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August 12, 2021

Consolidated Financial Results for the Fiscal Year Ended June 30, 2021 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 5074
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 Scheduled date of annual general meeting of shareholders: September 29, 2021
 Scheduled date to commence dividend payments: September 30, 2021
 Scheduled date to file annual securities report: September 29, 2021
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended June 30, 2021 (from July 1, 2020 to June 30, 2021)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2021	34,249	20.5	4,399	25.3	3,836	51.4	1,990	22.5
June 30, 2020	28,415	(4.1)	3,511	132.8	2,534	226.7	1,625	—

Note: Comprehensive income For the fiscal year ended June 30, 2021: ¥2,118 million [20.2%]
 For the fiscal year ended June 30, 2020: ¥1,763 million [—%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
June 30, 2021	72.86	70.74	13.1	4.2	12.8
June 30, 2020	63.75	—	22.1	3.6	12.4

Reference: Share of profit (loss) of entities accounted for using equity method
 For the fiscal year ended June 30, 2021: ¥29 million
 For the fiscal year ended June 30, 2020: ¥45 million

- Notes:
- The Company carried out a ten-for-one share split of its common shares on February 1, 2021. Basic earnings per share were calculated as though the share split had been conducted at the beginning of the previous fiscal year.
 - Regarding diluted earnings per share for the fiscal year ended June 30, 2020, while the Company did have potential dilutive shares, because the Company's shares were unlisted, the average share price during the period was not available and therefore no amount is stated. Regarding diluted earnings per share for the fiscal year ended June 30, 2021, because the Company's shares were listed on the First Section of the Tokyo Stock Exchange on April 27, 2021, the diluted earnings per share were calculated by deeming the average share price during the period to be the average share price from the date of listing to the end of the current fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2021	100,724	22,813	22.6	652.35
June 30, 2020	81,158	8,409	9.6	299.70

Reference: Equity

As of June 30, 2021: ¥22,734 million

As of June 30, 2020: ¥7,762 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
June 30, 2021	431	(4,475)	17,098	22,169
June 30, 2020	(1,608)	(15,348)	19,220	9,094

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended June 30, 2020	—	0.00	—	20.00	20.00	51	3.1	0.7
Fiscal year ended June 30, 2021	—	0.00	—	20.52	20.52	715	28.2	4.3
Fiscal year ending June 30, 2022 (Forecast)	—	0.00	—	21.00	21.00		29.4	

Notes: 1. Revisions to the cash dividends forecasts most recently announced: None

2. The Company carried out a ten-for-one share split of its common shares on February 1, 2021. The amount shown for the dividend for the fiscal year ended June 30, 2020 is the actual amount of dividend before the share split.

3. Forecast of consolidated financial results for the fiscal year ending June 30, 2022 (from July 1, 2021 to June 30, 2022)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending June 30, 2022	29,790	(13.0)	4,905	11.5	4,000	4.3	2,497	25.5	71.55

Note: The Company will apply the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc., from the beginning of the fiscal year ending June 30, 2022. Therefore, the above forecast of consolidated financial results represents the amounts calculated by applying the said accounting standard, etc.

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly included: – companies

Excluded: – companies

- (2) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

- (3) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2021	35,069,100 shares
As of June 30, 2020	35,069,100 shares

- (ii) Number of treasury shares at the end of the period

As of June 30, 2021	219,000 shares
As of June 30, 2020	9,170,000 shares

- (iii) Average number of shares outstanding during the period

Fiscal year ended June 30, 2021	27,317,900 shares
Fiscal year ended June 30, 2020	25,489,401 shares

Note: The Company carried out a ten-for-one share split of its common shares on February 1, 2021. “Total number of issued shares at the end of the period,” “Number of treasury shares at the end of the period” and “Average number of shares outstanding during the period” were calculated as though the share split had been conducted at the beginning of the fiscal year ended June 30, 2020.

- * Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

- * Proper use of earnings forecasts, and other special matters

(Caution regarding forward-looking statements)

Forward-looking statements in this document, including the results forecasts, etc., are based on the information available as of the date of the release of this document and the preconditions that the Company deemed to be reasonable; they are not meant to be a commitment by the Company, and a variety of factors in the future may cause actual results to differ materially from these forecasts. Please refer to “1. Overview of operating results and others, (4) Future outlook” on page 6 of the attached material for the preconditions for the earnings forecasts and items to exercise caution in the use of these earnings forecasts.

Attached Material

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1. Overview of operating results and others

(1) Overview of operating results for the fiscal year

During the fiscal year ended June 30, 2021, the impact of the novel coronavirus disease (COVID-19) that began spreading around the world in early 2020 led to polarization in corporate earnings and personal consumption in the Japanese economy, and it remains difficult to predict business conditions going forward. At the global level, COVID-19 has also resulted in significant restrictions on economic activities, and just as in Japan, the outlook continues to be uncertain.

With regard to the worldwide energy situation, developments such as the advocacy of sustainable development goals (SDGs)^{*1} by the United Nations in 2015, and the negotiation of the Paris Agreement^{*2} have led to an acceleration of initiatives to continue the global decarbonization of energy sources.

In this external environment, the Group has used its management philosophy “Total Energy Saving & Solution” as a base on which to continue developing its operations, with a focus on the three business areas of “renewable energy as main power source,” “energy efficiency maximization,” and “intelligent energy infrastructure.”

As for the operating results for the fiscal year under review, net sales were ¥34,249 million (up 20.5% year on year), operating profit was ¥4,399 million (up 25.3% year on year), ordinary profit was ¥3,836 million (up 51.4% year on year), and profit attributable to owners of parent was ¥1,990 million (up 22.5% year on year).

