

Financial Results Meeting Materials for the Six Months Ended December 31, 2022



February 14, 2023
TESS Holdings Co., Ltd.
Securities code: 5074

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~First sunrise of the New Year~

I. Top Message

- ▶ Consolidated results for 2Q (YTD) of FYE June 2023 **proceeded steadily.**
- ▶ Announced revisions to consolidated financial results forecasts (announced February 14, 2023)
Net sales and all other items were revised up from initial forecasts
- ▶ Total generation capacity for renewable energy power generation facilities: **approx. 219 MW (82 projects)** (as of December 31, 2022)
- ▶ The progress of electricity retailing exceeded the Group's plan as a result of measures such as **reducing the volume of electricity supplied** and **raising unit prices of the electricity supplied to existing customers** to curb the impact of rising cost of sales for procurement of power source.
- ▶ Signed an agreement with PT Perkebunan Nusantara III ("PTPN"), an Indonesian state-owned palm enterprise, for **EFB (Empty Fruit Bunch) pellet production business**
- ▶ Disclosed the process and matrix for identifying **materiality (priority issues)** regarding **sustainability**, and began specific actions

Management Structure/Management

- ▶ The Company transitioned to a new management structure, including a change in the Representative Director and President, effective September 29, 2022.
- ▶ Management structure consisting of five Executive Directors and four Directors, Audit and Supervisory Committee Members (including three Independent External Directors)



Hideo Ishiwaki

Director and Chairman, Chairperson of the Board of Directors

Joined TESS Group in September 2004. Representative Director from August 2012. Director and Chairman, Chairperson of the Board of Directors from September 2022.



Kazuki Yamamoto

Representative Director and President

Joined TESS Group in April 1993, served as a person in charge of the Sales Department and the Corporate Planning Department.

Executive Managing Director of the Company from April 2018. Representative Director and President from September 2022.

Leads the entire TESS Group.



Toshihiro Takasaki

Executive Managing Director

Joined TESS Group in April 1995, promoting the business as a person in charge of the Sales Department. Director of the Company from April 2018. Executive Managing Director of the Company from September 2022.

Serves concurrently as President & Chief Executive Officer of core subsidiary TESS Engineering.



Tatsuro Minami

Director, General Manager of the Administration Department

Joined TESS Group in April 1997. Executive Officer of the Company from July 2019.

Supervises the human resources, general affairs, and information systems divisions as a person in charge of the Company's Resource Management Unit, and promotes diversity management. Director, General Manager of the Administration Department of the Company from September 2022.



Mayumi Yoshida

Director, In-charge of ESG and Women's Empowerment

Engages mainly in corporate management and duties related to GHG emissions trading, and has abundant business experience and advanced expertise. Joined the Company in May 2022, Executive Officer, In-charge of ESG and Women's Empowerment.

Director, In-charge of ESG and Women's Empowerment from September 2022.



Katsushige Fujii

Director, Audit and Supervisory Committee Member

After joined TESS Group in April 1987, involved procurement, quality control, etc. Audit and Supervisory Committee Member of the Company from September 2021. Serves concurrently as Audit & Supervisory Board Member of TESS Engineering.



Hiroyuki Okura

External Director, Audit and Supervisory Committee Member (Independent)

Established Sun Business Support after working at Sanwa Bank, Limited, being temporarily assigned to the Ministry of Construction, and working at KITAHAMA TAX SERVICE, etc.

Audit and Supervisory Committee Member of the Company from April 2018.



Masaki Inoue

External Director, Audit and Supervisory Committee Member (Independent)

Worked at OKAYA & CO., LTD., subsequently involved in corporate management as Representative Director and President at multiple companies, including SAKURA SEISAKUSHO, LTD.

Audit and Supervisory Committee Member of the Company from April 2018.



Akio Hamamoto

External Director, Audit and Supervisory Committee Member (Independent)

Accumulated experience in overseas businesses working in Europe, the United States and Southeast Asia for Mitsubishi Heavy Industries, Ltd., has abundant knowledge of power generation plants. Audit and Supervisory Committee Member of the Company from September 2021.

II. Summary of Consolidated Financial Results for the Six Months Ended December 31, 2022

Consolidated Financial Results

- Consolidated results for 2Q (YTD) of FYE June 2023 (from July to December 2022) achieved approximately 50% of the revised full-year plan

(Millions of yen)

	FYE June 2022 2Q (YTD)	FYE June 2023 2Q (YTD)	FYE June 2023 Full-year targets* ¹	Quarter-on- quarter changes	Percentage of full-year target achieved
Net sales	18,310	16,610	33,400	-9.3%	49.7%
Gross profit (Profit margin)	5,797 (31.7%)	4,716 (28.4%)	9,400 (28.1%)	-18.6%	50.2%
Operating profit * ² (Profit margin)	4,181 (22.8%)	2,923 (17.6%)	5,400 (16.2%)	-30.1%	54.1%
Ordinary profit * ² (Profit margin)	3,797 (20.7%)	2,501 (15.1%)	4,600 (13.8%)	-34.1%	54.4%
Profit attributable to owners of parent * ² (Profit margin)	2,420 (13.2%)	1,560 (9.4%)	2,900 (8.7%)	-35.5%	53.8%

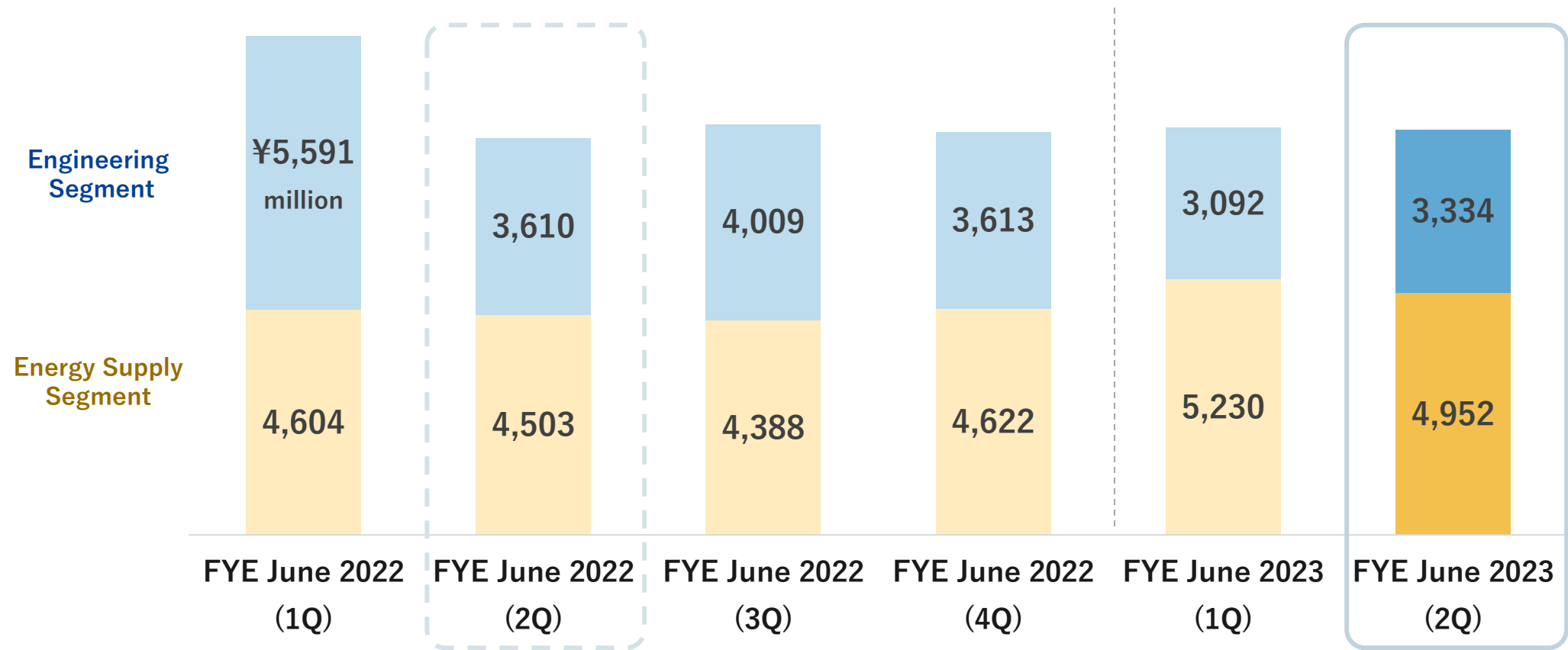
*1 We have revised on February 14, 2023 the financial results forecast for the fiscal year ending June 30, 2023.

