

Presentation Material for Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2024 (FY2023)

**November 17, 2023
TAIHEI DENGYO KAISHA, LTD.**

I. Financial Results for the Second Quarter of FY2023

II. Dividend Policy and Initiatives to Enhance Corporate Value in FY2023

III. Status of Initiatives in Mid-Term Business Plan

I. Financial Results for the Second Quarter of FY2023

Consolidated Financial Summary

(In millions of yen)	Initial plan	Actual results for 1H FY2023	Full-year forecast for FY2023	Achievement	1H FY2022 (Reference value)	Change from FY2022 (Reference)
				(Rate)		(Rate)
Orders received	75,000	64,253	150,000	42.8%	57,572	11.6%
Net sales	65,000	58,081	135,000	43.0%	59,130	-1.8%
Operating profit	5,400	3,210	11,900	27.0%	6,438	-50.1%
Ordinary profit	5,900	4,364	12,700	34.4%	7,797	-44.0%
Profit attributable to owners of parent	3,800	3,129	8,400	37.3%	5,587	-44.0%

Consolidated Net Sales by Segment (Construction and Maintenance)

(In millions of yen)	Net sales					
	Initial plan	Actual results for 1H FY2023	Full-year forecast for FY2023	Achievement rate	1H FY2022 (Reference value)	Change from FY2022 (Reference)
Construction Segment	26,368	19,869	47,849	41.5%	19,641	1.2%
Maintenance Segment	38,632	38,212	87,151	43.8%	39,488	-3.2%
Total	65,000	58,081	135,000	43.0%	59,130	-1.8%

Consolidated Operating Profit by Segment (Construction and Maintenance)

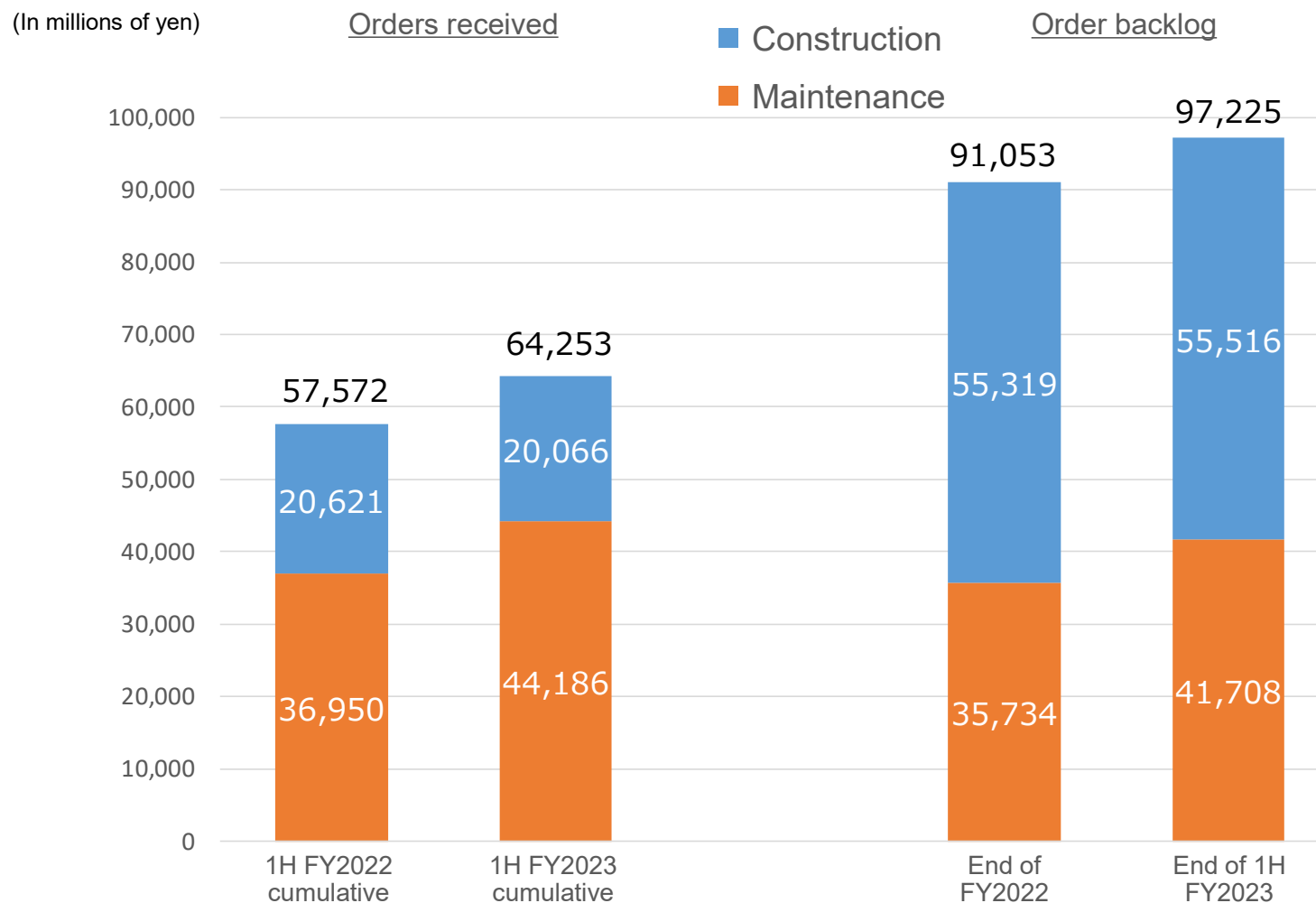
(In millions of yen)	Operating profit					
	Initial plan	Actual results for 1H FY2023	Full-year forecast for FY2023	Achievement rate	1H FY2022 (Reference value)	Change from FY2022 (Reference)
Construction Segment	896	-561	1,508	-37.2%	965	-158.1%
Maintenance Segment	4,504	3,771	10,392	36.3%	5,473	-31.1%
Total	5,400	3,210	11,900	27.0%	6,438	-50.1%

(Note) Operating profit is the result after total company expenses have been allocated to each segment.

