Note: This document has been translated from 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 6, 2024

Consolidated Financial Results for the Three Months Ended June 30, 2024 (Under Japanese GAAP)

Company name: TOKYO ENERGY & SYSTEMS INC.
Listing: Tokyo Stock Exchange
Securities code: 1945
URL: https://www.qtes.co.jp/en
Representative: Toshiaki Majima, President and Chief Executive Officer
Inquiries: Takahiko Kobayashi, Senior Executive Officer, General Manager of Accounting and Finance Division
Telephone: +81-3-6371-1947

Scheduled date to commence dividend payments: -
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: None

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

1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit (loss)		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2024	14,895	(26.6)	(367)	-	262	(68.4)	712	207.8
June 30, 2023	20,295	6.8	376	(30.9)	828	37.5	231	(31.7)

Note: Comprehensive income For the three months ended June 30, 2024: ¥463 million [(50.1)%]
For the three months ended June 30, 2023: ¥927 million [56.1%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	21.29	-
June 30, 2023	6.76	-

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2024	98,841	68,174	69.0
March 31, 2024	107,471	68,548	63.8

Reference: Equity
As of June 30, 2024: ¥68,174 million
As of March 31, 2024: ¥68,548 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 March 31, 2024	-	20.00	-	25.00	45.00
Fiscal year ending March 31, 2025	-				
Fiscal year ending March 31, 2025 (Forecast)		26.00	-	26.00	52.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(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
Full year	90,000	1.7	3,200	(19.2)	3,600	(30.9)	3,000	1.3	89.60

Note: Revisions to the financial result forecast most recently announced: None

*** Notes**

(1) Significant changes in the scope of consolidation during the period: Yes
Newly included: 1 company (Tokyo Enesys Vietnam Co., Ltd.)

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(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 June 30, 2024	34,973,752 shares
As of March 31, 2024	34,973,752 shares

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

As of June 30, 2024	1,490,915 shares
As of March 31, 2024	1,490,807 shares

(iii) Average number of shares outstanding during the period

Three months ended June 30, 2024	33,482,898 shares
Three months ended June 30, 2023	34,252,502 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: Yes (voluntary)

* Proper use of earnings forecasts and other special matters

The forward-looking statements in this document, including earnings forecasts, are based on information currently available to the Company and certain assumptions that the Company considers reasonable, but they are not intended to be a commitment by the Company. Actual results may differ significantly due to various factors.

Table of Contents - Attachments

1. Overview of Operating Results, etc. 2
(1) Overview of Operating Results for the Three Months Ended June 30, 2024 2
(2) Overview of Financial Position for the Three Months Ended June 30, 2024 3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information 3
2. Quarterly Consolidated Financial Statements and Principal Notes 4
(1) Quarterly Consolidated Balance Sheets 4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income 6
(3) Notes to Quarterly Consolidated Financial Statements 8
(Segment information, etc.) 8
(Notes in case of significant changes in shareholders' equity) 10
(Notes on going concern assumption) 10
(Notes to quarterly consolidated statement of cash flows) 10
3. Supplementary Information 11
Orders Received, Construction Completed, and Amount Carried Forward to the Next Period by Segment and Division 11

1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Three Months Ended June 30, 2024

Although the upward trend of capital investment continued driven by buoyant corporate earnings, the outlook of the Japanese economy remains uncertain because of persisting risks, including destabilizing international circumstances, exchange rate fluctuations, and increasing interest rates, among others, in addition to rising demand for labor and price increases.

On the other hand, the result of the initial tender was announced for "Long-Term Decarbonized Power Supply Auctions" targeting a response to the power supply and demand crunch and securing of power supply capacity from decarbonized power sources, and plans were clarified for capital investment in decarbonized power sources, including conversion of existing thermal power plants to enable introduction of ammonia and hydrogen and construction of new LNG-fired and biomass plants. Therefore, we expect that concrete progress will be achieved, going forward.

In these circumstances, the Group has set a new vision for FY2030 of becoming a "Quality-first company leading carbon neutrality capitalizing on the technological capabilities of each employee" and formulated the FY2024 mid-term management plan (FY2024-FY2026). Focusing on strengthening human capital, the most important element in realizing this vision, we have set the basic policy of "creating a strong and flexible Q'd with people at the core." Based on this basic policy, we are addressing the following key issues: "strengthen human capital by investing in human resources," "refine 'Q'd' so as to be chosen by customers," and "strengthen ties with all people and organizations involved in our company."