*2 Operating profit, ordinary profit, and profit attributable to owners of parent for the six months ended December 31, 2021 have been revised by ¥23 million each to reflect the impact of finalizing the business combination of Imari Green Power Co., Ltd. at the end of the previous fiscal year, which had been accounted for on a provisional basis.

Quarterly Net Sales by Segment

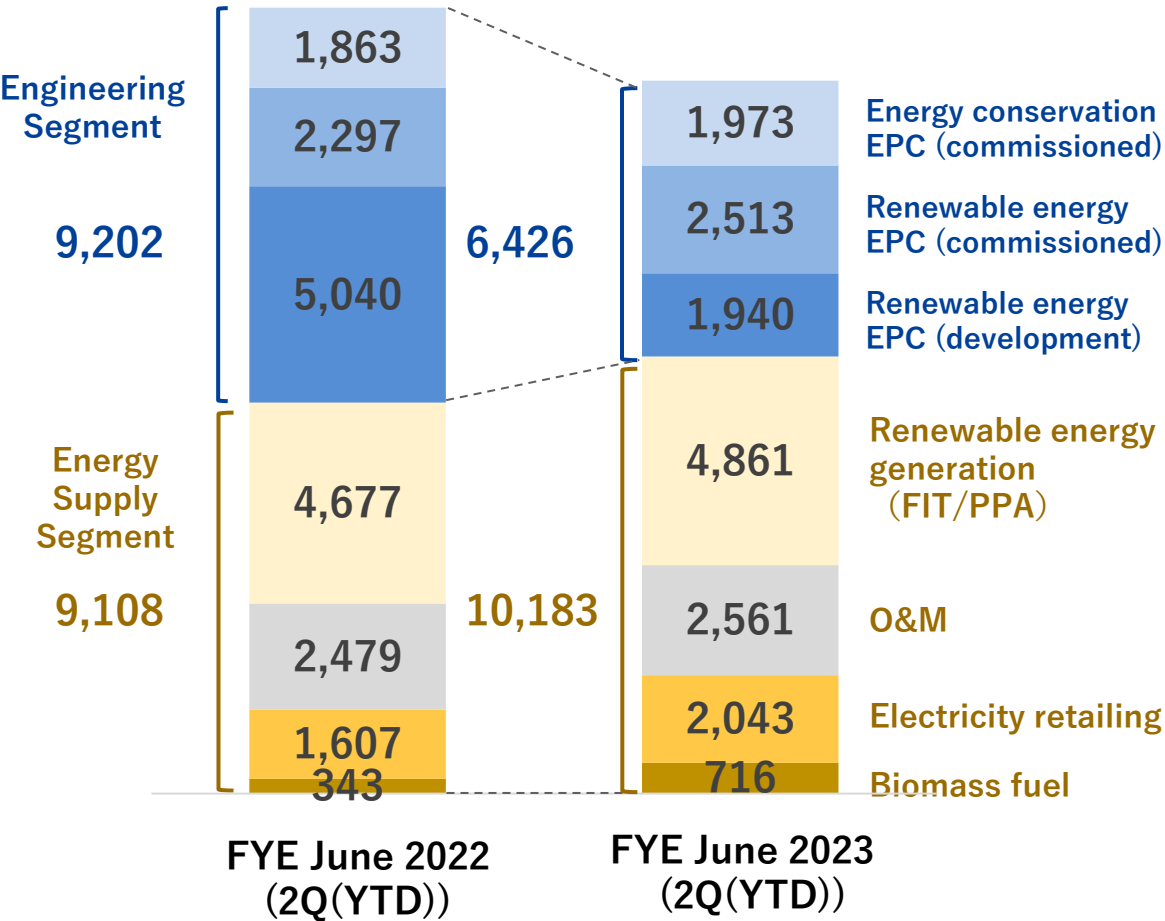
- ▶ Engineering Segment recorded around the same level of revenues as in the same period of the previous fiscal year due to sales of commissioned-type EPC was steady
- ▶ Energy Supply Segment recorded a year-on-year revenue increase in renewable energy generation, O&M, electricity retailing, and biomass fuel

Quarterly net sales by segment (after inter-segment elimination)



Breakdown of Segment Sales for 2Q (YTD)

Breakdown of segment sales for 2Q (YTD)
(after inter-segment elimination)



* The breakdown of net sales by reportable segment has not been audited.

Engineering Segment

- ▶ Energy conservation EPC (commissioned-type) saw a year-on-year increase in revenues due to increases in co-generation and utility projects
- ▶ Renewable energy EPC (commissioned-type) saw a year-on-year increase in revenues due to an increase in rooftop solar power projects for logistics warehouses
- ▶ In renewable energy EPC (development-type), revenues declined year on year due to the impact of one-time sales recorded at the Fukuoka Miyako Mega Solar Plant associated with changes in accounting standards and construction progress

Energy Supply Segment

- ▶ Revenues in renewable energy generation increased year on year due to an increase in the number of projects in operation as well as steady growth in energy generation
- ▶ O&M remained steady as planned
- ▶ Revenues in electricity retailing were higher year on year due to raising unit prices of the electricity supplied for customers, increasing in fuel adjustment expenses, and other factors
- ▶ Biomass fuel recorded higher revenues year on year due to increasing the shipment volume, higher unit prices and the impact of foreign exchange rates

Operating Results of Engineering Segment

- ▶ Engineering Segment for 2Q (YTD) of FYE June 2023 recorded lower revenues and profits year on year (Millions of yen)

	After inter-segment elimination		
	2Q (YTD) of FYE June 2022	2Q (YTD) of FYE June 2023	Targets of FYE June 2023
Consolidated net sales	18,310	16,610	33,400
Engineering Segment	9,202	6,426	10,300
Commissioned-type energy conservation	1,863	1,973	—
Commissioned-type renewable energy	2,297	2,513	—
Development-type renewable energy	5,040	1,940	—
Energy Supply Segment	9,108	10,183	23,100
Renewable energy generation	4,677	4,861	—
O&M	2,479	2,561	—
Electricity retailing	1,607	2,043	—
Other (biomass fuel)	343	716	—
Elimination/Corporate	—	—	—
Gross profit	5,797	4,716	9,400
Engineering Segment	3,006	1,351	1,900
Energy Supply Segment	2,801	3,365	7,500
Elimination/Corporate	(9)	—	—
Operating profit	4,181	2,923	5,400
Engineering Segment	2,484	844	—
Energy Supply Segment	2,250	2,676	—
Elimination/Corporate	(552)	(597)	—

Main factors behind change in earnings (2Q of FYE June 2023)

- ▶ **Gross profit remained steady and was in line with the Group's plan despite a year-on-year decrease in profit due to the impact of a one-time profit recorded in the EPC for Fukuoka Miyako Mega Solar Plant associated with changes in accounting standards and construction progress**

Orders received (2Q of FYE June 2023; Unit: millions of yen)

Orders received	8,588	Order backlog	8,371
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*Operating profit for the six months ended December 31, 2021 has been revised by ¥23 million to reflect the impact of finalizing the business combination of Imari Green Power Co., Ltd. at the end of the previous fiscal year, which had been accounted for on a provisional basis.

