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November 14, 2024

Consolidated Financial Results for the Three Months Ended September 30, 2024 (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 commence dividend payments: —
 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 three months ended September 30, 2024 (from July 1, 2024 to September 30, 2024)

(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, 2024	8,308	33.6	944	32.2	757	52.2	684	141.6
September 30, 2023	6,221	(25.3)	714	(53.2)	498	(65.7)	283	(68.7)

Note: Comprehensive income For the three months ended September 30, 2024: ¥659 million [14.9%]
 For the three months ended September 30, 2023: ¥573 million [(39.8)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
September 30, 2024	9.70	9.69
September 30, 2023	4.02	4.01

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2024	142,454	41,308	28.8
June 30, 2024	119,128	41,796	34.9

Reference: Equity
 As of September 30, 2024: ¥41,001 million
 As of June 30, 2024: ¥41,512 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, 2024	—	0.00	—	16.00	16.00
Fiscal year ending June 30, 2025	—				
Fiscal year ending June 30, 2025 (Forecast)		0.00	—	7.66	7.66

Note: Revisions to the cash dividends forecasts most recently announced: None

3. Forecast of consolidated financial results for the fiscal year ending June 30, 2025 (from July 1, 2024 to June 30, 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
Fiscal year ending June 30, 2025	38,000	24.0	2,700	13.9	400	(94.8)	700	(41.0)	9.93

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

*** Notes**

(1) Significant changes in the scope of consolidation during the period: Yes

Newly included: 2 companies (a silent partnership operated by Fukuoka-Miyako Solar Power LLC, and TESS Logistics LLC)

Excluded: – companies

Note: In the first quarter ended September 30, 2024, the Company included a silent partnership operated by Fukuoka-Miyako Solar Power LLC in the scope of consolidation because of the acquisition of equity interest in that silent partnership. As the deemed acquisition date of that company was June 30, 2024, only the balance sheet has been consolidated in the first quarter period.

In addition, TESS Logistics LLC was established on August 26, 2024, and it is accordingly included in the scope of consolidation from the first quarter ended September 30, 2024.

(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, 2024	70,644,130 shares
As of June 30, 2024	70,644,130 shares

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

As of September 30, 2024	130,156 shares
As of June 30, 2024	130,156 shares

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

Three months ended September 30, 2024	70,513,974 shares
Three months ended September 30, 2023	70,453,158 shares

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

* 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, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	18,339	21,801
Notes receivable - trade	321	145
Accounts receivable - trade	1,833	2,232
Accounts receivable from completed construction contracts	0	17
Contract assets	4,644	5,633
Merchandise and finished goods	200	196
Work in process	93	136
Costs on construction contracts in progress	44	70
Costs on real estate business	1,675	1,676
Raw materials and supplies	340	419
Advance payments to suppliers	6,442	6,561
Other	2,091	2,150
Allowance for doubtful accounts	(6)	(10)
Total current assets	36,022	41,031
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,270	5,163
Accumulated depreciation	(1,181)	(1,304)
Accumulated impairment	(757)	(760)
Buildings and structures, net	2,331	3,098
Machinery, equipment and vehicles	45,746	57,971
Accumulated depreciation	(13,104)	(15,016)
Accumulated impairment	(3,128)	(3,214)
Machinery, equipment and vehicles, net	29,514	39,740
Tools, furniture and fixtures	272	291
Accumulated depreciation	(194)	(202)
Accumulated impairment	(0)	(0)
Tools, furniture and fixtures, net	76	88
Land	5,217	5,217
Leased assets	2,287	2,289
Accumulated depreciation	(1,534)	(1,562)
Accumulated impairment	(36)	(37)
Leased assets, net	717	689
Construction in progress	23,261	23,696
Total property, plant and equipment	61,118	72,532
Intangible assets		
Goodwill	559	551
Contract-based intangible assets	6,421	11,140
Other	634	4,104
Total intangible assets	7,615	15,796
Investments and other assets		
Investment securities	381	381
Shares of subsidiaries and associates	1,270	1,200
Investments in capital of subsidiaries and associates	1,224	19
Deferred tax assets	2,750	2,799
Derivatives	5,676	5,588
Other	3,069	3,105
Allowance for doubtful accounts	(0)	(0)

