

# Financial Results Meeting Materials for the Fiscal Year Ended June 30, 2023

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

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—New premises of the Kyushu Office in Hakata Ward, Fukuoka City—

# **I. Summary of Consolidated Financial Results for the Fiscal Year Ended June 30, 2023**

# Consolidated Financial Results

- Consolidated results for fiscal year ended June 30, 2023 have achieved the full-year targets.

(Millions of yen)

	FYE June 2022 Full-year results	FYE June 2023 Full-year results	FYE June 2023 Full-year targets*	Year-on-year changes	Percentage of full-year target achieved*
<b>Net sales</b>	<b>34,945</b>	<b>34,415</b>	<b>34,400</b>	<b>-1.5%</b>	<b>100.0%</b>
<b>Gross profit</b> (Profit margin)	<b>8,455</b> (24.2%)	<b>10,611</b> (30.8%)	<b>—</b> (— %)	<b>25.5%</b>	<b>— %</b>
<b>Operating profit</b> (Profit margin)	<b>5,146</b> (14.7%)	<b>6,864</b> (19.9%)	<b>6,400</b> (18.6%)	<b>33.4%</b>	<b>107.3%</b>
<b>Ordinary profit</b> (Profit margin)	<b>4,654</b> (13.3%)	<b>5,518</b> (16.0%)	<b>5,000</b> (14.5%)	<b>18.6%</b>	<b>110.4%</b>
<b>Profit attributable to owners of parent</b> (Profit margin)	<b>2,695</b> (7.7%)	<b>3,592</b> (10.4%)	<b>3,100</b> (9.0%)	<b>33.3%</b>	<b>115.9%</b>

\* Revised forecasts stated in the Notice of Revisions to Financial Results Forecasts and Dividend Forecasts released on June 21, 2023.  
The percentage of the full-year target achieved also corresponds to the revised forecasts.  
The “—” is shown for gross profit because no revised forecast was disclosed.



## Top Message

- ▶ Consolidated results for fiscal year ended June 30, 2023 have achieved the full-year targets  
Driven by growing customer demand for decarbonization measures and the need to secure energy supply, inquiries are increasing
- ▶ We achieved our full-year targets primarily because of commissioned-type EPC projects, revenue from sales of electricity generated with renewable energy, O&M, and brisk sales of biomass fuel, as well as the completion of the Fukuoka Miyako Mega Solar Plant in the development-type EPC projects, profitability improvement in electricity retailing, and the sale of nine solar power generation plants owned by the Company
- ▶ In the Engineering Segment, orders received totaled ¥13,282 million (roughly double year on year)  
Orders were driven by energy conservation and renewable energy commissioned-type EPC projects
- ▶ We started supplying renewable energy electricity for eight projects (approx. 11.1MW) through on-site PPA  
Total generation capacity for renewable energy power generation facilities\*: approx. 299.6 MW (96 projects) (as of June 30, 2023)
- ▶ On June 21, 2023, the Board of Directors resolved to implement a partial commitment rights offering (sustainability rights offering)
- ▶ The 1st Stakeholder Dialogue on ESG issues was held

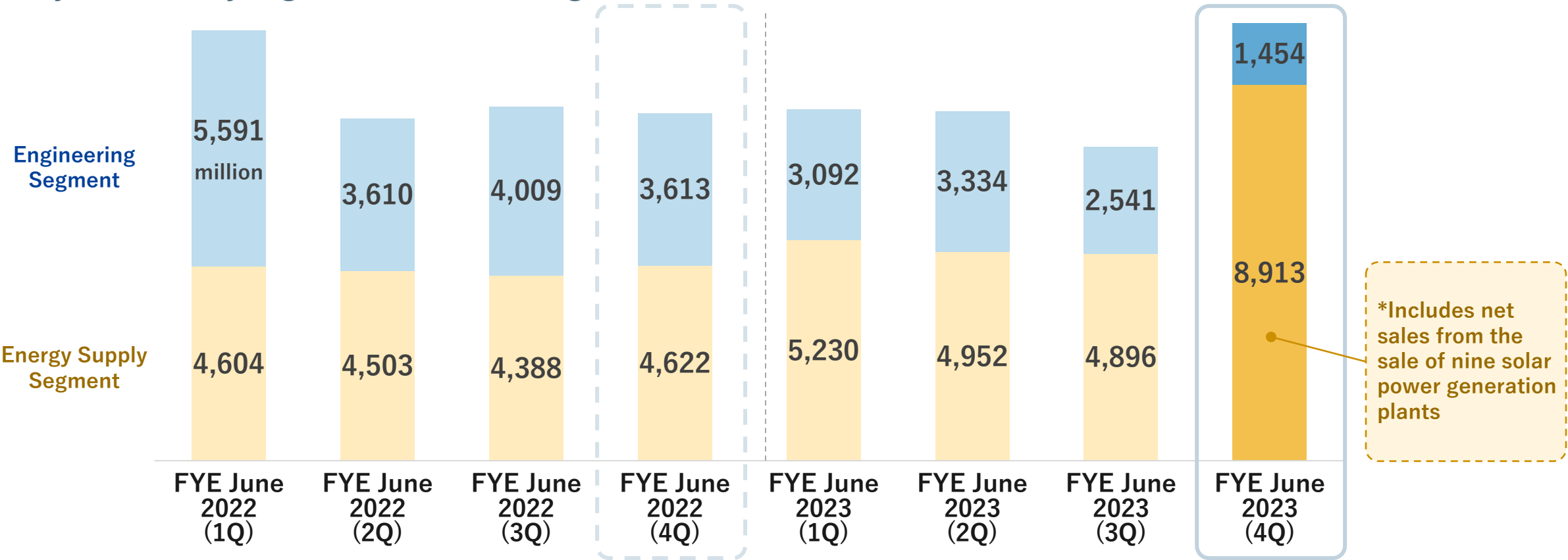
\* Total generation capacity for renewable energy power generation facilities includes renewable energy power generation facilities owned by consolidated subsidiaries and by companies in which the Group has made investments (companies accounted for by the equity method and silent partnerships where a limited liability company investing in the silent partnership is the operator).

As explained on page 30, we also changed the presentation method beginning in the third quarter of the fiscal year ended June 30, 2023. Under the previous presentation method, total generation capacity for renewable energy power generation facilities would have been approximately 217.3 MW from 85 projects (as of June 30, 2023).

# Quarterly Net Sales by Segment

- ▶ Engineering Segment recorded a year-on-year revenue decline  
This primarily owes to the absence of EPC-related sales in 4Q for the completed Fukuoka Miyako Mega Solar Plant
- ▶ The Energy Supply Segment recorded a year-on-year revenue increase  
This mainly reflects the sale of nine solar power generation plants owned by the Company