Operating Results of Energy Supply Segment

- ▶ Energy Supply Segment 2Q (YTD) of FYE June 2023 recorded higher revenues and profits year on year

(Millions of yen)

	After inter-segment elimination		
	2Q (YTD) of FYE June 2022	2Q (YTD) of FYE June 2023	Targets of FYE June 2023
Consolidated net sales	18,310	16,610	33,400
Engineering Segment	9,202	6,426	10,300
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Operating profit	4,181	2,923	5,400
Engineering Segment	2,484	844	—
Energy Supply Segment	2,250	2,676	—
Elimination/Corporate	(552)	(597)	—

Main factors behind change in earnings
(2Q of FYE June 2023)

- ▶ Gross profit increased year on year as sales of renewable energy generation, O&M, electricity retailing, and biomass fuel were all steady
- ▶ Profitability improvement measures in electricity retailing contributed to higher profits

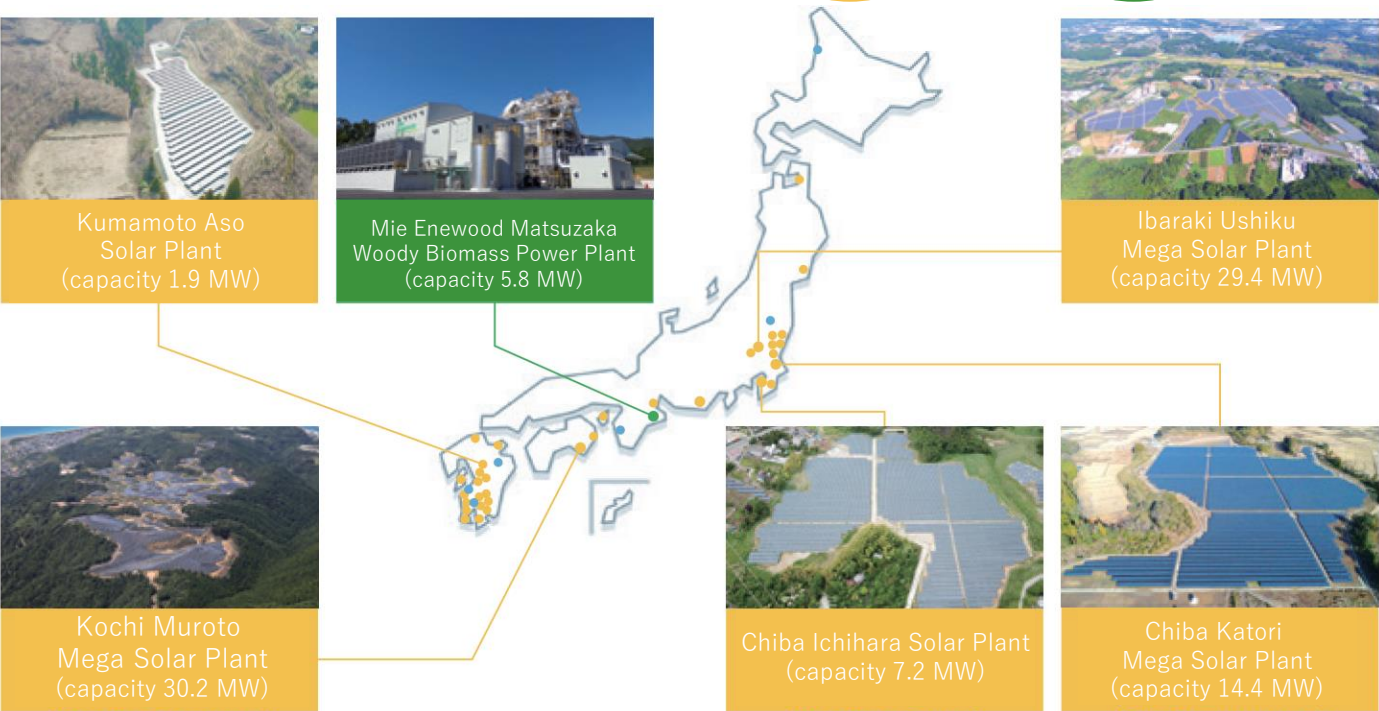
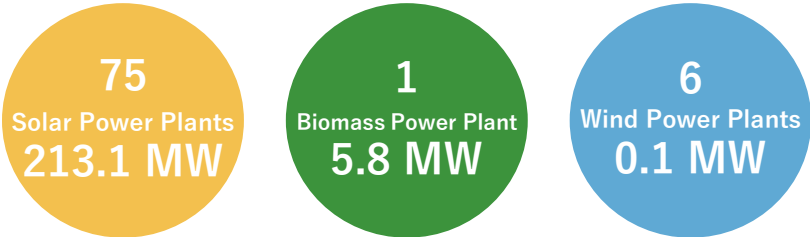
*Operating profit for the six months ended December 31, 2021 has been revised by ¥23 million to reflect the impact of finalizing the business combination of Imari Green Power Co., Ltd. at the end of the previous fiscal year, which had been accounted for on a provisional basis.

TESS Group's Renewable Energy Power Plants

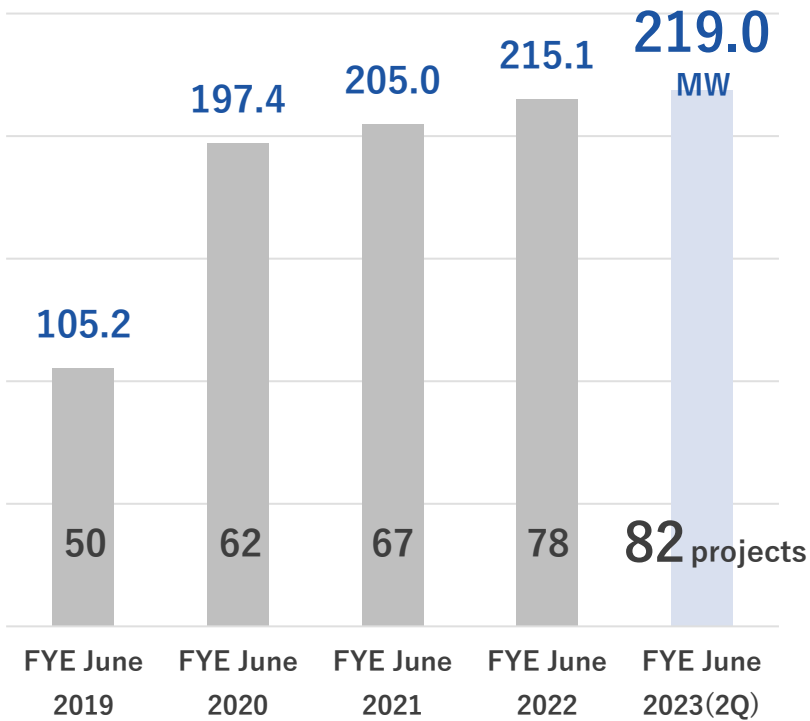
- ▶ We own renewable energy power plants all over Japan
- ▶ We seek to obtain stable long-term income from FIT schemes and on-site PPA model projects for in-house generation and consumption

