

Note: This document has been translated from a part of 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.

August 14, 2023

Consolidated Financial Results for the Fiscal Year Ended June 30, 2023 (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: Masaaki Hirakura, Executive Officer, General Manager of the Administration Department
 Telephone: +81-6-6308-2794
 Scheduled date of annual general meeting of shareholders: September 28, 2023
 Scheduled date to commence dividend payments: September 29, 2023
 Scheduled date to file annual securities report: September 28, 2023
 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, 2023 (from July 1, 2022 to June 30, 2023)

(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, 2023	34,415	(1.5)	6,864	33.4	5,518	18.6	3,592	33.3
June 30, 2022	34,945	2.0	5,146	17.0	4,654	21.3	2,695	35.4

Note: Comprehensive income For the fiscal year ended June 30, 2023: ¥3,935 million [31.0%]
 For the fiscal year ended June 30, 2022: ¥3,004 million [41.8%]

	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, 2023	102.17	101.52	13.4	5.9	20.0
June 30, 2022	77.19	76.19	11.2	4.8	14.7

Reference: Share of profit (loss) of entities accounted for using equity method
 For the fiscal year ended June 30, 2023: ¥(27) million
 For the fiscal year ended June 30, 2022: ¥68 million

(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, 2023	94,089	28,340	30.0	802.16
June 30, 2022	94,256	25,239	26.7	717.85

Reference: Equity
 As of June 30, 2023: ¥28,248 million
 As of June 30, 2022: ¥25,206 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, 2023	13,827	(16,029)	(5,192)	11,026
June 30, 2022	14,646	(6,215)	(12,397)	18,369

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, 2022	—	0.00	—	21.00	21.00	737	27.2	3.1
Fiscal year ended June 30, 2023	—	0.00	—	26.00	26.00	915	25.5	3.4
Fiscal year ending June 30, 2024 (Forecast)	—	0.00	—	16.00	16.00		29.2	

Note: Due to the issuance of its 3rd Series Subscription Warrants comprising 35,216,030 rights (partial commitment rights offering, exercise period: July 3, 2023 to August 30, 2023; number of potential shares: 35,216,030 shares) on July 3, 2023, the Company expects a significant increase in the total number of issued shares during the fiscal year ending June 30, 2024 through exercise of issued Subscription Warrants. Taking the relevant points into consideration, the Company has calculated the “annual dividends per share” for the fiscal year ending June 30, 2024 (forecast) using the expected average number of shares outstanding during the period, which is based on the following assumptions, as a point of reference.

- For all of the 35,216,030 rights of the Company’s 3rd Series Subscription Warrants issued on July 3, 2023 (number of potential shares: 35,216,030 shares), it is assumed that on each calendar date of the exercise period from July 3, 2023 until August 30, 2023, 596,881 rights are exercised (except on August 30, 2023 on which 596,932 rights are exercised).
- All of the 186 rights of the Company’s 1st Series Subscription Warrants (number of potential shares: 186,000 shares) and the 29 rights of the Company’s 2nd Series Subscription Warrants (number of potential shares: 29,000 shares) remaining unexercised as of June 30, 2023, will be exercised on June 30, 2024.
- Aside from the above, during the fiscal year ending June 30, 2024, there will be no other changes to the total number of issued shares.
- During the fiscal year ending June 30, 2024, there will be no changes to the number of treasury shares.

3. Forecast of consolidated financial results for the fiscal year ending June 30, 2024 (from July 1, 2023 to June 30, 2024)

(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, 2024	38,200	11.0	6,650	(3.1)	6,000	8.7	3,700	3.0	54.86

Note: The forecast for basic earnings per share in the forecast of consolidated financial results for the fiscal year ending June 30, 2024, has been calculated using the expected average number of shares outstanding during the period, which is based on the assumptions stated in “2 Cash Dividends” above, as a point of reference.

*** 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: Yes

(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, 2023	35,346,100 shares
As of June 30, 2022	35,244,100 shares

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

As of June 30, 2023	130,070 shares
As of June 30, 2022	130,070 shares

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

Fiscal year ended June 30, 2023	35,161,929 shares
Fiscal year ended June 30, 2022	34,920,479 shares

- * 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.

