

Translation

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Summary of Consolidated Financial Results for the Year Ended December 31, 2023 (Based on Japanese GAAP)

February 14, 2024

Company name: teno. Holdings Company Limited
 Stock exchange listing: Tokyo, Fukuoka
 Stock code: 7037 URL <https://www.teno.co.jp/>
 Representative: President & CEO Hiroko Ikeuchi
 Inquiries: Director, GM of Administrative Headquarter Motoshi Okada TEL 092 (263) 3550
 Scheduled date of ordinary general meeting of shareholders: March 22, 2024
 Scheduled date to file Securities Report: March 22, 2024
 Scheduled date to commence dividend payments: March 25, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(1) Consolidated operating results

Percentages indicate year-on-year changes

| | Net sales | | EBITDA | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|------------------------------|-----------------|------|-----------------|--------|------------------|--------|-----------------|--------|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Year ended December 31, 2023 | 14,557 | 20.0 | 599 | 22.1 | 187 | 21.6 | 194 | 24.3 | 100 | – |
| Year ended December 31, 2022 | 12,128 | 5.9 | 490 | (33.0) | 154 | (67.0) | 156 | (65.6) | (27) | – |

| | Earnings per share | Diluted earnings per share | Profit attributable to owners of parent/equity | Ordinary profit/total assets | Operating profit/net sales |
|------------------------------|--------------------|----------------------------|--|------------------------------|----------------------------|
| | Yen | Yen | % | % | % |
| Year ended December 31, 2023 | 22.00 | 21.91 | 4.5 | 2.1 | 1.3 |
| Year ended December 31, 2022 | (5.99) | – | (1.2) | 1.9 | 1.3 |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|-------------------------|-----------------|-----------------|--------------|----------------------|
| | Millions of yen | Millions of yen | % | Yen |
| As of December 31, 2023 | 9,527 | 2,242 | 23.5 | 490.83 |
| As of December 31, 2022 | 9,323 | 2,180 | 23.4 | 478.86 |

(3) Consolidated cash flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of period |
|------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Year ended December 31, 2023 | 324 | (367) | (208) | 1,862 |
| Year ended December 31, 2022 | 297 | (967) | 1,037 | 2,113 |

2. Cash dividends

| | Annual dividends per share | | | | | Total cash dividends (Total) | Dividend payout ratio (Consolidated) | Ratio of dividends to net assets (Consolidated) |
|--|----------------------------|-----------------|-----------------|-----------------|-------|------------------------------|--------------------------------------|---|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Fiscal year-end | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Millions of yen | % | % |
| Year ended December 31, 2022 | – | 0.00 | – | 9.00 | 9.00 | 40 | – | 1.8 |
| Year ended December 31, 2023 | – | 0.00 | – | 9.00 | 9.00 | 41 | 40.9 | 1.9 |
| Year ending December 31, 2024 (Forecast) | – | 0.00 | – | 9.00 | 9.00 | | 114.4 | |

3. Forecast of consolidated financial results for the year ending December 31, 2024 (from January 1, 2024 to December 31, 2024)

Percentages indicate year-on-year changes

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Earnings per share |
|-----------|-----------------|-----|------------------|--------|-----------------|--------|---|--------|--------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Full year | 15,880 | 9.1 | 155 | (17.2) | 138 | (28.9) | 32 | (67.7) | 7.87 |

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2023

(changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: No

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

| | | | |
|-------------------------|------------------|-------------------------|------------------|
| As of December 31, 2023 | 4,701,300 shares | As of December 31, 2022 | 4,685,700 shares |
|-------------------------|------------------|-------------------------|------------------|

Number of treasury shares at the end of the period

| | | | |
|-------------------------|----------------|-------------------------|----------------|
| As of December 31, 2023 | 132,724 shares | As of December 31, 2022 | 132,724 shares |
|-------------------------|----------------|-------------------------|----------------|

Average number of shares during the period

| | | | |
|------------------------------|------------------|------------------------------|------------------|
| Year ended December 31, 2023 | 4,557,963 shares | Year ended December 31, 2022 | 4,585,726 shares |
|------------------------------|------------------|------------------------------|------------------|

Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

| | As of December 31, 2022 | As of December 31, 2023 |
|---|-------------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 2,174 | 1,925 |
| Accounts receivable - trade and contract assets | 1,147 | 1,194 |
| Inventories | 67 | 66 |
| Other | 604 | 911 |
| Allowance for doubtful accounts | (3) | (3) |
| Total current assets | 3,989 | 4,094 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 2,679 | 2,840 |
| Accumulated depreciation | (1,121) | (1,290) |
| Buildings and structures, net | 1,557 | 1,550 |
| Leased assets | 48 | 38 |
| Accumulated depreciation | (42) | (35) |
| Leased assets, net | 6 | 3 |
| Construction in progress | 105 | 73 |
| Other | 454 | 508 |
| Accumulated depreciation | (395) | (430) |
| Other, net | 58 | 78 |
| Total property, plant and equipment | 1,728 | 1,705 |
| Intangible assets | | |
| Goodwill | 1,636 | 1,670 |
| Other | 229 | 244 |
| Total intangible assets | 1,865 | 1,915 |
| Investments and other assets | | |
| Investment securities | 10 | 10 |
| Long-term loans receivable | 737 | 697 |
| Long-term prepaid expenses | 328 | 321 |
| Deferred tax assets | 165 | 181 |
| Leasehold and guarantee deposits | 497 | 601 |
| Other | 1 | 2 |
| Allowance for doubtful accounts | (1) | (2) |
| Total investments and other assets | 1,739 | 1,811 |
| Total non-current assets | 5,333 | 5,432 |
| Total assets | 9,323 | 9,527 |

(Millions of yen)

| | As of December 31, 2022 | As of December 31, 2023 |
|--|-------------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 60 | 56 |
| Short-term borrowings | 1,140 | 1,339 |
| Current portion of long-term borrowings | 652 | 569 |
| Accounts payable - other | 801 | 909 |
| Income taxes payable | 26 | 73 |
| Provision for bonuses | 64 | 65 |
| Contract liabilities | 624 | 561 |
| Other | 370 | 561 |
| Total current liabilities | 3,739 | 4,136 |
| Non-current liabilities | | |
| Long-term borrowings | 3,137 | 2,855 |
| Deferred tax liabilities | 8 | 4 |
| Provision for retirement benefits for directors (and other officers) | 26 | 37 |
| Asset retirement obligations | 209 | 222 |
| Other | 20 | 27 |
| Total non-current liabilities | 3,402 | 3,148 |
| Total liabilities | 7,142 | 7,285 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 453 | 455 |
| Capital surplus | 531 | 532 |
| Retained earnings | 1,280 | 1,339 |
| Treasury shares | (84) | (84) |
| Total shareholders' equity | 2,180 | 2,242 |
| Total net assets | 2,180 | 2,242 |
| Total liabilities and net assets | 9,323 | 9,527 |

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

| | Fiscal year ended December 31, 2022 | Fiscal year ended December 31, 2023 |
|---|--|--|
| Net sales | 12,128 | 14,557 |
| Cost of sales | 10,384 | 12,375 |
| Gross profit | 1,744 | 2,181 |
| Selling, general and administrative expenses | 1,589 | 1,994 |
| Operating profit | 154 | 187 |
| Non-operating income | | |
| Interest income | 5 | 4 |
| Subsidy income | 25 | 24 |
| Gain on reversal of asset retirement obligations | – | 5 |
| Other | 5 | 2 |
| Total non-operating income | 35 | 37 |
| Non-operating expenses | | |
| Interest expenses | 16 | 19 |
| Payments for employment of persons with disabilities | 4 | 3 |
| subsidies return loss | 4 | 5 |
| Commission for purchase of treasury shares | 4 | – |
| Other | 3 | 1 |
| Total non-operating expenses | 32 | 30 |
| Ordinary profit | 156 | 194 |
| Extraordinary income | | |
| Subsidy income | 248 | 292 |
| Total extraordinary income | 248 | 292 |
| Extraordinary losses | | |
| Impairment losses | 9 | – |
| Loss on tax purpose reduction entry of non-current assets | 247 | 292 |
| Other | – | 3 |
| Total extraordinary losses | 257 | 295 |
| Profit before income taxes | 146 | 191 |
| Income taxes - current | 129 | 106 |
| Income taxes - deferred | 44 | (15) |
| Total income taxes | 174 | 91 |
| Profit (loss) | (27) | 100 |
| Profit (loss) attributable to owners of parent | (27) | 100 |