Total generation capacity (in operation)
*as of December 31, 2022

approx. 219.0 MW 82 projects
(including 8 on-site PPA projects, approx. 7.4 MW)



Number of the TESS Group's renewable energy power generation facilities (in operation), and total generation capacity over time

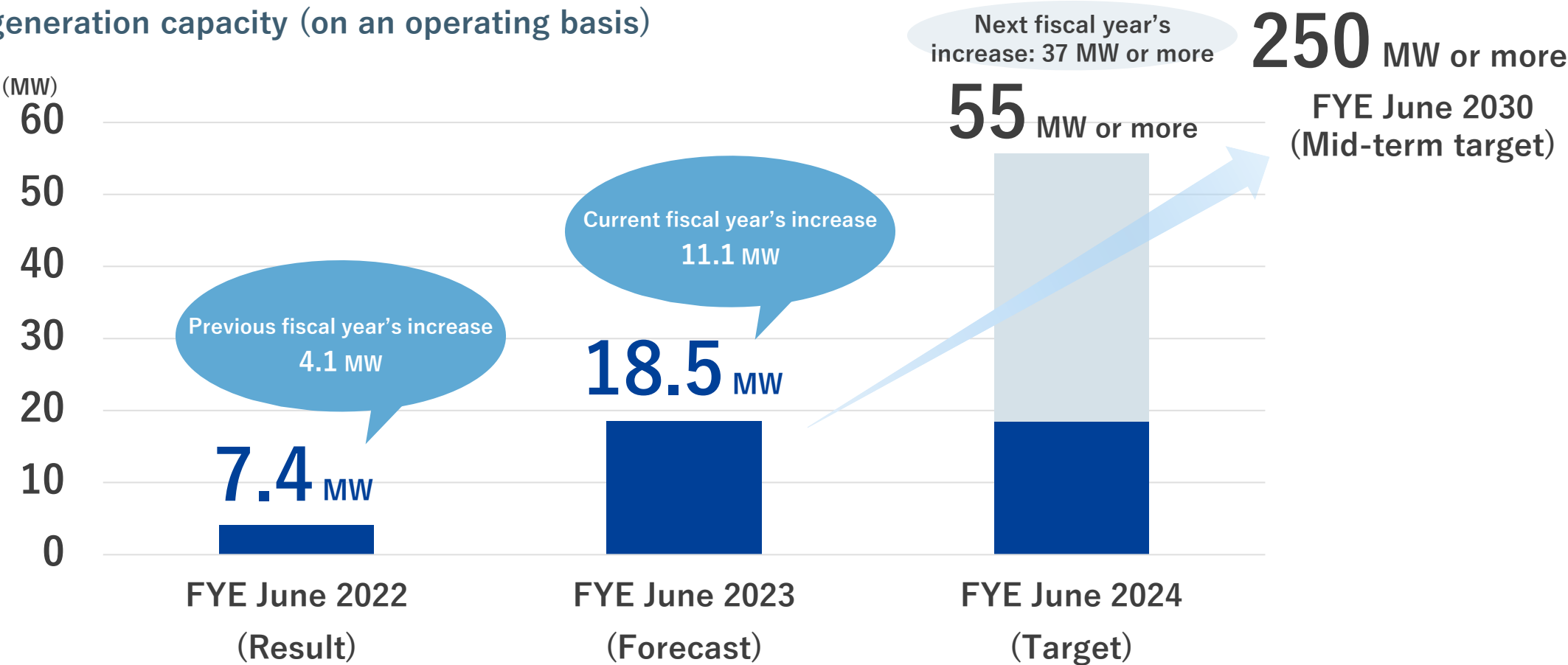


Note 1. Solar power plant generation capacity indicates module-based installed capacity (sum of maximum output by solar battery modules).
Note 2. Biomass and wind power plant generation capacity indicates generator output-based installed capacity.

Generation Capacity Accumulation From On-site PPAs

- ▶ We aim to have 250 MW or more of in-house power generation capacity from on-site PPAs by FYE June 2030
- ▶ We expect to have the total generation capacity of approx. 18.5 MW on an operating basis at the end of FYE June 2023 (11.1 MW increase during the period*)

On-site PPA generation capacity (on an operating basis)



*Including projects already contracted or unofficially announced as of the end of December 2022.

Topics on Renewable Energy

- ▶ Acquired total four solar power generation plants that have already commenced operations (secondary projects)

**Solar power generation plants that have already commenced operations
(secondary projects)**

**We acquired “TESS Miyazaki Takajo No.1 Solar Plant, No.2 Solar Plant,
No.3 Solar Plant and No.4 Solar Plant”
(Total generation capacity approx. 3.9 MW)**



(From top left: No.1, No.2 and No.4 Solar Plants. Bottom left: No.3 Solar Plant)

Initiatives for EFB pellet production

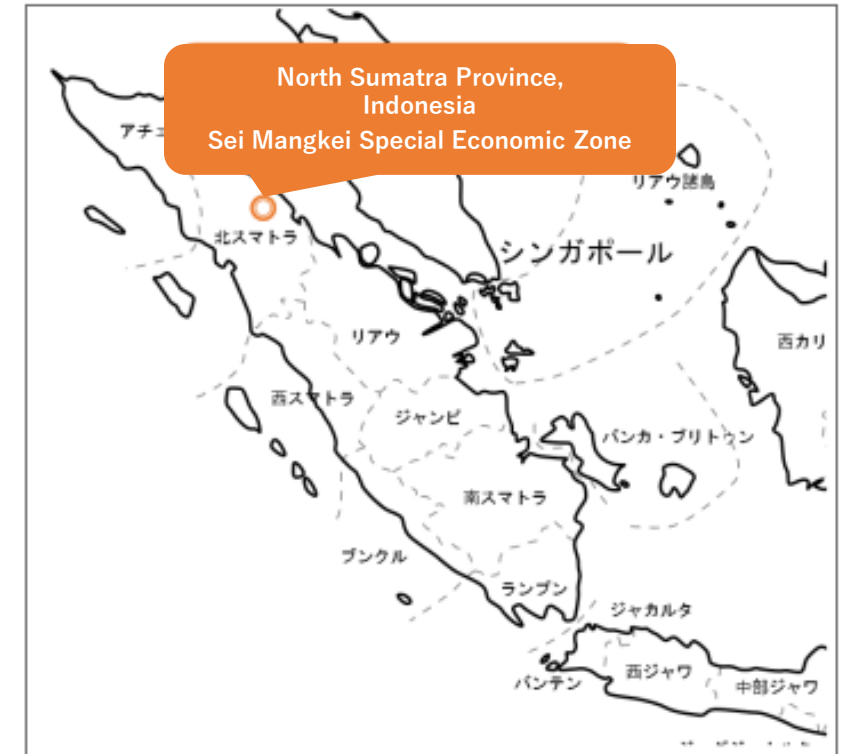
- ▶ Signed an agreement with PTPN, an Indonesian state-owned palm enterprise, for EFB (Empty Fruit Bunch) pellet production business
- ▶ The signing of this agreement will contribute to securing a stable supply of raw materials for EFB pellet production and a site for the plant construction
- ▶ A feasibility study will be conducted for construction of a plant with full-scale pellet production capacity



[View of the signing ceremony (December 23, 2022)]

Third from left:
PTPN Vice President Denaldy

Third from right:
TESS Holdings Co., Ltd. Representative
Director and President Yamamoto



(Location of Sei Mangkei
Special Economic Zone)

Sustainability Initiatives

- ▶ Disclosed the TESS Group's materiality (priority issues) on our website
- ▶ Began specific actions to address materiality

