

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

February 14, 2023

## Consolidated Financial Results for the Six Months Ended December 31, 2022 (Under Japanese GAAP)

Company name: TESS Holdings Co., Ltd.  
 Listing: Tokyo Stock Exchange  
 Securities code: 5074  
 URL: <https://www.tess-hd.co.jp/english/>  
 Representative: Kazuki Yamamoto, Representative Director and President  
 Inquiries: Tatsuro Minami, Director, General Manager of the Administration Department  
 Telephone: +81-6-6308-2794  
 Scheduled date to file quarterly securities report: February 14, 2023  
 Scheduled date to commence dividend payments: —  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly 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 six months ended December 31, 2022 (from July 1, 2022 to December 31, 2022)

#### (1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2022	16,610	(9.3)	2,923	(30.1)	2,501	(34.1)	1,560	(35.5)
December 31, 2021	18,310	14.3	4,181	67.9	3,797	77.3	2,420	97.9

Note: Comprehensive income For the six months ended December 31, 2022: ¥1,752 million [(30.6)%]  
 For the six months ended December 31, 2021: ¥2,523 million [85.0%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
December 31, 2022	44.42	44.10
December 31, 2021	69.40	68.40

Note: At the close of the fiscal year ended June 30, 2022, the Company finalized the provisional accounting treatment for a business combination. As a result, figures for the six months ended December 31, 2021 reflect the finalization of the provisional accounting treatment.

#### (2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
December 31, 2022	98,169	26,249	26.6
June 30, 2022	94,256	25,239	26.7

Reference: Equity  
 As of December 31, 2022: ¥26,148 million  
 As of June 30, 2022: ¥25,206 million

## 2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2022	—	0.00	—	21.00	21.00
Fiscal year ending June 30, 2023	—	0.00			
Fiscal year ending June 30, 2023 (Forecast)			—	21.00	21.00

Note: Revisions to the cash dividends forecasts most recently announced: None

## 3. Forecast of consolidated financial results for the fiscal year ending June 30, 2023 (from July 1, 2022 to June 30, 2023)

(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, 2023	33,400	(4.4)	5,400	4.9	4,600	(1.2)	2,900	7.6	82.59

Note: Revisions to the consolidated financial results forecasts most recently announced: Yes

**\* 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) Application of specific accounting for preparing quarterly consolidated financial statements: Yes

Note: For details, please refer to “2. Quarterly consolidated financial statements (4) Notes to quarterly consolidated financial statements (Application of specific accounting for preparing quarterly consolidated financial statements)” on page 14 of the attached material.

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

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

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

(iii) Changes in accounting estimates: None

(iv) Restatement: None

Note: For details, please refer to “2. Quarterly consolidated financial statements (4) Notes to quarterly consolidated financial statements (Notes - Changes in accounting policies)” on page 14 of the attached material.

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

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

As of December 31, 2022	35,298,100 shares
As of June 30, 2022	35,244,100 shares

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

As of December 31, 2022	130,070 shares
As of June 30, 2022	130,070 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended December 31, 2022	35,123,595 shares
Six months ended December 31, 2021	34,874,822 shares

\* Quarterly financial results reports are exempt from quarterly review 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. Qualitative information on the quarterly financial results (3) Explanation of forward-looking statements such as forecast of consolidated financial results” on page 7 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

### Index

1. Qualitative information on the quarterly financial results .....	2
(1) Explanation of operating results .....	2
(2) Explanation of financial position .....	6
(3) Explanation of forward-looking statements such as forecast of consolidated financial results .....	7
2. Quarterly consolidated financial statements .....	8
(1) Quarterly consolidated balance sheet .....	8
(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income .....	10
(Quarterly consolidated statement of income) .....	10
(For the six months ended December 31, 2022) .....	10
(Quarterly consolidated statement of comprehensive income) .....	11
(For the six months ended December 31, 2022) .....	11
(3) Consolidated statement of cash flows .....	12
(4) Notes to quarterly consolidated financial statements .....	14
Uncertainties of entity's ability to continue as going concern .....	14
Notes when there are significant changes in amounts of equity .....	14
Application of specific accounting for preparing quarterly consolidated financial statements .....	14
Notes - Changes in accounting policies .....	14
Notes - Business combinations .....	14
Segment information .....	15
Significant events after reporting period .....	15

# 1. Qualitative information on the quarterly financial results

## (1) Explanation of operating results

During the six months ended December 31, 2022, 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. Due to this, along with other issues such as sharp rises in global prices for materials and energy, the worsening situation in Ukraine and the impact of a weak yen, it remains difficult to predict business conditions going forward.

