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November 14, 2023

Consolidated Financial Results for the Three Months Ended September 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
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 Scheduled date to file quarterly securities report: November 14, 2023
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes
 (for institutional investors and analysts)

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

1. Consolidated financial results for the three months ended September 30, 2023 (from July 1, 2023 to September 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2023	6,221	(25.3)	714	(53.2)	498	(65.7)	283	(68.7)
September 30, 2022	8,323	(18.4)	1,527	(52.5)	1,453	(51.1)	905	(52.6)

Note: Comprehensive income For the three months ended September 30, 2023: ¥573 million [(39.8)%]
 For the three months ended September 30, 2022: ¥953 million [(50.9)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
September 30, 2023	4.02	4.01
September 30, 2022	12.88	12.83

Note: On June 30, 2023, the Company conducted an allotment of share acquisition rights to shareholders based on a partial commitment-type rights offering, and issued new shares upon the exercise of share acquisition rights. Basic earnings per share and diluted earnings per share were calculated as though the amounts based on the rights offering were paid in at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2023	106,935	41,306	38.5
June 30, 2023	94,089	28,340	30.0

Reference: Equity
 As of September 30, 2023: ¥41,187 million
 As of June 30, 2023: ¥28,248 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2023	—	0.00	—	26.00	26.00
Fiscal year ending June 30, 2024	—				
Fiscal year ending June 30, 2024 (Forecast)		0.00	—	16.00	16.00

Notes: 1. Revisions to the cash dividends forecasts most recently announced: None
2. On June 30, 2023, the Company conducted an allotment of share acquisition rights to shareholders based on a partial commitment-type rights offering, and issued new shares upon the exercise of share acquisition rights. For the dividends for the fiscal year ended June 30, 2023, the actual dividend amounts before the issuance of new shares are shown.

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: Revisions to the consolidated financial results forecasts most recently announced: None

*** Notes**

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

Newly included: – companies

Excluded: – companies

- (2) Application of specific accounting for preparing quarterly consolidated financial statements: Yes

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

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

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

- (iii) Changes in accounting estimates: None

- (iv) Restatement: None

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

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

As of September 30, 2023	70,606,130 shares
As of June 30, 2023	70,562,130 shares

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

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

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

Three months ended September 30, 2023	70,453,158 shares
Three months ended September 30, 2022	70,330,060 shares

Note: On June 30, 2023, the Company conducted an allotment of share acquisition rights to shareholders based on a partial commitment-type rights offering, and issued new shares upon the exercise of share acquisition rights. Total number of issued shares at the end of the period, number of treasury shares at the end of the period, and average number of shares outstanding during the period were calculated as though the amounts based on the rights offering were paid in at the beginning of the previous fiscal year.

- * Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

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

(Caution regarding forward-looking statements)

Forward-looking statements in this document, including the results forecasts, etc., are based on the information available as of the date of the release of this document and the preconditions that the Company deemed to be reasonable; they are not meant to be a commitment by the Company, and a variety of factors in the future may cause actual results to differ materially from these forecasts.