Efforts and information disclosure to realize a decarbonized society

- For Scope 1 and 2, we have identified internal measures to reduce GHG emissions, and are proceeding with the most feasible and cost-effective measures first
- Initiatives to disclose the TESS Group's GHG emissions report, including Scope 3, have been commenced

Promoting diversity

- In order to identify current issues, the Director in charge of ESG and Women's Empowerment held 1-on-1 meetings with all female employees and male managers
- Based on the results obtained, commenced initiatives to resolve issues in consultation with management and relevant departments
- Created a roadmap to achieve numerical targets related to women's empowerment set forth in the Medium-term Management Policy

III. (Attached Materials)Revisions to the Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2023*

*Announced February 14, 2023

Forecast of Consolidated Financial Results for the Fiscal Year Ending June 30, 2023 (Announced February 14, 2023)

- Consolidated financial results forecasts for the fiscal year ending June 30, 2023 have been revised up for net sales and all other items from initial forecasts

(Millions of yen)

	FYE June 2023 Full-year forecast announced August 15, 2022	FYE June 2023 Full-year forecast announced February 14, 2023	vs previously announced forecasts Change
Net sales	31,800	33,400	5.0%
Gross profit (Profit margin)	8,700 (27.4%)	9,400 (28.1%)	8.0%
Operating profit (Profit margin)	4,900 (15.4%)	5,400 (16.2%)	10.2%
Ordinary profit (Profit margin)	4,000 (12.6%)	4,600 (13.8%)	15.0%
Profit attributable to owners of parent (Profit margin)	2,500 (7.9%)	2,900 (8.7%)	16.0%

Key Points of Revisions to the Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2023

Engineering

- ▶ We expect **both renewable energy and energy conservation for commissioned type EPC to proceed steadily** due to needs for energy decarbonization initiatives among our customers

Engineering

- ▶ **Postponement of the recording of sales on the transfer of rights, etc.** in projects for which the development process is currently progressing, which was expected at the time of the previous forecast announcement, **to the next fiscal year onward**

Energy Supply

- ▶ We expect to **record sales from the sale* of 9 renewable energy power plants (total generating capacity: 15.3 MW)** owned by the Company in order to improve the Company's financial position

Energy Supply

- ▶ We expect an increase in development fees equivalent to the revenue from the sale of electricity due to a shorter construction period for the EPC for Fukuoka Miyako Mega Solar Plant than in the previous forecast

Energy Supply

- ▶ For electricity retailing, **the consolidated financial results forecast reflects the effect of implementing measures to improve profitability** by raising unit prices of the electricity supplied to existing customers, etc.

*For details of the sale of 9 renewable energy power plants, please refer to the timely disclosure of "Notice Concerning Sale of Inventory Assets" announced on February 14, 2023.

Forecast of Consolidated Financial Results by Reportable Segment for the Fiscal Year Ending June 30, 2023

(Millions of yen)

	Before inter-segment elimination		After inter-segment elimination	
	FYE June 2022 Actual	FYE June 2023 Forecast	FYE June 2022 Actual	FYE June 2023 Forecast
Consolidated net sales	34,945	33,400	34,945	33,400
Engineering Segment	17,496	13,300	16,825	10,300
Energy Supply Segment	18,120	23,100	18,120	23,100
Inter-segment elimination	(671)	(3,000)	—	—
Gross profit	8,455	9,400	8,455	9,400
Engineering Segment	4,047	2,000	3,970	1,900
Energy Supply Segment	4,047	7,080	4,484	7,500
Inter-segment elimination	360	320	—	—

IV. Overview of Consolidate Financial Statements, Etc.

Consolidated Statement of Income

(Millions of yen)

	FYE June 2022 2Q results	FYE June 2022 Full-year results	FYE June 2023 2Q results	Quarter- on-quarter Change	Main factors for the change, etc.
Net sales	18,310	34,945	16,610	-1,700	See “II. Summary of Consolidated Financial Results for the Six Months Ended December 31, 2022”
Cost of sales	12,513	26,489	11,893	-620	
Gross profit	5,797	8,455	4,716	-1,081	
Selling, general and administrative expenses	1,615	3,309	1,793	178	
Operating profit	4,181	5,146	2,923	-1,258	
Non-operating income	205	718	127	-78	
Non-operating expenses	590	1,210	549	-41	
Ordinary profit	3,797	4,654	2,501	-1,296	
Extraordinary losses	-	343	-	-	
Profit before income taxes	3,797	4,310	2,501	-1,296	
Profit	2,472	2,759	1,685	-787	
Profit attributable to owners of parent	2,420	2,695	1,560	-860	

*Operating profit, ordinary profit, and profit attributable to owners of parent for the six months ended December 31, 2021 have been revised by ¥23 million each to reflect the impact of finalizing the business combination of Imari Green Power Co., Ltd. at the end of the previous fiscal year, which had been accounted for on a provisional basis.

Consolidated Balance Sheet

(Millions of yen)

	FYE June 2022 Full-year results	FYE June 2023 2Q results	Change	Main factors for the change, etc.
Current assets	38,834	36,126	-2,708	Decreases in advance payments to suppliers and contract assets
Non-current assets	55,422	62,043	6,621	Increase in construction in progress
Total assets	94,256	98,169	3,913	
Current liabilities	21,584	25,211	3,627	Increase in short-term borrowings
Non-current liabilities	47,432	46,709	-723	Repayment of long-term borrowings
Total liabilities	69,017	71,920	2,903	
Shareholders' equity	25,179	26,011	832	
Accumulated other comprehensive income	27	136	109	
Non-controlling interests	32	101	69	
Total net assets	25,239	26,249	1,010	
Total liabilities and net assets	94,256	98,169	3,913	

Consolidated Statement of Cash Flows

(Millions of yen)

	FYE June 2022 2Q results	FYE June 2023 2Q results	Change	Main factors for the change
Net cash provided by (used in) operating activities	13,210	4,259	-8,950	Impact of change in trade receivables*
Net cash provided by (used in) investing activities	(3,698)	(8,029)	-4,330	Decrease associated with purchase of property, plant and equipment
Net cash provided by (used in) financing activities	(15,635)	3,708	19,343	Repayment of short-term borrowings in the previous fiscal year, and increase in short-term borrowings in the current fiscal year
Effect of exchange rate change on cash and cash equivalents	44	196	151	
Cash and cash equivalents at beginning of period	22,169	18,369	-3,800	
Cash and cash equivalents at end of period	16,091	18,504	2,413	

* Prepared with the inclusion of the impact of adjustments to the balance at the beginning of the period due to the application of the Accounting Standard for Revenue Recognition.

Operating Results by Segment

(Millions of yen)

	Before inter-segment elimination		After inter-segment elimination	
	2Q (YTD) of FYE June 2022	2Q (YTD) of FYE June 2023	2Q (YTD) of FYE June 2022	2Q (YTD) of FYE June 2023
Consolidated net sales	18,310	16,610	18,310	16,610
Engineering Segment	9,202	7,338	9,202	6,426
Commissioned-type energy conservation	1,863	1,973	1,863	1,973
Commissioned-type renewable energy	2,297	2,513	2,297	2,513
Development-type renewable energy	5,040	2,851	5,040	1,940
Energy Supply Segment	9,108	10,183	9,108	10,183
Renewable energy generation	4,677	4,861	4,677	4,861
O&M	2,479	2,561	2,479	2,561
Electricity retailing	1,607	2,043	1,607	2,043
Other (biomass fuel)	343	716	343	716
Elimination/Corporate	—	(911)	—	—
Gross profit	5,797	4,716	5,797	4,716
Engineering Segment	3,006	1,333	3,006	1,351
Energy Supply Segment	2,585	3,149	2,801	3,365
Elimination/Corporate	205	234	(9)	—
Operating profit	4,181	2,923	4,181	2,923
Engineering Segment	2,102	514	2,484	844
Energy Supply Segment	1,908	2,227	2,250	2,676
Elimination/Corporate	170	182	(552)	(597)

*Operating profit for the six months ended December 31, 2021 has been revised by ¥23 million to reflect the impact of finalizing the business combination of Imari Green Power Co., Ltd. at the end of the previous fiscal year, which had been accounted for on a provisional basis.