In June 2024, we integrated the Energy and Industry Division and the Electric Power Division and established new regionally based sales offices to ensure efficient business operations, responsiveness to the changing external environment, and flexible allocation of personnel.

In the electric power market, our core business, the current situation is challenging as implementation of safety measures at nuclear power plants and construction of thermal power plants have run their course. However, from the second half of the year onward, construction of LNG-fired power plants, fuel conversion at existing power plants, and resumption of operation of nuclear power plants are anticipated. We will fully leverage the new organizational structure for order-taking activities.

As a result, total orders received were ¥14,064 million (up 0.5% year-on-year), owing mainly to the receiving of orders concerning the installation of new and additional facilities for chemical plants, substations, and urban redevelopment projects.

Net sales were ¥14,895 million (down 26.6% year-on-year), owing to decreases in decommissioning-related work at the Fukushima Daiichi Nuclear Power Plant, maintenance and repair work and construction work for thermal power plants, among others, despite the progress of construction work for biomass power plants and construction of safety measures at nuclear power plants.

The amount carried forward to the next period was ¥96,846 million (down 16.3% year-on-year).

As for profits, operating loss was ¥367 million (compared to operating profit of ¥376 million for the same period of the previous fiscal year) due to a decrease in net sales and an increase in cost ratio (an increase in subcontracting costs in line with labor shortages, and higher biomass fuel purchase prices resulting from the yen's depreciation). On the other hand, ordinary profit was ¥262 million (down 68.4% year-on-year) due to the recording of a gain on valuation of derivatives because of the impact of the yen's depreciation on the outstanding

balance of forward exchange contracts, which have been entered into in order to reduce the risk of exchange rate fluctuations related to fuel purchases. Profit attributable to owners of parent amounted to ¥712 million (up 207.8% year-on-year), reflecting a gain on sale of investment securities. They were sold in order to improve asset efficiency and strengthen the financial position.

Business results by segment were as follows.

(Facilities Construction)
Total orders received were ¥12,549 million (down 1.2% year-on-year) due to a decrease in the Energy Division.
Net sales were ¥13,435 million (down 29.6% year-on-year) due to decreases in the Energy Division and the Nuclear Power Division.
Segment loss was ¥68 million (compared to segment profit of ¥1,782 million for the same period of the previous fiscal year).

(Other Businesses)
Total orders received were ¥1,496 million (up 15.7% year-on-year).
Net sales were ¥1,441 million (up 19.9% year-on-year).
Segment profit was ¥137 million (compared to segment loss of ¥35 million for the same period of the previous fiscal year).

Reference: Names of divisions, etc. corresponding to the segments

Segment name	Division, etc.
Facilities Construction	Green Energy Business Division, Energy Division, Nuclear Power Division, Welding and Inspection Engineering Center, Overseas Division
Other Businesses	Power generation business, real estate business, leasing and rental business, insurance agency, manufacture and sale, wholesale

Note: Following the reorganization in the first quarter of the fiscal year under review, the “Energy and Industry Division” and the “Electric Power Division” of the “Facilities Construction” segment were integrated and the “Energy Division” was established.

(2) Overview of Financial Position for the Three Months Ended June 30, 2024

Total assets amounted to ¥98,841 million as of June 30, 2024, a decrease of ¥8,630 million from the end of the previous fiscal year. This was mainly due to a decrease in notes receivable, accounts receivable from completed construction contracts and contract assets.
Total liabilities amounted to ¥30,667 million as of June 30, 2024, a decrease of ¥8,256 million from the end of the previous fiscal year. This was mainly due to a decrease in other in current liabilities.
Net assets amounted to ¥68,174 million as of June 30, 2024, a decrease of ¥374 million from the end of the previous fiscal year. This was mainly due to a decrease in retained earnings.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

The consolidated financial results forecast for the fiscal year ending March 31, 2025, announced on May 8, 2024 remains unchanged.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	8,180	10,384
Notes receivable, accounts receivable from completed construction contracts and contract assets	36,820	29,804
Electronically recorded monetary claims - operating	495	442
Securities	4,116	125
Costs on construction contracts in progress	1,436	1,198
Raw materials and supplies	792	1,270
Other	3,876	4,505
Total current assets	55,719	47,731
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,696	10,587
Machinery and vehicles, net	8,119	7,966
Land	8,463	8,470
Other, net	1,063	1,108
Total property, plant and equipment	28,343	28,132
Intangible assets		
Goodwill	161	143
Customer related assets	1,562	1,463
Other	720	716
Total intangible assets	2,444	2,322
Investments and other assets		
Investment securities	16,882	16,546
Other	4,100	4,126
Allowance for doubtful accounts	(17)	(17)
Total investments and other assets	20,965	20,654
Total non-current assets	51,752	51,109
Total assets	107,471	98,841

