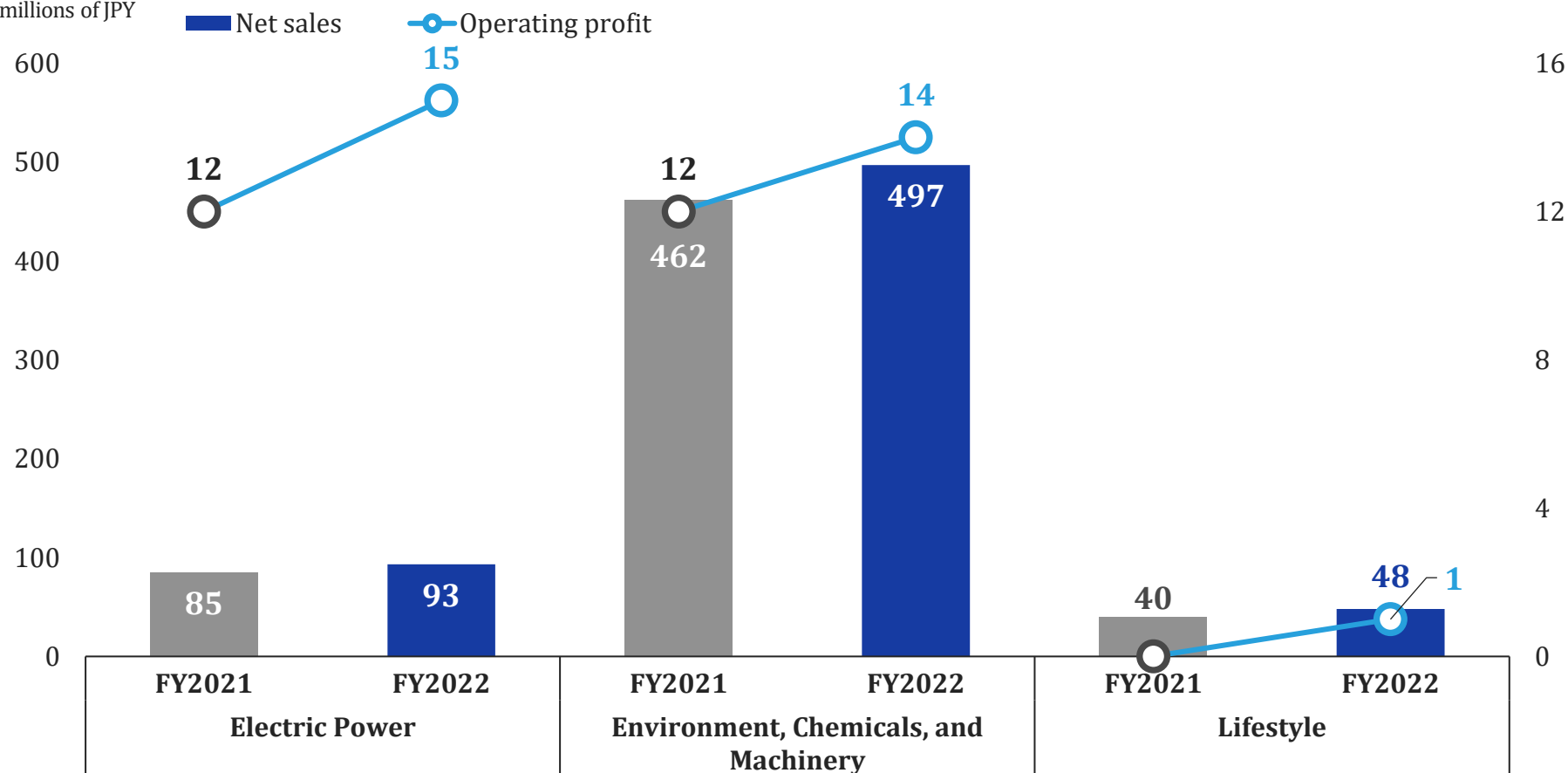
*2. Innovation of Social Environment Co., Ltd. has been added to the scope of consolidated from FY2022.

I. FY2022 Results Segment Results



- ▶ Sales and profit up YoY in all segments
- ▶ **Electric Power: Steady growth in mainstay services such as thermal power plant inspection services**
- ▶ **Environment, Chemicals, and Machinery: Driven by delivery of large-scale solar power construction projects and full-year contribution from electricity sales**
- ▶ **Lifestyle: Achieved profitability owing to recovery in demand for shopping bags and cost reductions**

Unit: 100 millions of JPY



I. FY2022 Results Financial Standing



Unit: 100 millions of Japanese yen (rounded off)

	3/2022	3/2023	YoY	Main factors for change
Current assets	622	571	(50)	<ul style="list-style-type: none"> Current assets decreased by 5 billion Japanese yen primarily due to progress on delivery of large-scale solar power construction projects Construction suspense account decreased by 1.6 billion Japanese yen with impairment of solar-related assets
Cash and deposits	84	79	(5)	
Non-current assets	259	236	(23)	
Total assets	882	809	(73)	