1) Operating results by segment

	Reportable segments			Adjustment	Total
	Engineering Segment	Energy Supply Segment	Total		
Net sales					
Revenues from external customers	14,371	19,878	34,249	—	34,249
Intersegment sales and transfers	9,084	0	9,084	(9,084)	—
Total	23,455	19,878	43,334	(9,084)	34,249
Segment profit	1,374	3,418	4,792	(393)	4,399

Notes: 1. Segment profit is based on operating profit.

2. Adjustment for segment profit includes eliminations of intersegment transactions and corporate expenses that are not allocated to reportable segments.

(i) Engineering Segment

Commissioned type

This segment consists of EPC commissioned by customers, such as engineering services to address customer needs for energy-saving facilities, cost reductions and environmental initiatives. It also includes engineering for power generation facilities and facilities for in-house consumption of generated power, using FIT certification^{*3} obtained by customers using part of renewable energy facilities.

During the fiscal year under review, we proposed a variety of solutions in response to customer needs, such as implementing decarbonization initiatives, securing stable supplies of power as part of BCP measures, and reducing energy usage as part of improvements to energy efficiency. The outcome of these efforts was the recording of sales in relation to: 11 EPC (Engineering, Procurement & Construction) projects for co-generation systems^{*4} and in-house power generation facilities, with a total generation capacity of approximately 19.2MW; two EPC projects for fuel conversion facilities^{*5} such as LNG satellite facilities; four EPC projects related to upgrades of existing customer utility facilities^{*6}, such as air conditioning, boiler and transformer equipment; ten EPC projects related to solar power generation systems for industrial applications in Japan, with a total generation capacity of approximately 11.1MW; one EPC project for a biomass energy generation system, with a total generation capacity of approximately 1.0MW.

In accordance with the percentage-of-completion method, the Company also recognized sales in relation to the EPC project for a regional co-generation system for use in the Mizuho-machi Industrial Park in

Mizuho-machi, Nishitama-gun, Tokyo (with a generation capacity of approximately 9.8MW), on which construction began in April 2020, as well as for three EPC projects for large solar power generation systems with a total generation capacity of approximately 122.1MW. In addition, construction of one of the three EPC projects for large solar power generation systems was completed in the fourth quarter of the fiscal year under review.

Development type

This segment consists of EPC projects for renewable energy facilities in which the Group is involved in a leading role, such as by acquiring FIT certification, purchasing (or renting) land, and undertaking approval and other procedures, so as to provide a full set of power generation development solutions to customers. Development of power supplies consist mainly of solar power generation systems that make use of fixed-price purchasing structures (feed-in tariff schemes^{*7}), and range from small to substantial facilities, with the development process being spread over multiple years for large projects. During the fiscal year under review, the Group recorded sales of ¥590 million in relation to one solar power generation facility (with generation capacity of approximately 1.4MW), developed by the Group, and meeting customer requirements for the acquisition of a new renewable energy power plant.

In addition, TESS Engineering Co., Ltd., a consolidated subsidiary of the Company, implemented an EPC project for the Ibaraki Ushiku Mega Solar Plant (Ushiku-shi, Ibaraki Prefecture; generation capacity of approximately 29.4MW) on behalf of the silent partnership that is the proprietor of Ibaraki Ushiku Solar Power LLC, another consolidated subsidiary of the Company. TESS Engineering Co., Ltd. also carried out an EPC project for the TESS Kumamoto Takamori Solar Plant (Takamori-machi, Aso-gun, Kumamoto Prefecture; generation capacity of approximately 2.6MW), on behalf of the silent partnership that is the proprietor of Prime Solar 2 LLC, another consolidated subsidiary of the Company. Sales recorded in relation to these projects were included in the intersegment sales and transfers.

As a result of the above, the Engineering Segment recorded net sales of ¥23,455 million (up 4.7% year on year), and segment profit of ¥1,374 million (down 56.3% year on year). In the previous fiscal year, sales to entities outside the Group were recorded in relation to multiple EPC development-type projects for solar power generation plants. In reaction to the contribution to profits made by these projects, profits fell year on year for the fiscal year under review.

(ii) Energy Supply Segment

Renewable energy power plant ownership, operation and electricity sales

As of the end of the fiscal year under review, the Group owned, operated and sold electricity from 67 renewable energy power plants in Japan with a combined generation capacity of approximately 205.0MW, of which three were of the on-site PPA model^{*8}, with generation capacity of approximately 3.2 MW.

In terms of projects during the fiscal year under review that made use of renewable energy fixed-price purchasing structures (feed-in tariff schemes) and for which the Group was the developing entity, in addition to the TESS Kumamoto Takamori Solar Plant, which began operations under the silent partnership that is the proprietor of Prime Solar 2 LLC, a consolidated subsidiary of the Company, the Group acquired two facilities. These were the TESS Kagoshima Shimofukumoto Solar Plant (Kagoshima-shi, Kagoshima Prefecture; generation capacity of approximately 2.3MW), which was originally brought on line as a solar power generation plant outside the Group, and the TESS Niigata Tainai Solar Plant (Tainai-shi, Niigata Prefecture; generation capacity of approximately 2.3MW). Generation capacity at the renewable energy power plants that the Group has already brought on line is rising steadily, and income from electricity sales is increasing accordingly. These electricity sales include the income from electricity sold during the trial operation of the Ibaraki Ushiku Mega Solar Plant. As part of its business strategy the Group also sold, to a buyer outside the Group, a solar power generation plant (Ono-machi, Tamura-gun, Fukushima Prefecture; generation capacity of approximately 2.7MW) that the Group had been operating, resulting in sales of ¥877 million being recorded.

