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May 16, 2022

Consolidated Financial Results for the Nine Months Ended March 31, 2022 (Under Japanese GAAP)

Company name: TESS Holdings Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 5074
 URL: <https://www.tess-hd.co.jp/>
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 Scheduled date to file quarterly securities report: May 16, 2022
 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, 2022 (from July 1, 2021 to March 31, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2022	26,708	3.7	4,825	55.2	4,374	61.1	2,796	72.2
March 31, 2021	25,743	—	3,108	—	2,715	—	1,623	—

Note: Comprehensive income For the nine months ended March 31, 2022: ¥2,956 million [62.5%]
 For the nine months ended March 31, 2021: ¥1,819 million [—%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
March 31, 2022	80.13	79.03
March 31, 2021	62.69	—

Note: The Company carried out a ten-for-one share split of its common shares on February 1, 2021. Basic earnings per share were calculated as though the share split had been conducted 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	%
March 31, 2022	93,132	25,161	27.0
June 30, 2021	100,724	22,813	22.6

Reference: Equity
 As of March 31, 2022: ¥25,121 million
 As of June 30, 2021: ¥22,734 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, 2021	—	0.00	—	20.52	20.52
Fiscal year ending June 30, 2022	—	0.00	—		
Fiscal year ending June 30, 2022 (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, 2022 (from July 1, 2021 to June 30, 2022)

(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, 2022	34,500	0.7	5,000	13.7	4,400	14.7	2,500	25.6	71.63

Note: Revisions to the consolidated financial results forecasts most recently announced: Yes

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc., from the beginning of the fiscal year ending June 30, 2022. Therefore, the above forecast of consolidated financial results represents the amounts calculated by applying the said accounting standard, etc.

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

Newly included: 2 companies (Kumamoto Nishiki Green Power LLC, Imari Green Power Co., Ltd.)

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, 2022	35,069,100 shares
As of June 30, 2021	35,069,100 shares

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

As of March 31, 2022	130,070 shares
As of June 30, 2021	219,000 shares

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

Nine months ended March 31, 2022	34,893,055 shares
Nine months ended March 31, 2021	25,899,100 shares

Note: The Company carried out a ten-for-one share split of its common shares on February 1, 2021. “Average number of shares outstanding during the period” was calculated as though the share split had been conducted at the beginning of the fiscal year ended June 30, 2021.

- * 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, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	26,036	22,822
Notes and accounts receivable - trade	3,160	2,731
Accounts receivable from completed construction contracts	2,908	—
Contract assets	—	3,747
Merchandise and finished goods	273	417
Work in process	51	54
Costs on construction contracts in progress	10,214	127
Costs on real estate business	2,002	2,156
Raw materials and supplies	63	132
Advance payments to suppliers	3,090	5,517
Other	2,363	822
Allowance for doubtful accounts	(25)	(52)
Total current assets	50,140	38,477
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,850	3,879
Accumulated depreciation	(737)	(899)
Accumulated impairment	(83)	(89)
Buildings and structures, net	3,028	2,890
Machinery, equipment and vehicles	39,362	40,277
Accumulated depreciation	(7,163)	(8,889)
Accumulated impairment	(12)	(13)
Machinery, equipment and vehicles, net	32,187	31,375
Tools, furniture and fixtures	222	227
Accumulated depreciation	(149)	(169)
Tools, furniture and fixtures, net	73	58
Land	4,001	4,813
Leased assets	2,244	2,254
Accumulated depreciation	(1,045)	(1,174)
Accumulated impairment	(29)	(30)
Leased assets, net	1,169	1,048
Construction in progress	237	928
Total property, plant and equipment	40,697	41,114
Intangible assets		
Goodwill	—	2,492
Other	2,786	3,223
Total intangible assets	2,786	5,715
Investments and other assets		
Investment securities	1,029	914
Shares of subsidiaries and associates	87	941
Deferred tax assets	3,677	3,299
Other	2,375	2,727
Allowance for doubtful accounts	(69)	(58)
Total investments and other assets	7,100	7,824
Total non-current assets	50,584	54,654
Total assets	100,724	93,132

(Millions of yen)

	As of June 30, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	782	1,265
Accounts payable for construction contracts	1,543	1,058
Short-term borrowings	19,258	11,683
Current portion of long-term borrowings	5,324	3,896
Lease obligations	263	272
Income taxes payable	1,164	425
Advances received on construction contracts in progress	480	–
Contract liabilities	–	1,016
Provision for bonuses	195	100
Provision for contract loss	22	17
Provision for warranties for completed construction	26	11
Other	1,263	1,418
Total current liabilities	30,325	21,168
Non-current liabilities		
Long-term borrowings	43,804	43,242
Lease obligations	1,905	1,724
Deferred tax liabilities	81	7
Asset retirement obligations	1,415	1,464
Provision for contract loss	38	61
Retirement benefit liability	257	281
Other	81	20
Total non-current liabilities	47,585	46,801
Total liabilities	77,910	67,970
Net assets		
Shareholders' equity		
Share capital	1	1
Capital surplus	13,540	13,557
Retained earnings	9,431	11,690
Treasury shares	(0)	(0)
Total shareholders' equity	22,973	25,249
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3	3
Deferred gains or losses on hedges	(195)	(139)
Foreign currency translation adjustment	(47)	8
Total accumulated other comprehensive income	(239)	(127)
Non-controlling interests	79	39
Total net assets	22,813	25,161
Total liabilities and net assets	100,724	93,132

(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, 2022)

(Millions of yen)

	Nine months ended March 31, 2021	Nine months ended March 31, 2022
Net sales	25,743	26,708
Cost of sales	20,486	19,389
Gross profit	5,257	7,319
Selling, general and administrative expenses	2,148	2,493
Operating profit	3,108	4,825
Non-operating income		
Interest income	2	4
Dividend income	6	10
Insurance claim income	293	139
Share of profit of entities accounted for using equity method	8	15
Surrender value of insurance policies	116	6
Subsidy income	218	132
Foreign exchange gains	10	67
Other	46	63
Total non-operating income	703	439
Non-operating expenses		
Interest expenses	700	593
Loss on tax purpose reduction entry of non-current assets	162	79
Commission expenses	223	204
Other	10	12
Total non-operating expenses	1,097	890
Ordinary profit	2,715	4,374
Profit before income taxes	2,715	4,374
Income taxes	960	1,520
Profit	1,754	2,853
Profit attributable to non-controlling interests	130	57
Profit attributable to owners of parent	1,623	2,796

(Quarterly consolidated statement of comprehensive income)
(For the nine months ended March 31, 2022)

(Millions of yen)

	Nine months ended March 31, 2021	Nine months ended March 31, 2022
Profit	1,754	2,853
Other comprehensive income		
Valuation difference on available-for-sale securities	5	0
Deferred gains or losses on hedges	17	55
Foreign currency translation adjustment	42	46
Total other comprehensive income	65	102
Comprehensive income	1,819	2,956
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,676	2,908
Comprehensive income attributable to non-controlling interests	143	48