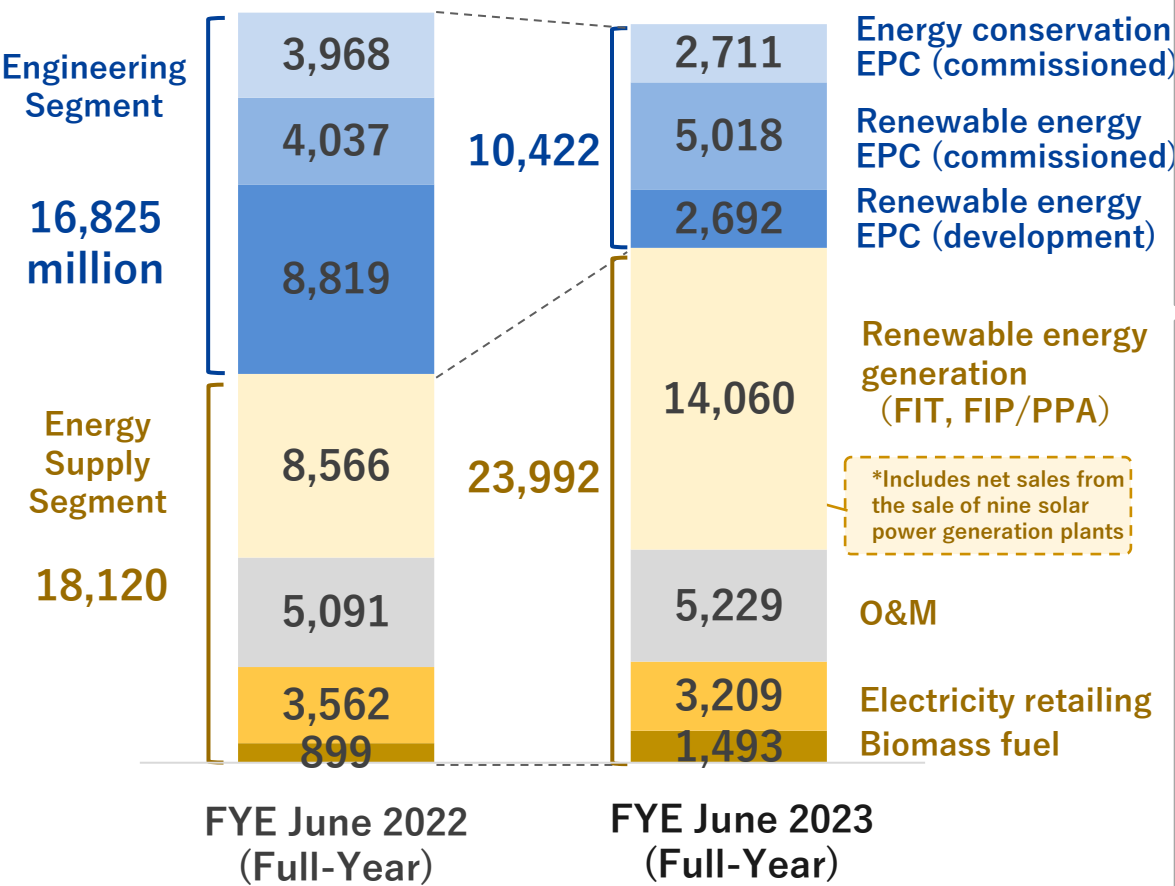
Quarterly net sales by segment (after inter-segment elimination)





# Breakdown of Segment Sales

## Breakdown of segment sales (after inter-segment elimination)



### Engineering Segment

- ▶ Energy conservation EPC (commissioned-type) progressed as planned despite a year-on-year decrease in revenues due to the impact of construction progress
- ▶ 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 the completion of construction during the period

### Energy Supply Segment

- ▶ Revenues in renewable energy generation increased year on year due to an increase in the number of projects in operation and steady energy generation in addition to the sale of nine solar power generation plants owned by the Company
- ▶ O&M remained steady as planned
- ▶ Revenues in electricity retailing were lower year on year due to efforts aimed at reducing the volume of electricity supplied as part of measures to improve profitability
- ▶ Biomass fuel recorded higher revenues year on year due to increasing the shipment volume, higher unit prices and the impact of foreign exchange rates

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



# Operating Results of Engineering Segment

- Engineering Segment for the fiscal year ended June 30, 2023 recorded lower revenues and profits year on year

(Millions of yen)

	After inter-segment elimination	
	Full-year results of FYE June 2022	Full-year results of FYE June 2023
<b>Consolidated net sales</b>	<b>34,945</b>	<b>34,415</b>
<b>Engineering Segment</b>	<b>16,825</b>	<b>10,422</b>
Commissioned-type energy conservation	3,968	2,711
Commissioned-type renewable energy	4,037	5,018
Development-type renewable energy	8,819	2,692
Energy Supply Segment	18,120	23,992
Renewable energy generation	8,566	14,060
O&M	5,091	5,229
Electricity retailing	3,562	3,209
Other (biomass fuel)	899	1,493
Elimination/Corporate	—	—
<b>Gross profit</b>	<b>8,455</b>	<b>10,611</b>
<b>Engineering Segment</b>	<b>3,970</b>	<b>1,780</b>
Energy Supply Segment	4,484	8,830
Elimination/Corporate	—	—
<b>Operating profit</b>	<b>5,146</b>	<b>6,864</b>
<b>Engineering Segment</b>	<b>2,929</b>	<b>728</b>
Energy Supply Segment	3,286	7,292
Elimination/Corporate	(1,069)	(1,156)

Main factors driving changes in gross profit  
(fiscal year ended June 30, 2023)

- Gross profit declined year on year due to the impact of one-time profit recorded at the Fukuoka Miyako Mega Solar Plant associated with changes in accounting standards and the completion of construction during the period

Orders received  
(fiscal year ended June 30, 2023; Unit: millions of yen)

Orders received	13,282	Order backlog	9,070
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# Operating Results of Energy Supply Segment

- ▶ Energy Supply Segment for the fiscal year ended June 30, 2023 recorded higher revenues and profits year on year (Millions of yen)

	After inter-segment elimination	
	Full-year results of FYE June 2022	Full-year results of FYE June 2023
<b>Consolidated net sales</b>	<b>34,945</b>	<b>34,415</b>
Engineering Segment	16,825	10,422
Commissioned-type energy conservation	3,968	2,711
Commissioned-type renewable energy	4,037	5,018
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Renewable energy generation	8,566	14,060
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Electricity retailing	3,562	3,209
Other (biomass fuel)	899	1,493
Elimination/Corporate	—	—
<b>Gross profit</b>	<b>8,455</b>	<b>10,611</b>
Engineering Segment	3,970	1,780
<b>Energy Supply Segment</b>	<b>4,484</b>	<b>8,830</b>
Elimination/Corporate	—	—
<b>Operating profit</b>	<b>5,146</b>	<b>6,864</b>
Engineering Segment	2,929	728
<b>Energy Supply Segment</b>	<b>3,286</b>	<b>7,292</b>
Elimination/Corporate	(1,069)	(1,156)

Main factors driving changes in gross profit (fiscal year ended June 30, 2023)

- ▶ Gross profit increased year on year as sales of renewable energy generation, O&M, and biomass fuel were all steady
- ▶ The sale of nine Company-owned solar power generation plants contributed to higher profits
- ▶ Electricity retailing contributed to higher profits due to the effects of measures taken to improve profitability, increases in fuel adjustment expenses, and market prices moving at lower levels than expected
- ▶ One-time development fees for the Fukuoka Miyako Mega Solar Plant also made a contribution to higher profits

# Topics Related to Energy-saving Facilities and Utility Facilities for Factories and Offices

- ▶ During the fiscal year ended June 30, 2023, construction for a total of 9 projects was completed  
Developed EPC projects for energy-saving facilities and utility facilities for energy-consuming factories, etc.