In terms of projects that do not make use of feed-in tariff schemes, in March 2021 we began providing a service for three on-site PPA model projects that use solar power generation systems for in-house generation and consumption, and that have the functionality to supply the required electricity during power outages. Electric power supply services utilizing the on-site PPA model were presented under the “Other” section of the Energy Supply Segment in financial reports prepared up to the third quarter of the

fiscal year under review, but beginning with the financial report prepared for the full year ended June 30, 2021, they are presented under “Renewable energy power plant ownership, operation and electricity sales.”

<Renewable energy power plants using FIT schemes that were acquired by the Group or at which the Group began operations during the fiscal year under review>

Name of power plant	Name of operator	Generation capacity (MW) (Note 1)	Type of power generation	Feed-in tariff (per kWh) (Yen)	Date on which generation commenced (Note 2)	Date on which power plant was acquired
TESS Kagoshima Shimofukumoto Solar Plant (Note 3)	Prime Solar 3 LLC	2.3	Solar	36	March 2020	November 2020
TESS Kumamoto Takamori Solar Plant	Prime Solar 2 LLC	2.6	Solar	36	January 2021	—
TESS Niigata Tainai Solar Plant (Note 3)	Prime Solar 3 LLC	2.3	Solar	36	February 2015	June 2021

Notes: 1. Generation capacity for facilities is given on a module basis (the sum of maximum output for all solar power modules).
2. The period for feed-in tariffs for solar power generation at each plant is 20 years from the date on which generation commenced.
3. Power generation plant acquired from outside the Group after it had begun operations (secondary project).

<Renewable energy power plants not using FIT schemes at which the Group began operations during the fiscal year under review>

Location	Name of operator	Generation capacity (MW) (Note 1)	Type of power generation	Date on which supply commenced
Hamamatsu-shi, Shizuoka	TESS Engineering Co., Ltd.	1.8	Solar	March 2021
Nakatsu-shi, Oita	TESS Engineering Co., Ltd.	0.8	Solar	March 2021
Tsu-shi, Mie	TESS Engineering Co., Ltd.	0.6	Solar	March 2021

Note: 1. Generation capacity for facilities is given on a module basis (the sum of maximum output for all solar power modules).

Operation and maintenance (O&M)

During the fiscal year under review, revenues from operations services, 24-hour remote monitoring services, and energy management services were solid. As a result of dealing with repairs, replacements, and removals caused by failures and other problems at customer facilities, which are categorized as maintenance operations that occur on an irregular basis under the maintenance services business, O&M revenues as a whole were strong.

Electricity retailing

In the fiscal year under review, sales were robust due not only to existing contracts, but also to the expansion of our sales channels that resulted from entering into business partnerships with new dealerships, and due to the capturing of demand in the form of customers switching from other electricity retailers, which led to an increase in new contracts. The sharp increase in prices on the wholesale electricity market that followed the tight supply and demand conditions caused by the severe winter and the unseasonable weather of January 2021 did have an impact on the cost of sales in the third quarter of the fiscal year under review. However, the Group had secured sufficient supply of electric power through bilateral transactions, and in the month in question demand from customers for that electricity was relatively low. Not only that, but because the price of electricity sold by the Group on the wholesale electricity market also increased, the effect on earnings was negligible.

Moreover, although the Company recorded sales during the fiscal year under review that were derived from renewable energy grants arising from the supply of electricity from FIT scheme sources, the supply agreements with these sources of electric power came to an end in March 2021 due to changes in these schemes following the discontinuation of the volatility damping mechanism, and the Company ceased recording these under consolidated net sales as of May 2021.

In ERAB^{*9} services, six projects were selected for use by general power transmission and distribution operators seeking bids to provide supply-demand adjustment capacity, and the Company has recorded sales as a resource aggregator^{*10} for supply-demand adjustment capacity. ERAB services were presented under the “Other” section of the Energy Supply Segment in financial reports prepared up to the third quarter of the fiscal year under review, but beginning with the financial report prepared for the full year ended June 30, 2021, they are presented under “Electricity retailing.”

Others

Sales of fuel supplied to customers operating co-generation systems and of LNG supplied to customers operating LNG satellite systems were strong. With regard to the supply of LNG, consolidated subsidiary TESS Engineering Co., Ltd. implemented one project, but because this project was transferred from TESS Engineering Co., Ltd. to VT Utilities Services K.K., an equity-method affiliate of the Company, on February 1, 2021, sales from this project were no longer recorded in the consolidated net sales of the Company from that month onward.

In addition, the Company began selling PKS^{*11} fuel to biomass power generation plants in Japan in April 2020, and sales of this fuel during the fiscal year under review came to ¥998 million.

As a result of the above, net sales for the Energy Supply Segment were ¥19,878 million (up 35.1% year on year), and segment profit came to ¥3,418 million (up 118.5% year on year).

2) Recording of impairment losses

PTEC SINGAPORE PTE. LTD. is a consolidated subsidiary of the Company and the profitability of its biomass fuel procurement and wholesaling activities has declined due to the impact of COVID-19 on Indonesia, which has affected the collection of PKS fuel in the areas from which it is shipped, as well as production volumes of crude palm oil, which has caused an increase in procurement prices and export duties. Because signs of impairment have been recognized for the non-current assets of this subsidiary, having taken into account the uncertainty as to when the COVID-19 pandemic will be resolved in Indonesia, and after considering the recoverability of these non-current assets, the Company recorded an impairment loss of ¥408 million in extraordinary losses for the fourth quarter of the fiscal year under review.