In the energy industry in which the Group operates, developments such as the advocacy of the Sustainable Development Goals (SDGs)<sup>\*1</sup> by the United Nations in 2015, and the negotiation of the Paris Agreement<sup>\*2</sup> have led to an acceleration of initiatives to continue the global decarbonization of energy sources. In Japan, the Sixth Strategic Energy Plan<sup>\*3</sup> approved by the Cabinet in October 2021 set out the course for an energy policy directed at realizing carbon neutrality by 2050 and achieving a new target for reducing greenhouse gas emissions (by 46% from their FY2013 level) by 2030. The Plan calls for increased pursuit of energy efficiency maximization and sets the goal of making renewable energy account for 36 to 38% of Japan's power source mix by 2030 (from 18% in FY2019).

In this external environment, the Group has used its "Total Energy Savings & Solutions" management philosophy 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 a result of the above, for the six months ended December 31, 2022, net sales were ¥16,610 million (down 9.3% year on year), operating profit was ¥2,923 million (down 30.1% year on year), ordinary profit was ¥2,501 million (down 34.1% year on year), and profit attributable to owners of parent was ¥1,560 million (down 35.5% year on year).

Operating performance by segment was as follows.

	Reportable segments			Adjustment (Note 1)	Total (Note 2)
	Engineering Segment	Energy Supply Segment	Total		
Net sales					
Goods transferred at a point in time	383	8,368	8,751	—	8,751
Goods transferred over time	6,043	1,814	7,858	—	7,858
Revenue from contracts with customers	6,426	10,183	16,610	—	16,610
Revenues from external customers	6,426	10,183	16,610	—	16,610
Intersegment sales and transfers	911	—	911	(911)	—
Total	7,338	10,183	17,521	(911)	16,610
Segment profit	514	2,227	2,741	182	2,923

Notes: 1. Adjustment for segment profit includes eliminations of intersegment transactions and corporate expenses that are not allocated to reportable segments.

2. Segment profit has been reconciled with operating profit in the quarterly consolidated statement of income.

3. Intersegment transactions include EPC (Engineering, Procurement and Construction) project performed by our consolidated subsidiary TESS Engineering Co., Ltd. for another of our consolidated subsidiaries Kumamoto Nishiki Green Power LLC at TESS Nishiki-machi Kinoe-nishi Biomass Power Plant (Nishiki-machi, Kuma-gun, Kumamoto Prefecture, generation capacity of approximately 2.0 MW).

(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\*<sup>4</sup> obtained by customers using part of renewable energy facilities.

During the six months ended December 31, 2022, the Company created a variety of solutions in response to customer needs, such as implementing decarbonization initiatives, securing stable supplies of power as part of BCP measures, reducing energy usage as part of improvements to energy efficiency, and implementing renewable energy programs. As a result, sales were recorded in accordance with the revenue-recognition method over a certain period of time for EPC projects for co-generation systems\*<sup>5</sup>, EPC projects for fuel conversion facilities\*<sup>6</sup> such as LPG satellite facilities and LNG vaporizers, EPC projects for utility facilities\*<sup>7</sup>, EPC projects related to solar power generation systems for industrial applications in Japan, and an EPC project for a biomass energy generation system.

From among these, construction of two EPC projects for co-generation systems (with a combined generation capacity of approximately 9.6 MW), two EPC projects for fuel conversion facilities such as LPG satellite facilities and LNG vaporizers, three EPC projects for utility facilities such as boiler and transformer equipment, one EPC project for energy management systems, and five EPC projects related to solar power generation systems for industrial applications in Japan (with a combined generation capacity of approximately 4.2 MW) were completed in the six months ended December 31, 2022.

Development type

This segment consists of EPC projects in which the Group proactively engages in purchasing (or renting) land and acquiring approvals and rights so as to provide a full set of development solutions to customers.