Consolidated Cash Flows

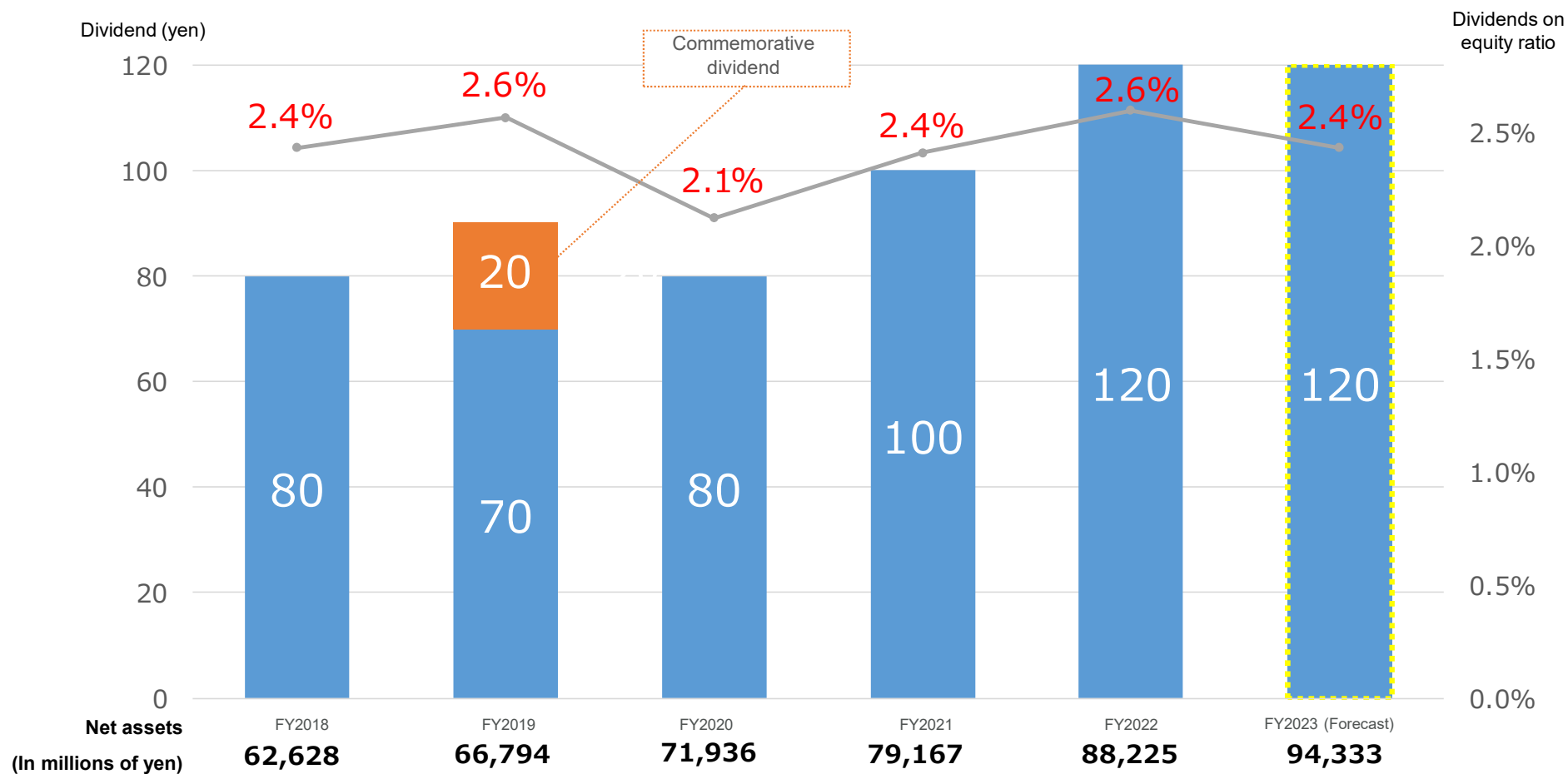
(In millions of yen)	1H FY2019 (Reference)	1H FY2020 (Reference)	1H FY2021 (Reference)	1H FY2022 (Reference)	1H FY2023	Five-year average
Cash and cash equivalents at beginning of period	17,942	16,974	30,941	19,397	48,689	26,789
Cash flows from operating activities	-2,977	9,524	2,156	16,021	-4,474	4,050
Cash flows from investing activities	-2,817	-848	-5,056	-1,055	-856	-2,126
Cash flows from financing activities	3,436	-2,817	-5,646	-1,780	-2,615	-1,884
Effect of exchange rate change on cash and cash equivalents, etc.	-122	-56	27	631	460	188
Net increase (decrease) in cash and cash equivalents	-2,481	5,802	-8,519	13,817	-7,485	227
Cash and cash equivalents at end of period	15,460	22,777	22,422	33,215	41,204	27,016
Free cash flows	-5,795	8,676	-2,900	14,966	-5,330	1,923

Orders Received and Order Backlog (Consolidated)



II. Dividend Policy and Initiatives to Enhance Corporate Value in FY2023

Dividend Policy: Dividends and Dividends on Equity (DOE) (Consolidated)



*Net assets exclude non-controlling interests.