(2) Overview of financial position for the fiscal year

Current assets

Total current assets as of the end of the fiscal year under review amounted to ¥50,140 million, an increase of ¥18,867 million compared with the end of the previous fiscal year. Principal contributory factors were an increase in cash and deposits of ¥14,549 million, an increase in accounts receivable from completed construction contracts of ¥2,375 million, and an increase in costs on construction contracts in progress of ¥3,909 million.

Non-current assets

Total non-current assets as of the end of the fiscal year under review amounted to ¥50,584 million, an increase of ¥699 million compared with the end of the previous fiscal year. Principal contributory factors were an increase in machinery, equipment and vehicles of ¥5,851 million, an increase in land of ¥1,142 million, an increase in other intangible assets of ¥948 million, and a decrease in construction in progress of ¥7,640 million.

Current liabilities

Total current liabilities as of the end of the fiscal year under review amounted to ¥30,325 million, an increase of ¥7,862 million compared with the end of the previous fiscal year. Principal contributory factors were an

increase in short-term borrowings of ¥7,497 million and an increase in current portion of long-term borrowings of ¥951 million.

Non-current liabilities

Total non-current liabilities as of the end of the fiscal year under review amounted to ¥47,585 million, a decrease of ¥2,700 million compared with the end of the previous fiscal year. Principal contributory factor was a decrease in long-term borrowings of ¥2,716 million.

Net assets

Net assets as of the end of the fiscal year under review amounted to ¥22,813 million, an increase of ¥14,404 million compared with the end of the previous fiscal year. Principal contributory factors were an increase in capital surplus of ¥12,971 million and an increase in retained earnings of ¥1,938 million.

(3) Overview of cash flows for the fiscal year

Cash and cash equivalents (hereinafter “cash”) as of June 30, 2021 was ¥22,169 million, an increase of ¥13,075 million (143.8%) from the end of the previous fiscal year.

The respective cash flow positions and the factors thereof in the fiscal year under review are as follows.

Cash flows from operating activities

Net cash provided by operating activities totaled ¥431 million (compared to ¥1,608 million used in the previous fiscal year). The principal factors contributing to cash inflow were profit before income taxes of ¥3,428 million and depreciation of ¥2,492 million. The principal factors contributing to cash outflow were an increase in inventories of ¥3,621 million, and an increase in trade receivables of ¥1,928 million.

Cash flows from investing activities

Net cash used in investing activities totaled ¥4,475 million (compared to ¥15,348 million used in the previous fiscal year). The principal factors contributing to the cash outflow were purchase of property, plant and equipment of ¥3,308 million, purchase of intangible assets of ¥868 million, and purchase of investment securities of ¥302 million.

Cash flows from financing activities

Net cash provided by financing activities totaled ¥17,098 million (compared to ¥19,220 million provided in the previous fiscal year). The principal factors contributing to cash inflow were net increase in short-term borrowings of ¥7,491 million, proceeds from long-term borrowings of ¥12,146 million, and proceeds from sale of treasury shares of ¥13,621 million. The principal factor contributing to cash outflow was repayments of long-term borrowings of ¥12,748 million.

(4) Future outlook

In the energy industry in which the Group operates, the United Nations’ advocacy of the sustainable development goals (SDGs) and the ratification of the Paris Agreement have been the catalyst for a global movement that is driving an increasingly active approach to energy decarbonization initiatives. In Japan, the fifth Basic Energy Plan^{*12} was approved by Cabinet in July 2018. The Plan’s policy goals include achieving a society characterized by thorough energy-saving measures by 2030, and promoting the wider adoption of renewable energy sources. In addition, in his keynote address at the opening ceremony of the 203rd Diet session held on October 26, 2020, Prime Minister Yoshihide Suga stated that the Japanese government aims to reduce overall emissions of greenhouse gases to zero by 2050, in order to achieve a decarbonized, carbon-neutral society in the same year. Furthermore, on April 22, 2021, the government’s Global Warming Prevention Headquarters issued a statement that included a target of reducing greenhouse gases by 46% from the 2013 level by 2030.

The Group believes that, as we move towards achieving a decarbonized society, the business area in which the Group operates will see an increase in active investment in energy-saving facilities and the use of renewable energy, as well as a rise in the number of opportunities for intelligent infrastructure related to energy and the environment. The Group intends to continue developing its operations while focusing on the three business areas of “renewable energy as main power source,” “energy efficiency maximization,” and “intelligent energy infrastructure.”

Under those conditions, for the fiscal year ending June 30, 2022, we forecast net sales of ¥29,790 million (down 13.0% year on year), operating profit of ¥4,905 million (up 11.5% year on year), ordinary profit of ¥4,000 million (up 4.3% year on year), and profit attributable to owners of parent of ¥2,497 million (up 25.5% year on year).

The above consolidated earnings forecasts are based on information available to the Group as of the date of this material's release. Actual earnings results may differ from the forecast figures due to various factors going forward.

The Group will begin applying "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021) for the fiscal year beginning on July 1, 2021 (the 13th term). The impact in monetary terms at the beginning of the fiscal year is estimated, as of the date on which these materials were released, to be as follows. However, these amounts may change going forward.

(Millions of yen)

	Impact of application		Total
	Cost recovery method	Percentage-of-completion method	
Net sales	(9,020)	(1,286)	(10,306)
Cost of sales	(9,020)	(1,052)	(10,072)
Gross profit	—	(233)	(233)

1) Engineering Segment

Commissioned type

Forecasts for the commissioned-type section of the Engineering Segment include estimates for sales related to EPC projects for which orders have already been received and for which orders are expected. Based on customer needs for initiatives related to decarbonization of energy sources and other factors, we expect strong sales for EPC projects related to co-generation systems, solar power generation systems, and energy saving systems for utilities.