Impact of Application of Accounting Standard for Revenue Recognition

- ▶ The TESS Group has applied “Accounting Standard for Revenue Recognition” from July 1, 2021
- ▶ The accounting standards applied to each segment are as follows

Segment		Before application Through June 30, 2021	After application Starting July 1, 2021
Engineering Segment		Completed- contract method or Percentage-of- completion method	Method where revenue is recognized based on the progress over time or Cost recovery method
Energy Supply Segment	Renewable energy generation	Accrual basis	
	O&M	Inspection basis or Over time	
	Electricity retailing	Accrual basis	
	Biomass fuel	Shipping basis	

V . (Attached Materials) Corporate Overview

Overview of the Company

Name	TESS Holdings Co., Ltd.	
Representative	Kazuki Yamamoto, Representative Director and President	
Founded	July 9, 2009 (TESS Group founded in May 1979)	
Share capital	17 million yen (As of June 30, 2022)	
Group businesses	Management consultation to introduce environmental protection/energy saving systems such as co-generation system, engineering, procurement and construction (EPC), operation & maintenance, 24 hours operation monitoring, supporting operation management by “Energy Management System,” fuel supply business, electricity retailing (power producer and supplier), power generation by renewable energy, etc.	
Headquarters location	Shin-Osaka Prime Tower, 6-1-1 Nishinakajima, Yodogawa-ku, Osaka-shi, Osaka 532-0011 Japan	
Tokyo Office location	Yaesu First Financial Building, 1-3-7 Yaesu, Chuo-ku, Tokyo 103-0028 Japan	
Group's license and registrations	Special Construction License	License issued by Minister of Land, Infrastructure, Transport and Tourism: ○Construction ○Scaffolding/Earthmoving ○Roofing ○Electrical ○Piping ○Steel Structuring ○Plating ○Painting ○Waterproofing ○Machinery Installation ○Dismantling ○Civil Engineering
	The Offices of Registered Architects	License # 23366 - Governor of Osaka Prefecture
Listing	Prime Market of the Tokyo Stock Exchange Securities code: 5074 (Listed April 27, 2021)	

Business Philosophy

Customer Focus, Customer Satisfaction

- ▶ We treat all stakeholders as the customer, including all clients, business partners, shareholders, investors, the communities where we operate, and group officers, employees, and their families.
- ▶ Our top management pledges to lead by example, engaging customers in a sincere, steady, self-reliant and straightforward manner.
- ▶ We place ESG and compliance at the core of management, and strive to increase corporate value by growing sustainably through our contribution to the SDGs.

Management Philosophy

Total Energy Savings & Solutions

As the customers' energy related issues and needs become more complex, our business philosophy "Customer Focus, Customer Satisfaction" cannot be achieved with uniform products and services.

TESS stands for "Total Energy Savings & Solutions." We will promote provision of comprehensive energy solution as a group to realize this goal.

Management Vision

+E Performer

"+E Performer" is our management vision.

" +E" represents "provision of innovative new products and services" concerning "Energy, Economy, Environment, Engineering, Ecology, Engagement, ..." related to the Group business activities. It signifies our corporate commitment to produce high performance that delivers results by sincerely engaging with our customers' needs.

By maximizing the Group strength, we aim to become a "+E Performer" that nurture, protect, and connect energy for the next generation.

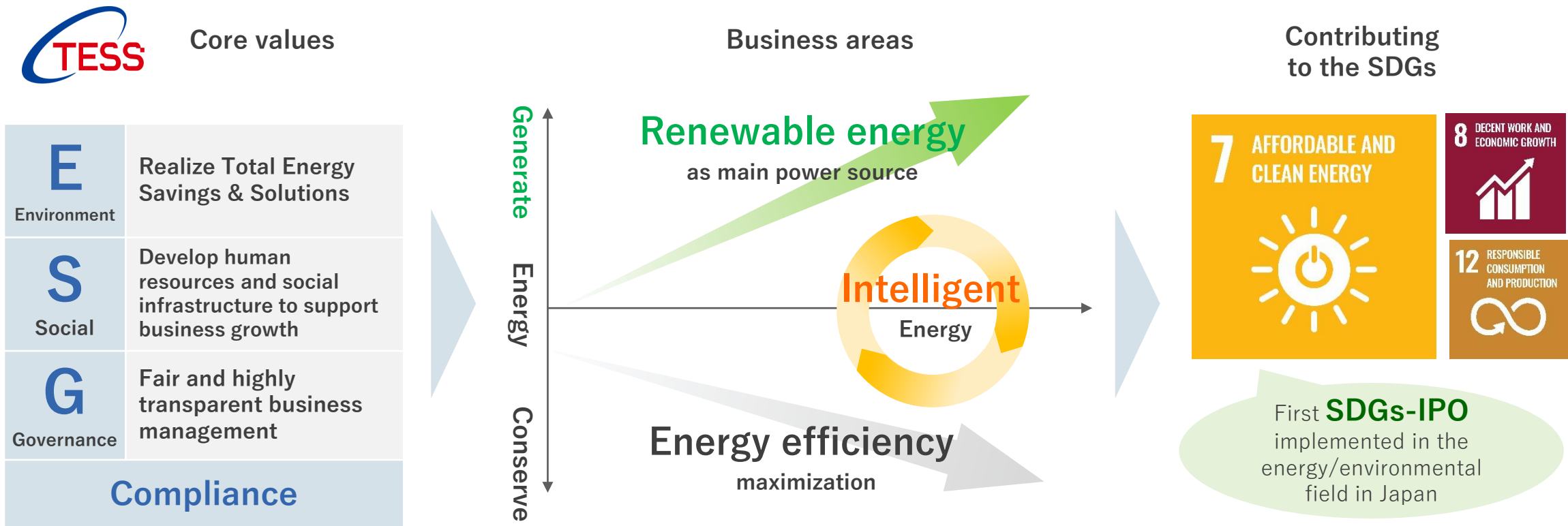
ESG Policy (formulated on July 15, 2022)

The TESS Group positions ESG and compliance at the core of its management and aims to contribute to the decarbonization of global energy and the realization of the SDGs.

Environment (E)	We aim to realize Total Energy Savings & Solutions for our customers and local communities.
Social (S)	We will develop human resources and social infrastructure to support business growth.
Governance (G)	We will carry out fair and highly transparent management.

Group Purpose

- Contributing to global energy decarbonization through the realization of **Total Energy Savings & Solutions**.
- ▶ We place ESG and compliance at the core of management, and focus on the business areas with strong social needs and growth outlook, i.e., “renewable energy as main power source,” “energy efficiency maximization,” and “intelligent energy infrastructure.”



1

- ▶ **We focus on the three business areas of “renewable energy as main power source,” “energy efficiency maximization,” and “intelligent energy infrastructure”**

The Group has developed its business by specializing in the energy industry under its management philosophy of “Total Energy Savings & Solutions,” and by focusing on the three business areas with strong social needs and greater growth outlook, i.e., “renewable energy as main power source,” “energy efficiency maximization,” and “intelligent energy infrastructure,” the Group will contribute to initiatives for the global energy decarbonization.