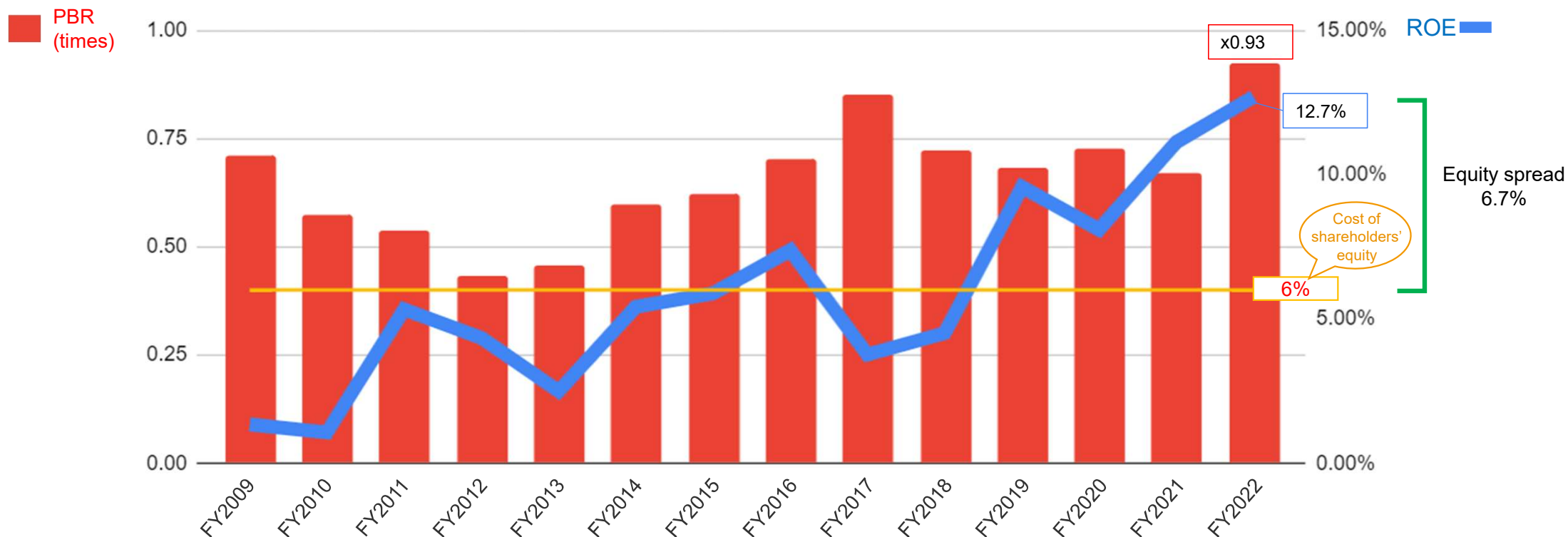
Initiatives to Enhance Corporate Value

- Equity spread performance has been positive and stable in the past few years due to increased ROE.
- PBR is at a low level (low appeal and visibility for shareholders and investors and PER left at a low level).

FY2022 Performance

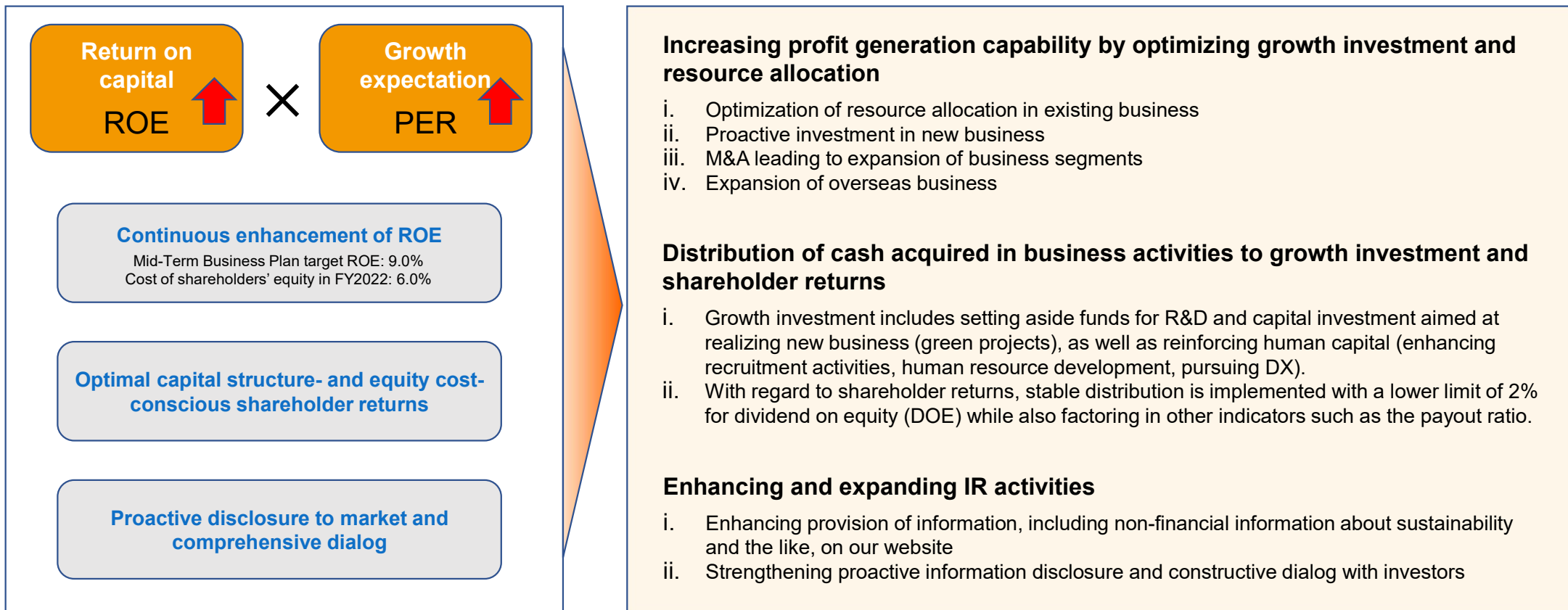
$$\begin{array}{ccccc} \text{ROE} & \times & \text{PER} & = & \text{PBR} \\ 12.7\% & & \times 7.3 & & \times 0.93 \end{array}$$