Development type

Forecasts for the development-type section of the Engineering Segment include estimates for sales related to an EPC project in the process of being implemented by the Group for a major solar power generation plant in Miyako-machi, Miyako-gun, Fukuoka Prefecture (generation capacity of approximately 67.0 MW, with construction scheduled for completion in the fiscal year ending June 30, 2023).

2) Energy Supply Segment

Renewable energy power plant ownership, operation and electricity sales

Forecasts for sales related to renewable energy power plant ownership, operation and electricity sales are as follows.

(i) Renewable energy power plants utilizing FIT schemes

Forecasts for electricity sales from renewable energy power plants owned by the Group that utilize FIT schemes include income from electricity sales based on the expected generation capacity of renewable power plants that had begun operations by the end of the fiscal year ended June 30, 2021 (64 facilities with a generation capacity of approximately 201.8MW), in addition to electricity sales from the TESS Ibaraki Sakuragawa Solar Plant, which is being developed and constructed by the Group (Sakuragawa-shi,

Ibaraki Prefecture; generation capacity of approximately 1.4MW, scheduled to begin operations in January 2022).

In addition, with regard to biomass energy generation, the Group is proceeding with the development of the TESS Nishiki-machi Kinoe-nishi Biomass Power Plant (Nishiki-machi, Kuma-gun, Kumamoto Prefecture; generation capacity of 2.0MW) at its consolidated subsidiary, Kumamoto Nishiki Green Power LLC, but given that it is not scheduled to begin operations until July 2023, the impact on performance for the fiscal year ending June 30, 2022, is expected to be negligible.

Although the Group is focused on acquiring solar power generation plants that have already commenced operations (secondary projects), as of the date on which these materials were released, we are not expecting electricity sales derived from the acquisition of new projects.

(ii) On-site PPA model projects that use solar power generation systems for in-house consumption

Forecasts for sales related to the supply of electricity from renewable power derived from on-site PPA model projects that use solar power generation systems for in-house consumption include estimates for sales based on the expected generation capacity of solar power generation power plants that had already begun operation by the end of the fiscal year ended June 30, 2021 (three facilities with a generation capacity of approximately 3.2MW).

Although the Group is working to expand these initiatives, as of the date on which these materials were released, we are not expecting electricity sales derived from the winning of new contracts.

Operation and maintenance (O&M)

In operation and maintenance (O&M), as well as revenues from maintenance operations based on fixed-term contracts with customers, and 24-hour remote monitoring services, we expect revenues derived from maintenance operations that occur on an irregular basis. Maintenance operations that occur on an irregular basis include both those which are foreseeable (such as replacement of consumables, and statutory inspections) and those that are difficult to foresee (such as maintenance and replacement caused by failures of customer equipment). In the fiscal year ending June 30, 2022, we expect solid revenues from maintenance operations that occur under fixed-term contracts with customers, and that occur on an irregular but foreseeable basis. For maintenance operations that occur on an irregular basis and are difficult to foresee, we have estimated revenues based on past experience.

Electricity retailing

The Group supplies electricity to corporate customers such as manufacturers, hospitals, and commercial facilities in nine regions of Japan: Hokkaido, Tohoku, Tokyo, Chubu, Hokuriku, Kansai, Chugoku, Shikoku and Kyushu. In the fiscal year ending June 30, 2022, we aim to continue the expansion of our sales channels by entering into business partnerships with new dealerships, and by capturing demand in the form of customers switching from other electricity retailers, but taking into account the competitive environment, we expect the number of contracts with customers to remain largely unchanged year on year. With regard to procurement of electric power, our policy is to secure sufficient supply of electricity through bilateral transactions, thus reducing our dependence on the Japan Electric Power eXchange (JEPX), achieving stable supply, and maintaining a structure that is resistant to the effects of soaring electricity prices in the wholesale market.

In ERAB services, 15 projects were selected for use by general power transmission and distribution operators seeking bids to provide supply-demand adjustment capacity, and we expect to record sales for contributing supply-demand adjustment capacity as a resource aggregator and an aggregation coordinator^{*13}.

Others

With regard to the supply of biomass fuel, we expect to record sales from PKS fuel supplied to biomass power generation plants in Japan. Our earnings forecasts incorporate the expected impact of rising procurement prices for fuel in Indonesia resulting from the spread of COVID-19, and the effects of higher export duties

[Notes]

*1 Sustainable Development Goals (SDGs):

These are shared goals for international society to be addressed by both developing and developed nations as part of the 2030 Agenda for Sustainable Development adopted by the United Nations in September 2015, and consist of 17 goals whose initiatives cover energy, economic growth, employment, and climate change, amongst other matters.

*2 The Paris Agreement:

An international treaty adopted at the 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21) in December 2015, based on the approval of 196 countries, including Japan, as a global framework for determining targets for reductions in CO₂ emissions in order to combat global warming. In response to this agreement, Japan set a target of reducing greenhouse gas emissions by 26% from the 2013 level by 2030.

*3 FIT certification:

This is the certification of renewable energy power generation business plans by the Minister of Economy, Trade and Industry, as set forth in the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities.

*4 Co-Generation System (CGS):

A type of distributed energy resource, consisting of a combined heat and electricity supply system that uses the heat emitted during power generation for air conditioning and heating, or in production processes. It may also be referred to as CHP (Combined Heat & Power).

*5 Fuel conversion facilities:

Facilities to convert fuel used for heat sources in a factory from oil to natural gas.

*6 Utility facilities:

Facilities that provide the electricity, steam, water, compressed air, and fuel, etc. required for the operation of a factory's production facilities.

*7 Feed-In Tariff Scheme (FIT Scheme):

A system, based on the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities, under which the state promises to purchase electricity generated from renewable energy, such as solar, wind, or biomass, from electricity utilities at a set price and for a set period of time.