Current liabilities	546	452	(94)	<ul style="list-style-type: none"> Interest-bearing liabilities up by 2 billion Japanese yen due to demand of temporary advance payments related to large-scale solar power construction projects
Short-term borrowings	99	95	(3)	
Non-current liabilities	67	89	+22	
Bonds and long-term borrowings	42	66	+23	
Net assets	268	267	(1)	
Total assets	882	809	(73)	

Equity ratio	30.4%	33.0%	+2.6%	
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I. FY2022 Results Main Topics



- ▶ Established system to launch businesses in new domains

Announcement	Topic	Aim and footing
July 2022	Established CO ₂ Reduction Co., Ltd.	Purpose is equipment sales to contribute to onsite PPA and CO ₂ reduction. Increase in inquiries from customers with plants.
January 2023	Launch of construction at Fukuyama Biomass Power Plant	Operations to begin in 2025 with 10% investment by the Company 2 biomass business projects including this one
March 2023	Concluded nuclear power generation equipment distributorship agreement	Mitsubishi Heavy Industries distributorship launched on April 1 Also reinforced structure to expand peripheral businesses
March 2023	Opened Poland Branch Office	Made representative office opened in 2021 into branch office Addressing next-generation mobility-related investment needs

II. Implementation Status of Measures to Prevent Recurrence of Fraudulent Transactions



- ▶ Implementation status of measures to prevent recurrence of fraudulent transactions is provided below
- ▶ Addressing all items according to schedule and will follow up on status of operation and establishment

Item	Specific measure	Progress
① Further raise employee awareness of compliance	Review of code of conduct	Complete
	Compliance education	1st round complete
② Establish mechanisms for organizational control and management	Thorough management of conduct	Framework preparation complete
	Enhancement of business systems utilizing IT	Efforts underway
③ Further control to initiate new businesses and highly complex businesses	Strengthening of review structure	Framework preparation complete
④ Heighten risk awareness of directors	Training for directors	1st round complete
	Provision of information to Board of Directors	Efforts launched
⑤ Ensure appropriate approvals and checks	Thorough workflow and system of checks	Efforts underway
	Regular training for persons responsible for decisions and checks	1st round complete
⑥ Comply with internal audits and optimize operations	Thorough post-audit follow-up	Efforts launched
	Enhancement of legal and accounting risk audits	

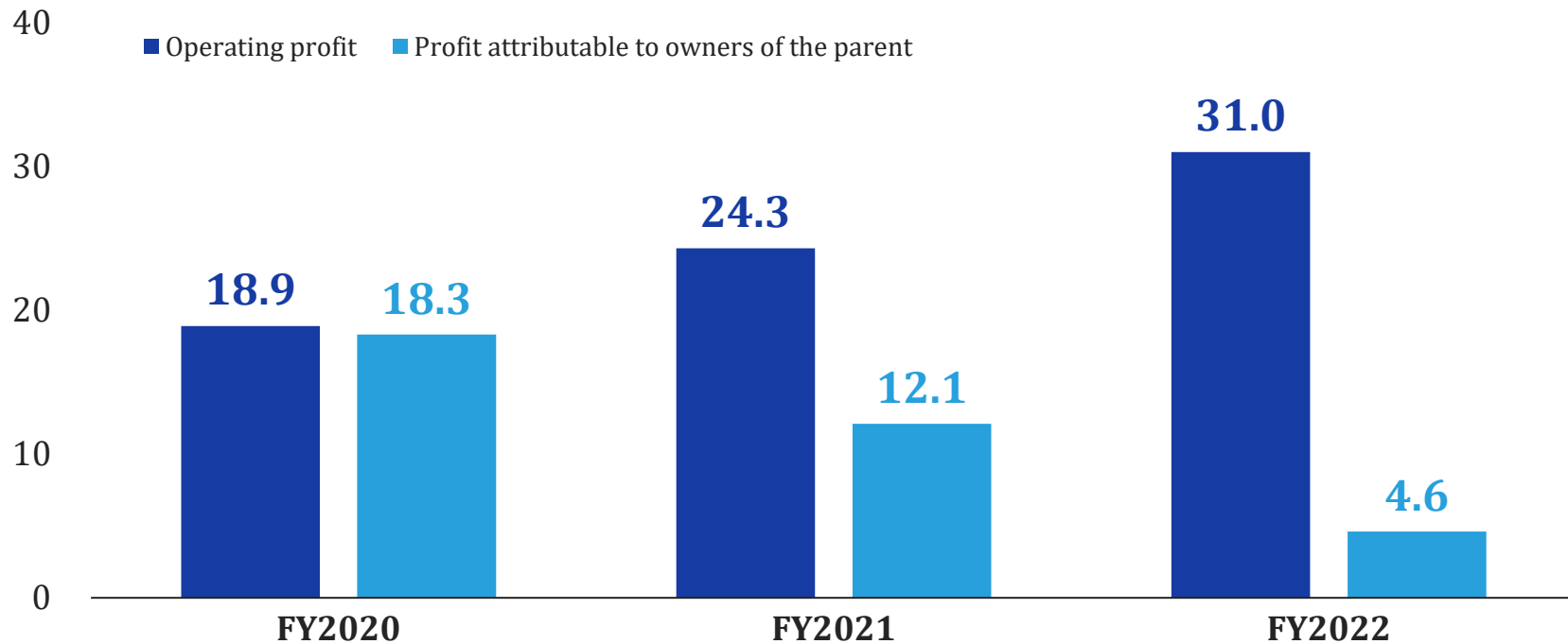
III. Introduction to Medium-term Management Plan Reflection on Previous Medium-term Management Plan (Results)