In the six months ended December 31, 2022, the Group recorded sales of ¥1,939 million contributed by steady progress made at an EPC project for a major solar power generation plant in Miyako-machi, Miyako-gun, Fukuoka Prefecture, a development-type project using a Feed-In Tariff scheme (FIT scheme)\*<sup>8</sup>. This will have generation capacity of approximately 67.0 MW, comprising a northern power plant with capacity of approximately 23.2 MW and a southern power plant with capacity of approximately 43.8 MW, and is scheduled for completion in the fiscal year ending June 30, 2023. Of these, construction of the northern power plant was completed in the previous fiscal year.

As a result of the above, the Engineering Segment recorded net sales of ¥7,338 million (down 20.2% year on year) and segment profit of ¥514 million (down 75.5% year on year).

(ii) Energy Supply Segment

Renewable energy power plant ownership, operation and electricity sales

As of the end of the second quarter under review, the Group owned, operated and sold electricity from 82 renewable energy power plants in Japan with a combined generation capacity of approximately 219.0 MW, of which eight were of the on-site PPA model\*<sup>9</sup>, with generation capacity of approximately 7.4 MW.

In the six months ended December 31, 2022, generation capacity for both renewable energy power plants utilizing FIT schemes and those not utilizing FIT schemes that the Group has already brought online is rising steadily, and income from electricity sales is increasing accordingly.

In the six months ended December 31, 2022, while there were no new power plants utilizing FIT schemes, for which the Group engaged in their development and EPC, there were four plants that

were newly acquired after they had begun operations (secondary projects): “TESS Miyazaki Takajo No.1 Solar Plant (Miyakonojo-shi, Miyazaki Prefecture) (generation capacity of approximately 1.0 MW),” “TESS Miyazaki Takajo No.2 Solar Plant (Miyakonojo-shi, Miyazaki Prefecture) (generation capacity of approximately 1.0 MW),” “TESS Miyazaki Takajo No.3 Solar Plant (Miyakonojo-shi, Miyazaki Prefecture) (generation capacity of approximately 1.0 MW),” and “TESS Miyazaki Takajo No.4 Solar Plant (Miyakonojo-shi, Miyazaki Prefecture) (generation capacity of approximately 0.9 MW).” In terms of projects that do not make use of FIT schemes, the newly launched on-site PPA model project did not offer electricity supply services.

<Renewable energy power plants utilizing FIT schemes which the Group newly acquired during the six months under review>

Name of power plant	Name of operator	Capacity (MW)	Type of power generation	Feed-in tariff (per kWh) (Yen)	Date on which generation commenced	Date on which power plant was acquired
TESS Miyazaki Takajo No.1 Solar Plant	Prime Solar 3 LLC	1.0	Solar	40	June 2013	December 2022
TESS Miyazaki Takajo No.2 Solar Plant	Prime Solar 3 LLC	1.0	Solar	40	July 2013	December 2022
TESS Miyazaki Takajo No.3 Solar Plant	Prime Solar 3 LLC	1.0	Solar	40	August 2014	November 2022
TESS Miyazaki Takajo No.4 Solar Plant	Prime Solar 3 LLC	0.9	Solar	40	December 2014	December 2022

Notes: 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)

In the six months ended December 31, 2022, favorable performances as scheduled in maintenance services, operations services, 24-hour remote monitoring services, and energy management services, as well as unexpected maintenance operations such as repairs and replacements caused by failures at customer facilities resulted in solid revenues for operation and maintenance (O&M) as a whole.

#### Electricity retailing

The Group provides electricity to corporate customers in nine regions of Japan: Hokkaido, Tohoku, Tokyo, Chubu, Hokuriku, Kansai, Chugoku, Shikoku and Kyushu. In the six months ended December 31, 2022, the electricity retailing operations progressed as the Group planned due to the measures to reduce the amount of power supply for the purpose of curbing the impact of increased cost of sales related to the procurement of power source. These measures included suspension of receiving new applications and request to existing customers for a cancellation of their contract, as well as raising unit prices of the electricity supplied for existing customers.