Co-generation systems	2 projects (approx. 9.6MW)
Fuel conversion facilities such as LPG satellite facilities and LNG vaporizers	2 projects
Utility facilities such as boiler and transformer equipment	4 projects
Energy management systems	1 project

Energy-saving facilities and utility facilities completed in the fiscal year ended June 30, 2023 (on an operating basis)





# Topics Related to Solar Power Generation Systems for Factories and Offices (Excluding Development-type EPC)

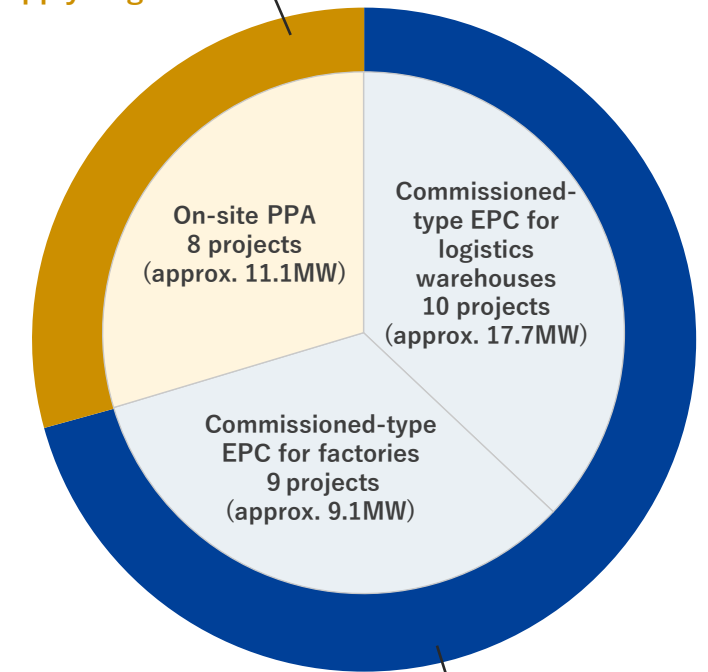
- ▶ We had 27 solar power projects (approx. 37.9 MW) excluding development-type EPC projects in the fiscal year ended June 30, 2023, including 19 commissioned-type EPC projects (approx. 26.8MW) and 8 on-site PPA projects (approx. 11.1MW)

## Commissioned-type EPC (Engineering Segment)



Breakdown of solar power projects delivered and operated in the fiscal year ended June 30, 2023

## Energy Supply Segment



## Engineering Segment

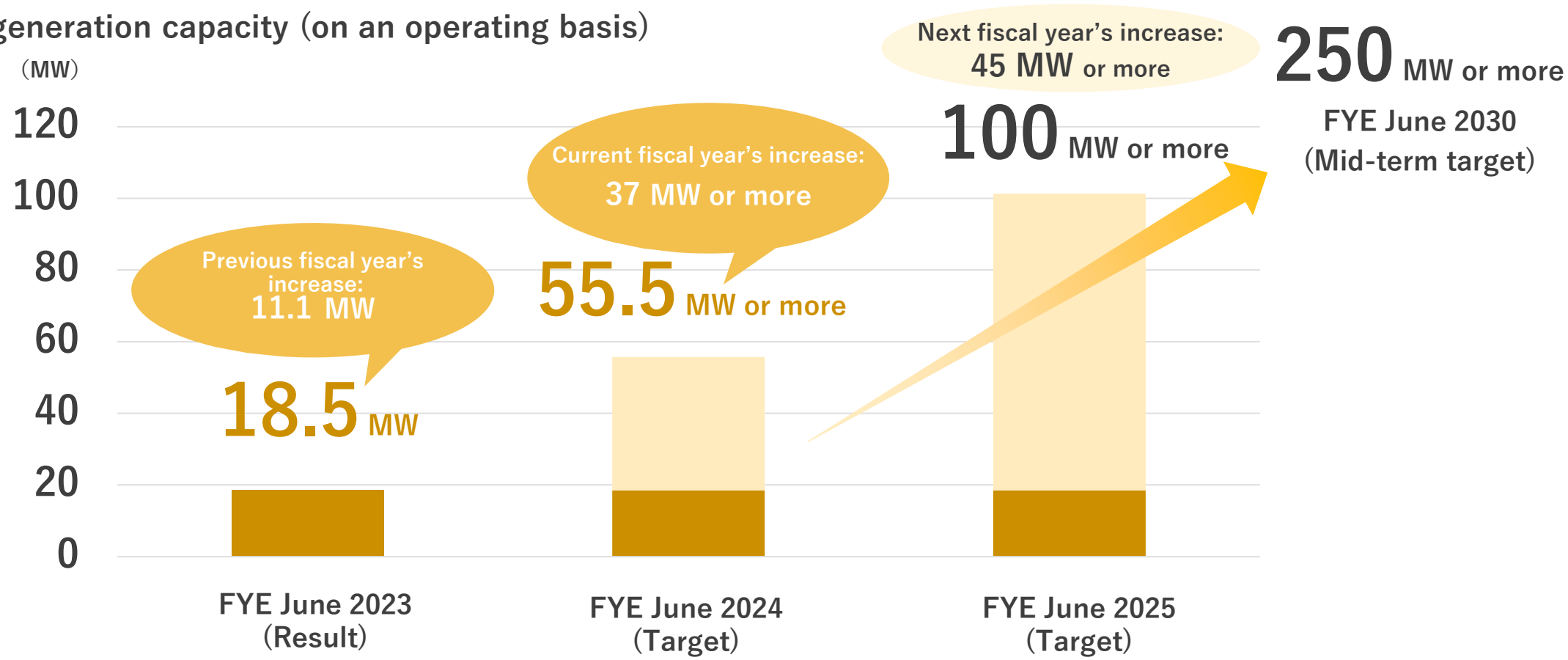
## On-site PPA (Energy Supply Segment)



# 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 the fiscal year ending June 30, 2030
- ▶ We aim to have the total generation capacity of approx. 55.5 MW or more on an operating basis at the end of the fiscal year ending June 30, 2024 (37 MW or more increase during the period)