- ▶ Operating profit up throughout period of Medium-term Management Plan with record-high profit in final year
- ▶ Meanwhile, profit attributable to owners of the parent fell short due to extraordinary losses

Profit during Period of Previous
Medium-Term Management Plan

Unit: 100 millions of Japanese yen



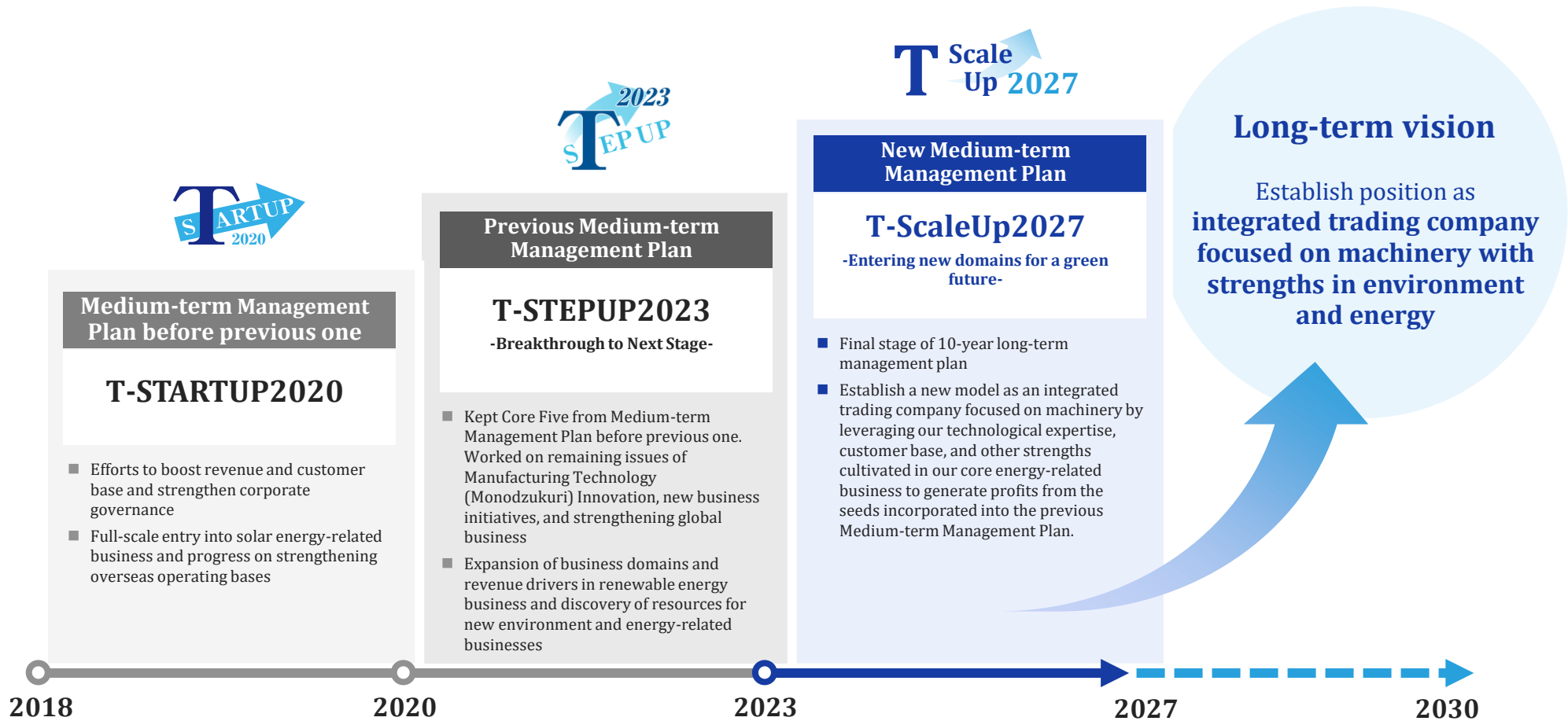
III. Introduction to Medium-term Management Plan Reflection on Previous Medium-term Management Plan (Priority Strategy)



