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February 14, 2024

Consolidated Financial Results for the Six Months Ended December 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
 Inquiries: Masaaki Hirakura, Executive Officer, General Manager of the Administration Department
 Telephone: +81-6-6308-2794
 Scheduled date to file quarterly securities report: February 14, 2024
 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 six months ended December 31, 2023 (from July 1, 2023 to December 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	%
Six months ended								
December 31, 2023	15,068	(9.3)	1,765	(39.6)	1,458	(41.7)	865	(44.5)
December 31, 2022	16,610	(9.3)	2,923	(30.1)	2,501	(34.1)	1,560	(35.5)

Note: Comprehensive income For the six months ended December 31, 2023: ¥1,165 million [(33.5)%]
 For the six months ended December 31, 2022: ¥1,752 million [(30.6)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
December 31, 2023	12.29	12.27
December 31, 2022	22.18	22.10

Note: On June 30, 2023, the Company conducted an allotment of share acquisition rights to shareholders based on a partial commitment-type rights offering, and issued new shares upon the exercise of share acquisition rights. Basic earnings per share and diluted earnings per share were calculated as though the amounts based on the rights offering were paid in at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
December 31, 2023	110,027	41,939	38.0
June 30, 2023	94,089	28,340	30.0

Reference: Equity
 As of December 31, 2023: ¥41,796 million
 As of June 30, 2023: ¥28,248 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, 2023	–	0.00	–	26.00	26.00
Fiscal year ending June 30, 2024	–	0.00			
Fiscal year ending June 30, 2024 (Forecast)			–	16.00	16.00

- Notes: 1. Revisions to the cash dividends forecasts most recently announced: None
2. On June 30, 2023, the Company conducted an allotment of share acquisition rights to shareholders based on a partial commitment-type rights offering, and issued new shares upon the exercise of share acquisition rights. For the dividends for the fiscal year ended June 30, 2023, the actual dividend amounts before the issuance of new shares are shown.

3. Forecast of consolidated financial results for the fiscal year ending June 30, 2024 (from July 1, 2023 to June 30, 2024)

(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, 2024	38,200	11.0	6,650	(3.1)	6,000	8.7	3,700	3.0	54.86

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: 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, 2023	70,606,130 shares
As of June 30, 2023	70,562,130 shares

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

As of December 31, 2023	130,154 shares
As of June 30, 2023	130,070 shares

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

Six months ended December 31, 2023	70,464,582 shares
Six months ended December 31, 2022	70,339,625 shares

Note: On June 30, 2023, the Company conducted an allotment of share acquisition rights to shareholders based on a partial commitment-type rights offering, and issued new shares upon the exercise of share acquisition rights. Total number of issued shares at the end of the period, number of treasury shares at the end of the period, and average number of shares outstanding during the period were calculated as though the amounts based on the rights offering were paid in at the beginning of the previous fiscal year.

* 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, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	15,359	26,788
Notes receivable - trade	423	176
Accounts receivable - trade	1,829	2,064
Accounts receivable from completed construction contracts	173	-
Contract assets	1,228	3,557
Merchandise and finished goods	237	241
Work in process	56	109
Costs on construction contracts in progress	113	226
Costs on real estate business	1,628	1,674
Raw materials and supplies	155	313
Advance payments to suppliers	4,067	5,329
Other	2,114	1,295
Allowance for doubtful accounts	(6)	(11)
Total current assets	27,381	41,767
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,578	4,244
Accumulated depreciation	(977)	(1,073)
Accumulated impairment	(98)	(106)
Buildings and structures, net	2,503	3,064
Machinery, equipment and vehicles	39,383	42,610
Accumulated depreciation	(10,566)	(11,742)
Accumulated impairment	(14)	(15)
Machinery, equipment and vehicles, net	28,802	30,852
Tools, furniture and fixtures	265	264
Accumulated depreciation	(189)	(194)
Tools, furniture and fixtures, net	76	70
Land	4,749	4,749
Leased assets	2,275	2,284
Accumulated depreciation	(1,392)	(1,472)
Accumulated impairment	(34)	(36)
Leased assets, net	848	774
Construction in progress	14,044	12,544
Total property, plant and equipment	51,023	52,055
Intangible assets		
Goodwill	591	575
Contract-based intangible assets	6,727	6,602
Other	612	625
Total intangible assets	7,932	7,804
Investments and other assets		
Investment securities	421	371
Shares of subsidiaries and associates	1,141	1,143
Investments in capital of subsidiaries and associates	19	1,158
Deferred tax assets	2,626	2,343
Derivatives	-	237
Other	3,597	3,146
Allowance for doubtful accounts	(54)	(0)
Total investments and other assets	7,751	8,400
Total non-current assets	66,707	68,260
Total assets	94,089	110,027

(Millions of yen)