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

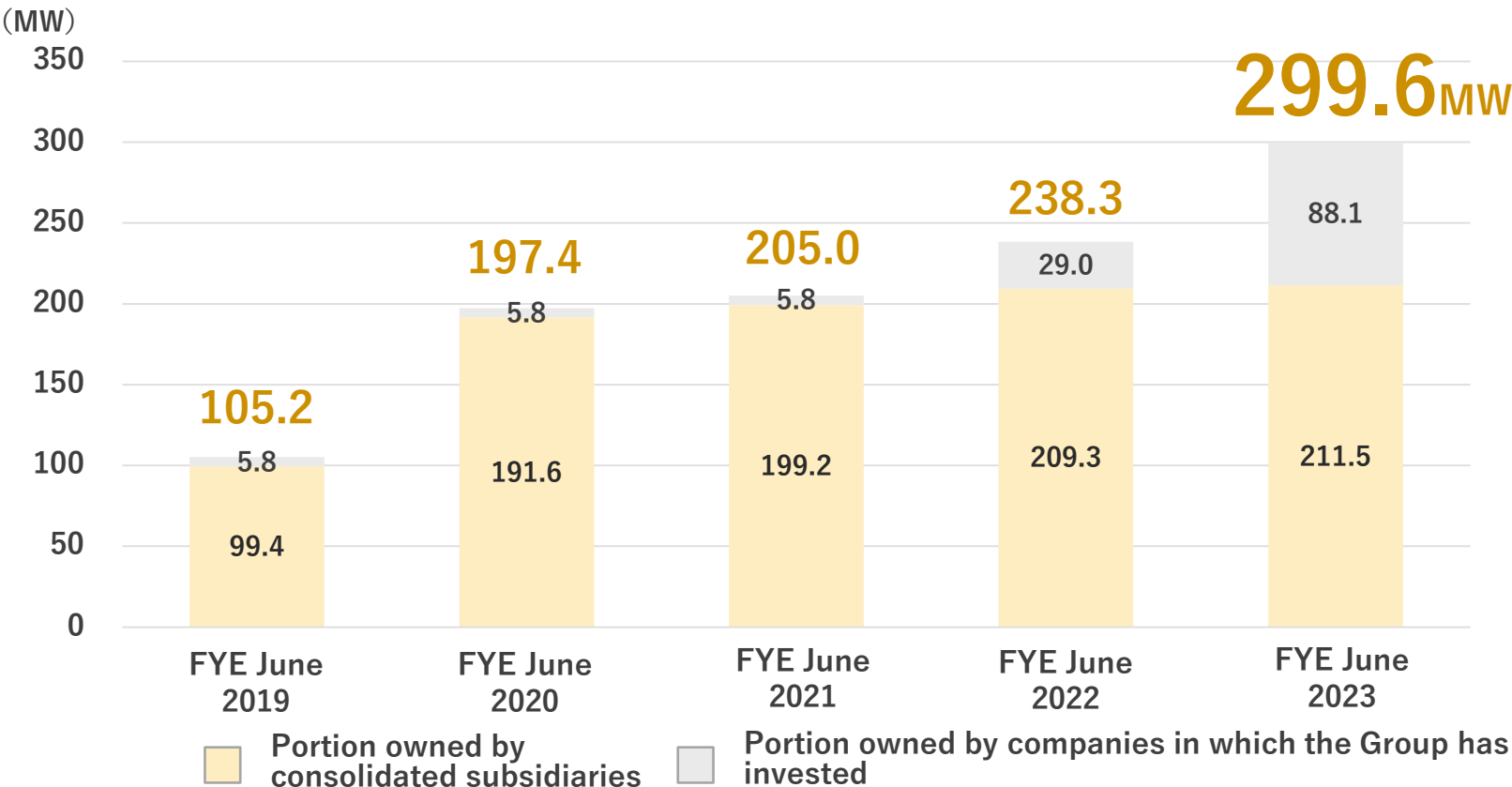


# [Stock Business] Trends in Generation Capacity for Renewable Energy Power Plants

- ▶ We seek to obtain stable long-term income from FIT and FIP schemes and on-site PPA model for in-house consumption

## Trends in total capacity of renewable energy power generation facilities\*

\*Solar power plants (including on-site PPA for in-house consumption), biomass and wind power plants in operation



(companies accounted for by the equity method and silent partnerships where a limited liability company investing in the silent partnership is the operator)

## ■ Topics in full-year of FYE June 2023

- Increase in portion owned by companies in which the Group has invested  
Fukuoka Miyako Mega Solar South Power Plant (approx. 43.8 MW), 9 other solar power plants (approx. 15.3 MW)

- Increase in portion owned by consolidated subsidiaries  
Increased on-site PPA (8 projects, approx. 11.1 MW)  
Secondary projects acquired (8 projects, approx. 6.4 MW)

Solar

89 projects, approx. 293.7 MW including 16 on-site PPA projects, approx. 18.5 MW

Biomass

1 project, approx. 5.8 MW

Wind

6 projects, approx. 0.1 MW

\* as of June 30, 2023



# In-house Biomass Power Plant Under Development

- Two in-house biomass power plants are under development as of August 14, 2023

## TESS Nishiki-machi Kinoe-nishi Biomass Power Plant



Location	Nishiki-machi, Kuma-gun, Kumamoto
Business operator	Kumamoto Nishiki Green Power LLC
Power generation capacity	Approx. 2.0 MW

## Saga Imari Biomass Power Plant (tentative name)



Location	Imari-shi, Saga
Business operator	Imari Green Power Co., Ltd.
Power generation capacity	Approx. 46.0 MW



# Topics on Sustainability

- ▶ We held the first stakeholder dialogue on ESG in June 2023  
Opinions received from three external experts on ESG and other issues of TESS Group are as follows:



## [External experts]

- Mr. Naoyuki Yamagishi, Director, Conservation Division, Chief Conservation Officer, WWF Japan
- Ms. Yumiko Noda, Representative Director, Veolia Japan K.K.
- Mr. Wataru Hamamoto, Managing Director, Mitsui Fudosan Co., Ltd.

See “The 1st Stakeholder Dialogue (June 2023)” on the Company website.

[https://www.tess-hd.co.jp/english/company/stakeholder-dialog/001\\_202306.html](https://www.tess-hd.co.jp/english/company/stakeholder-dialog/001_202306.html)

## Climate change Biodiversity

- The Group should reconfirm the GHG protocol and review policy and legal developments regarding PKS and EFB, which are biomass resources
- It is necessary to collect information on biodiversity in the development areas to ensure that it is not being violated

## Women's empowerment

- The first priority is to secure a certain number of female officers and employees
- Creating networks inside and outside of the company is beneficial for women to exchange ideas

## Materiality (Important issues)

- It would be good to include a section on biodiversity in the materiality.
- Regarding the term “promotion of diversity,” it may be necessary to be more specific about what diversity is to be promoted.

## Non-financial information

- Identify issues to achieve the mid-term target for the fiscal year ending June 30, 2030, and initiate specific initiatives

### ■ E (Environment)

Item	FYE June 2022 results	FYE June 2023 results	Mid-term target (FYE June 2030)
Transmission of electricity from own renewable energy power plants	236,000 MWh	258,000 MWh	636,000 MWh
Contribution to CO2 emission reduction	107,000 tons	114,000 tons	288,000 tons

### Short-term targets (targets for fiscal year ending June 30, 2024)

Item	FYE June 2022 results	FYE June 2023 results	Short-term targets (FYE June 2024)
TESS Group CO2 emissions*	1,662 tons	942 tons	0 ton

\* Total of Scope 1 and Scope 2

### ■ S (Society)

Item*1	FYE June 2022 results	FYE June 2023 results	Mid-term target (FYE June 2030)
Ratio of female employees	21.0%	20.1%	30% or more
Ratio of female managers*2	3.9%	3.7%	10% or more
Acquisition rate of paid holidays	69%	56%	80% or more
Employment ratio of persons with disabilities	2.9%	2.9%	3.1% or more
Number of chief and assistant manager classes*2	83 ppl	88 ppl	Approx. 200 ppl
Per capital investment in education (full-time employees)*3	¥76,000	¥56,000	¥80,000 or more
Number of serious industrial accidents	0	0	0
Number of serious legal violations	0	0	0

\*1 Total of the TESS Group Data

\*2 Data as of the end of July 2023

\*3 According to the "Basic Survey of Human Resources Development in FY2022" (Ministry of Health, Labor and Welfare), the average cost of OFF-JT is ¥13,000/person/year (FY2021 results)

# Partial Commitment Rights Offering (sustainability rights offering)

- ▶ The Board of Directors resolved at its meeting on June 21, 2023 to implement a partial commitment rights offering

## ■ Overview

Name of the Subscription Warrants	TESS Holdings Co., Ltd.’s 3rd Series Subscription Warrants
Exercise period of the Subscription Warrants for general investors*1	From July 3, 2023 to August 24, 2023
Total number of Subscription Warrants to be issued	35,216,030 rights
Commitment agreement	10,564,809 rights (maximum), equivalent to 30% of the total number of the Warrants to be issued as above, will be underwritten and exercised by the underwriter.

## ■ Use of funds

Specific use of funds	Amount to be allotted*2 (Millions of yen)	Expected time of expenditure
(1) Funds for acquisition of silent partnership equity interest in Fukuoka Miyako Mega Solar Power LLC	785	August 2023
(2) Capital investment funds for construction of Saga Imari Biomass Power Plant (tentative name)	12,582	Until the end of December 2024

\*1 Period during which Subscription Warrants may be exercised by the holders (general investors) excluding the underwriter.  
This period differs from the period during which general investors can submit exercise requests and pay subscription fees to the account management institution (central depository member).

