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November 5, 2024

Consolidated Financial Results for the Six Months Ended September 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
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Scheduled date to file semi-annual securities report: November 13, 2024
Scheduled date to commence dividend payments: December 3, 2024
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 six months ended September 30, 2024 (from April 1, 2024 to September 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	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2024	30,541	(26.1)	(249)	-	243	(85.9)	630	(23.0)
September 30, 2023	41,344	9.5	1,002	(28.9)	1,728	19.1	818	(7.7)

Note: Comprehensive income For the six months ended September 30, 2024: ¥(229) million [-%]
For the six months ended September 30, 2023: ¥1,656 million [29.6%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	18.82	-
September 30, 2023	23.89	-

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2024	95,395	67,518	70.8
March 31, 2024	107,471	68,548	63.8

Reference: Equity
As of September 30, 2024: ¥67,518 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	-	26.00			
Fiscal year ending March 31, 2025 (Forecast)			-	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	68,000	(23.1)	1,000	(74.7)	1,500	(71.2)	1,500	(49.3)	44.78

Note: Revisions to the financial result forecast most recently announced: Yes

Regarding revisions to the forecast of consolidated financial results, please refer to the “Notice Concerning Revisions to Financial Results Forecast” announced today (November 5, 2024).

*** 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 semi-annual 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 September 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 September 30, 2024	1,465,115 shares
As of March 31, 2024	1,490,807 shares

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

Six months ended September 30, 2024	33,493,929 shares
Six months ended September 30, 2023	34,260,454 shares

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* 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.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Six Months Ended September 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.

Regarding the business environment in which the Group operates, whereas vigorous capital investment in the renewable energy field is expected in view of the growing need for investment in decarbonization, the volume of construction at conventional power stations, which has been the Company's core business for many years, has been trending downward. Furthermore, because of the cost impact of prices of materials and equipment and soaring labor costs as well as chronic labor shortages, the business environment continues to be challenging.

In these circumstances, the Group has judged that it is important to pursue a business strategy of diversifying revenue streams by expanding our presence in the general industry and other market, as well as in the renewable energy-related market, in view of the fact that our business has been overly dependent on the electric power market, and we launched the FY2024 mid-term management plan (FY2024-FY2026) in April 2024, which focuses on strengthening human capital.
Specifically, in accordance with the basic policy of "creating a strong and flexible Q'd with people at the core," 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."

For example, in June 2024, in order to strengthen sales capabilities and competitiveness, we executed a reorganization, creating corresponding to functions, such as sales, construction cost estimating, and construction, and established new branches that serve as sales bases rooted in each region. As a result, it has become possible to integrate information, knowledge, and skills, which had been dispersed, and this is leading to the receiving of orders from new customers and in new fields.

Total orders received were ¥37,827 million (up 36.1% year-on-year), owing mainly to the receiving of orders concerning the installation of additional facilities for chemical plants, maintenance and repair work for oil refineries, air conditioning work at public facilities, solar power facilities for on-site power purchase agreements (PPA), implementation of business continuity planning (BCP) measures, work for recovery from torrential rain, new projects for decarbonization of thermal power plants through synergy with the components manufacturing business of an overseas subsidiary, preparation for resumption of operation of nuclear power plants, etc.

Meanwhile, net sales were ¥30,541 million (down 26.1% year-on-year), because implementation of safety measures at nuclear power plants and construction of thermal power plants have run their course and projects related to treated water at the Fukushima Daiichi Nuclear Power Plant were completed, despite the progress of installation of solar power generation facilities as well as installation of new and additional facilities for substations.

The amount carried forward to the next period was ¥104,962 million (down 3.2% year-on-year).

As for profits, operating loss was ¥249 million (compared to operating profit of ¥1,002 million for the same period of the previous fiscal year) due to a decrease in net sales and an increase in the cost ratio (an increase in subcontracting costs in line with labor shortages, etc.). On the other hand, ordinary profit was ¥243 million (down 85.9% year-on-year) due mainly to the recording of foreign exchange gains in line with exchange rate

fluctuations. Profit attributable to owners of parent amounted to ¥630 million (down 23.0% 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 ¥34,614 million (up 38.3% year-on-year) due to increases in the Energy Division and the Nuclear Power Division.
Net sales were ¥27,412 million (down 29.1% year-on-year) due to decreases in the Energy Division and the Nuclear Power Division.

(Other Businesses)
Total orders received were ¥3,194 million (up 15.4% year-on-year).
Net sales were ¥3,111 million (up 15.0% year-on-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 Six Months Ended September 30, 2024

Total assets amounted to ¥95,395 million as of September 30, 2024, a decrease of ¥12,076 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 ¥27,876 million as of September 30, 2024, a decrease of ¥11,046 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 ¥67,518 million as of September 30, 2024, a decrease of ¥1,029 million from the end of the previous fiscal year. This was mainly due to a decrease in valuation difference on available-for-sale securities.

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

The financial results forecast, announced on May 8, 2024 has been revised.
Regarding revisions to the financial results forecast, please refer to the “Notice concerning Revisions to Financial Results Forecast” announced today (November 5, 2024).

