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May 15, 2023

Consolidated Financial Results for the Nine Months Ended March 31, 2023 (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 file quarterly securities report: May 15, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly 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 nine months ended March 31, 2023 (from July 1, 2022 to March 31, 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	%
Nine months ended								
March 31, 2023	24,047	(10.0)	4,257	(12.6)	3,646	(17.5)	2,327	(18.1)
March 31, 2022	26,708	3.7	4,873	56.8	4,422	62.9	2,843	75.1

Note: Comprehensive income For the nine months ended March 31, 2023: ¥2,516 million [(16.2)%]
 For the nine months ended March 31, 2022: ¥3,004 million [65.1%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
March 31, 2023	66.23	65.78
March 31, 2022	81.50	80.37

Note: At the close of the fiscal year ended June 30, 2022, the Company finalized the provisional accounting treatment for a business combination. As a result, figures for the nine months ended March 31, 2022 reflect the finalization of the provisional accounting treatment.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
March 31, 2023	96,656	26,918	27.8
June 30, 2022	94,256	25,239	26.7

Reference: Equity
 As of March 31, 2023: ¥26,854 million
 As of June 30, 2022: ¥25,206 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, 2022	–	0.00	–	21.00	21.00
Fiscal year ending June 30, 2023	–	0.00	–		
Fiscal year ending June 30, 2023 (Forecast)				21.00	21.00

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

3. Forecast of consolidated financial results for the fiscal year ending June 30, 2023 (from July 1, 2022 to June 30, 2023)

(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, 2023	33,400	(4.4)	5,400	4.9	4,600	(1.2)	2,900	7.6	82.59

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

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
Newly included: – companies
Excluded: – companies
- (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: Yes
 - (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 March 31, 2023	35,332,100 shares
As of June 30, 2022	35,244,100 shares

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

As of March 31, 2023	130,070 shares
As of June 30, 2022	130,070 shares

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

Nine months ended March 31, 2023	35,146,669 shares
Nine months ended March 31, 2022	34,893,055 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* 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, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	22,600	15,510
Notes receivable - trade	147	241
Accounts receivable - trade	2,408	2,290
Accounts receivable from completed construction contracts	245	1,094
Contract assets	3,593	1,179
Merchandise and finished goods	317	271
Work in process	43	87
Real estate for sale	-	2,287
Costs on construction contracts in progress	65	110
Costs on real estate business	2,157	2,116
Raw materials and supplies	81	113
Advance payments to suppliers	4,927	3,419
Other	2,263	1,607
Allowance for doubtful accounts	(17)	(12)
Total current assets	38,834	30,318
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,910	3,522
Accumulated depreciation	(937)	(930)
Accumulated impairment	(94)	(94)
Buildings and structures, net	2,878	2,497
Machinery, equipment and vehicles	40,952	39,379
Accumulated depreciation	(9,491)	(10,004)
Accumulated impairment	(13)	(13)
Machinery, equipment and vehicles, net	31,447	29,362
Tools, furniture and fixtures	235	257
Accumulated depreciation	(169)	(187)
Tools, furniture and fixtures, net	65	69
Land	4,804	4,747
Leased assets	2,265	2,265
Accumulated depreciation	(1,218)	(1,348)
Accumulated impairment	(32)	(32)
Leased assets, net	1,014	884
Construction in progress	985	12,824
Total property, plant and equipment	41,196	50,386
Intangible assets		
Goodwill	624	599
Contract-based intangible assets	5,807	6,743
Other	660	614
Total intangible assets	7,092	7,957
Investments and other assets		
Investment securities	579	573
Shares of subsidiaries and associates	1,019	1,080
Deferred tax assets	2,856	2,605
Other	2,735	3,788
Allowance for doubtful accounts	(57)	(53)
Total investments and other assets	7,133	7,994
Total non-current assets	55,422	66,338
Total assets	94,256	96,656

(Millions of yen)

	As of June 30, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	844	1,060
Accounts payable for construction contracts	1,356	953
Short-term borrowings	12,133	13,450
Current portion of long-term borrowings	3,880	4,156
Lease liabilities	288	503
Income taxes payable	142	411
Contract liabilities	480	150
Provision for bonuses	191	129
Provision for contract loss	265	–
Provision for warranties for completed construction	7	35
Other	1,993	543
Total current liabilities	21,584	21,394
Non-current liabilities		
Long-term borrowings	42,870	42,882
Lease liabilities	1,937	2,230
Deferred tax liabilities	764	808
Asset retirement obligations	1,473	1,567
Provision for contract loss	71	–
Retirement benefit liability	295	312
Long-term deposits received	–	483
Other	19	59
Total non-current liabilities	47,432	48,344
Total liabilities	69,017	69,738
Net assets		
Shareholders' equity		
Share capital	17	25
Capital surplus	13,573	13,581
Retained earnings	11,589	13,180
Treasury shares	(0)	(0)
Total shareholders' equity	25,179	26,786
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3	3
Deferred gains or losses on hedges	(73)	48
Foreign currency translation adjustment	96	15
Total accumulated other comprehensive income	27	68
Non-controlling interests	32	63
Total net assets	25,239	26,918
Total liabilities and net assets	94,256	96,656

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income

(Quarterly consolidated statement of income)
(For the nine months ended March 31, 2023)

(Millions of yen)

	Nine months ended March 31, 2022	Nine months ended March 31, 2023
Net sales	26,708	24,047
Cost of sales	19,389	17,104
Gross profit	7,319	6,942
Selling, general and administrative expenses	2,445	2,684
Operating profit	4,873	4,257
Non-operating income		
Interest income	4	2
Dividend income	10	0
Insurance claim income	139	-
Share of profit of entities accounted for using equity method	15	-
Foreign exchange gains	67	85
Surrender value of insurance policies	6	20
Subsidy income	132	482
Other	63	22
Total non-operating income	439	613
Non-operating expenses		
Interest expenses	593	567
Loss on tax purpose reduction entry of non-current assets	79	430
Share of loss of entities accounted for using equity method	-	28
Commission expenses	204	150
Other	12	47
Total non-operating expenses	890	1,224
Ordinary profit	4,422	3,646
Profit before income taxes	4,422	3,646
Income taxes	1,520	1,146
Profit	2,901	2,500
Profit attributable to non-controlling interests	57	172
Profit attributable to owners of parent	2,843	2,327

(Quarterly consolidated statement of comprehensive income)
(For the nine months ended March 31, 2023)

(Millions of yen)

	Nine months ended March 31, 2022	Nine months ended March 31, 2023
Profit	2,901	2,500
Other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Deferred gains or losses on hedges	55	121
Foreign currency translation adjustment	46	(106)
Share of other comprehensive income of entities accounted for using equity method	-	0
Total other comprehensive income	102	16
Comprehensive income	3,004	2,516
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,955	2,368
Comprehensive income attributable to non-controlling interests	48	147