\*2 The amount to be allotted is the estimated amount if all of the Subscription Warrants are exercised during the exercise period for general investors, and the amount of funds raised may be less than the above amount to be allotted, depending on the actual exercise results and other factors.  
If we are unable to raise funds on the scale we desire, we plan to use the funds in the order of (1) and (2) above.  
Even in such a case, we do not intend to change the allotment schedule for the above, and plan to use cash on hand or borrow from financial institutions to cover any shortfall, to complete the above allotment.

## II. Forecast of Consolidated Financial Results for the Fiscal Year Ending June 30, 2024

\*Announced August 14, 2023

# Forecast of Consolidated Financial Results for the Fiscal Year Ending June 30, 2024 (Announced August 14, 2023)

- ▶ Forecast of consolidated financial results for the fiscal year ending June 30, 2024 is as follows:

(Millions of yen)

	<b>FYE June 2023</b> Full-year results	<b>FYE June 2024</b> Full-year forecast announced August 14, 2023	<b>Year-on-year changes</b>
<b>Net sales</b>	<b>34,415</b>	<b>38,200</b>	<b>11.0%</b>
<b>Gross profit</b> (Profit margin)	<b>10,611</b> (30.8%)	<b>10,650</b> (27.9%)	<b>0.4%</b>
<b>Operating profit</b> (Profit margin)	<b>6,864</b> (19.9%)	<b>6,650</b> (17.4%)	<b>-3.1%</b>
<b>Ordinary profit</b> (Profit margin)	<b>5,518</b> (16.0%)	<b>6,000</b> (15.7%)	<b>8.7%</b>
<b>Profit attributable to owners of parent</b> (Profit margin)	<b>3,592</b> (10.4%)	<b>3,700</b> (9.7%)	<b>3.0%</b>

# Key Points of Forecast of Consolidated Financial Results for the Fiscal Year Ending June 30, 2024

## 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

- ▶ In the development-type EPC, a project to develop land for renewable energy power plant in Kyoto Prefecture is underway, and we expect to record sales by transferring the land to a third party after obtaining permits and approvals for site development, urban planning, and related rights

## Energy Supply

- ▶ In renewable energy generation, we expect **sales from 211.5\* MW already in operation (FIT, FIP/on-site PPA)**  
(Additional acquisitions of secondary projects during the fiscal year and new on-site PPA are not included in earnings forecasts)

## Energy Supply

- ▶ In **electricity retailing**, we expect a decrease in the volume of electricity supplied compared to the fiscal year ended June 30, 2023, due to **our measures including suspension of receiving new applications to reduce the scale** to curb the impact of rising cost of sales for procurement of power source

## Energy Supply

- ▶ We expect to record research and development expenses associated with **the technological development for adjustment of supply and demand and the use of surplus power as well as with the technological development for manufacturing EFB pellets** as selling, general and administrative expenses

\*Excluding the 5.8 MW from associates accounted for using the equity method

# Forecast of Consolidated Financial Results by Reportable Segment for the Fiscal Year Ending June 30, 2024

(Millions of yen)

	Before inter-segment elimination		After inter-segment elimination	
	FYE June 2023 Actual	FYE June 2024 Forecast	FYE June 2023 Actual	FYE June 2024 Forecast
<b>Consolidated net sales</b>	<b>34,415</b>	<b>38,200</b>	<b>34,415</b>	<b>38,200</b>
<b>Engineering Segment</b>	15,189	23,577	10,422	20,300
<b>Energy Supply Segment</b>	23,992	17,900	23,992	17,900
<b>Inter-segment elimination</b>	(4,767)	(3,277)	—	—
<b>Gross profit</b>	<b>10,611</b>	<b>10,650</b>	<b>10,611</b>	<b>10,650</b>
<b>Engineering Segment</b>	1,993	6,230	1,780	6,100
<b>Energy Supply Segment</b>	7,986	4,172	8,830	4,550
<b>Inter-segment elimination</b>	631	248	—	—



### III. Shareholder Returns

# Shareholder Returns

- ▶ As shareholder returns policy, based on the principle of stable and continuous return of profits, the Company will aim to increase the dividend payout ratio to 30%
- ▶ Year-end dividend per share for the fiscal year ended June 30, 2023 is expected to be ¥26.00
- ▶ Year-end dividend per share for the fiscal year ending June 30, 2024 is forecast to be ¥16.00

	FYE June 2023 (proposal)	FYE June 2024 (plan)
Dividends per share	¥26.00	¥16.00
Basic earnings per share	¥102.17	¥54.86
Payout ratio (consolidated)	25.5%	29.2%
Average number of shares outstanding during the period	35 million shares	67 million shares*

\* 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.

## **IV. Overview of Consolidated Financial Statements, Etc.**

# Consolidated Statement of Income

(Millions of yen)

	FYE June 2022 Full-year results	FYE June 2023 Full-year results	Year-on-year changes	Main factors for the change, etc.
Net sales	34,945	<b>34,415</b>	-530	See “I. Summary of Consolidated Financial Results for the Fiscal Year Ended June 30, 2023”
Cost of sales	26,489	<b>23,803</b>	-2,686	
Gross profit	8,455	<b>10,611</b>	2,156	
Selling, general and administrative expenses	3,309	<b>3,746</b>	437	
Operating profit	5,146	<b>6,864</b>	1,718	
Non-operating income	718	<b>810</b>	92	
Non-operating expenses	1,210	<b>2,157</b>	947	
Ordinary profit	4,654	<b>5,518</b>	864	
Extraordinary losses	343	<b>166</b>	-177	
Profit before income taxes	4,310	<b>5,351</b>	1,041	
Profit	2,759	<b>3,794</b>	1,035	
Profit attributable to owners of parent	2,695	<b>3,592</b>	897	

# Consolidated Balance Sheet

(Millions of yen)

	FYE June 2022 Full-year results	FYE June 2023 Full-year results	Year-on-year changes	Main factors for the change, etc.
Current assets	38,834	<b>27,381</b>	-11,453	Decrease in cash and deposits
Non-current assets	55,422	<b>66,707</b>	11,285	Increase in construction in progress
<b>Total assets</b>	94,256	<b>94,089</b>	-167	
Current liabilities	21,584	<b>19,009</b>	-2,575	Decrease in short-term borrowings
Non-current liabilities	47,432	<b>46,740</b>	-692	Decrease in long-term borrowings
<b>Total liabilities</b>	69,017	<b>65,749</b>	-3,268	
Shareholders' equity	25,179	<b>28,053</b>	2,874	
Accumulated other comprehensive income	27	<b>194</b>	167	
Non-controlling interests	32	<b>91</b>	59	
<b>Total net assets</b>	25,239	<b>28,340</b>	3,101	
<b>Total liabilities and net assets</b>	94,256	<b>94,089</b>	-167	

# Consolidated Statement of Cash Flows

(Millions of yen)

	FYE June 2022 Full-year results	FYE June 2023 Full-year results	Year-on-year changes	Main factors for the change, etc.
Net cash provided by (used in) operating activities	14,646	<b>13,827</b>	-818	
Net cash provided by (used in) investing activities	-6,215	<b>-16,029</b>	-9,814	Increase due to development and acquisition of renewable energy power plants
Net cash provided by (used in) financing activities	-12,397	<b>-5,192</b>	7,205	Decrease in repayment of borrowings
Effect of exchange rate change on cash and cash equivalents	165	<b>50</b>	-114	
Cash and cash equivalents at beginning of period	22,169	<b>18,369</b>	-3,800	
Cash and cash equivalents at end of period	18,369	<b>11,026</b>	-7,342	