Changes in PBR and ROE



Initiatives to Enhance Corporate Value

- By steadily implementing various measures in the Mid-Term Business Plan, we aim to improve capital productivity.
- We are increasing understanding of the company's initiatives through dialog with investors.



III. Status of Initiatives in Mid-Term Business Plan

Mid-Term Business Plan: Basic Policy

Targets for FY2025

Net sales
150.0 billion yen

ROE
9% or more

Aggressive management contributing to development of society
Co-creation management leading to new corporate value

Increasing sales by strengthening core businesses
(thermal/nuclear power plants, environmental facilities,
decarbonization)

Initiatives aimed at new business
(green projects—aggressive EPC)

M&A

**Defensive management approach enabling prompt
response to changes in social structure**

**Adapting to upper limit
restriction on overtime**

**Securing and developing
human resources**

**Organizational operation
focused on safety
and quality**

Responding to issues in previous mid-term business plan

Expansion of EPC and O&M businesses

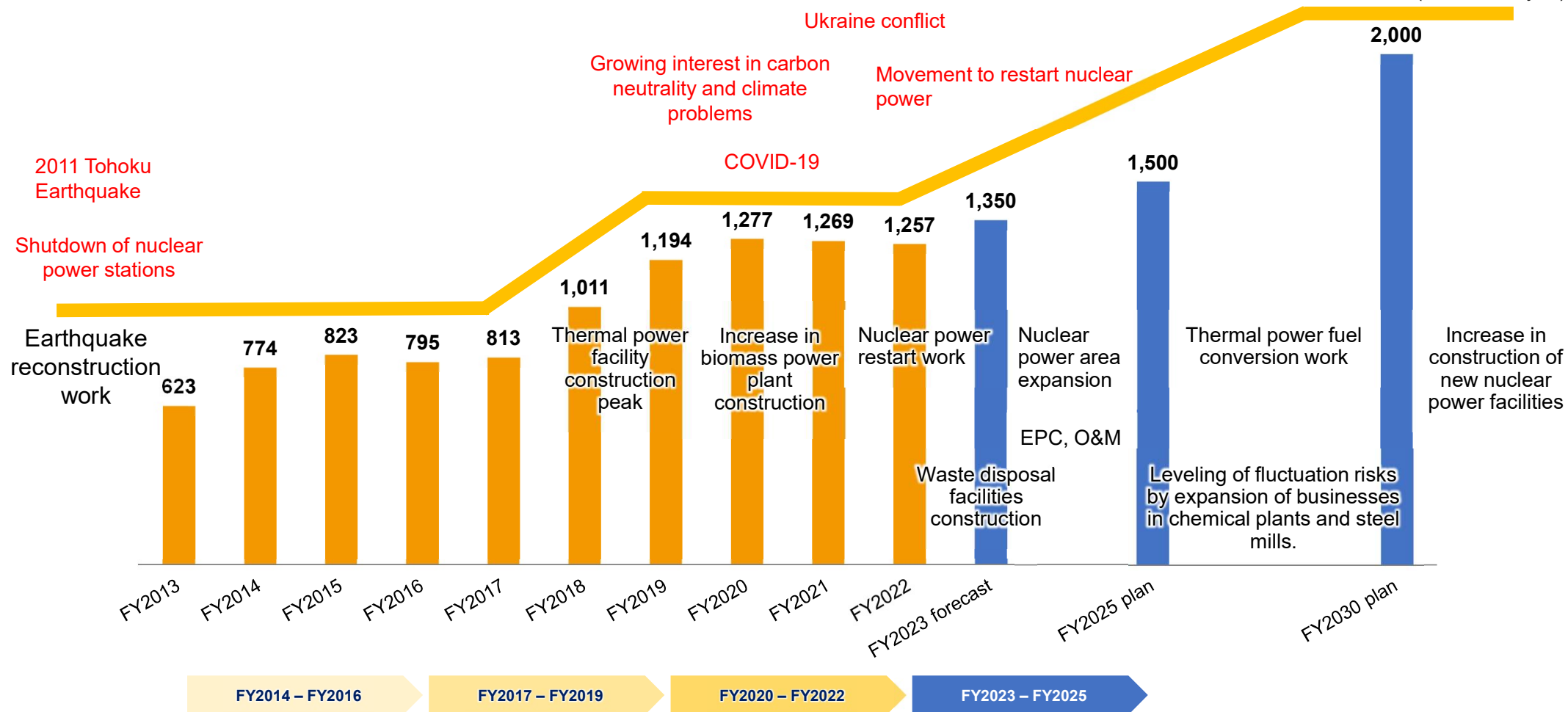
Expansion of overseas business

Changes in External/Internal Environment and Changes in Net Sales



TAIHEI DENGYO

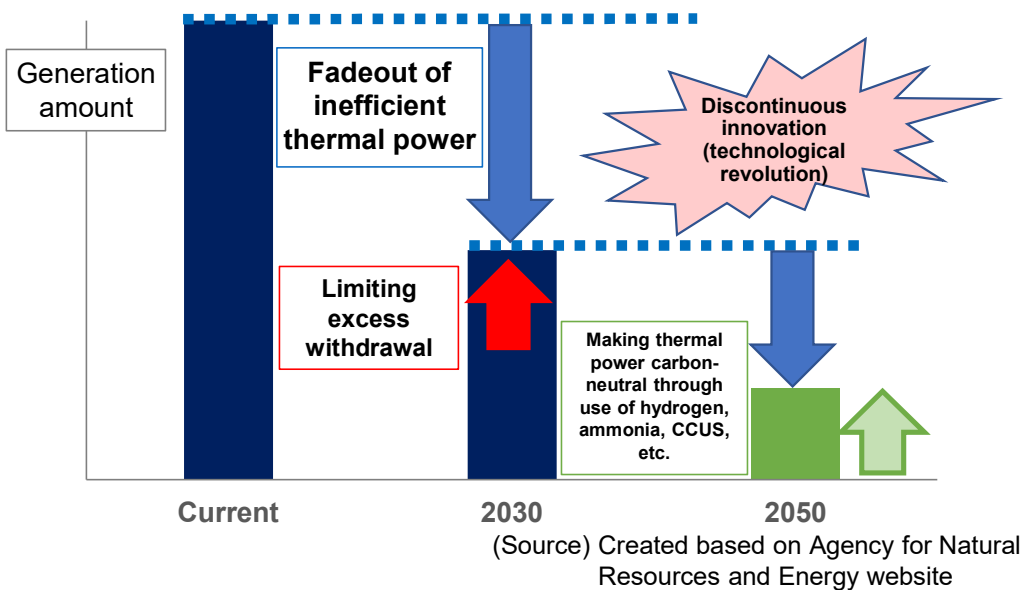
(In billion of yen)



Strengthening Core Business: Adapting to Changes with Aim of a Carbon-Neutral Society (1)









Government Policy for carbon-neutral thermal power generation

- Aiming to reduce the proportion of coal-fired thermal power from its current level of around 32% to 19% by FY2030.
- Expanding introduction of renewable energy and promoting switching to carbon-neutral thermal power generation.
- Striving to form a well-balanced fuel portfolio and reducing CO₂ emissions while maintaining a stable energy supply.



Our efforts

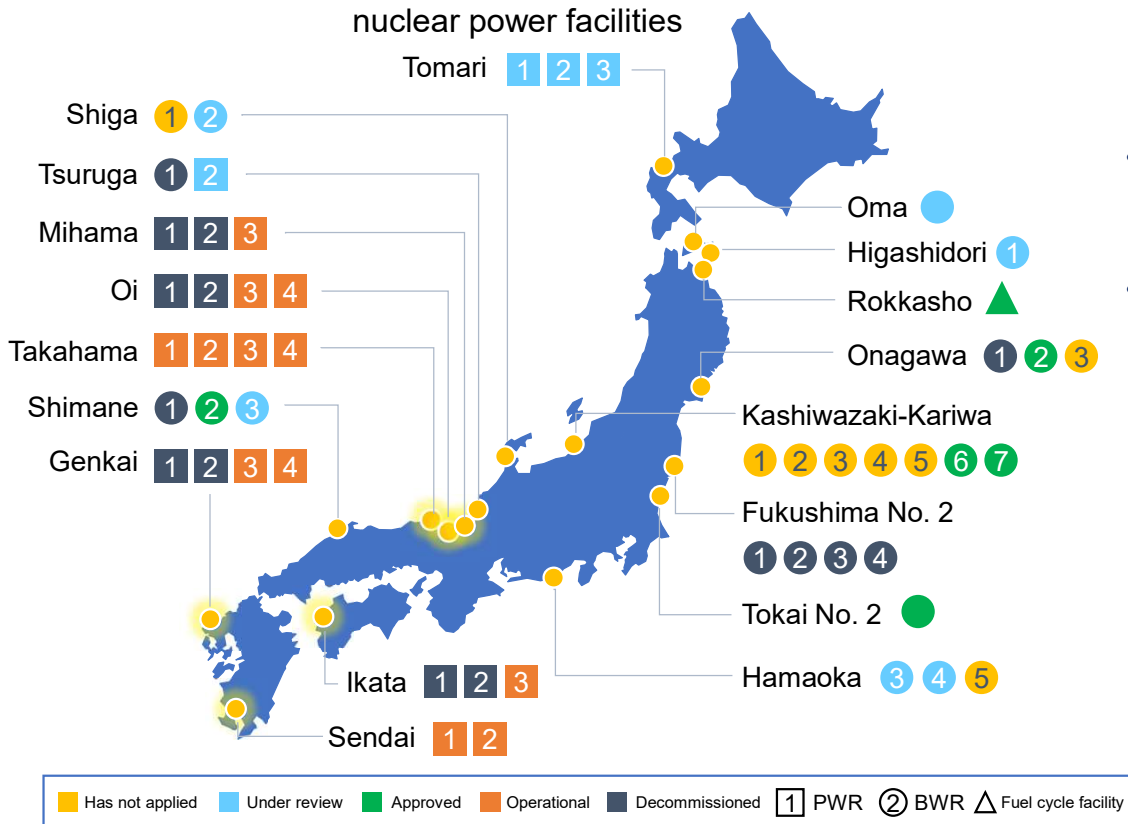
- Engaging in a wide range of projects in response to increasing demand for carbon-neutral energy