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	8,400	5,188
Electronically recorded obligations - operating	1,741	1,623
Short-term borrowings	992	4,813
Income taxes payable	998	85
Contract liabilities	1,855	2,390
Provision for loss on construction contracts	1,682	766
Other provisions	743	588
Other	9,841	2,479
Total current liabilities	26,256	17,937
Non-current liabilities		
Long-term borrowings	5,952	5,952
Retirement benefit liability	5,269	5,223
Other	1,443	1,553
Total non-current liabilities	12,666	12,730
Total liabilities	38,923	30,667
Net assets		
Shareholders' equity		
Share capital	2,881	2,881
Capital surplus	3,723	3,723
Retained earnings	59,214	59,090
Treasury shares	(1,083)	(1,083)
Total shareholders' equity	64,736	64,611
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,855	3,768
Foreign currency translation adjustment	(43)	(206)
Total accumulated other comprehensive income	3,812	3,562
Total net assets	68,548	68,174
Total liabilities and net assets	107,471	98,841

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated statements of income (cumulative)

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales		
Net sales of completed construction contracts	20,295	14,895
Cost of sales		
Cost of sales of completed construction contracts	18,370	13,719
Gross profit		
Gross profit on completed construction contracts	1,924	1,175
Selling, general and administrative expenses	1,548	1,543
Operating profit (loss)	376	(367)
Non-operating income		
Interest income	5	12
Dividend income	135	157
Foreign exchange gains	146	239
Gain on valuation of derivatives	208	265
Other	3	10
Total non-operating income	499	685
Non-operating expenses		
Interest expenses	44	43
Loss on investments in silent partnerships	1	10
Other	0	2
Total non-operating expenses	46	56
Ordinary profit	828	262
Extraordinary income		
Gain on sale of investment securities	0	844
Other	26	39
Total extraordinary income	26	883
Extraordinary losses		
Loss on retirement of non-current assets	5	0
Other	-	0
Total extraordinary losses	5	0
Profit before income taxes	849	1,145
Income taxes - current	26	(3)
Income taxes - deferred	283	435
Total income taxes	310	432
Profit	538	712
Profit attributable to non-controlling interests	307	-
Profit attributable to owners of parent	231	712

Quarterly Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	538	712
Other comprehensive income		
Valuation difference on available-for-sale securities	455	(86)
Foreign currency translation adjustment	(67)	(163)
Total other comprehensive income	388	(249)
Comprehensive income	927	463
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	607	463
Comprehensive income attributable to non-controlling interests	320	-

(3) Notes to Quarterly Consolidated Financial Statements

(Segment information, etc.)

I. Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

1. Information on net sales and profit (loss) by reportable segment and breakdown of revenue

(Millions of yen)

	Reportable segment	Other Businesses	Total
	Facilities Construction		
Net sales			
Net sales to outside customers	19,089	1,202	20,291
Inter-segment net sales or transfers	651	736	1,388
Total	19,740	1,938	21,679
Net sales (by Division)			
Green Energy Business Division	2,478	-	2,478
Energy Division	12,297	-	12,297
Nuclear Power Division	4,865	-	4,865
Other	99	1,938	2,037
Total	19,740	1,938	21,679
Timing of transfer of goods or services			
A point in time	2,729	1,938	4,667
Over time	17,011	-	17,011
Total	19,740	1,938	21,679
Segment profit (loss)	1,782	(35)	1,746

Notes: 1. "Other Businesses" is a business segment not included in the reportable segments and includes power generation, real estate, leasing and rental, insurance agency, manufacture and sale, and wholesale.

2. The amount of revenue generated from sources other than contracts with customers is not material.

2. Difference between reportable segment total profit (loss) and the amount stated in the quarterly consolidated statement of income, and main details of differences (matters related to adjustment of difference)

(Millions of yen)

Profit (loss)	Amount
Reportable segment total	1,782
(Loss) in the "Other Businesses" segment	(35)
Inter-segment eliminations	(1)
Amortization of goodwill	(17)
Corporate expenses	(1,032)
Other adjustments	(318)
Operating profit in quarterly consolidated statement of income	376

Note: Corporate expenses are general and administrative expenses that do not belong to any reportable segment.