# Operating Results by Segment

(Millions of yen)

		Before inter-segment elimination		After inter-segment elimination	
		Full-year results of FYE June 2022	Full-year results of FYE June 2023	Full-year results of FYE June 2022	Full-year results of FYE June 2023
<b>Consolidated net sales</b>		<b>34,945</b>	<b>34,415</b>	<b>34,945</b>	<b>34,415</b>
	<b>Engineering Segment</b>	17,496	15,189	16,825	10,422
	Commissioned-type energy conservation	3,968	2,711	3,968	2,711
	Commissioned-type renewable energy	4,037	5,018	4,037	5,018
	Development-type renewable energy	9,491	7,458	8,819	2,692
	<b>Energy Supply Segment</b>	<b>18,120</b>	<b>23,992</b>	<b>18,120</b>	<b>23,992</b>
	Renewable energy generation	8,566	14,060	8,566	14,060
	O&M	5,091	5,230	5,091	5,229
	Electricity retailing	3,562	3,209	3,562	3,209
	Other (biomass fuel)	899	1,493	899	1,493
	Elimination/Corporate	-671	-4,767	—	—
<b>Gross profit</b>		<b>8,455</b>	<b>10,611</b>	<b>8,455</b>	<b>10,611</b>
	<b>Engineering Segment</b>	4,047	1,993	3,970	1,780
	<b>Energy Supply Segment</b>	4,047	7,986	4,484	8,830
	Elimination/Corporate	360	631	—	—
<b>Operating profit</b>		<b>5,146</b>	<b>6,864</b>	<b>5,146</b>	<b>6,864</b>
	<b>Engineering Segment</b>	2,204	455	2,929	728
	<b>Energy Supply Segment</b>	2,584	5,843	3,286	7,292
	Elimination/Corporate	357	564	-1,069	-1,156

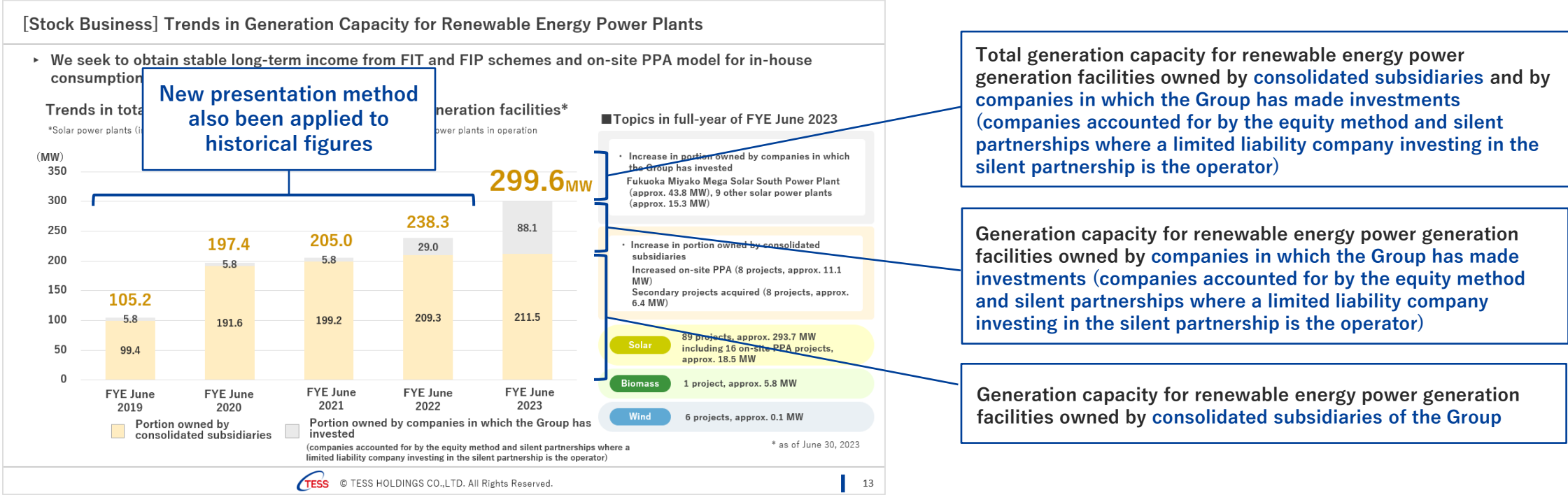


## V. (Attached Materials) Corporate Overview

# Change in presentation method for total generation capacity for renewable energy power generation facilities

- Following increases in the number of solar power plants owned by consolidated subsidiaries and by companies in which the Group has made investments (companies accounted for by the equity method and silent partnerships where a limited liability company investing in the silent partnership is the operator), in the third quarter of FYE June 2023 we changed the presentation method used for total generation capacity for renewable energy power generation facilities.

- Before the change:  
Capacity presented for renewable energy power generation facilities owned by consolidated subsidiaries and companies accounted for by the equity method
- After the change:  
Figures are categorized into capacity owned by consolidated subsidiaries and capacity owned by companies in which the Group has made investments (companies accounted for by the equity method and silent partnerships where a limited liability company investing in the silent partnership is the operator), with generation capacity for their respective renewable energy power generation facilities presented separately and with the total



Total generation capacity for renewable energy power generation facilities owned by consolidated subsidiaries and by companies in which the Group has made investments (companies accounted for by the equity method and silent partnerships where a limited liability company investing in the silent partnership is the operator)

Generation capacity for renewable energy power generation facilities owned by companies in which the Group has made investments (companies accounted for by the equity method and silent partnerships where a limited liability company investing in the silent partnership is the operator)

Generation capacity for renewable energy power generation facilities owned by consolidated subsidiaries of the Group

## Overview of the Company

<b>Name</b>	TESS Holdings Co., Ltd.	
<b>Representative</b>	Kazuki Yamamoto, Representative Director and President	
<b>Founded</b>	July 9, 2009 (TESS Group founded in May 1979)	
<b>Share capital</b>	26 million yen (As of June 30, 2023)	
<b>Group businesses</b>	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.	
<b>Headquarters location</b>	Shin-Osaka Prime Tower, 6-1-1 Nishinakajima, Yodogawa-ku, Osaka-shi, Osaka 532-0011 Japan	
<b>Tokyo Office location</b>	Yaesu First Financial Building, 1-3-7 Yaesu, Chuo-ku, Tokyo 103-0028 Japan	
<b>Group's license and registrations</b>	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
<b>Listing</b>	Prime Market of the Tokyo Stock Exchange Securities code: 5074 (Listed April 27, 2021)	

# Management Structure/Management

- ▶ Management structure consisting of four Executive Directors and four Directors who are 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.