 Hydrogen <ul style="list-style-type: none"> • Fuel conversion works for gas turbine electric power generation 	 Wind power <ul style="list-style-type: none"> • Construction of onshore wind power facilities • Development of demolition methods
 Ammonia <ul style="list-style-type: none"> • Fuel conversion works 	 Solar power <ul style="list-style-type: none"> • Introduction of solar power at own facilities
 Woody biomass <ul style="list-style-type: none"> • Seifu-Shinto Biomass Power Plant • Development of EPC and O&M 	 Hydraulic power <ul style="list-style-type: none"> • Construction and maintenance works
 Geothermal generation <ul style="list-style-type: none"> • Construction works and maintenance 	 Nuclear power <ul style="list-style-type: none"> • SMR and new innovative reactors • Growing momentum for restart of nuclear plants • Response to decommissioning works and improve work methods

Strengthening Core Business: Adapting to Changes with Aim of a Carbon-Neutral Society (2)

Restarting of nuclear power plants

Status of compliance screening for new standards for nuclear power facilities



(Source) Japan Nuclear Safety Institute

Our efforts

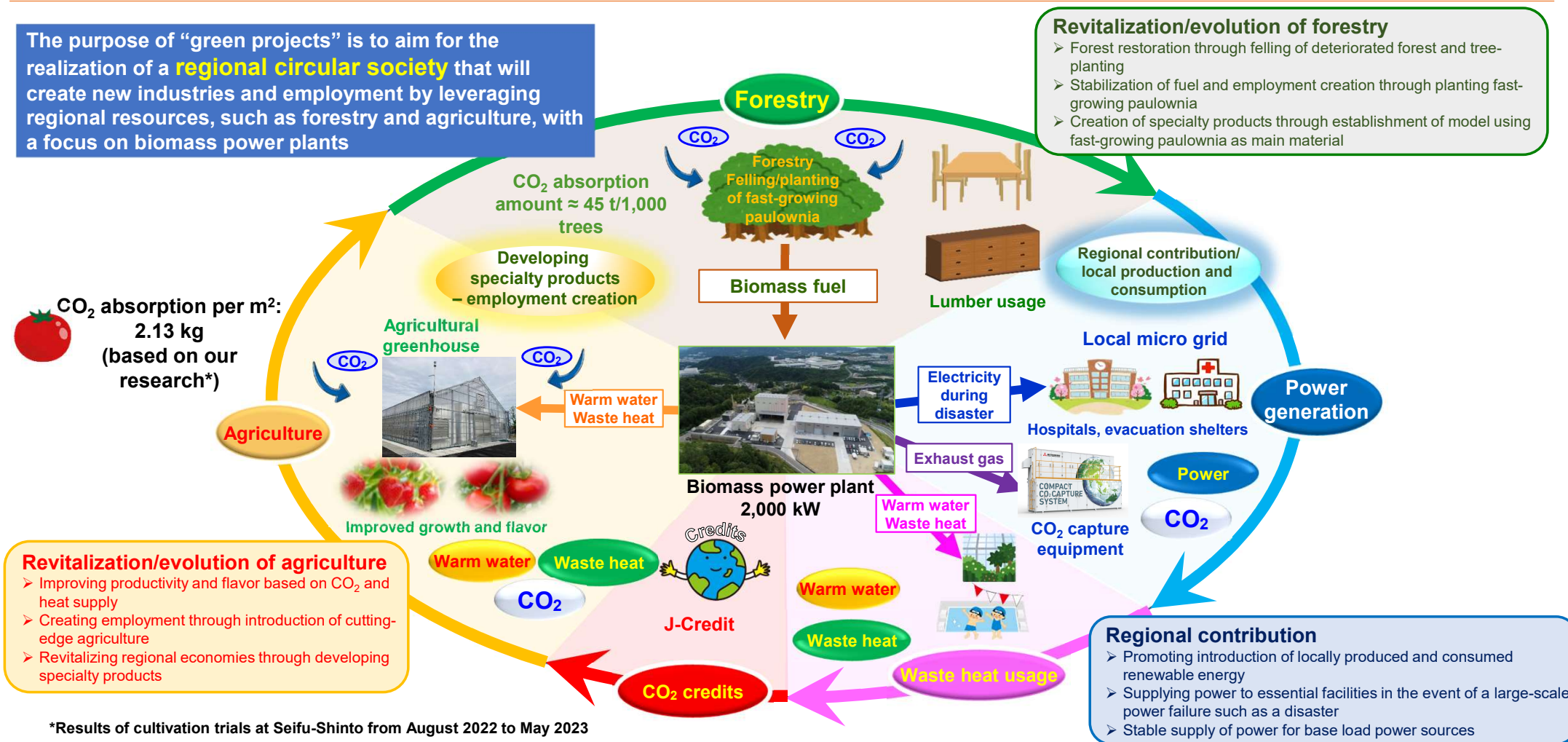
- We have an extensive track record of construction and maintenance work, and we are aiming to increase the volume of work by leveraging the strengths that have given us technical advantages.
- We are contributing to safety measure implementation work across Japan by leveraging our remarkable track record in such work, which is required for restarting nuclear power plants.
- We are expanding our work area through safety measure implementation projects.