(Millions of yen)

	As of June 30, 2024	As of September 30, 2024
Total investments and other assets	14,372	13,094
Total non-current assets	83,106	101,422
Total assets	119,128	142,454

(Millions of yen)

	As of June 30, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,125	814
Accounts payable for construction contracts	1,206	1,390
Short-term borrowings	13,250	13,450
Current portion of long-term borrowings	4,051	5,648
Lease liabilities	295	303
Income taxes payable	328	235
Contract liabilities	1,759	1,990
Provision for bonuses	261	155
Provision for contract loss	21	2
Provision for warranties for completed construction	5	12
Other	944	1,027
Total current liabilities	23,249	25,030
Non-current liabilities		
Long-term borrowings	45,047	65,880
Lease liabilities	3,002	3,584
Deferred tax liabilities	2,769	2,745
Asset retirement obligations	2,377	3,013
Long-term deposits received	483	483
Retirement benefit liability	369	379
Other	32	27
Total non-current liabilities	54,082	76,114
Total liabilities	77,332	101,145
Net assets		
Shareholders' equity		
Share capital	6,760	6,760
Capital surplus	19,608	19,608
Retained earnings	14,715	14,257
Treasury shares	(0)	(0)
Total shareholders' equity	41,083	40,625
Accumulated other comprehensive income		
Deferred gains or losses on hedges	48	63
Foreign currency translation adjustment	380	311
Total accumulated other comprehensive income	429	375
Non-controlling interests	283	306
Total net assets	41,796	41,308
Total liabilities and net assets	119,128	142,454

(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, 2024)

(Millions of yen)

	Three months ended September 30, 2023	Three months ended September 30, 2024
Net sales	6,221	8,308
Cost of sales	4,487	6,205
Gross profit	1,733	2,103
Selling, general and administrative expenses	1,018	1,158
Operating profit	714	944
Non-operating income		
Interest income	1	6
Dividend income	10	5
Gain on sale of securities	0	–
Rental income	21	20
Insurance claim income	–	36
Share of profit of entities accounted for using equity method	27	52
Gain on valuation of derivatives	99	–
Foreign exchange gains	18	–
Gain on investments in silent partnerships	–	367
Surrender value of insurance policies	0	4
Subsidy income	7	90
Other	7	47
Total non-operating income	195	632
Non-operating expenses		
Interest expenses	178	249
Loss on valuation of derivatives	–	126
Loss on tax purpose reduction entry of non-current assets	–	89
Share acquisition rights issuance costs	129	–
Foreign exchange losses	–	162
Commission expenses	12	167
Other	92	24
Total non-operating expenses	412	819
Ordinary profit	498	757
Extraordinary income		
Gain on bargain purchase	–	471
Total extraordinary income	–	471
Extraordinary losses		
Loss on step acquisitions	–	292
Total extraordinary losses	–	292
Profit before income taxes	498	937
Income taxes	157	222
Profit	340	715
Profit attributable to non-controlling interests	56	30
Profit attributable to owners of parent	283	684

(Quarterly consolidated statement of comprehensive income)
(For the three months ended September 30, 2024)

(Millions of yen)

	Three months ended September 30, 2023	Three months ended September 30, 2024
Profit	340	715
Other comprehensive income		
Valuation difference on available-for-sale securities	(7)	—
Deferred gains or losses on hedges	8	15
Foreign currency translation adjustment	234	(0)
Share of other comprehensive income of entities accounted for using equity method	(2)	(70)
Total other comprehensive income	233	(56)
Comprehensive income	573	659
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	531	630
Comprehensive income attributable to non-controlling interests	41	28