**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.

### 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

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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

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"+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)

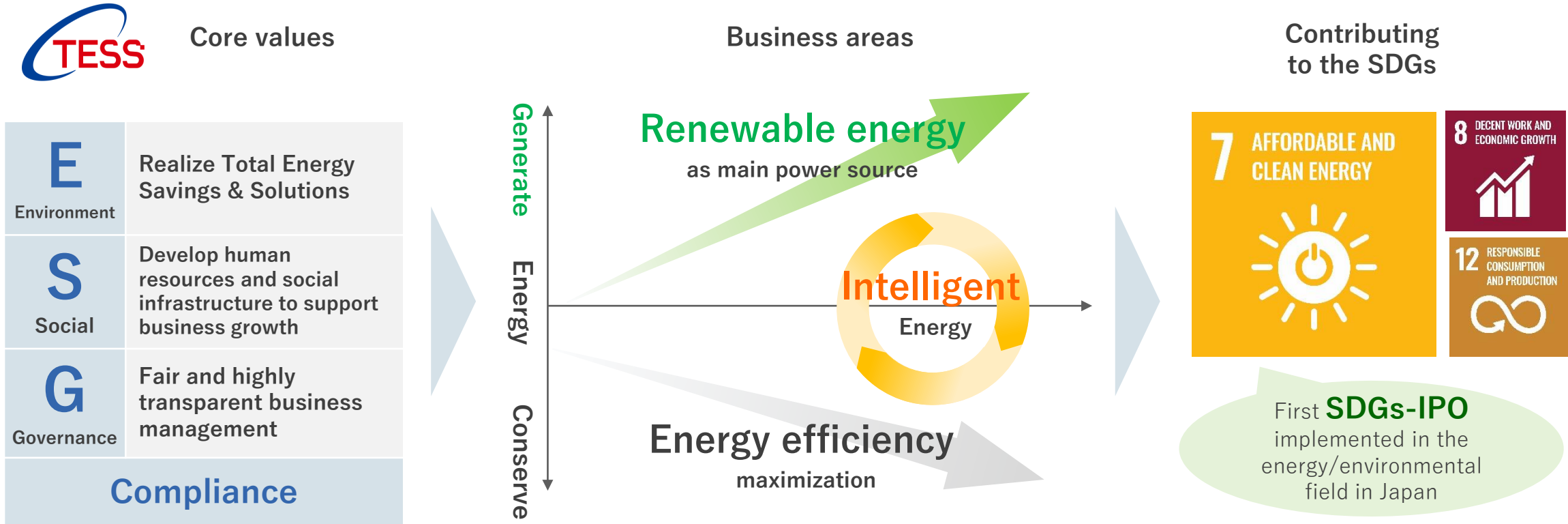
The TESS Group positions ESG and compliance at the core of its management and aims to contribute to the decarbonization of global energy and the realization of the SDGs.

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.”



# Medium-term Management Policy

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.

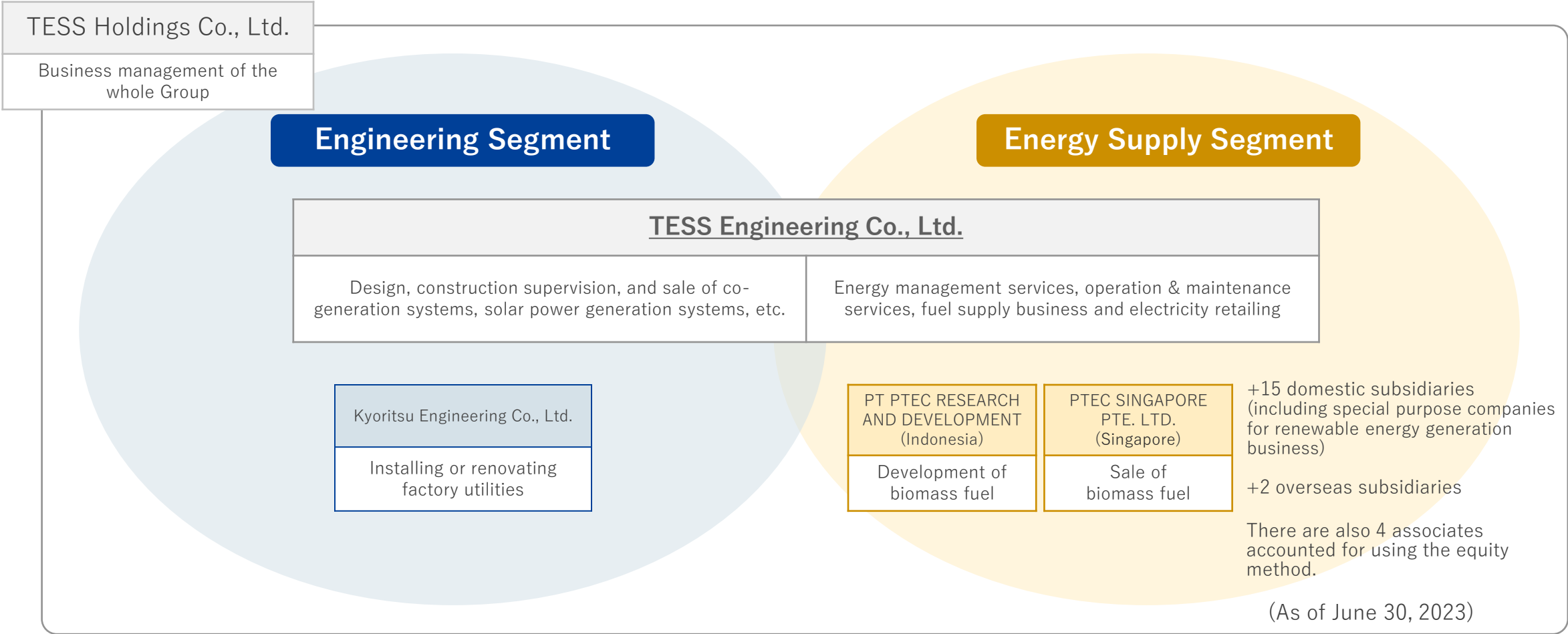
3

- ▶ **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, 17 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



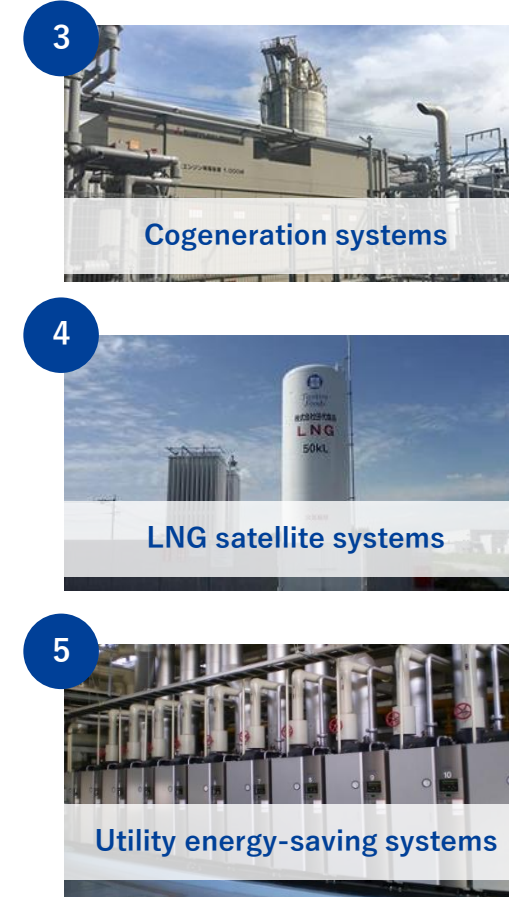
## Business Details (1) Engineering Segment

- ▶ 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. 299.6 MW**  
(As of June 30, 2023, including 16 on-site PPA projects, approx. 18.5 MW)



### Other services

- Fuel supply services  
(including LNG and biomass fuel)