2

- ▶ **By providing comprehensive energy solutions, we aim to build long-term transactional relationships with customers and to diversify our revenue opportunities**

We provide comprehensive energy solutions that address the increasingly complicated energy issues faced by customers, such as environmental measures, energy-saving initiatives, and energy cost programs. We are expanding the scope of the solutions we offer on both Engineering Segment and the Energy Supply Segment fronts, and building long-term transactional relationships with customers while at the same time diversifying our revenue opportunities.

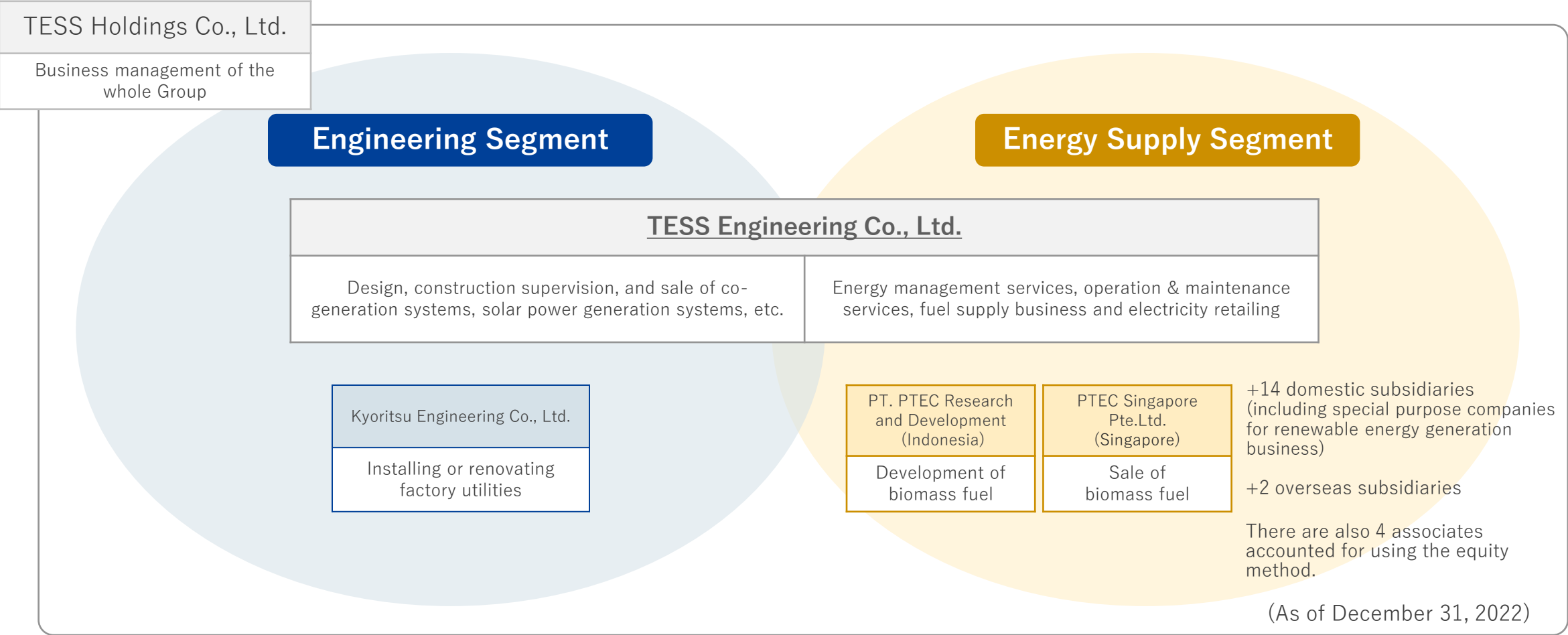
3

- ▶ **Building a stable management base by bolstering the stock-model business**

By continuously growing the Energy Supply Segment, which is a stock-model business, we will build a stable management base that is less susceptible to fluctuations in the economic conditions. Specifically, we aim to raise the proportion of consolidated net sales accounted for by the Energy Supply Segment, primarily by expanding renewable energy power plant ownership, operation, and electricity sales, so that the Energy Supply Segment consistently makes up more than half the total over the long term.

Group Overview

- ▶ TESS Group consists of TESS Holdings, 16 domestic subsidiaries, 4 overseas subsidiaries and 4 associates
- ▶ Core subsidiary of TESS Engineering is responsible for both the Engineering Segment and the Energy Supply Segment



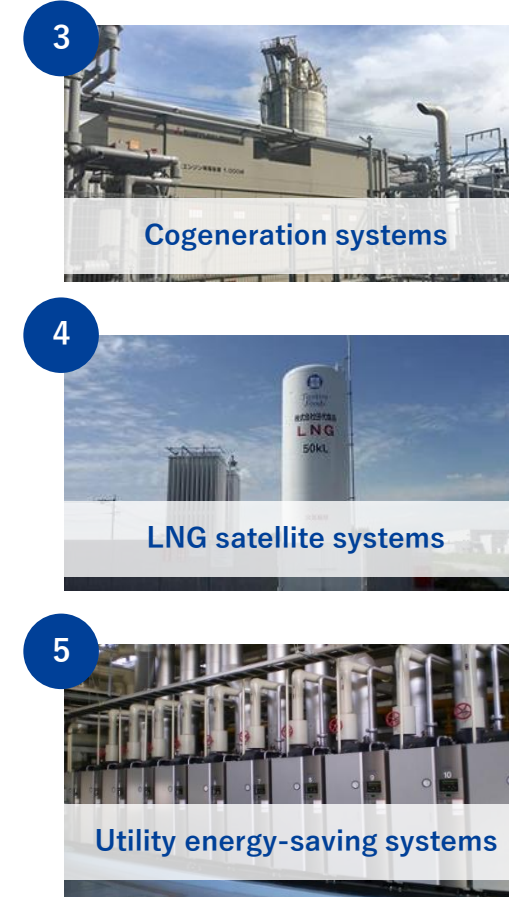
Business Details (1) Engineering Segment

- ▶ In the Engineering Segment, we operate a flow business model focused on EPC* for renewable energy and energy conservation-related facilities at factories and business facilities that are heavy consumers of energy

Renewable energy EPC



Energy conservation EPC



* EPC: Engineering, Procurement, and Construction

Business Details (2) Energy Supply Segment

- ▶ In the Energy Supply Segment, we operate a stock business model focused on renewable energy power generation and operation and maintenance.



Total installed capacity (in operation): **approx. 219.0 MW**
(As of December 31, 2022, including 8 on-site PPA projects, approx. 7.4 MW)