2. Semi-annual Consolidated Financial Statements and Principal Notes

(1) Semi-annual Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	8,180	8,621
Notes receivable, accounts receivable from completed construction contracts and contract assets	36,820	29,586
Electronically recorded monetary claims - operating	495	322
Securities	4,116	115
Costs on construction contracts in progress	1,436	1,003
Raw materials and supplies	792	1,029
Other	3,876	4,071
Total current assets	55,719	44,750
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,696	10,472
Machinery and vehicles, net	8,119	7,849
Land	8,463	8,512
Other, net	1,063	1,155
Total property, plant and equipment	28,343	27,991
Intangible assets		
Goodwill	161	125
Customer related assets	1,562	1,410
Other	720	700
Total intangible assets	2,444	2,236
Investments and other assets		
Investment securities	16,882	16,409
Other	4,100	4,024
Allowance for doubtful accounts	(17)	(17)
Total investments and other assets	20,965	20,416
Total non-current assets	51,752	50,644
Total assets	107,471	95,395

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	8,400	5,156
Electronically recorded obligations - operating	1,741	512
Short-term borrowings	992	4,410
Income taxes payable	998	229
Contract liabilities	1,855	2,540
Provision for loss on construction contracts	1,682	476
Other provisions	743	404
Other	9,841	1,784
Total current liabilities	26,256	15,515
Non-current liabilities		
Long-term borrowings	5,952	5,543
Retirement benefit liability	5,269	5,187
Other	1,443	1,629
Total non-current liabilities	12,666	12,360
Total liabilities	38,923	27,876
Net assets		
Shareholders' equity		
Share capital	2,881	2,881
Capital surplus	3,723	3,741
Retained earnings	59,214	59,007
Treasury shares	(1,083)	(1,064)
Total shareholders' equity	64,736	64,566
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,855	3,167
Foreign currency translation adjustment	(43)	(215)
Total accumulated other comprehensive income	3,812	2,952
Total net assets	68,548	67,518
Total liabilities and net assets	107,471	95,395

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income

Semi-annual Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales		
Net sales of completed construction contracts	41,344	30,541
Cost of sales		
Cost of sales of completed construction contracts	37,252	27,660
Gross profit		
Gross profit on completed construction contracts	4,091	2,880
Selling, general and administrative expenses	3,088	3,130
Operating profit (loss)	1,002	(249)
Non-operating income		
Interest income	10	21
Dividend income	139	158
Foreign exchange gains	199	343
Gain on investments in silent partnerships	186	250
Gain on valuation of derivatives	273	-
Other	10	30
Total non-operating income	820	805
Non-operating expenses		
Interest expenses	93	94
Loss on valuation of derivatives	-	213
Other	1	4
Total non-operating expenses	94	312
Ordinary profit	1,728	243
Extraordinary income		
Gain on sale of investment securities	0	949
Other	26	39
Total extraordinary income	26	989
Extraordinary losses		
Loss on retirement of non-current assets	19	2
Other	-	0
Total extraordinary losses	19	2
Profit before income taxes	1,736	1,229
Income taxes - current	74	71
Income taxes - deferred	535	527
Total income taxes	609	599
Profit	1,127	630
Profit attributable to non-controlling interests	308	-
Profit attributable to owners of parent	818	630

Semi-annual Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Profit	1,127	630
Other comprehensive income		
Valuation difference on available-for-sale securities	490	(688)
Foreign currency translation adjustment	39	(171)
Total other comprehensive income	529	(859)
Comprehensive income	1,656	(229)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,336	(229)
Comprehensive income attributable to non-controlling interests	320	-

(3) Notes to Semi-annual Consolidated Financial Statements

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

Not applicable.

(Notes on going concern assumption)

Not applicable.

3. Supplementary Information

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

Segment / Division			Six months ended September 30, 2023		Six months ended September 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	1,799	6.4	3,201	8.4	1,401	77.9
		Energy Division	17,159	61.7	23,860	63.1	6,701	39.1
		Nuclear Power Division	6,031	21.7	7,478	19.8	1,446	24.0
		Other	30	0.1	74	0.2	43	141.7
	Facilities Construction		25,020	89.9	34,614	91.5	9,593	38.3
	Other Businesses		2,768	10.0	3,194	8.4	425	15.4
	Segment total		27,789	99.9	37,808	99.9	10,019	36.1
	Adjustments		1	0.1	18	0.1	16	-
	Total		27,790	100.0	37,827	100.0	10,036	36.1
Construction Completed		Green Energy Business Division	3,595	8.6	3,914	12.8	318	8.8
		Energy Division	25,949	62.8	17,801	58.3	(8,148)	(31.4)
		Nuclear Power Division	8,936	21.6	5,563	18.2	(3,373)	(37.7)
		Other	154	0.4	133	0.4	(20)	(13.4)
	Facilities Construction		38,636	93.4	27,412	89.7	(11,224)	(29.1)
	Other Businesses		2,705	6.5	3,111	10.2	405	15.0
	Segment total		41,342	99.9	30,523	99.9	(10,819)	(26.2)
	Adjustments		1	0.1	18	0.1	16	-
	Total		41,344	100.0	30,541	100.0	(10,802)	(26.1)
Amount Carried Forward to the Next Period		Green Energy Business Division	9,489	8.7	12,712	12.0	3,223	34.0
		Energy Division	74,000	68.3	74,511	71.0	511	0.7
		Nuclear Power Division	24,125	22.3	16,848	16.1	(7,276)	(30.2)
		Other	236	0.2	94	0.1	(142)	(60.3)
	Facilities Construction		107,852	99.5	104,167	99.2	(3,684)	(3.4)
	Other Businesses		570	0.5	795	0.8	224	39.4
	Segment total		108,422	100.0	104,962	100.0	(3,460)	(3.2)
	Adjustments		-	-	-	-	-	-
	Total		108,422	100.0	104,962	100.0	(3,460)	(3.2)