	Growth strategy	Overview	Evaluation
Core 5	Expansion of response to global environment and energy mix	<ul style="list-style-type: none"> Solar-related business, including mega solar construction work and electricity sales, driving business performance Biomass project participation and fuel supply also gaining momentum 	◎
	Strengthening of manufacturing and digital innovation initiatives	<ul style="list-style-type: none"> Capturing new demand at manufacturing, production, and service provision sites in various industries and getting involved in production of next-generation mobility such as EVs and innovative production facilities in Japan and abroad 	○
	Ongoing creation of new businesses	<ul style="list-style-type: none"> Developing new products through upstream involvement, including CO2 reduction technology and food self-sufficiency products 	○
	Further expansion of business globally	<ul style="list-style-type: none"> Capturing new automotive investment demand in China and Europe to expand business Incorporating growth of Southeast Asian economy a challenge 	△
	Action on work style reforms and development of human resources	<ul style="list-style-type: none"> Working to establish various work styles and enhance personnel evaluation system Securing talented individuals with the necessary skills to seize business opportunities a challenge 	△
Compliance and risk management		<ul style="list-style-type: none"> Establishment of compliance and launch of internal culture reforms to prevent recurrence of fraud Recording of loss with business investment, working on strengthening risk management 	×

III. Introduction to Medium-term Management Plan

Positioning of Medium-term Management Plan



III. Introduction to Medium-term Management Plan

Framework of Medium-term Management Plan



<p>Priority strategies</p>	<ul style="list-style-type: none"> ▶ Progressive renewal of Core 5 of previous Medium-term Management Plan ▶ Aiming for stabilization and expansion of shareholder returns while working to expand and monetize new businesses in each group-level business domain centered on CO₂ reduction and decarbonization 	<p>Core 5</p>			
		<p>① Active involvement in energy transition</p>			
		<p>② Creation of businesses contributing to building a sustainable society</p>			
		<p>③ Enhancement of the collective strength of the Group</p>			
		<p>④ Development of a strong management foundation</p>			
		<p>⑤ Expansion of shareholder returns</p>			
<p>Quantitative targets</p>	<ul style="list-style-type: none"> ▶ Planning average annual growth rate of 12% ▶ Improve ROE by strengthening risk management and implementing investment/capital policies emphasizing capital efficiency 	<p>Final year: FY2026</p>			
		<p>Consolidated net sales ¥100.0 billion</p>	<p>Consolidated operating profit ¥4.8 billion</p>	<p>Consolidated profit attributable to owners of the parent ¥3.5 billion</p>	<p>ROE 10%</p>
<p>Shareholder return</p>	<ul style="list-style-type: none"> ▶ Change/enhance past policy of maintaining dividend payout ratio of 30% or higher 	<p>Achieved DOE of 4% ahead of schedule during period of Medium-term Management Plan</p>			

DOE=Dividends on Equity

III. Introduction to Medium-term Management Plan Priority Strategies (Core 5)



Main theme	Summary
Active involvement in energy transition	<ul style="list-style-type: none"> ▶ Expanding business in new domains such as renewable energy, nuclear power, and pellets, ammonia, and hydrogen co-combustion in addition to core business of maintenance and replacement of thermal power plants
Creation of businesses contributing to building a sustainable society	<ul style="list-style-type: none"> ▶ Creating business opportunities contributing to sustainability and solutions to social issues by capturing demand for introduction of new CO₂ reduction-related technologies, peripheral businesses associated with spread of EVs, and businesses related to food self-sufficiency
Enhancement of the collective strength of the Group	<ul style="list-style-type: none"> ▶ Realizing synergy through selection, concentration, and reallocation of management resources ▶ Creating new technologies and services and enhancing our ability to capture business opportunities throughout value chain by strengthening relationships with partners in strategic fields and participating in, collaborating in, and acquiring businesses
Development of a strong management foundation	<ul style="list-style-type: none"> ▶ Stabilizing our management foundation and performance by strengthening defensive aspects such as compliance and risk management ▶ Preparing offensive environment through human resources investment, enhancement of corporate governance, and system investment
Expansion of shareholder returns	<ul style="list-style-type: none"> ▶ Improving ROE through restructuring of asset portfolio with emphasis on capital (asset) efficiency ▶ Balancing investments for monetizing new businesses and nurturing long-term opportunities with enhancement of shareholder returns



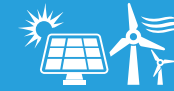
Nuclear power

- Launched MHI distributorship in April 2023
- Expanding sales related to maintenance services for Rokkasho nuclear fuel recycling facility
- Addressing investment needs of nuclear power plant manufacturers



Co-combustion/single fuel combustion (ammonia/hydrogen)

- Equipment sales for launch of 20% co-combustion in 2030
- Capturing demand related to conversion to ammonia/hydrogen co-combustion in addition to replacing old units with high efficiency turbines



Renewable energy

- Covers various renewable energy-related businesses such as biomass, small-scale hydroelectric, geothermal, wind, and storage cells in addition to solar
- Broad involvement in value chain from construction work to fuel procurement, improving the functionality of existing facilities, and maintenance






Thermal power (base business)

- Focusing for time being on new construction, replacement, and maintenance of our mainstay of thermal power plants for business and industrial purposes, specifically as an important adjustable power source
- Initiatives for entering new domains through strengthened collaboration with partners and creating businesses through collaboration among group companies