In ERAB<sup>\*10</sup> services, 20 projects were selected for use by general power transmission and distribution operators seeking bids to provide supply-demand adjustment capacity, and we recorded sales for contributing supply-demand adjustment capacity as a resource aggregator<sup>\*11</sup> and an aggregation coordinator<sup>\*12</sup>.

#### Others

Sales of fuel supplied to customers operating co-generation systems were strong. In addition, sales of PKS<sup>\*13</sup> fuel to biomass power generation plants in Japan during the six months under review came to ¥716 million.

As a result of the above, net sales for the Energy Supply Segment were ¥10,183 million (up 11.8% year on year), and segment profit came to ¥2,227 million (up 16.7% year on year).

\*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 46% from the 2013 level by 2030.

\*3 Strategic 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.

\*4 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.

\*5 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).

\*6 Fuel conversion facilities:

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

\*7 Utility facilities:

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

\*8 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 that electricity utilities will purchase electricity generated from renewable energy, such as solar, wind, or biomass, at a set price and for a set period of time.

\*9 On-site PPA model:

A form of contract in which the Group acts as a power generation company, owning, maintaining, and managing solar power generation plants for in-house consumption, and providing the electricity generated by these plants to customers.

\*10 ERAB (Energy Resource Aggregation Business):

The use of DR<sup>\*14</sup> and VPP<sup>\*15</sup> 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<sup>\*16</sup>, reducing electricity charges, avoiding output suppression, etc.

\*11 Resource aggregator:

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

\*12 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.

\*13 PKS:

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

\*14 DR (Demand response):

Refers to changes in electric power demand patterns made by the owners of customer-side energy resources<sup>\*17</sup>, or third parties, through the regulation of those energy resources.



\*15 VPP (Virtual power plant):

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) Explanation of financial position**

### **(i) Financial Position**

#### Current assets

Total current assets as of the end of the second quarter under review amounted to ¥36,126 million, a decrease of ¥2,707 million compared with the end of the previous fiscal year. The principal contributory factor was a decrease in advance payments to suppliers of ¥2,409 million, and a decrease in contract assets of ¥1,144 million.

#### Non-current assets

Total non-current assets as of the end of the second quarter under review amounted to ¥62,043 million, an increase of ¥6,620 million compared with the end of the previous fiscal year. The principal contributory factor was an increase in construction in progress of ¥8,274 million.

#### Current liabilities

Total current liabilities as of the end of the second quarter under review amounted to ¥25,211 million, an increase of ¥3,626 million compared with the end of the previous fiscal year. The principal contributory factor was an increase in short-term borrowings of ¥5,281 million.

#### Non-current liabilities

Total non-current liabilities as of the end of the second quarter under review amounted to ¥46,709 million, a decrease of ¥723 million compared with the end of the previous fiscal year. The principal contributory factor was a decrease in long-term borrowings of ¥646 million and a decrease in lease liabilities of ¥137 million.

#### Net assets

Net assets as of the end of the second quarter under review amounted to ¥26,249 million, an increase of ¥1,009 million compared with the end of the previous fiscal year. The principal contributory factor was an increase in retained earnings of ¥822 million.

### **(ii) Overview of cash flows**

Cash and cash equivalents (hereinafter "cash") as of December 31, 2022 was ¥18,504 million, an increase of ¥135 million (0.7%) from the end of the previous fiscal year.

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

#### Cash flows from operating activities

Net cash provided by operating activities totaled ¥4,259 million (compared to ¥13,210 million provided in the same period of the previous fiscal year) in the six months under review. The principal factors contributing to cash inflow were profit before income taxes of ¥2,501 million, depreciation of ¥1,533 million, and a decrease in advance payments to suppliers of ¥2,417 million.

#### Cash flows from investing activities

Net cash used in investing activities totaled ¥8,029 million (compared to ¥3,698 million used in the same period of the previous fiscal year) in the six months under review. The principal factor contributing to the cash outflow was purchase of property, plant and equipment of ¥7,974 million.

#### Cash flows from financing activities

Net cash provided by financing activities totaled ¥3,708 million (compared to ¥15,635 million used in the same period of the previous fiscal year) in the six months under review. The principal factor contributing to the cash inflow was a net increase in short-term borrowings of ¥6,141 million. The principal factors contributing to cash outflow were repayments of long-term borrowings of ¥2,257 million and dividend payments paid of ¥737 million.