Quarterly consolidated financial statements
(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of June 30, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	15,359	26,376
Notes receivable - trade	423	142
Accounts receivable - trade	1,829	1,972
Accounts receivable from completed construction contracts	173	285
Contract assets	1,228	1,280
Merchandise and finished goods	237	279
Work in process	56	77
Costs on construction contracts in progress	113	163
Costs on real estate business	1,628	1,674
Raw materials and supplies	155	125
Advance payments to suppliers	4,067	4,066
Other	2,114	2,291
Allowance for doubtful accounts	(6)	(7)
Total current assets	27,381	38,727
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,578	3,710
Accumulated depreciation	(977)	(1,025)
Accumulated impairment	(98)	(106)
Buildings and structures, net	2,503	2,578
Machinery, equipment and vehicles	39,383	43,037
Accumulated depreciation	(10,566)	(11,156)
Accumulated impairment	(14)	(15)
Machinery, equipment and vehicles, net	28,802	31,866
Tools, furniture and fixtures	265	264
Accumulated depreciation	(189)	(188)
Tools, furniture and fixtures, net	76	76
Land	4,749	4,749
Leased assets	2,275	2,284
Accumulated depreciation	(1,392)	(1,437)
Accumulated impairment	(34)	(36)
Leased assets, net	848	810
Construction in progress	14,044	11,835
Total property, plant and equipment	51,023	51,914
Intangible assets		
Goodwill	591	583
Contract-based intangible assets	6,727	6,677
Other	612	612
Total intangible assets	7,932	7,873
Investments and other assets		
Investment securities	421	378
Shares of subsidiaries and associates	1,141	1,143
Investments in capital of subsidiaries and associates	19	1,158
Deferred tax assets	2,626	2,440
Derivatives	—	99
Other	3,597	3,199
Allowance for doubtful accounts	(54)	(0)
Total investments and other assets	7,751	8,419
Total non-current assets	66,707	68,208
Total assets	94,089	106,935

(Millions of yen)

	As of June 30, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	761	1,030
Accounts payable for construction contracts	1,090	650
Short-term borrowings	10,100	9,450
Current portion of long-term borrowings	3,888	3,743
Lease liabilities	281	264
Income taxes payable	863	632
Contract liabilities	570	723
Provision for bonuses	287	130
Provision for warranties for completed construction	31	13
Other	1,133	1,512
Total current liabilities	19,009	18,151
Non-current liabilities		
Long-term borrowings	41,392	42,063
Lease liabilities	2,255	2,196
Deferred tax liabilities	774	757
Asset retirement obligations	1,449	1,590
Long-term deposits received	483	483
Retirement benefit liability	330	337
Other	53	48
Total non-current liabilities	46,740	47,477
Total liabilities	65,749	65,628
Net assets		
Shareholders' equity		
Share capital	26	6,756
Capital surplus	13,582	20,312
Retained earnings	14,444	13,674
Treasury shares	(0)	(0)
Total shareholders' equity	28,053	40,743
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7	—
Deferred gains or losses on hedges	(4)	4
Foreign currency translation adjustment	191	439
Total accumulated other comprehensive income	194	443
Non-controlling interests	91	119
Total net assets	28,340	41,306
Total liabilities and net assets	94,089	106,935

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

(Quarterly consolidated statement of income)

(For the three months ended September 30, 2023)

(Millions of yen)

	Three months ended September 30, 2022	Three months ended September 30, 2023
Net sales	8,323	6,221
Cost of sales	5,856	4,487
Gross profit	2,466	1,733
Selling, general and administrative expenses	938	1,018
Operating profit	1,527	714
Non-operating income		
Interest income	1	1
Dividend income	0	10
Gain on sale of securities	–	0
Rental income	3	21
Share of profit of entities accounted for using equity method	0	27
Gain on valuation of derivatives	–	99
Foreign exchange gains	96	18
Surrender value of insurance policies	9	0
Subsidy income	39	7
Other	0	7
Total non-operating income	152	195
Non-operating expenses		
Interest expenses	186	178
Loss on tax purpose reduction entry of non-current assets	23	–
Share acquisition rights issuance costs	–	129
Commission expenses	15	12
Other	1	92
Total non-operating expenses	226	412
Ordinary profit	1,453	498
Profit before income taxes	1,453	498
Income taxes	481	157
Profit	971	340
Profit attributable to non-controlling interests	65	56
Profit attributable to owners of parent	905	283

(Quarterly consolidated statement of comprehensive income)
(For the three months ended September 30, 2023)

(Millions of yen)

	Three months ended September 30, 2022	Three months ended September 30, 2023
Profit	971	340
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(7)
Deferred gains or losses on hedges	37	8
Foreign currency translation adjustment	(33)	234
Share of other comprehensive income of entities accounted for using equity method	(21)	(2)
Total other comprehensive income	(18)	233
Comprehensive income	953	573
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	913	531
Comprehensive income attributable to non-controlling interests	40	41