(2) Creation of Businesses Contributing to Building a Sustainable Society



Sustainability and Solutions to Social Problems

Priority domain		EVs and new energy sources such as hydrogen	New CO2 reduction technologies	Food self-sufficiency	Lifestyle industry
Main products	Sales expansion stage	<p>Charge/discharge testing system</p> <p>Joint development of new kind of inspection machine for rechargeable battery manufacturing</p> 	<p>Flow synthesis continuous production equipment</p> <p>Full-scale development and sale of iFactory®, flow synthesis continuous production equipment that revolutionizes batch manufacturing</p> 	<p>Aquaculture plant</p> <p>Expanding as a domestic distributor for products of Northern Europe-based AKVA</p> <p>Aiming for further business expansion in line with growth of aquaculture market</p> <ul style="list-style-type: none"> ■ Agricultural automation and labor saving business, including AI-based sorting equipment 	<p>Eco-friendly materials</p> <p>Expanding sales of new materials as plastic alternatives (such as paper-based composite materials and non-edible starch materials) for food containers and sanitary packaging</p> <ul style="list-style-type: none"> ■ Development of new products such as ultrafine bubble* generator <p><small>*Bubbles less than 1 μm in diameter</small></p>
	Seeds stage	<ul style="list-style-type: none"> ■ New energy initiatives including hydrogen fuel cells, hydrogen engines, and manufacturing of hydrogen from sludge 	<ul style="list-style-type: none"> ■ Involvement in CO2 capture, use and storage (CCUS) related businesses ■ Development of new technologies for capture and decomposition of CO2 	<ul style="list-style-type: none"> ■ Efforts to convert compost into organic fertilizer ■ Collaboration with food machinery manufacturers 	



Further promotion of Group integration

- Pursuing Group synergy in terms of sales by strengthening head office support for Group companies in Japan and overseas
- Development of new products, customer collaboration, sharing of expertise on new services, etc.



Reallocation of resources

- Investing resources in growth domains by reviewing Group asset holdings and reallocating human resources
- Ensuring overall competitiveness by reallocating resources with appropriate balance and strengthening corporate governance



Strengthening of relationships with partner companies

- Expanding existing business domains and ensuring competitiveness by strengthening collaboration with partner companies
- Developing new products and cultivating new domains from upstream through strengthened collaboration with new technology startups



Complementation of businesses through M&A

- Considering M&A and investments as options for complementing our technology, commercial rights, and human resources in strategic business domains and important domains for building value chain



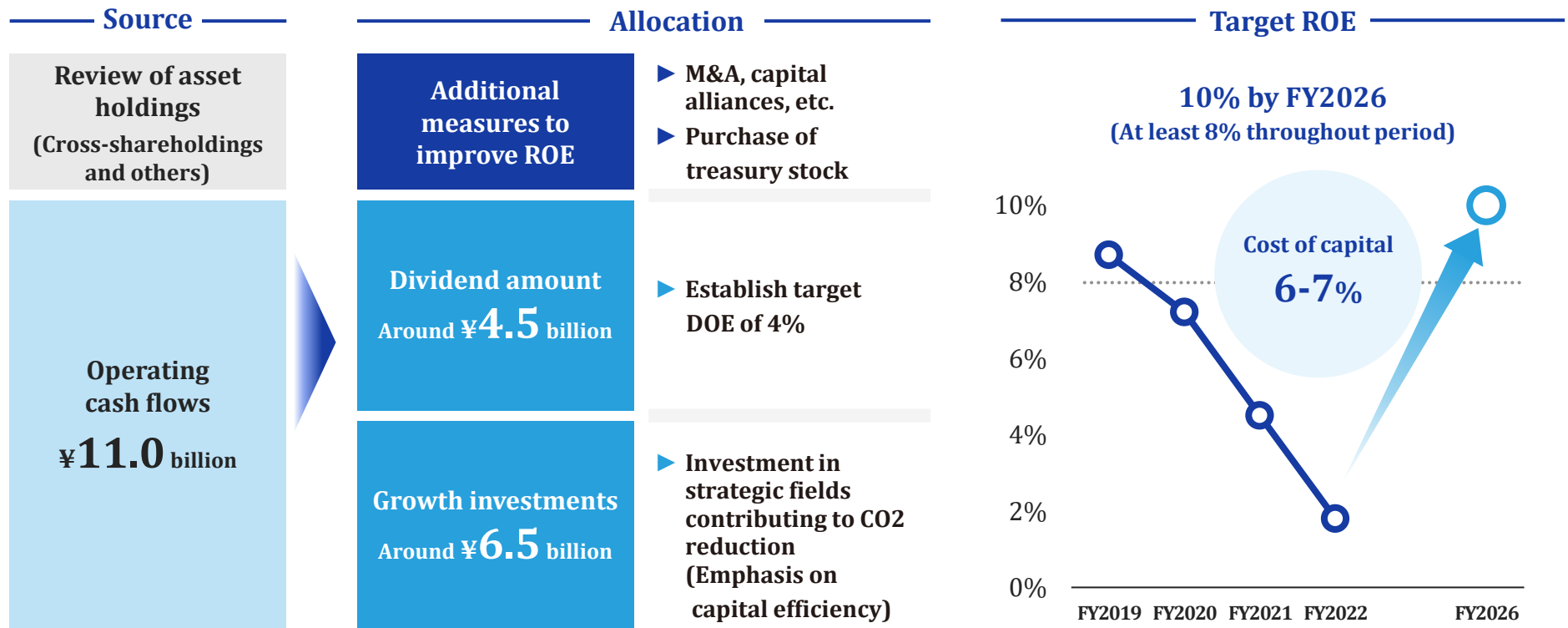
Theme	Summary
1 Compliance	<ul style="list-style-type: none"> ▶ Steady implementation of measures to prevent recurrence of fraudulent transactions and thorough implementation of PDCA ▶ Regular verification of establishment of compliance awareness
2 Risk management	<ul style="list-style-type: none"> ▶ Enhancing processes for risk analysis during project acquisition and realizing check-and-balance function ▶ Strengthening risk governance in business investments based on diversification of business models
3 Human resources investment	<ul style="list-style-type: none"> ▶ Reviewing recruitment strategies and promoting diversity to attract and retain human resources and implementing various measures to improve employee satisfaction ▶ Reviewing evaluation and treatment of employees to maximize performance and accelerate their development into effective workers
4 Corporate governance	<ul style="list-style-type: none"> ▶ Realizing disciplined management by enhancing Board of Directors operations ▶ Strengthening Group governance to realize Group synergy and ensure proper allocation of resources
5 Systems	<ul style="list-style-type: none"> ▶ Review business processes, improve efficiency and reduce costs through system investments, shift to value-added operations, and reallocate human resources to strategic areas