### **(3) Explanation of forward-looking statements such as forecast of consolidated financial results**

Forecast of consolidated financial results for the full year has changed from that disclosed in “Consolidated Financial Results for the Fiscal Year Ended June 30, 2022,” released on August 15, 2022.

For details, see the “Notice Concerning Revisions to Full-Year Financial Results Forecasts” released today.

## 2. Quarterly consolidated financial statements

### (1) Quarterly consolidated balance sheet

(Millions of yen)

	As of June 30, 2022	As of December 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	22,600	22,706
Notes receivable - trade	147	480
Accounts receivable - trade	2,408	2,311
Accounts receivable from completed construction contracts	245	393
Contract assets	3,593	2,448
Merchandise and finished goods	317	277
Work in process	43	109
Costs on construction contracts in progress	65	101
Costs on real estate business	2,157	2,668
Raw materials and supplies	81	45
Advance payments to suppliers	4,927	2,517
Other	2,263	2,079
Allowance for doubtful accounts	(17)	(13)
Total current assets	38,834	36,126
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,910	3,930
Accumulated depreciation	(937)	(1,061)
Accumulated impairment	(94)	(105)
Buildings and structures, net	2,878	2,764
Machinery, equipment and vehicles	40,952	40,940
Accumulated depreciation	(9,491)	(10,705)
Accumulated impairment	(13)	(15)
Machinery, equipment and vehicles, net	31,447	30,220
Tools, furniture and fixtures	235	259
Accumulated depreciation	(169)	(183)
Tools, furniture and fixtures, net	65	76
Land	4,804	4,804
Leased assets	2,265	2,271
Accumulated depreciation	(1,218)	(1,305)
Accumulated impairment	(32)	(36)
Leased assets, net	1,014	929
Construction in progress	985	9,260
Total property, plant and equipment	41,196	48,055
Intangible assets		
Goodwill	624	608
Contract-based intangible assets	5,807	5,706
Other	660	629
Total intangible assets	7,092	6,943
Investments and other assets		
Investment securities	579	571
Shares of subsidiaries and associates	1,019	1,039
Deferred tax assets	2,856	2,601
Other	2,735	2,885
Allowance for doubtful accounts	(57)	(53)
Total investments and other assets	7,133	7,043
Total non-current assets	55,422	62,043
Total assets	94,256	98,169

(Millions of yen)

	As of June 30, 2022	As of December 31, 2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	844	891
Accounts payable for construction contracts	1,356	1,370
Short-term borrowings	12,133	17,415
Current portion of long-term borrowings	3,880	4,057
Lease liabilities	288	284
Income taxes payable	142	374
Contract liabilities	480	89
Provision for bonuses	191	27
Provision for contract loss	265	139
Provision for warranties for completed construction	7	1
Other	1,993	558
Total current liabilities	21,584	25,211
Non-current liabilities		
Long-term borrowings	42,870	42,223
Lease liabilities	1,937	1,799
Deferred tax liabilities	764	808
Asset retirement obligations	1,473	1,480
Provision for contract loss	71	82
Retirement benefit liability	295	294
Other	19	18
Total non-current liabilities	47,432	46,709
Total liabilities	69,017	71,920
<b>Net assets</b>		
Shareholders' equity		
Share capital	17	21
Capital surplus	13,573	13,577
Retained earnings	11,589	12,412
Treasury shares	(0)	(0)
Total shareholders' equity	25,179	26,011
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3	3
Deferred gains or losses on hedges	(73)	4
Foreign currency translation adjustment	96	129
Total accumulated other comprehensive income	27	136
Non-controlling interests	32	101
Total net assets	25,239	26,249
<b>Total liabilities and net assets</b>	<b>94,256</b>	<b>98,169</b>

**(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income**

(Quarterly consolidated statement of income)

(For the six months ended December 31, 2022)

(Millions of yen)