Consolidated financial statements

(1) Consolidated balance sheet

(Millions of yen)

	As of June 30, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	22,600	15,359
Notes receivable - trade	147	423
Accounts receivable - trade	2,408	1,829
Accounts receivable from completed construction contracts	245	173
Contract assets	3,593	1,228
Merchandise and finished goods	317	237
Work in process	43	56
Costs on construction contracts in progress	65	113
Costs on real estate business	2,157	1,628
Raw materials and supplies	81	155
Advance payments to suppliers	4,927	4,067
Other	2,263	2,114
Allowance for doubtful accounts	(17)	(6)
Total current assets	38,834	27,381
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,910	3,578
Accumulated depreciation	(937)	(977)
Accumulated impairment	(94)	(98)
Buildings and structures, net	2,878	2,503
Machinery, equipment and vehicles	40,952	39,383
Accumulated depreciation	(9,491)	(10,566)
Accumulated impairment	(13)	(14)
Machinery, equipment and vehicles, net	31,447	28,802
Tools, furniture and fixtures	235	265
Accumulated depreciation	(169)	(189)
Tools, furniture and fixtures, net	65	76
Land	4,804	4,749
Leased assets	2,265	2,275
Accumulated depreciation	(1,218)	(1,392)
Accumulated impairment	(32)	(34)
Leased assets, net	1,014	848
Construction in progress	985	14,044
Total property, plant and equipment	41,196	51,023
Intangible assets		
Goodwill	624	591
Contract-based intangible assets	5,807	6,727
Other	660	612
Total intangible assets	7,092	7,932
Investments and other assets		
Investment securities	579	421
Shares of subsidiaries and associates	1,019	1,141
Deferred tax assets	2,856	2,626
Other	2,735	3,617
Allowance for doubtful accounts	(57)	(54)
Total investments and other assets	7,133	7,751
Total non-current assets	55,422	66,707
Total assets	94,256	94,089

	As of June 30, 2022	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	844	761
Accounts payable for construction contracts	1,356	1,090
Short-term borrowings	12,133	10,100
Current portion of long-term borrowings	3,880	3,888
Lease liabilities	288	281
Income taxes payable	142	863
Contract liabilities	480	570
Provision for bonuses	191	287
Provision for contract loss	265	–
Provision for warranties for completed construction	7	31
Other	1,993	1,133
Total current liabilities	21,584	19,009
Non-current liabilities		
Long-term borrowings	42,870	41,392
Lease liabilities	1,937	2,255
Deferred tax liabilities	764	774
Asset retirement obligations	1,473	1,449
Long-term deposits received	–	483
Provision for contract loss	71	–
Retirement benefit liability	295	330
Other	19	53
Total non-current liabilities	47,432	46,740
Total liabilities	69,017	65,749
Net assets		
Shareholders' equity		
Share capital	17	26
Capital surplus	13,573	13,582
Retained earnings	11,589	14,444
Treasury shares	(0)	(0)
Total shareholders' equity	25,179	28,053
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3	7
Deferred gains or losses on hedges	(73)	(4)
Foreign currency translation adjustment	96	191
Total accumulated other comprehensive income	27	194
Non-controlling interests	32	91
Total net assets	25,239	28,340
Total liabilities and net assets	94,256	94,089

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

(Consolidated statement of income)

(Millions of yen)

	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Net sales	34,945	34,415
Cost of sales	26,489	23,803
Gross profit	8,455	10,611
Selling, general and administrative expenses	3,309	3,746
Operating profit	5,146	6,864
Non-operating income		
Interest income	5	3
Dividend income	11	0
Share of profit of entities accounted for using equity method	68	—
Insurance claim income	189	3
Subsidy income	148	523
Insurance return	59	25
Foreign exchange gains	138	91
Gain on investments in silent partnerships	21	93
Other	76	70
Total non-operating income	718	810
Non-operating expenses		
Interest expenses	778	757
Commission expenses	321	792
Loss on tax purpose reduction entry of non-current assets	79	468
Provision of allowance for doubtful accounts	—	0
Share of loss of entities accounted for using equity method	—	27
Other	30	110
Total non-operating expenses	1,210	2,157
Ordinary profit	4,654	5,518
Extraordinary losses		
Loss on valuation of investment securities	343	166
Total extraordinary losses	343	166
Profit before income taxes	4,310	5,351
Income taxes - current	944	1,356
Income taxes - deferred	606	201
Total income taxes	1,550	1,557
Profit	2,759	3,794
Profit attributable to non-controlling interests	64	201
Profit attributable to owners of parent	2,695	3,592

(Consolidated statement of comprehensive income)

(Millions of yen)

	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Profit	2,759	3,794
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	4
Deferred gains or losses on hedges	122	68
Foreign currency translation adjustment	96	(31)
Share of other comprehensive income of entities accounted for using equity method	25	99
Total other comprehensive income	244	141
Comprehensive income	3,004	3,935
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,961	3,760
Comprehensive income attributable to non-controlling interests	42	175