(5) Expansion of Shareholder Returns

1. Cash Allocation



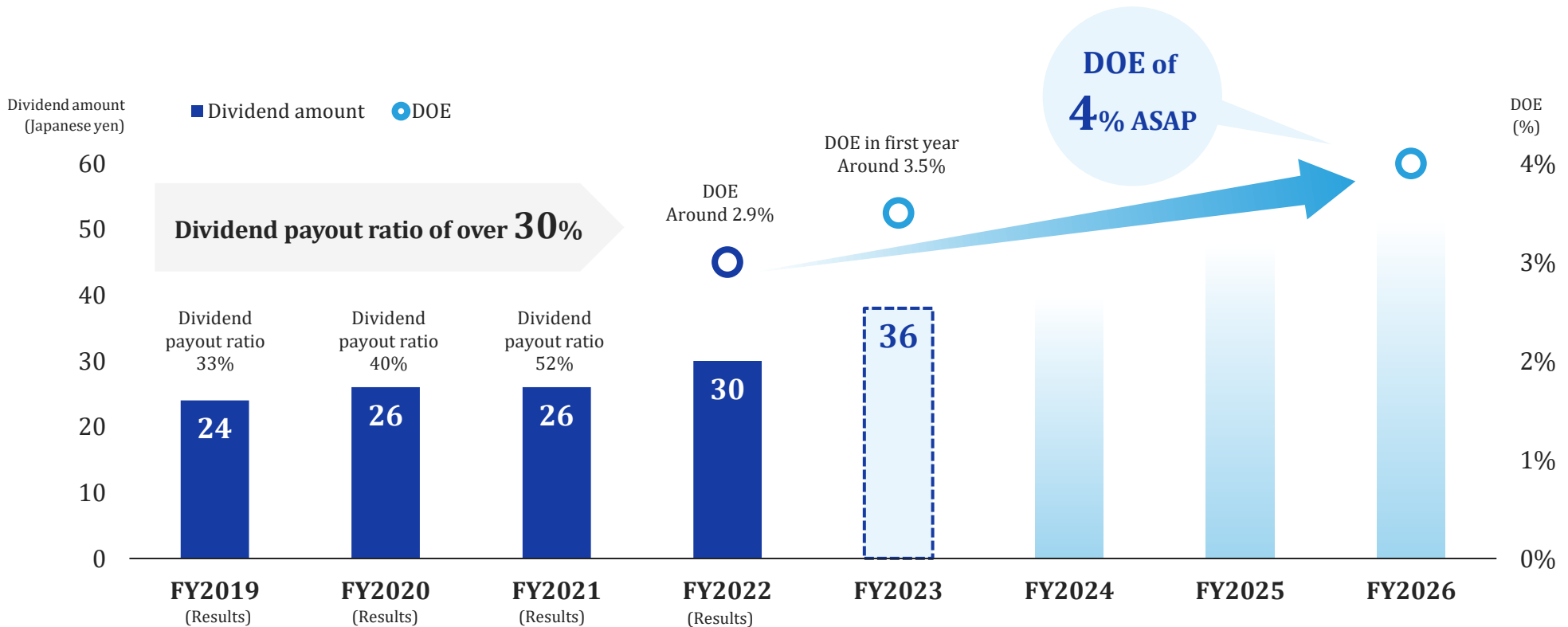
- ▶ Pursuing optimal balance of enhancing shareholder returns while continuing to invest in growth
- ▶ Quickly achieve profitability in new domains, review asset holdings from the perspective of asset efficiency, make additional investments, and consider shareholder returns