	Six months ended December 31, 2021	Six months ended December 31, 2022
Net sales	18,310	16,610
Cost of sales	12,513	11,893
Gross profit	5,797	4,716
Selling, general and administrative expenses	1,615	1,793
Operating profit	4,181	2,923
Non-operating income		
Interest income	1	1
Dividend income	10	0
Insurance claim income	44	—
Share of profit of entities accounted for using equity method	23	—
Foreign exchange gains	17	38
Surrender value of insurance policies	4	19
Subsidy income	47	56
Other	55	12
Total non-operating income	205	127
Non-operating expenses		
Interest expenses	415	373
Share of loss of entities accounted for using equity method	—	5
Loss on tax purpose reduction entry of non-current assets	12	23
Commission expenses	157	132
Other	4	15
Total non-operating expenses	590	549
Ordinary profit	3,797	2,501
Profit before income taxes	3,797	2,501
Income taxes	1,324	815
Profit	2,472	1,685
Profit attributable to non-controlling interests	51	125
Profit attributable to owners of parent	2,420	1,560

(Quarterly consolidated statement of comprehensive income)  
(For the six months ended December 31, 2022)

(Millions of yen)

	Six months ended December 31, 2021	Six months ended December 31, 2022
Profit	2,472	1,685
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Deferred gains or losses on hedges	17	77
Foreign currency translation adjustment	34	20
Share of other comprehensive income of entities accounted for using equity method	—	(31)
Total other comprehensive income	51	66
Comprehensive income	2,523	1,752
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,474	1,669
Comprehensive income attributable to non-controlling interests	48	82

### (3) Consolidated statement of cash flows

(Millions of yen)

	Six months ended December 31, 2021	Six months ended December 31, 2022
<b>Cash flows from operating activities</b>		
Profit before income taxes	3,797	2,501
Depreciation	1,401	1,533
Loss on tax purpose reduction entry of non-current assets	12	23
Amortization of goodwill	8	16
Increase (decrease) in allowance for doubtful accounts	18	(7)
Increase (decrease) in provision for bonuses	(184)	(164)
Increase (decrease) in retirement benefit liability	13	(1)
Increase (decrease) in provision for contract loss	6	(113)
Increase (decrease) in provision for warranties for completed construction	71	(5)
Interest and dividend income	(11)	(1)
Interest expenses	415	373
Foreign exchange losses (gains)	(31)	28
Share of loss (profit) of entities accounted for using equity method	(23)	5
Decrease (increase) in trade receivables	9,466	(358)
Decrease (increase) in contract asset	–	1,144
Decrease (increase) in inventories	(160)	(525)
Decrease (increase) in advance payments to suppliers	(1,547)	2,417
Increase (decrease) in trade payables	(178)	(297)
Increase (decrease) in accrued consumption taxes	1,961	(1,249)
Increase (decrease) in accounts payable - other	(5)	(84)
Increase (decrease) in advances received on construction contracts in progress	(480)	–
Increase (decrease) in contract liabilities	406	(390)
Other, net	34	(552)
<b>Subtotal</b>	<b>14,991</b>	<b>4,290</b>
Interest and dividends received	11	1
Interest paid	(442)	(374)
Income taxes paid	(1,352)	(324)
Income taxes refund	2	666
<b>Net cash provided by (used in) operating activities</b>	<b>13,210</b>	<b>4,259</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,157)	(7,974)
Purchase of intangible assets	(430)	(5)
Purchase of shares of subsidiaries and associates	–	(56)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,799)	–
Payments for investments in capital	(314)	–
Other, net	2	7
<b>Net cash provided by (used in) investing activities</b>	<b>(3,698)</b>	<b>(8,029)</b>

(Millions of yen)

	Six months ended December 31, 2021	Six months ended December 31, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(11,433)	6,141
Repayments of lease liabilities	(144)	(142)
Proceeds from long-term borrowings	5,348	680
Repayments of long-term borrowings	(8,711)	(2,257)
Proceeds from issuance of shares	—	9
Purchase of treasury shares	(0)	—
Proceeds from sale of treasury shares	11	—
Dividends paid	(715)	(737)
Dividends paid to non-controlling interests	(0)	(14)
Net decrease (increase) in restricted deposits	10	29
Net cash provided by (used in) financing activities	(15,635)	3,708
Effect of exchange rate change on cash and cash equivalents	44	196
Net increase (decrease) in cash and cash equivalents	(6,077)	135
Cash and cash equivalents at beginning of period	22,169	18,369
Cash and cash equivalents at end of period	16,091	18,504



#### **(4) Notes to quarterly consolidated financial statements**

##### **Uncertainties of entity's ability to continue as going concern**

Not applicable.