Consolidated statements of comprehensive income

(Millions of yen)

| | Fiscal year ended December 31, 2022 | Fiscal year ended December 31, 2023 |
|---|--|--|
| Profit (loss) | (27) | 100 |
| Comprehensive income | (27) | 100 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | (27) | 100 |

Consolidated statements of changes in equity

Fiscal year ended December 31, 2022

(Millions of yen)

| | Shareholders' equity | | | | | Total net assets |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity | |
| Balance at beginning of period | 453 | 531 | 1,347 | (0) | 2,331 | 2,331 |
| Changes during period | | | | | | |
| Issuance of new shares - exercise of share acquisition rights | 0 | 0 | | | 0 | 0 |
| Profit (loss) attributable to owners of parent | | | (27) | | (27) | (27) |
| Dividends of surplus | | | (39) | | (39) | (39) |
| Purchase of treasury shares | | | | (84) | (84) | (84) |
| Total changes during period | 0 | 0 | (66) | (84) | (151) | (151) |
| Balance at end of period | 453 | 531 | 1,280 | (84) | 2,180 | 2,180 |

Fiscal year ended December 31, 2023

(Millions of yen)

| | Shareholders' equity | | | | | Total net assets |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity | |
| Balance at beginning of period | 453 | 531 | 1,280 | (84) | 2,180 | 2,180 |
| Changes during period | | | | | | |
| Issuance of new shares - exercise of share acquisition rights | 1 | 1 | | | 2 | 2 |
| Profit (loss) attributable to owners of parent | | | 100 | | 100 | 100 |
| Dividends of surplus | | | (40) | | (40) | (40) |
| Purchase of treasury shares | | | | | - | - |
| Total changes during period | 1 | 1 | 59 | - | 62 | 62 |
| Balance at end of period | 455 | 532 | 1,339 | (84) | 2,242 | 2,242 |

Consolidated statements of cash flows

(Millions of yen)

| | Fiscal year ended December 31, 2022 | Fiscal year ended December 31, 2023 |
|---|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 146 | 191 |
| Depreciation | 207 | 244 |
| Impairment losses | 9 | – |
| Amortization of goodwill | 129 | 166 |
| Increase (decrease) in allowance for doubtful accounts | (3) | (1) |
| Increase (decrease) in provision for bonuses | (4) | 1 |
| Increase (decrease) in provision for retirement benefits for directors (and other officers) | 3 | (0) |
| Interest income | (5) | (4) |
| Interest expenses | 16 | 19 |
| Subsidy income | (248) | (292) |
| Loss on tax purpose reduction entry of non-current assets | 247 | 292 |
| Decrease (increase) in trade receivables and contract assets | (75) | (47) |
| Increase (decrease) in trade payables | 12 | (4) |
| Increase (decrease) in accounts payable - other | 36 | 39 |
| Increase (decrease) in contract liabilities | 77 | (63) |
| Other, net | (11) | (136) |
| Subtotal | 539 | 404 |
| Interest received | 0 | 0 |
| Interest paid | (16) | (19) |
| Income taxes paid | (225) | (60) |
| Net cash provided by (used in) operating activities | 297 | 324 |
| Cash flows from investing activities | | |
| Payments into time deposits | (13) | (2) |
| Purchase of property, plant and equipment | (363) | (392) |
| Purchase of intangible assets | (79) | (46) |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (788) | (172) |
| Subsidies received | 248 | 292 |
| Proceeds from collection of long-term loans receivable | 45 | 45 |
| Payments of leasehold and guarantee deposits | (23) | (119) |
| Proceeds from refund of leasehold and guarantee deposits | 7 | 28 |
| Other, net | – | (0) |
| Net cash provided by (used in) investing activities | (967) | (367) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | 550 | 199 |
| Proceeds from long-term borrowings | 1,390 | 340 |
| Repayments of long-term borrowings | (771) | (704) |
| Proceeds from issuance of shares resulting from exercise of share acquisition rights | 0 | 2 |
| Purchase of treasury shares | (88) | – |
| Dividends paid | (39) | (40) |
| Repayments of lease liabilities | (2) | (4) |
| Net cash provided by (used in) financing activities | 1,037 | (208) |
| Net increase (decrease) in cash and cash equivalents | 367 | (250) |
| Cash and cash equivalents at beginning of period | 1,745 | 2,113 |
| Cash and cash equivalents at end of period | 2,113 | 1,862 |