(5) Expansion of Shareholder Returns

2. Change in Dividend Policy

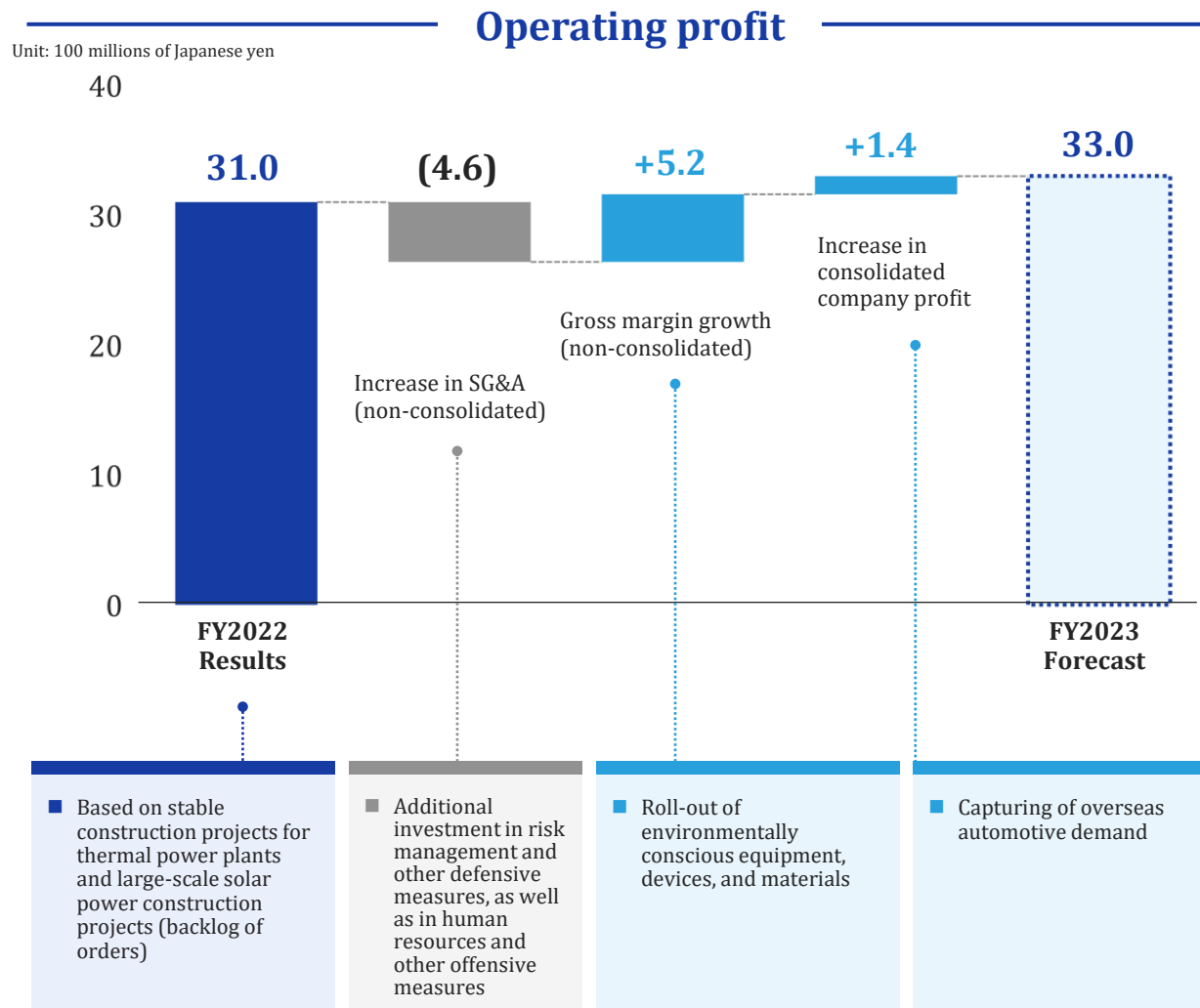
- ▶ Shareholder return policy changed from maintaining a dividend payout ratio of over 30% to achieving DOE of 4% as soon as possible during period of plan
- ▶ Also considering flexible purchase of treasury stock with emphasis on capital efficiency while maintaining stable dividends



IV. FY2023 Plan



Metric	FY2023	vs FY2022
Consolidated net sales	¥70.0 billion	+¥6.1 billion
Consolidated operating profit	¥3.3 billion	+¥0.2 billion
Consolidated profit attributable to the owners of parent	¥2.4 billion	+¥1.9 billion



V. About Tokyo Sangyo Company Info and History



- ▶ **Integrated trading company focused on machinery with more than 75-year history**
- ▶ **In addition to our core electric power business, we are actively involved in the renewable energy business**

Basic Information

Company name	TOKYO SANGYO CO., LTD.
Address	2-1 Otemachi 2-chome, Chiyoda-ku, Tokyo
Representative	Minoru Kambara, President and Representative Director
Founded	October 20, 1947
Capital	3,443,284,858 Japanese yen
Business locations	27 in Japan (including 7 subsidiaries and 3 affiliates) 24 outside Japan (including 10 subsidiaries and 1 affiliate)