	No. of nuclear power facilities	No. with which we have track record
Already operational	12 sites (periodic inspection in progress at 1 site)	7 sites
Approved	6 sites	6 sites
Under review	10 sites	9 sites
Has not applied	8 sites	8 sites

(As of September 15, 2023)

New Business: Overall Green Project Vision

The purpose of “green projects” is to aim for the realization of a **regional circular society** that will create new industries and employment by leveraging regional resources, such as forestry and agriculture, with a focus on biomass power plants



New Business: Significance and Progress Status of Green Projects

- Developing power generation business in collaboration with local governments, revolving around initiatives at biomass power plants.
Starting nationwide development to realize green projects in 2025.

Starting green projects

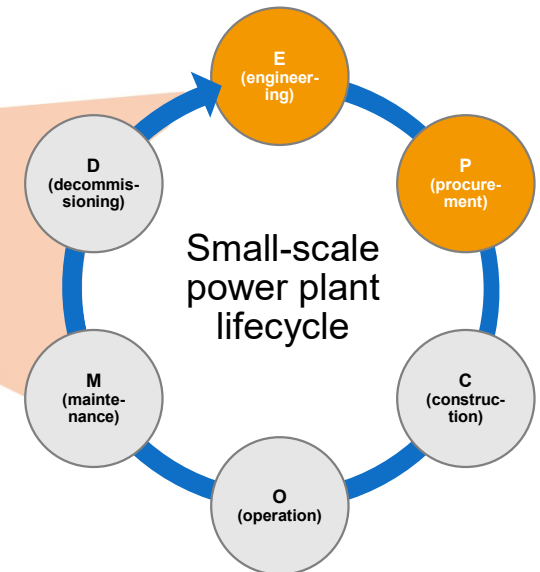
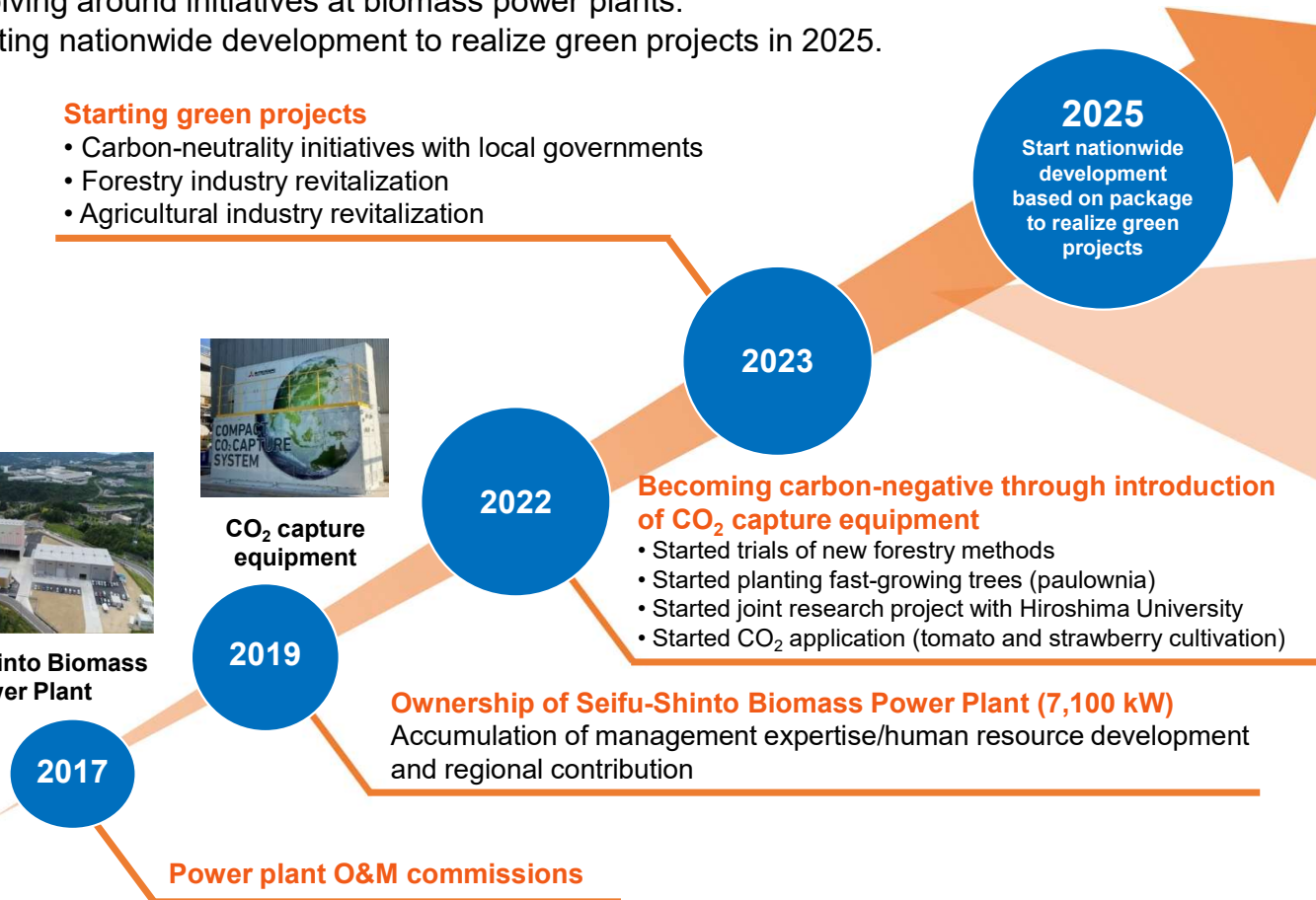
- Carbon-neutrality initiatives with local governments
- Forestry industry revitalization
- Agricultural industry revitalization



Seifu-Shinto Biomass Power Plant



CO₂ capture equipment



- Increasing net sales through EPC orders
- Strengthening efforts to shift from construction work to highly profitable operation and maintenance work that provides long-term stability

New Business: Starting Green Project (Forestry Industry Revitalization)

● Developing new methods for forestry industry

Issues in forestry industry

- (1) Making human operations in harsh natural environment easier and more efficient
- (2) Reducing production costs with efficient system adapted to on-site work conditions (slopes, etc.)