	As of June 30, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	761	661
Accounts payable for construction contracts	1,090	2,015
Short-term borrowings	10,100	11,450
Current portion of long-term borrowings	3,888	3,823
Lease liabilities	281	253
Income taxes payable	863	738
Contract liabilities	570	1,431
Provision for bonuses	287	10
Provision for warranties for completed construction	31	9
Other	1,133	1,077
Total current liabilities	19,009	21,471
Non-current liabilities		
Long-term borrowings	41,392	41,159
Lease liabilities	2,255	2,137
Deferred tax liabilities	774	853
Asset retirement obligations	1,449	1,594
Long-term deposits received	483	483
Retirement benefit liability	330	343
Other	53	43
Total non-current liabilities	46,740	46,616
Total liabilities	65,749	68,088
Net assets		
Shareholders' equity		
Share capital	26	6,756
Capital surplus	13,582	20,312
Retained earnings	14,444	14,297
Treasury shares	(0)	(0)
Total shareholders' equity	28,053	41,366
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7	-
Deferred gains or losses on hedges	(4)	53
Foreign currency translation adjustment	191	376
Total accumulated other comprehensive income	194	429
Non-controlling interests	91	143
Total net assets	28,340	41,939
Total liabilities and net assets	94,089	110,027

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

(Quarterly consolidated statement of income)
(For the six months ended December 31, 2023)

(Millions of yen)

	Six months ended December 31, 2022	Six months ended December 31, 2023
Net sales	16,610	15,068
Cost of sales	11,893	11,300
Gross profit	4,716	3,768
Selling, general and administrative expenses	1,793	2,002
Operating profit	2,923	1,765
Non-operating income		
Interest income	1	1
Dividend income	0	10
Gain on sale of securities	–	0
Rental income	7	42
Share of profit of entities accounted for using equity method	–	20
Gain on valuation of derivatives	–	237
Foreign exchange gains	38	–
Surrender value of insurance policies	19	16
Subsidy income	56	15
Other	4	20
Total non-operating income	127	365
Non-operating expenses		
Interest expenses	373	350
Share of loss of entities accounted for using equity method	5	–
Loss on tax purpose reduction entry of non-current assets	23	–
Commission expenses	132	28
Share acquisition rights issuance costs	–	129
Foreign exchange losses	–	43
Other	15	119
Total non-operating expenses	549	672
Ordinary profit	2,501	1,458
Profit before income taxes	2,501	1,458
Income taxes	815	512
Profit	1,685	946
Profit attributable to non-controlling interests	125	80
Profit attributable to owners of parent	1,560	865

(Quarterly consolidated statement of comprehensive income)
(For the six months ended December 31, 2023)

(Millions of yen)

	Six months ended December 31, 2022	Six months ended December 31, 2023
Profit	1,685	946
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(7)
Deferred gains or losses on hedges	77	57
Foreign currency translation adjustment	20	182
Share of other comprehensive income of entities accounted for using equity method	(31)	(12)
Total other comprehensive income	66	219
Comprehensive income	1,752	1,165
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,669	1,100
Comprehensive income attributable to non-controlling interests	82	65

(3) Consolidated statement of cash flows

(Millions of yen)

	Six months ended December 31, 2022	Six months ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	2,501	1,458
Depreciation	1,533	1,563
Loss on tax purpose reduction entry of non-current assets	23	–
Amortization of goodwill	16	16
Increase (decrease) in allowance for doubtful accounts	(7)	(49)
Increase (decrease) in provision for bonuses	(164)	(278)
Increase (decrease) in retirement benefit liability	(1)	11
Increase (decrease) in provision for contract loss	(113)	–
Increase (decrease) in provision for warranties for completed construction	(5)	(21)
Interest and dividend income	(1)	(12)
Interest expenses	373	350
Foreign exchange losses (gains)	28	(25)
Loss (gain) on valuation of derivatives	–	(237)
Share of loss (profit) of entities accounted for using equity method	5	(20)
Loss (gain) on sale of investment securities	–	(0)
Decrease (increase) in trade receivables	(358)	190
Decrease (increase) in contract asset	1,144	(2,328)
Decrease (increase) in inventories	(525)	(352)
Decrease (increase) in advance payments to suppliers	2,417	(1,254)
Increase (decrease) in trade payables	(297)	1,179
Increase (decrease) in accrued consumption taxes	(1,249)	306
Increase (decrease) in accounts payable - other	(84)	4
Increase (decrease) in contract liabilities	(390)	853
Other, net	(552)	148
Subtotal	4,290	1,502
Interest and dividends received	1	12
Interest paid	(374)	(343)
Income taxes paid	(324)	(303)
Income taxes refund	666	456
Net cash provided by (used in) operating activities	4,259	1,324
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,974)	(2,631)
Proceeds from sale of property, plant and equipment	–	0
Purchase of intangible assets	(5)	(35)
Proceeds from sale of investment securities	–	31
Purchase of shares of subsidiaries and associates	(56)	–
Payments for investments in capital of subsidiaries and associates	–	(785)
Other, net	7	6
Net cash provided by (used in) investing activities	(8,029)	(3,413)

(Millions of yen)

	Six months ended December 31, 2022	Six months ended December 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	6,141	1,350
Repayments of lease liabilities	(142)	(148)
Proceeds from long-term borrowings	680	2,399
Repayments of long-term borrowings	(2,257)	(2,807)
Proceeds from issuance of shares	9	13,460
Purchase of treasury shares	–	(0)
Dividends paid	(737)	(915)
Dividends paid to non-controlling interests	(14)	(13)
Net decrease (increase) in restricted deposits	29	(15)
Net cash provided by (used in) financing activities	3,708	13,308
Effect of exchange rate change on cash and cash equivalents	196	195
Net increase (decrease) in cash and cash equivalents	135	11,414
Cash and cash equivalents at beginning of period	18,369	11,026
Cash and cash equivalents at end of period	18,504	22,440