*8 On-site PPA model:

The on-site PPA model in this segment refers to a form of contract in which the Group acts as a power generation company, owning, maintaining, and managing solar power generation facilities for in-house consumption, and providing the electricity generated by these facilities to customers.

*9 ERAB (Energy Resource Aggregation Business):

The use of DR^{*14} and VPP^{*15} to provide a variety of services to business partners such as general power transmission and distribution operators, electricity retailers, customers, and renewable energy power generation companies, with the aim of securing supply-demand adjustment capacity, avoiding imbalances^{*16}, reducing electricity charges, and avoiding output suppression, etc.

*10 Resource aggregator:

An operator enters into an agreement with customers for the adjustment of supply and demand, and regulates energy resources.

*11 PKS:

An abbreviation for Palm Kernel Shell, referring to the shells of the palm tree that remain after palm oil has been extracted.

*12 Basic Energy Plan:

A basic plan on energy supply and demand formulated in order to promote measures on energy supply and demand on a long-term, comprehensive and systematic basis, as set forth in Article 12 of the Basic Act on Energy Policy.

*13 Aggregation coordinator:

An operator that bundles the electric power regulated by resource aggregators and conducts electric power transactions directly with general power transmission and distribution operators, and electricity retailers.

*14 Demand response (DR):

Refers to changes in electric power demand patterns made by the owners of customer-side energy resources^{*17}, or third parties, through the regulation of those energy resources.

*15 Virtual power plant (VPP):

Use of IoT technology to remotely perform integrated regulation of distributed energy resources, so that they appear to function as a single power generation plant, allowing the balance between supply and demand of electric power to be adjusted.

*16 Imbalance:

The difference between the demand and procurement plan for the retail provision of electricity formulated by the electricity retailer, and the actual figures.

*17 Customer-side energy resources:

A general term for energy resources that are connected at the customer's side ("behind the meter") on the supply connection (such as power generation facilities, power storage facilities, and demand facilities).

2. Basic concept regarding selection of accounting standards

The Group plans to continue using the Japanese GAAP to prepare its consolidated financial statements for the time being, as they facilitate comparison with previous consolidated financial statements and with other companies.

The Group's policy on applying the International Financial Reporting Standards (IFRS) is to take action as appropriate based on considerations of various conditions in Japan and overseas.

3. Consolidated financial statements

(1) Consolidated balance sheet

(Millions of yen)

	As of June 30, 2020	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	11,486	26,036
Notes and accounts receivable - trade	3,602	3,160
Accounts receivable from completed construction contracts	533	2,908
Merchandise and finished goods	928	273
Work in process	99	51
Costs on construction contracts in progress	6,304	10,214
Costs on real estate business	1,591	2,002
Raw materials and supplies	59	63
Advance payments to suppliers	3,459	3,090
Other	3,283	2,363
Allowance for doubtful accounts	(76)	(25)
Total current assets	31,273	50,140
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,644	3,850
Accumulated depreciation	(528)	(737)
Accumulated impairment	—	(83)
Buildings and structures, net	3,115	3,028
Machinery, equipment and vehicles	31,601	39,362
Accumulated depreciation	(5,266)	(7,163)
Accumulated impairment	—	(12)
Machinery, equipment and vehicles, net	26,335	32,187
Tools, furniture and fixtures	202	222
Accumulated depreciation	(137)	(149)
Tools, furniture and fixtures, net	64	73
Land	2,858	4,001
Leased assets	2,312	2,244
Accumulated depreciation	(899)	(1,045)
Accumulated impairment	—	(29)
Leased assets, net	1,413	1,169
Construction in progress	7,878	237
Total property, plant and equipment	41,665	40,697
Intangible assets		
Goodwill	343	—
Other	1,838	2,786
Total intangible assets	2,182	2,786
Investments and other assets		
Investment securities	763	1,029
Shares of subsidiaries and associates	39	87
Deferred tax assets	3,142	3,677
Other	2,103	2,375
Allowance for doubtful accounts	(11)	(69)
Total investments and other assets	6,037	7,100
Total non-current assets	49,884	50,584
Total assets	81,158	100,724

	As of June 30, 2020	As of June 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	927	782
Accounts payable for construction contracts	2,101	1,543
Short-term borrowings	11,761	19,258
Current portion of long-term borrowings	4,372	5,324
Lease obligations	315	263
Income taxes payable	1,222	1,164
Advances received on construction contracts in progress	414	480
Provision for bonuses	217	195
Provision for contract loss	14	22
Provision for warranties for completed construction	54	26
Other	1,060	1,263
Total current liabilities	22,463	30,325
Non-current liabilities		
Long-term borrowings	46,521	43,804
Lease obligations	2,040	1,905
Deferred tax liabilities	166	81
Asset retirement obligations	1,222	1,415
Provision for contract loss	22	38
Retirement benefit liability	232	257
Other	79	81
Total non-current liabilities	50,285	47,585
Total liabilities	72,748	77,910
Net assets		
Shareholders' equity		
Share capital	1	1
Capital surplus	569	13,540
Retained earnings	7,492	9,431
Treasury shares	(0)	(0)
Total shareholders' equity	8,062	22,973
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1)	3
Deferred gains or losses on hedges	(242)	(195)
Foreign currency translation adjustment	(56)	(47)
Total accumulated other comprehensive income	(300)	(239)
Non-controlling interests	647	79
Total net assets	8,409	22,813
Total liabilities and net assets	81,158	100,724

(2) Consolidated statement of income and consolidated statement of comprehensive income

(Consolidated statement of income)

(Millions of yen)