(3) Consolidated statement of changes in equity

Fiscal year ended June 30, 2022 (from July 1, 2021 to June 30, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1	13,540	9,431	(0)	22,973
Cumulative effects of changes in accounting policies			178		178
Restated balance	1	13,540	9,609	(0)	23,151
Changes during period					
Issuance of new shares	15	15			31
Dividends of surplus			(715)		(715)
Profit attributable to owners of parent			2,695		2,695
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		16		0	16
Net changes in items other than shareholders' equity					
Total changes during period	15	32	1,980	(0)	2,027
Balance at end of period	17	13,573	11,589	(0)	25,179

	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	3	(195)	(47)	(239)	79	22,813
Cumulative effects of changes in accounting policies						178
Restated balance	3	(195)	(47)	(239)	79	22,992
Changes during period						
Issuance of new shares						31
Dividends of surplus						(715)
Profit attributable to owners of parent						2,695
Purchase of treasury shares						(0)
Disposal of treasury shares						16
Net changes in items other than shareholders' equity	(0)	122	144	266	(46)	219
Total changes during period	(0)	122	144	266	(46)	2,247
Balance at end of period	3	(73)	96	27	32	25,239

Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	17	13,573	11,589	(0)	25,179
Changes during period					
Issuance of new shares	9	9			18
Dividends of surplus			(737)		(737)
Profit attributable to owners of parent			3,592		3,592
Net changes in items other than shareholders' equity					
Total changes during period	9	9	2,855		2,874
Balance at end of period	26	13,582	14,444	(0)	28,053

	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	3	(73)	96	27	32	25,239
Changes during period						
Issuance of new shares						18
Dividends of surplus						(737)
Profit attributable to owners of parent						3,592
Net changes in items other than shareholders' equity	4	68	94	167	58	226
Total changes during period	4	68	94	167	58	3,100
Balance at end of period	7	(4)	191	194	91	28,340

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Cash flows from operating activities		
Profit before income taxes	4,310	5,351
Depreciation	2,850	3,127
Loss on tax purpose reduction entry of non-current assets	79	468
Amortization of goodwill	24	32
Increase (decrease) in allowance for doubtful accounts	(19)	(13)
Increase (decrease) in provision for bonuses	(4)	96
Increase (decrease) in provision for contract loss	274	(336)
Increase (decrease) in provision for warranties for completed construction	(19)	23
Increase (decrease) in retirement benefit liability	37	35
Interest and dividend income	(16)	(4)
Interest expenses	778	757
Foreign exchange losses (gains)	(164)	51
Share of loss (profit) of entities accounted for using equity method	(68)	27
Loss (gain) on valuation of investment securities	343	166
Decrease (increase) in trade receivables	13,741	386
Decrease (increase) in contract asset	(3,593)	2,364
Decrease (increase) in inventories	(103)	2,661
Decrease (increase) in advance payments to suppliers	(1,826)	861
Decrease (increase) in advances paid	(111)	267
Increase (decrease) in trade payables	(309)	(1,023)
Increase (decrease) in accrued consumption taxes	1,191	(1,016)
Increase (decrease) in advances received on construction contracts in progress	(480)	—
Increase (decrease) in contract liabilities	478	90
Increase (decrease) in long-term deposits received	—	483
Other, net	207	188
Subtotal	17,602	15,049
Interest and dividends received	16	4
Interest paid	(806)	(756)
Income taxes paid	(2,167)	(1,133)
Income taxes refund	2	664
Net cash provided by (used in) operating activities	14,646	13,827
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,102)	(14,806)
Purchase of intangible assets	(1,277)	(1,120)
Purchase of investment securities	(92)	—
Proceeds from redemption of investment securities	200	—
Proceeds from distributions from investment partnerships	7	78
Purchase of shares of subsidiaries and associates	(833)	(56)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,799)	—
Payments for investments in capital	(314)	(123)
Other, net	(2)	(1)
Net cash provided by (used in) investing activities	(6,215)	(16,029)

(Millions of yen)

	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(7,127)	(1,173)
Repayments of lease liabilities	(301)	(542)
Proceeds from long-term borrowings	6,842	4,372
Repayments of long-term borrowings	(10,689)	(6,911)
Proceeds from issuance of shares	31	18
Proceeds from sale of treasury shares	16	—
Dividends paid	(715)	(737)
Dividends paid to non-controlling interests	(88)	(117)
Net decrease (increase) in restricted deposits	(364)	(101)
Other, net	(0)	—
Net cash provided by (used in) financing activities	(12,397)	(5,192)
Effect of exchange rate change on cash and cash equivalents	165	50
Net increase (decrease) in cash and cash equivalents	(3,800)	(7,342)
Cash and cash equivalents at beginning of period	22,169	18,369
Cash and cash equivalents at end of period	18,369	11,026