➔ Focus on logging work, for which costs are especially high

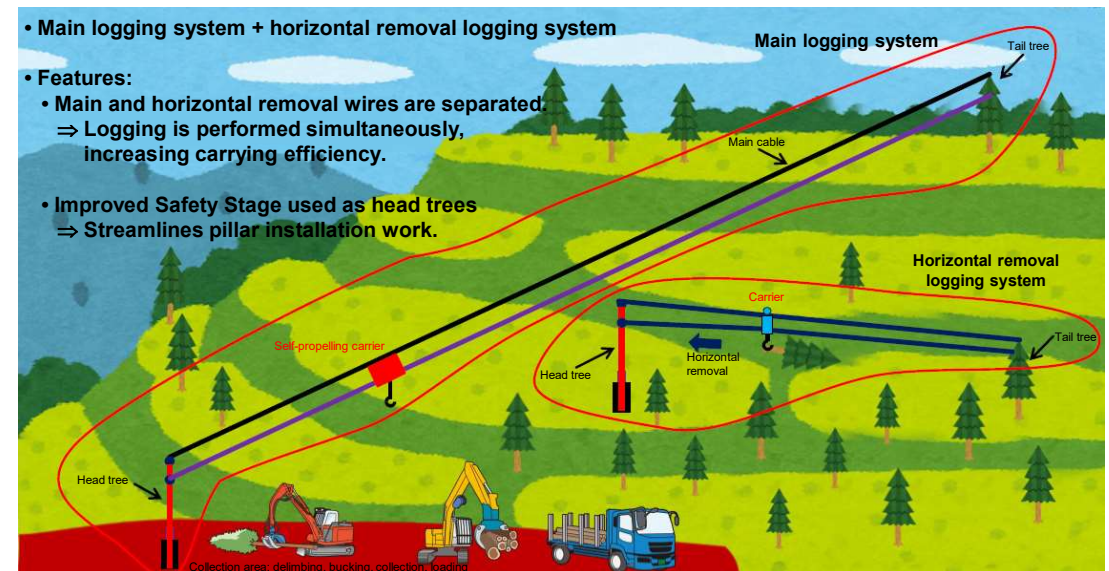
Conducted experimental trials (June–August 2023)



- Logging using self-propelled carrier
- Cables are main cable and work cable
- Equipment carrying capacity: 800 kg
- * Trial was hoist logging (30 degrees), so carrying capacity was 400 kg

Introduction of logging system using supporting pillars created by improving Safety Stage product developed by Taihei Dengyo

- Streamlining of preparation work such as installation and removal of overhead wiring
- New method enables logging of wide area with a single installation



New Business: Attention Focused on Green Project (Biomass Power Plant)

- The Seifu-Shinto Biomass Power Plant receives visits and tours from various people.

Over 50 tours held since January 2023

- Local public organizations: **8** tours
- Power generation operators: **5** tours
- Companies involved in small-scale power plant design and procurement: **18** tours
- Other: **25** tours

March 2023: High school student group from Hiroshima G7 Summit Junior Conference

May 2023: Invitation of Ukraine Project for Emergency Recovery and Reconstruction

September 2023: Delegation from Asia CCUS Network, etc.



High school student group participating in Hiroshima G7 Summit Junior Conference



Ukraine Project for Emergency Recovery and Reconstruction (the 2 people in the middle are affiliated with the Government of Ukraine)

***Tours for analysts and institutional investors are planned for January 2024 onward.**



Asia CCUS Network – delegation from research institutes in various countries

Business Overview

Power Plants	Construction and maintenance, operations and maintenance, and outsourced operations of thermal, nuclear, gas-turbine, diesel engine, geothermal, combined cycle and wind power plants
Industrial Plants	Construction and maintenance, including design and production of steel mill, petrochemical, sugar refining, cement and other industrial plants
Environmental Facilities	Construction and maintenance of refuse incineration, sludge treatment and waste recycling plants
Electrical & Instrumentation	Design, manufacture, installation and maintenance of various electrical systems, sub-stations, control systems, optical fiber communication systems, and instrumentation and building electrical facilities
Civil & Architectural	Design and construction of various kinds of industrial plants, including heat ventilation and air conditioning systems, utility sanitary systems, etc.
Fabrication	Design, procurement and fabrication of machined products, tanks, piping, Class-2 pressure vessels, electrical & control panels, etc.

Work for the prosperous society always as ever

×

Support social norms



TAIHEI DENGYO

Disclaimer

The forecasts and forward-looking statements contained in this document are based on information available to the Company at the time of publication and involve potential risks and uncertainties. Therefore, actual results may differ materially from those described in the forward-looking statements due to changes in various factors. The purpose of this material is to provide investors with information that may be used as a reference in making their decisions and is not intended as an inducement or invitation to purchase or sell shares of the Company.