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February 14, 2025

Consolidated Financial Results for the Nine Months Ended December 31, 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 nine months ended December 31, 2024 (from April 1, 2024 to December 31, 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	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2024	46,462	(27.0)	(12)	-	611	(83.6)	1,091	(48.3)
December 31, 2023	63,648	11.3	2,912	82.4	3,735	232.2	2,111	111.3

Note: Comprehensive income For the nine months ended December 31, 2024: ¥(43) million [-%]
For the nine months ended December 31, 2023: ¥3,297 million [144.7%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2024	32.59	-
December 31, 2023	61.64	-

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
December 31, 2024	102,770	66,833	65.0
March 31, 2024	107,471	68,548	63.8

Reference: Equity
As of December 31, 2024: ¥66,833 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: 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 December 31, 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 December 31, 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)

Nine months ended December 31, 2024	33,498,342 shares
Nine months ended December 31, 2023	34,263,607 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.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Nine Months Ended December 31, 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 brisk capital investment in decarbonized power sources 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. Nevertheless, the energy and infrastructure business in which the Group is engaged has begun to show some positive signs as electric power demand becomes increasingly likely to grow over the medium to long term with advancements in digital transformation (DX) and green transformation (GX).

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."

Especially, in order to strengthen sales capabilities and competitiveness, we reorganized our operations by function, including sales, construction cost estimating, and construction, and established new branches that serve as sales bases rooted in each region. By integrating previously dispersed information, knowledge, and skills, we have improved efficiency in securing orders from new customers and fields, generating a steady flow of successful results. In a bid to further expand the order flow, we are forging ahead with a variety of initiatives, such as early determination of specification through design support for customers, development of a construction cost estimation database incorporating the latest insights, enhanced procurement of materials and equipment by diversifying domestic and international procurement channels, and joint simulation of securing workers by sharing construction work information early with key partner businesses.

As a result, orders received were ¥60,437 million (up 46.4% year-on-year), owing mainly to the receiving of orders concerning air conditioning work and electrical work at public facilities, the installation of additional facilities for chemical plants, long-term service agreements for biomass power plants, maintenance and repair work for oil refineries, 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 ¥46,462 million (down 27.0% year-on-year), because the 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 in the previous fiscal year, despite the progress of air conditioning work and electrical work at public facilities, solar power generation

facilities for on-site PPA as well as installation of new and additional facilities for substations.

The amount carried forward to the next period was ¥111,651 million (up 12.1% year-on-year).

As for profits, operating loss was ¥12 million (compared to operating profit of ¥2,912 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, the Company posted operating profit of ¥237 million for the third quarter of the fiscal year under review (from October 1, 2024 to December 31, 2024), due to a relatively small number of construction works with a high cost ratio and efforts to reduce expenses. Ordinary profit was ¥611 million (down 83.6% 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 ¥1,091 million (down 48.3% year-on-year), reflecting a gain on sale of investment securities. They were sold in order to improve asset efficiency.

Business results by segment were as follows.

(Facilities Construction)
Total orders received were ¥55,800 million (up 49.5% year-on-year) due to increases in the Energy Division and the Green Energy Business Division.
Net sales were ¥42,001 million (down 29.6% year-on-year) due to decreases in the Energy Division and the Nuclear Power Division.

(Other Businesses)
Total orders received were ¥4,618 million (up 16.8% year-on-year).
Net sales were ¥4,442 million (up 12.5% 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 Nine Months Ended December 31, 2024

Total assets amounted to ¥102,770 million as of December 31, 2024, a decrease of ¥4,701 million from the end of the previous fiscal year. This was mainly due to a decrease in securities.
Total liabilities amounted to ¥35,936 million as of December 31, 2024, a decrease of ¥2,986 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 ¥66,833 million as of December 31, 2024, a decrease of ¥1,715 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 consolidated financial results forecast for the fiscal year ending March 31, 2025, announced on November 5, 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 December 31, 2024
Assets		
Current assets		
Cash and deposits	8,180	8,279
Notes receivable, accounts receivable from completed construction contracts and contract assets	36,820	36,119
Electronically recorded monetary claims - operating	495	288
Securities	4,116	123
Costs on construction contracts in progress	1,436	1,273
Raw materials and supplies	792	1,187
Other	3,876	5,142
Total current assets	55,719	52,414
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,696	10,461
Machinery and vehicles, net	8,119	7,773
Land	8,463	8,572
Other, net	1,063	999
Total property, plant and equipment	28,343	27,807
Intangible assets		
Goodwill	161	107
Customer related assets	1,562	1,358
Other	720	691
Total intangible assets	2,444	2,157
Investments and other assets		
Investment securities	16,882	15,885
Other	4,100	4,522
Allowance for doubtful accounts	(17)	(17)
Total investments and other assets	20,965	20,390
Total non-current assets	51,752	50,355
Total assets	107,471	102,770