	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2021
Net sales	28,415	34,249
Cost of sales	22,111	26,707
Gross profit	6,303	7,542
Selling, general and administrative expenses	2,792	3,143
Operating profit	3,511	4,399
Non-operating income		
Interest income	9	2
Dividend income	0	6
Share of profit of entities accounted for using equity method	45	29
Insurance claim income	128	358
Subsidy income	78	235
Insurance return	25	117
Other	75	108
Total non-operating income	364	858
Non-operating expenses		
Interest expenses	877	934
Commission expenses	453	287
Loss on tax purpose reduction entry of non-current assets	—	162
Other	9	35
Total non-operating expenses	1,340	1,420
Ordinary profit	2,534	3,836
Extraordinary losses		
Impairment losses	—	408
Total extraordinary losses	—	408
Profit before income taxes	2,534	3,428
Income taxes - current	1,697	2,017
Income taxes - deferred	(973)	(647)
Total income taxes	724	1,370
Profit	1,810	2,058
Profit attributable to non-controlling interests	185	67
Profit attributable to owners of parent	1,625	1,990

(Consolidated statement of comprehensive income)

(Millions of yen)

	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2021
Profit	1,810	2,058
Other comprehensive income		
Valuation difference on available-for-sale securities	(2)	4
Deferred gains or losses on hedges	(1)	47
Foreign currency translation adjustment	(43)	8
Total other comprehensive income	(47)	60
Comprehensive income	1,763	2,118
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,577	2,051
Comprehensive income attributable to non-controlling interests	185	67

(3) Consolidated statement of changes in equity

Fiscal year ended June 30, 2020 (from July 1, 2019 to June 30, 2020)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1	1,311	5,891	(0)	7,203
Changes during period					
Dividends of surplus			(25)		(25)
Profit attributable to owners of parent			1,625		1,625
Disposal of treasury shares		184		0	185
Change in ownership interest of parent due to transactions with non-controlling interests		(926)			(926)
Net changes in items other than shareholders' equity					—
Total changes during period	—	(742)	1,600	0	858
Balance at end of period	1	569	7,492	(0)	8,062

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	0	(240)	(12)	(253)	1,586	8,536
Changes during period						
Dividends of surplus						(25)
Profit attributable to owners of parent						1,625
Disposal of treasury shares						185
Change in ownership interest of parent due to transactions with non-controlling interests						(926)
Net changes in items other than shareholders' equity	(2)	(1)	(43)	(47)	(938)	(986)
Total changes during period	(2)	(1)	(43)	(47)	(938)	(127)
Balance at end of period	(1)	(242)	(56)	(300)	647	8,409

Fiscal year ended June 30, 2021 (from July 1, 2020 to June 30, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1	569	7,492	(0)	8,062
Changes during period					
Dividends of surplus			(51)		(51)
Profit attributable to owners of parent			1,990		1,990
Disposal of treasury shares		13,620		0	13,621
Change in ownership interest of parent due to transactions with non-controlling interests		(648)			(648)
Net changes in items other than shareholders' equity					—
Total changes during period	—	12,971	1,938	0	14,911
Balance at end of period	1	13,540	9,431	(0)	22,973

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	(1)	(242)	(56)	(300)	647	8,409
Changes during period						
Dividends of surplus						(51)
Profit attributable to owners of parent						1,990
Disposal of treasury shares						13,621
Change in ownership interest of parent due to transactions with non-controlling interests						(648)
Net changes in items other than shareholders' equity	4	47	9	61	(567)	(506)
Total changes during period	4	47	9	61	(567)	14,404
Balance at end of period	3	(195)	(47)	(239)	79	22,813

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2021
Cash flows from operating activities		
Profit before income taxes	2,534	3,428
Depreciation	1,943	2,492
Impairment losses	—	408
Loss on tax purpose reduction entry of non-current assets	—	162
Amortization of goodwill	—	47
Increase (decrease) in allowance for doubtful accounts	(7)	6
Increase (decrease) in provision for bonuses	39	(22)
Increase (decrease) in provision for contract loss	(282)	23
Increase (decrease) in provision for warranties for completed construction	27	(27)
Increase (decrease) in retirement benefit liability	20	25
Interest and dividend income	(10)	(8)
Interest expenses	877	934
Foreign exchange losses (gains)	0	(16)
Share of loss (profit) of entities accounted for using equity method	(45)	(29)
Decrease (increase) in trade receivables	(1,365)	(1,928)
Decrease (increase) in inventories	(1,575)	(3,621)
Increase (decrease) in trade payables	618	98
Increase (decrease) in accrued consumption taxes	481	1,362
Increase (decrease) in advances received on construction contracts in progress	(2,247)	65
Other, net	(737)	198
Subtotal	272	3,601
Interest and dividends received	4	13
Interest paid	(847)	(1,009)
Income taxes paid	(1,038)	(2,173)
Net cash provided by (used in) operating activities	(1,608)	431
Cash flows from investing activities		
Payments into time deposits	(350)	—
Proceeds from withdrawal of time deposits	310	—
Purchase of property, plant and equipment	(13,881)	(3,308)
Proceeds from sale of property, plant and equipment	479	1
Purchase of intangible assets	(1,338)	(868)
Purchase of investment securities	(618)	(302)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(46)	—
Repayments of investments in silent partnership	(69)	—
Proceeds from collection of loans receivable	160	0
Other, net	6	2
Net cash provided by (used in) investing activities	(15,348)	(4,475)

(Millions of yen)

	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2021
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	4,407	7,491
Repayments of lease obligations	(359)	(604)
Proceeds from long-term borrowings	21,339	12,146
Repayments of long-term borrowings	(3,168)	(12,748)
Purchase of investments in capital of subsidiaries without change in scope of consolidation	(1,700)	(1,080)
Proceeds from sale of treasury shares	185	13,621
Dividends paid	(25)	(51)
Dividends paid to non-controlling interests	(181)	(201)
Net decrease (increase) in restricted deposits	(1,276)	(1,474)
Net cash provided by (used in) financing activities	19,220	17,098
Effect of exchange rate change on cash and cash equivalents	(41)	21
Net increase (decrease) in cash and cash equivalents	2,221	13,075
Cash and cash equivalents at beginning of period	6,872	9,094
Cash and cash equivalents at end of period	9,094	22,169

(5) Notes to consolidated financial statements

Uncertainties of entity's ability to continue as going concern

Not applicable.