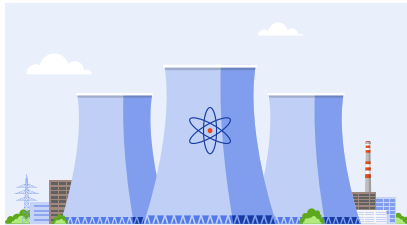


History

- 1942: Established as Daiwa Kikai Co., Ltd., which engaged in the manufacture and sales of equipment and tools
- 1947: Following its breakup, Mitsubishi Corporation relinquished its management rights in Daiwa Kikai Co., Ltd., and the company changed its trade name to TOKYO SANGYO CO., LTD.
With the support of Mitsubishi group companies, TOKYO SANGYO CO., LTD. became a dedicated trading company focused on the domestic sales, import, and export of general industrial machinery and equipment.
- 1950s: Opened major domestic business locations in Nagoya, Sendai and Osaka (currently, Kansai)
- 1959: Listed on the Tokyo Stock Exchange as an OTC stock
- 1961: Listed on the Second Section of the Tokyo Stock Exchange
- 1996: Listed on the First Section of the Tokyo Stock Exchange
- 2000s: Opened overseas business locations and actively expanded internationally
- Oct. 2022: Marked its 75th anniversary

As of May 30, 2023

V. About Tokyo Sangyo Business Portfolio



Segment	Energy		Environment, Chemicals, and Machinery	
Business domain	Thermal power	Nuclear power	Renewable energy	Production/ environmental equipment
Business description	<ul style="list-style-type: none"> ■ New installation and renewal of thermal power generation equipment ■ Maintenance on existing equipment and gas turbines for power generation 	<ul style="list-style-type: none"> ■ Maintenance of nuclear reprocessing plants and nuclear power stations ■ Next-generation nuclear power plant-related business 	<p>Solar, biomass, geothermal, hydroelectric, wind, and other power generation</p> <ul style="list-style-type: none"> ■ Construction contracting (construction work) ■ In-house power generation and PPA ■ O&M and repowering ■ Fuel supply 	<ul style="list-style-type: none"> ■ Various machinery and equipment for chemical, food, pharmaceutical, and automotive industries ■ Equipment for waste and water treatment and reducing CO₂ ■ Eco-friendly materials 
Sales Composition	12%	1%	45%	42%

V. About Tokyo Sangyo International and Domestic Networks



As of May 30, 2023

International Network



- | Branch | Subsidiaries | |
|----------|---------------|------------------|
| • Taipei | • Shanghai | • Frankfurt |
| | • Guangzhou | • Budapest |
| | • Pinghu | • Krakow |
| | • Chengdu | • Dusseldorf |
| | • Hefei | • Poland |
| | • Jakarta | • Los Angeles |
| | • Bangkok (2) | • Ohio |
| | • Hanoi | • Aguascalientes |
| | • Ho Chi Minh | • Queretaro |
| | • Singapore | • Silao |

- Kuala Lumpur

- Affiliate**
- Shandong Tokyo-Union Technology Development Co., Ltd.

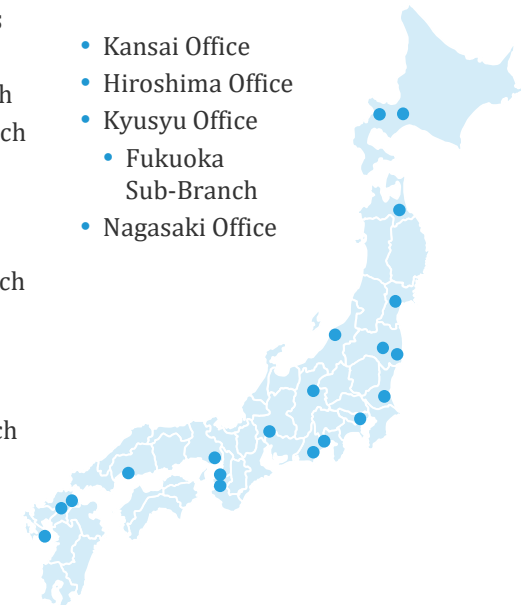
Total of 24 locations

Domestic Network

Offices and Locations

- Main Office
- Kashima Sub-Branch
- Rokkasho Sub-Branch
- Sapporo Office
- Tomari Sub-Branch
- Tohoku Office
- Koriyama Sub-Branch
- Niigata Area Office
- Fukushima Office
- Tokai Office
- Shizuoka Sub-Branch
- Fuji Sub-Branch

- Kansai Office
- Hiroshima Office
- Kyusyu Office
- Fukuoka Sub-Branch
- Nagasaki Office



Affiliates

- Tokyo Sangyo Fudosan Co., Ltd.
- Innovation of Social Environment Co., Ltd.
- Kowa Kogyo Co., Ltd.
- Joint company Tateshina Sun Sun Farm
- I·A·H Co., Ltd
- Yasuda TSC International Co., Ltd
- TR Energy Co., Ltd
- Development No. 65 Silent Partnership (solar power SPC)
- Aizu Komorebi Power Co., Ltd
- CO2 Reduction Co., Ltd

Total of 27 locations

TOKYO SANGYO CO., LTD.

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Medium-term Management Plan

T-ScaleUp2027

-Entering new domains for a green future-



We support Sustainable Development Goals (SDGs).

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