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	8,400	4,716
Electronically recorded obligations - operating	1,741	183
Short-term borrowings	992	12,948
Income taxes payable	998	119
Contract liabilities	1,855	2,759
Provision for loss on construction contracts	1,682	413
Other provisions	743	344
Other	9,841	1,860
Total current liabilities	26,256	23,345
Non-current liabilities		
Long-term borrowings	5,952	5,543
Retirement benefit liability	5,269	5,198
Other	1,443	1,849
Total non-current liabilities	12,666	12,591
Total liabilities	38,923	35,936
Net assets		
Shareholders' equity		
Share capital	2,881	2,881
Capital surplus	3,723	3,741
Retained earnings	59,214	58,598
Treasury shares	(1,083)	(1,064)
Total shareholders' equity	64,736	64,156
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,855	3,001
Foreign currency translation adjustment	(43)	(325)
Total accumulated other comprehensive income	3,812	2,676
Total net assets	68,548	66,833
Total liabilities and net assets	107,471	102,770

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Net sales		
Net sales of completed construction contracts	63,648	46,462
Cost of sales		
Cost of sales of completed construction contracts	55,945	41,740
Gross profit		
Gross profit on completed construction contracts	7,702	4,721
Selling, general and administrative expenses	4,789	4,734
Operating profit (loss)	2,912	(12)
Non-operating income		
Interest income	16	31
Dividend income	193	210
Foreign exchange gains	284	597
Gain on investments in silent partnerships	250	-
Gain on valuation of derivatives	199	-
Other	23	39
Total non-operating income	967	879
Non-operating expenses		
Interest expenses	142	148
Loss on valuation of derivatives	-	88
Other	2	18
Total non-operating expenses	145	255
Ordinary profit	3,735	611
Extraordinary income		
Gain on sale of investment securities	0	1,465
Other	26	42
Total extraordinary income	26	1,507
Extraordinary losses		
Loss on retirement of non-current assets	19	8
Other	-	0
Total extraordinary losses	19	8
Profit before income taxes	3,743	2,110
Income taxes - current	724	100
Income taxes - deferred	597	917
Total income taxes	1,321	1,018
Profit	2,421	1,091
Profit attributable to non-controlling interests	309	-
Profit attributable to owners of parent	2,111	1,091

Quarterly Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Profit	2,421	1,091
Other comprehensive income		
Valuation difference on available-for-sale securities	856	(854)
Foreign currency translation adjustment	18	(281)
Total other comprehensive income	875	(1,135)
Comprehensive income	3,297	(43)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,976	(43)
Comprehensive income attributable to non-controlling interests	320	-

(3) Notes to Quarterly Consolidated Financial Statements

(Segment information, etc.)

I. Nine months ended December 31, 2023 (from April 1, 2023 to December 31, 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	59,698	3,949	63,647
Inter-segment net sales or transfers	1,875	2,364	4,240
Total	61,574	6,313	67,887
Net sales (by Division)			
Green Energy Business Division	7,339	-	7,339
Energy Division	37,889	-	37,889
Nuclear Power Division	15,999	-	15,999
Other	346	6,313	6,660
Total	61,574	6,313	67,887
Timing of transfer of goods or services			
A point in time	8,462	6,313	14,776
Over time	53,111	-	53,111
Total	61,574	6,313	67,887
Segment profit (loss)	7,689	(86)	7,602

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. Net sales are mainly revenue generated from contracts with customers, and the amount of revenue generated from other sources 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	7,689
(Loss) in the "Other Businesses" segment	(86)
Inter-segment eliminations	(7)
Amortization of goodwill	(53)
Corporate expenses	(3,297)
Other adjustments	(1,330)
Operating profit in quarterly consolidated statement of income	2,912

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

II. Nine months ended December 31, 2024 (from April 1, 2024 to December 31, 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	42,001	4,442	46,444
Inter-segment net sales or transfers	1,939	1,669	3,609
Total	43,941	6,112	50,054
Net sales (by Division)			
Green Energy Business Division	7,732	-	7,732
Energy Division	27,309	-	27,309
Nuclear Power Division	8,722	-	8,722
Other	176	6,112	6,289
Total	43,941	6,112	50,054
Timing of transfer of goods or services			
A point in time	8,737	6,112	14,849
Over time	35,204	-	35,204
Total	43,941	6,112	50,054
Segment profit	1,774	12	1,786

