Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Summary of Consolidated Financial Results for the Six Months Ended September 30, 2023 (Based on Japanese GAAP)

November 2, 2023

Company name: TOKYO ENERGY & SYSTEMS INC.
Stock exchange listing: Tokyo
Stock code: 1945 URL https://www.qtes.co.jp/
Representative: President and Chief Executive Officer Toshiaki Majima
Executive Officer
Inquiries: General Manager of Accounting and Finance Division Takahiko Kobayashi TEL 03-6371-1947

Scheduled date to file Quarterly Securities Report: November 13, 2023
Scheduled date to commence dividend payments: December 4, 2023
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2023 (from April 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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2023	41,344	9.5	1,002	(28.9)	1,728	19.1	818	(7.7)
Six months ended September 30, 2022	37,771	33.6	1,410	696.7	1,451	569.2	886	792.9

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2023	23.89	–
Six months ended September 30, 2022	25.90	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	107,622	66,929	62.2
As of March 31, 2023	108,513	65,938	61.1

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2023	–	20.00	–	20.00	40.00
Year ending March 31, 2024	–	20.00			
Year ending March 31, 2024 (Forecast)			–	20.00	40.00

3. Forecast of consolidated financial results for the year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	80,000	1.2	3,500	1.2	3,500	26.3	2,500	17.9	72.99

4. Notes

(1) Changes in significant subsidiaries during the six months ended September 30, 2023 (changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Application of special accounting methods for preparing quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations:	No
Changes in accounting policies due to other reasons:	No
Changes in accounting estimates:	No
Restatement of prior period financial statements:	No

(4) Number of issued shares (common shares)

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

As of September 30, 2023	37,261,752 shares	As of March 31, 2023	37,261,752 shares

Number of treasury shares at the end of the period

As of September 30, 2023	2,990,776 shares	As of March 31, 2023	3,009,235 shares

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

Six months ended September 30, 2023	34,260,454 shares	Six months ended September 30, 2022	34,242,521 shares

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	13,255	8,940
Notes receivable, accounts receivable from completed construction contracts and contract assets	37,554	40,862
Electronically recorded monetary claims - operating	27	282
Costs on construction contracts in progress	1,677	1,344
Raw materials and supplies	1,824	1,439
Other	7,400	4,916
Total current assets	61,740	57,785
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,098	10,810
Machinery and vehicles, net	8,677	8,392
Land	8,348	8,451
Other, net	716	890
Total property, plant and equipment	28,841	28,544
Intangible assets		
Goodwill	233	197
Customer related assets	1,964	1,763
Other	758	753
Total intangible assets	2,956	2,714
Investments and other assets		
Investment securities	11,078	15,076
Other	3,913	3,519
Allowance for doubtful accounts	(17)	(17)
Total investments and other assets	14,975	18,578
Total non-current assets	46,773	49,837
Total assets	108,513	107,622

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	8,859	5,955
Electronically recorded obligations - operating	2,508	3,114
Short-term borrowings	2,368	5,868
Income taxes payable	1,093	195
Contract liabilities	6,070	4,589
Provision for loss on construction contracts	2,260	1,632
Other provisions	1,235	360
Other	3,741	5,330
Total current liabilities	28,139	27,047
Non-current liabilities		
Long-term borrowings	6,821	6,387
Retirement benefit liability	5,930	5,857
Other	1,682	1,401
Total non-current liabilities	14,435	13,646
Total liabilities	42,574	40,693
Net assets		
Shareholders' equity		
Share capital	2,881	2,881
Capital surplus	3,978	3,985
Retained earnings	59,025	59,158
Treasury shares	(1,929)	(1,917)
Total shareholders' equity	63,955	64,107
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,379	2,870
Foreign currency translation adjustment	(75)	(48)
Total accumulated other comprehensive income	2,303	2,821
Non-controlling interests	(320)	–
Total net assets	65,938	66,929
Total liabilities and net assets	108,513	107,622

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales		
Net sales of completed construction contracts	37,771	41,344
Cost of sales		
Cost of sales of completed construction contracts	33,592	37,252
Gross profit		
Gross profit on completed construction contracts	4,178	4,091
Selling, general and administrative expenses	2,768	3,088
Operating profit	1,410	1,002
Non-operating income		
Interest income	9	10
Dividend income	128	139
Foreign exchange gains	80	199
Gain on investments in silent partnerships	26	186
Gain on valuation of derivatives	–	273
Other	8	10
Total non-operating income	254	820
Non-operating expenses		
Interest expenses	60	93
Loss on valuation of derivatives	149	–
Other	3	1
Total non-operating expenses	213	94
Ordinary profit	1,451	1,728
Extraordinary income		
Gain on sale of non-current assets	–	26
Other	0	0
Total extraordinary income	0	26
Extraordinary losses		
Loss on retirement of non-current assets	0	19
Provision of loss reserve for loss compensation	85	–
Other	6	–
Total extraordinary losses	91	19
Profit before income taxes	1,360	1,736
Income taxes - current	488	74
Income taxes - deferred	36	535
Total income taxes	525	609
Profit	834	1,127
Profit (loss) attributable to non-controlling interests	(52)	308
Profit attributable to owners of parent	886	818

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	834	1,127
Other comprehensive income		
Valuation difference on available-for-sale securities	225	490
Foreign currency translation adjustment	218	39
Total other comprehensive income	443	529
Comprehensive income	1,278	1,656
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,352	1,336
Comprehensive income attributable to non-controlling interests	(74)	320