Segment information

1. Description of reportable segments

The reportable segments are constituent units of the Company for which separate financial information is available. These segments are periodically examined by the Board of Directors for the purpose of deciding the allocation of business resources and evaluating the operating results.

The Engineering Segment is engaged in the design, construction management and sales of various environmental protection/energy-saving systems such as solar power generation systems, co-generation systems. The Energy Supply Segment is engaged mainly in the provision, monitoring services and maintenance of energy management systems for environmental protection/energy-saving systems; the generation and wholesale supply of electricity from renewable energy sources; and the procurement and retail supply of power through the PPS (Power Producer and Supplier) business.

2. Explanation of measurements of sales, profit (loss), asset, and other items for each reportable segment

The accounting method used for reported business segments complies with accounting policy that has been adopted in preparing the consolidated financial statements.

Profit of each reportable segment is an amount based on operating profit.

Intersegment sales and transfers are based on prevailing market prices.

3. Disclosure of sales, profit (loss), asset, and other items for each reportable segment

Fiscal year ended June 30, 2020

(Millions of yen)

	Reportable segments			Adjustment (Note)	Total
	Engineering Segment	Energy Supply Segment	Total		
Net sales					
Revenues from external customers	13,705	14,709	28,415	—	28,415
Intersegment sales and transfers	8,701	—	8,701	(8,701)	—
Total	22,406	14,709	37,116	(8,701)	28,415
Segment profit	3,145	1,564	4,710	(1,199)	3,511
Segment assets	21,509	60,719	82,229	(1,071)	81,158
Other items					
Depreciation	43	2,130	2,174	(230)	1,943
Share of profit of entities accounted for using equity method	—	45	45	—	45
Investments in entities accounted for using equity method	—	39	39	—	39
Increase in property, plant and equipment and intangible assets	1	17,332	17,334	(1,653)	15,680

(Note) Details of adjustment are as follows:

- (1) Adjustment for segment profit includes eliminations of intersegment transactions and corporate expenses that are not allocated to reportable segments.
- (2) Adjustment for segment assets includes eliminations of intersegment transactions and corporate assets that are not allocated to reportable segments.
- (3) Adjustment for increase in property, plant and equipment and intangible assets includes eliminations of intersegment transactions and corporate assets that are not allocated to reportable segments.

Fiscal year ended June 30, 2021

(Millions of yen)

	Reportable segments			Adjustment (Note)	Total
	Engineering Segment	Energy Supply Segment	Total		
Net sales					
Revenues from external customers	14,371	19,878	34,249	–	34,249
Intersegment sales and transfers	9,084	0	9,084	(9,084)	–
Total	23,455	19,878	43,334	(9,084)	34,249
Segment profit	1,374	3,418	4,792	(393)	4,399
Segment assets	16,704	64,168	80,873	19,851	100,724
Other items					
Depreciation	43	2,797	2,841	(348)	2,492
Share of profit of entities accounted for using equity method	–	29	29	–	29
Investments in entities accounted for using equity method	–	87	87	–	87
Increase in property, plant and equipment and intangible assets	0	2,001	2,002	261	2,264

(Note) Details of adjustment are as follows:

- (1) Adjustment for segment profit includes eliminations of intersegment transactions and corporate expenses that are not allocated to reportable segments.
- (2) Adjustment for segment assets includes eliminations of intersegment transactions and corporate assets that are not allocated to reportable segments.
- (3) Adjustment for increase in property, plant and equipment and intangible assets includes eliminations of intersegment transactions and corporate assets that are not allocated to reportable segments.

Per share information

(Yen)

	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2021
Net assets per share	299.70	652.35
Basic earnings per share	63.75	72.86
Diluted earnings per share	–	70.74

- Notes: 1. Regarding diluted earnings per share for the fiscal year ended June 30, 2020, while the Company did have potential dilutive shares, because the Company's shares were unlisted, the average share price during the period was not available and therefore no amount is stated. Regarding diluted earnings per share for the fiscal year ended June 30, 2021, because the Company's shares were listed on the First Section of the Tokyo Stock Exchange on April 27, 2021, the diluted earnings per share were calculated by deeming the average share price during the period to be the average share price from the date of listing to the end of the current fiscal year.
2. The Company carried out a ten-for-one share split of its common shares on February 1, 2021. Net assets per share and basic earnings per share were calculated as though the share split had been conducted at the beginning of the previous fiscal year.

3. The basis of calculating basic earnings per share is as follows:

	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2021
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	1,625	1,990
Amounts not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent related to common shares (Millions of yen)	1,625	1,990
Average number of common shares outstanding during the period (Thousand shares)	25,489	27,317
Diluted earnings per share		
Adjustment to profit attributable to owners of parent (Millions of yen)	—	—
Increase in the number of common shares (Thousand shares)	—	819
Overview of dilutive shares that are not included in the calculation of diluted earnings per share as they have no dilutive effects	—	—

Significant events after reporting period

Not applicable.