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. Net sales are mainly revenue generated from contracts with customers, and the amount of revenue generated from other sources 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 nine months ended December 31, 2023, 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	1,774
Profit in the "Other Businesses" segment	12
Inter-segment eliminations	91
Amortization of goodwill	(53)
Corporate expenses	(3,070)
Other adjustments	1,234
Operating (loss) in quarterly consolidated statement of income	(12)

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 nine months ended December 31, 2024 has been prepared. Depreciation (including amortization of intangible assets other than goodwill) for the nine months ended December 31, 2024 and amortization of goodwill are as follows.

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Depreciation	1,540 million yen	1,455 million yen
Amortization of goodwill	53 million yen	53 million yen

3. Supplementary Information

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

Segment / Division		Nine months ended December 31, 2023		Nine months ended December 31, 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	3,448	8.2	7,614	12.5	4,166	120.8
	Energy Division	25,778	62.5	36,055	59.7	10,276	39.9
	Nuclear Power Division	7,988	19.4	11,780	19.5	3,792	47.5
	Other	98	0.2	348	0.6	249	252.5
	Facilities Construction	37,314	90.3	55,800	92.3	18,485	49.5
	Other Businesses	3,953	9.6	4,618	7.6	664	16.8
	Segment total	41,268	99.9	60,418	99.9	19,150	46.4
	Adjustments	0	0.1	18	0.1	17	-
	Total	41,269	100.0	60,437	100.0	19,167	46.4
Construction Completed	Green Energy Business Division	5,526	8.7	5,805	12.4	279	5.1
	Energy Division	37,889	59.5	27,296	58.7	(10,593)	(28.0)
	Nuclear Power Division	15,999	25.1	8,722	18.8	(7,276)	(45.5)
	Other	283	0.4	176	0.4	(106)	(37.6)
	Facilities Construction	59,698	93.7	42,001	90.3	(17,696)	(29.6)
	Other Businesses	3,949	6.2	4,442	9.6	493	12.5
	Segment total	63,647	99.9	46,444	99.9	(17,203)	(27.0)
	Adjustments	0	0.1	18	0.1	17	-
	Total	63,648	100.0	46,462	100.0	(17,185)	(27.0)
Amount Carried Forward to the Next Period	Green Energy Business Division	9,435	9.5	15,234	13.6	5,799	61.5
	Energy Division	70,453	70.7	77,211	69.2	6,758	9.6
	Nuclear Power Division	19,020	19.1	17,992	16.1	(1,028)	(5.4)
	Other	175	0.2	325	0.3	149	84.9
	Facilities Construction	99,085	99.5	110,763	99.2	11,678	11.8
	Other Businesses	511	0.5	887	0.8	375	73.4
	Segment total	99,597	100.0	111,651	100.0	12,054	12.1
	Adjustments	-	-	-	-	-	-
	Total	99,597	100.0	111,651	100.0	12,054	12.1

(2) Orders Received, Construction Completed, and Amount Carried Forward to the Next Period by Market

Market		Nine months ended December 31, 2023		Nine months ended December 31, 2024		Year-on-year increase (decrease)	
		Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Change (%)
Orders Received	Electric Power Market	25,259	61.1	31,476	52.0	6,216	24.6
	General Industry and Other Market	10,085	24.4	18,213	30.1	8,127	80.6
	Renewable Energy-Related Market	5,923	14.4	10,729	17.8	4,806	81.1
	Adjustments	0	0.1	18	0.1	17	-
	Total	41,269	100.0	60,437	100.0	19,167	46.4
Construction Completed	Electric Power Market	44,286	69.4	25,479	54.8	(18,807)	(42.5)
	General Industry and Other Market	11,170	17.6	11,589	24.9	418	3.7
	Renewable Energy-Related Market	8,190	12.9	9,376	20.2	1,185	14.5
	Adjustments	0	0.1	18	0.1	17	-
	Total	63,648	100.0	46,462	100.0	(17,185)	(27.0)
Amount Carried Forward to the Next Period	Electric Power Market	41,437	41.6	41,173	36.9	(264)	(0.6)
	General Industry and Other Market	11,509	11.6	18,308	16.4	6,799	59.1
	Renewable Energy-Related Market	46,650	46.8	52,169	46.7	5,519	11.8
	Adjustments	-	-	-	-	-	-
	Total	99,597	100.0	111,651	100.0	12,054	12.1