Other services

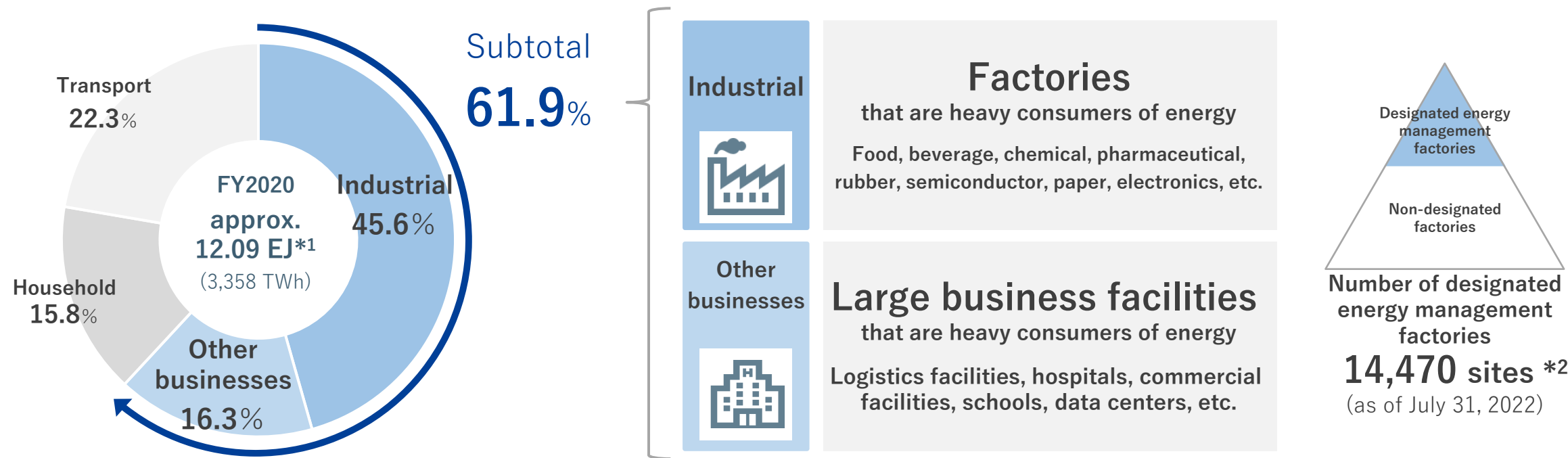
- Fuel supply services
(including LNG and biomass fuel)

* ERAB (**E**nergy **R**esource **A**ggregation **B**usiness): Business that uses virtual power plant (VPP), demand response (DR) and other technologies to provide services such as supply-demand adjustment capacity, imbalance avoidance, rate reduction, and output suppression avoidance to general power transmission and distribution operators, power retailers, and consumers.

Target Markets of the TESS Group

- ▶ TESS Group’s target sector is approximately 60% of domestic energy consumption (total for the industrial sector and other business sector)
- ▶ Providing solutions for both designated energy management factories and non-designated factories

■ Ratio of energy consumption by sector



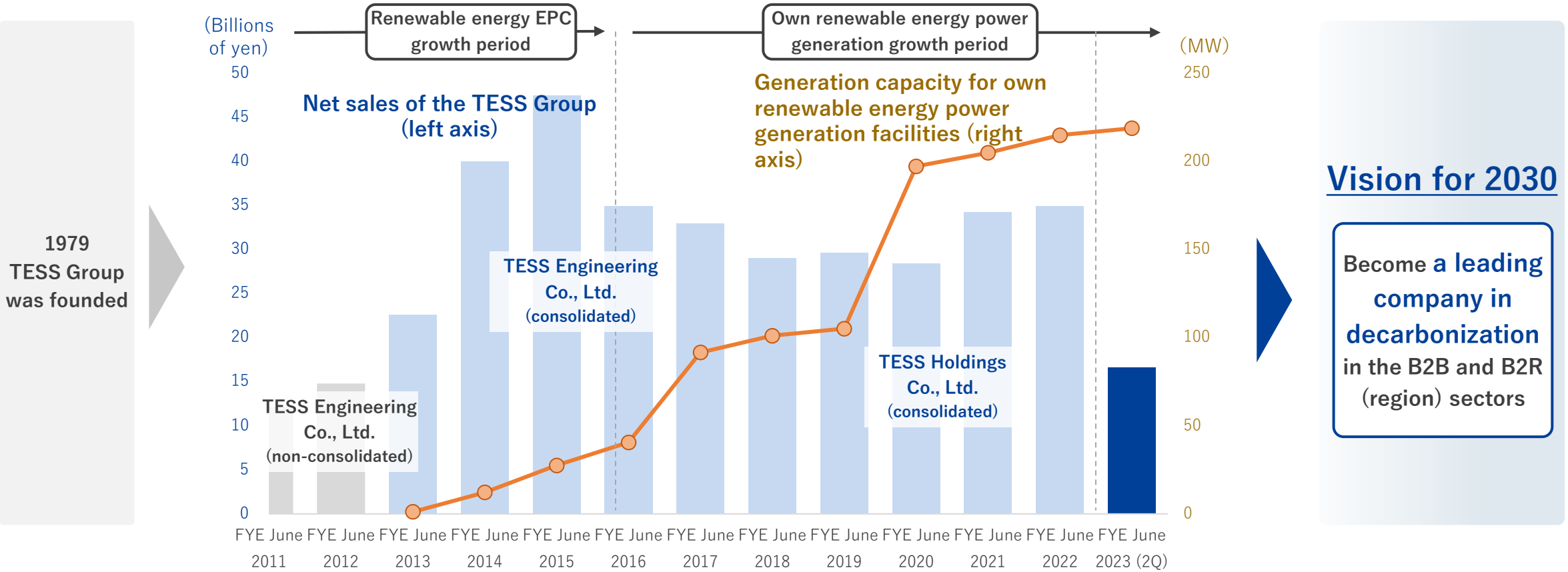
*1 EJ = 10¹⁸ J, 1 EJ is approximately 278 TWh

(Source) Created by the Company based on “FY2021 Annual Report on Energy” (June 2022) published by Agency for Natural Resources and Energy of the Ministry of Economy, Trade and Industry

*2 (Source) “Status of Designation of Specified Business Operators, etc. under the Act on the Rationalization etc. of Energy Use” published by Agency for Natural Resources and Energy of the Ministry of Economy, Trade and Industry

History

- ▶ Since being founded in 1979, consistently provide energy solutions for energy conservation, environmental measures, and cost reduction
- ▶ In recent years focus on its own renewable energy power generation operations in order to expand the Energy Supply Segment

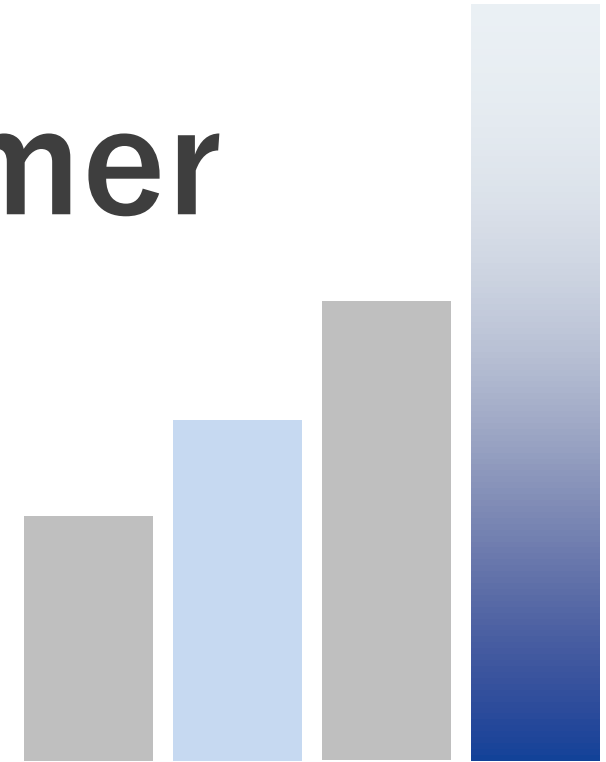


*Not audited until FY2017 (fiscal year ended June 30, 2018). TESS Engineering began preparing consolidated financial statements in FY2012 (fiscal year ended June 30, 2013). TESS Holdings began preparing consolidated financial statements in FY2017 (fiscal year ended June 30, 2018).

*In April 2018, the TESS Group transitioned to a holding company structure with TESS Holdings as the wholly-owning parent company.

+ E Performer

Total E Energy S Savings & S Solutions



Inquiries:

Public Relations & Investor Relations Team, TESS Holdings Co., Ltd.

<https://www.tess-hd.co.jp/contact/>

We ask that you send an inquiry using the form on the website.