##### **Notes when there are significant changes in amounts of equity**

Not applicable.

##### **Application of specific accounting for preparing quarterly consolidated financial statements**

###### Tax expense calculation

Tax expenses are calculated by multiplying the profit before income taxes by the reasonably estimated effective tax rates after the application of tax effect accounting to the profit before income taxes for the fiscal year including the second quarter under review.

Income taxes - deferred is included in income taxes.

##### **Notes - Changes in accounting policies**

###### Application of Implementation Guidance on Accounting Standard for Fair Value Measurement

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the first quarter of the fiscal year under review, and it has applied the new accounting policy provided for by the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional measures provided for in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement.

This change has no impact on the quarterly consolidated financial statements for the six months under review.

##### **Notes - Business combinations**

Significant review of the initially allocated amounts of the acquisition costs in comparative information

Regarding the business combination with Imari Green Power Co., Ltd. implemented on September 14, 2021, the Company conducted a provisional accounting treatment in the first quarter of the previous fiscal year, but determined the treatment at the end of the previous fiscal year.

In line with this determination of the provisional accounting treatment, significant review was made on the initially allocated amounts of the acquisition costs in the comparative information included in the quarterly consolidated financial statements for the six months under review. Accordingly, the Company recorded an increase in contract-based intangible assets of ¥2,647 million, an increase in deferred tax liabilities of ¥739 million, and a decrease in goodwill of ¥1,883 million.

As a result, for the quarterly consolidated statement of income for the six months of the previous fiscal year, selling, general and administrative expenses decreased by ¥23 million, and operating profit, ordinary profit, and profit attributable to owners of the parent increased by ¥23 million each.

## Segment information

### I Six months ended December 31, 2021 (from July 1, 2021 to December 31, 2021)

Disclosure of sales and profit (loss) for each reportable segment, and information on disaggregation of revenue

(Millions of yen)

	Reportable segments			Adjustment (Note 1)	Total (Note 2)
	Engineering Segment	Energy Supply Segment	Total		
Net sales					
Goods transferred at a point in time	317	7,208	7,526	—	7,526
Goods transferred over time	8,884	1,899	10,784	—	10,784
Revenue from contracts with customers	9,202	9,108	18,310	—	18,310
Revenues from external customers	9,202	9,108	18,310	—	18,310
Intersegment sales and transfers	—	—	—	—	—
Total	9,202	9,108	18,310	—	18,310
Segment profit	2,102	1,908	4,011	170	4,181

Notes: 1. Adjustment for segment profit includes eliminations of intersegment transactions and corporate expenses that are not allocated to reportable segments.

2. Segment profit has been reconciled with operating profit in the quarterly consolidated statement of income.

### II Six months ended December 31, 2022 (from July 1, 2022 to December 31, 2022)

1. Disclosure of sales and profit (loss) for each reportable segment, and information on disaggregation of revenue

(Millions of yen)

	Reportable segments			Adjustment (Note 1)	Total (Note 2)
	Engineering Segment	Energy Supply Segment	Total		
Net sales					
Goods transferred at a point in time	383	8,368	8,751	—	8,751
Goods transferred over time	6,043	1,814	7,858	—	7,858
Revenue from contracts with customers	6,426	10,183	16,610	—	16,610
Revenues from external customers	6,426	10,183	16,610	—	16,610
Intersegment sales and transfers	911	—	911	(911)	—
Total	7,338	10,183	17,521	(911)	16,610
Segment profit	514	2,227	2,741	182	2,923

Notes: 1. Adjustment for segment profit includes eliminations of intersegment transactions and corporate expenses that are not allocated to reportable segments.

2. Segment profit has been reconciled with operating profit in the quarterly consolidated statement of income.

3. Segment information for the six months of the previous fiscal year discloses the amounts that reflect significant review of the initially allocated amounts of the acquisition costs in accordance with the determination of the provisional accounting treatment described in “Notes - Business combinations.”

## Significant events after reporting period

Not applicable.