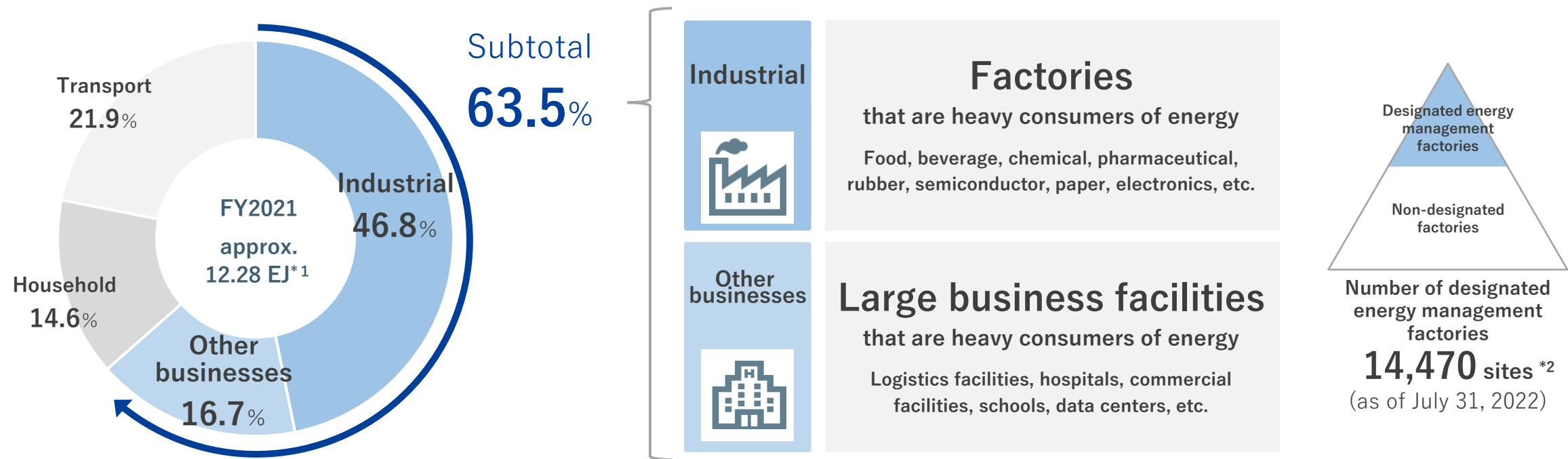
\*ERAB (**E**nergy **R**esource **A**ggregation **B**usiness): Business that uses virtual power plant (VPP), demand response (DR) and other technologies to provide services such as supply-demand adjustment capacity, imbalance avoidance, rate reduction, and output suppression avoidance to general power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

\*Generation capacity for renewable energy power generation facilities includes renewable energy power generation facilities owned by consolidated subsidiaries and by companies in which the Group has made investments (companies accounted for by the equity method and silent partnerships where a limited liability company investing in the silent partnership is the operator)

# 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

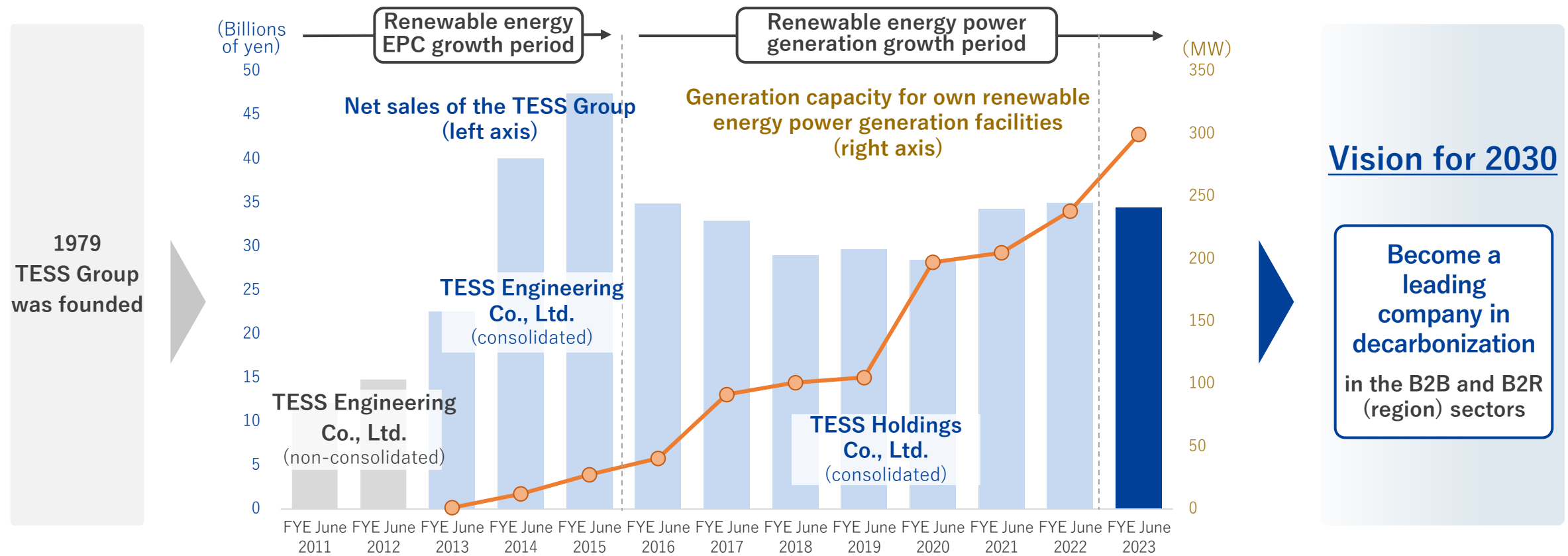


\*1 EJ= 10<sup>18</sup>J (Source) Created by the Company based on “FY2022 Annual Report on Energy” (June 2023) published by Agency for Natural Resources and Energy of the Ministry of Economy, Trade and Industry

\*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 renewable energy power generation operations in order to expand the Energy Supply Segment



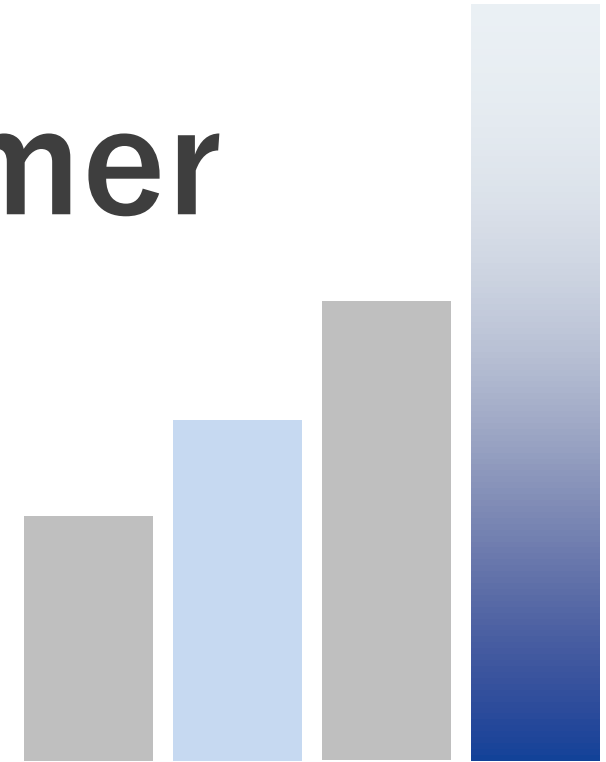
\* Not audited until FY2017 (fiscal year ended June 30, 2018). TESS Engineering began preparing consolidated financial statements in FY2012 (fiscal year ended June 30, 2013). TESS Holdings began preparing consolidated financial statements in FY2017 (fiscal year ended June 30, 2018).

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

\* Generation capacity for renewable energy power generation facilities includes renewable energy power generation facilities owned by consolidated subsidiaries and by companies in which the Group has made investments (companies accounted for by the equity method and silent partnerships where a limited liability company investing in the silent partnership is the operator).

# + 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.