II. Three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

1. Information on net sales and profit (loss) by reportable segment and breakdown of revenue

(Millions of yen)

	Reportable segment	Other Businesses	Total
	Facilities Construction		
Net sales			
Net sales to outside customers	13,435	1,441	14,876
Inter-segment net sales or transfers	661	677	1,338
Total	14,096	2,119	16,215
Net sales (by Division)			
Green Energy Business Division	2,690	-	2,690
Energy Division	8,883	-	8,883
Nuclear Power Division	2,453	-	2,453
Other	69	2,119	2,188
Total	14,096	2,119	16,215
Timing of transfer of goods or services			
A point in time	2,728	2,119	4,847
Over time	11,368	-	11,368
Total	14,096	2,119	16,215
Segment profit (loss)	(68)	137	69

Notes: 1. "Other Businesses" is a business segment not included in the reportable segments and includes power generation, real estate, leasing and rental, insurance agency, manufacture and sale, and wholesale.
2. The amount of revenue generated from sources other than contracts with customers is not material.
3. Following the reorganization in the first quarter of the fiscal year under review, the "Energy and Industry Division" and the "Electric Power Division" of the "Facilities Construction" Segment were integrated and the "Energy Division" was established. For the three months ended June 30, 2024, information prepared based on the classification after the reorganization is presented.

2. Difference between reportable segment total profit (loss) and the amount stated in the quarterly consolidated statement of income, and main details of differences (matters related to adjustment of difference)

(Millions of yen)

Profit (loss)	Amount
Reportable segment total	(68)
Profit in the "Other Businesses" segment	137
Inter-segment eliminations	81
Amortization of goodwill	(17)
Corporate expenses	(1,073)
Other adjustments	573
Operating (loss) in quarterly consolidated statement of income	(367)

Note: Corporate expenses are general and administrative expenses that do not belong to any reportable segment.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Notes on going concern assumption)

Not applicable.

(Notes to quarterly consolidated statement of cash flows)

No quarterly consolidated statement of cash flows for the three months ended June 30, 2024 has been prepared.

Depreciation (including amortization of intangible assets other than goodwill) for the three months ended June 30, 2024 and amortization of goodwill are as follows.

	Three months ended June 30, 2023	Three months ended June 30, 2024
Depreciation	514 million yen	504 million yen
Amortization of goodwill	17 million yen	17 million yen

3. Supplementary Information

Orders Received, Construction Completed, and Amount Carried Forward to the Next Period by Segment and Division

Segment / Division			Three months ended June 30, 2023		Three months ended June 30, 2024		Year-on-year increase (decrease)	
			Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Change (%)
Orders Received		Green Energy Business Division	326	2.3	846	6.0	519	159.2
		Energy Division	8,994	64.3	8,249	58.7	(744)	(8.3)
		Nuclear Power Division	3,348	23.9	3,401	24.2	52	1.6
		Other	28	0.2	51	0.4	22	78.1
	Facilities Construction		12,698	90.7	12,549	89.3	(148)	(1.2)
	Other Businesses		1,293	9.2	1,496	10.6	202	15.7
	Segment total		13,991	99.9	14,045	99.9	53	0.4
	Adjustments		3	0.1	18	0.1	14	384.1
	Total		13,995	100.0	14,064	100.0	68	0.5
Construction Completed		Green Energy Business Division	1,858	9.1	2,029	13.6	170	9.2
		Energy Division	12,297	60.6	8,883	59.6	(3,414)	(27.8)
		Nuclear Power Division	4,865	24.0	2,453	16.5	(2,411)	(49.6)
		Other	67	0.3	69	0.5	1	2.8
	Facilities Construction		19,089	94.0	13,435	90.2	(5,653)	(29.6)
	Other Businesses		1,202	5.9	1,441	9.7	239	19.9
	Segment total		20,291	99.9	14,876	99.9	(5,414)	(26.7)
	Adjustments		3	0.1	18	0.1	14	384.1
	Total		20,295	100.0	14,895	100.0	(5,400)	(26.6)
Amount Carried Forward to the Next Period		Green Energy Business Division	9,753	8.4	12,242	12.7	2,488	25.5
		Energy Division	79,487	68.7	67,819	70.0	(11,668)	(14.7)
		Nuclear Power Division	25,514	22.1	15,882	16.4	(9,632)	(37.8)
		Other	321	0.3	135	0.1	(186)	(58.0)
	Facilities Construction		115,077	99.5	96,079	99.2	(18,998)	(16.5)
	Other Businesses		599	0.5	767	0.8	167	28.0
	Segment total		115,677	100.0	96,846	100.0	(18,830)	(16.3)
	Adjustments		-	-	-	-	-	-
	Total		115,677	100.0	96,846	100.0	(18,830)	(16.3)