Financial Results Meeting Materials

for the Three Months Ended September 30, 2026

November 13, 2026

TESS Holdings Co., Ltd.

Securities code: 5074

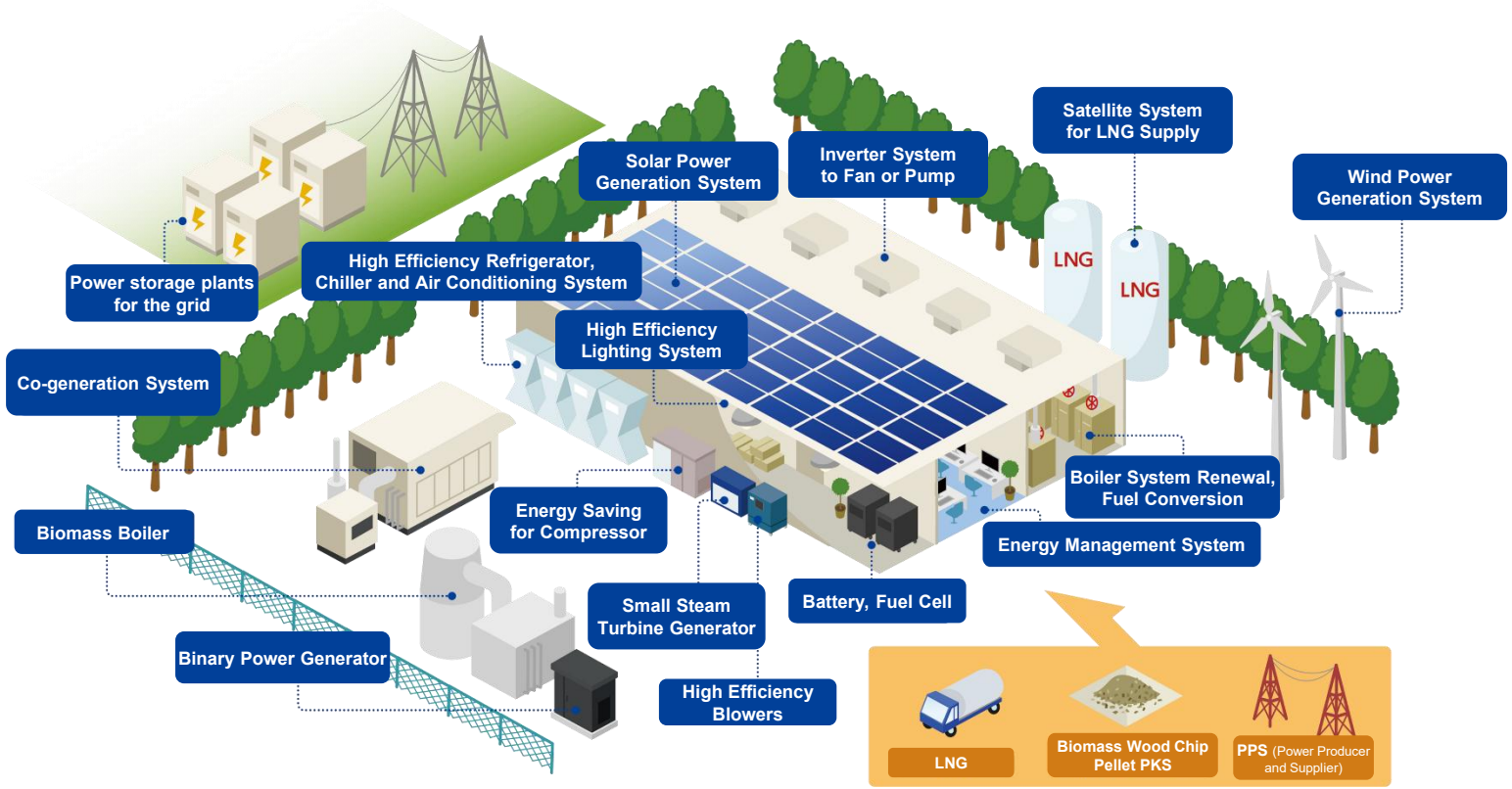
A leading company in decarbonization

A company that realizes Total Energy Savings & Solutions for customers

Items handled by the TESS Group



TESS Group original characters
“Tecchan & Soochan”



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Executive Summary | FYE 06/2027 Q1 Consolidated Results

KEY MESSAGE

FYE 06/2027 Q1 saw year-on-year decreases in both revenue and profit, but there is no change to the full-year consolidated financial results forecast
From Q2 onward, revenue recognition is expected to ramp up, mainly for storage battery projects; we will continue to focus on materializing the storage battery pipeline

FYE 06/2027 Q1 Consolidated Results

Net sales	Gross profit	Operating profit (loss)	Ordinary profit (loss)	Profit (loss) attributable to owners of parent	ROE / ROIC
11,876 million yen -6.6% YoY	**1,227** million yen -46.6% YoY	**(98)** million yen 995 million yen in FYE 06/2026 Q1	**(552)** million yen 577 million yen in FYE 06/2026 Q1	**(565)** million yen 25 million yen in FYE 06/2026 Q1	ROE **-1.1%** ROIC **-0.0%**

Engineering Segment

- Although revenue from commissioned projects decreased in both energy conservation and renewable energy, **gross profit remained flat** due to progress in development projects.
- From Q2 onward, revenue recognition is expected to ramp up, mainly for storage battery projects; we will continue to focus on materializing the storage battery pipeline.

Energy Supply Segment

- Although **revenue increased**, mainly due to an increase in net sales from retail electricity supply, **profit decreased** year-on-year due to increased periodic inspections and output curtailment in renewable energy power generation, as well as deteriorating profitability in retail electricity supply.

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[Reposted] Consolidated Results Forecast and Dividend Forecast FYE 06/2027

Consolidated Results Forecast and Dividend Forecast FYE 06/2027

Net sales	Gross profit	Operating profit	Ordinary profit	Profit attributable to owners of parent	ROE/ROIC	Dividend per share
64,000 million yen (+25.0% YoY)	**10,450** million yen (+0.3% YoY)	**4,700** million yen (-11.8% YoY)	**2,900** million yen (-24.4% YoY)	**1,800** million yen (-15.2% YoY)	ROE **3.7%** ROIC **2.1%**	**9.60** yen Year-end dividend

Entire Business	Although revenue is expected to increase year on year and profit is expected to decrease year on year for consolidated financial results for the fiscal year ending June 30, 2027, growth in storage batteries EPC is expected to keep gross profit in line with the Mid-term Management Plan target. We will accelerate growth investments, including workforce expansion, to achieve the Plan.
Dividend	From the perspective of stable and continuous dividends, **we plan for a year-end dividend of 9.60 yen per share**.
Kyoto Prefecture development project	Although the project is making steady progress, the schedule has not been finalized as of the announcement date of the financial results for the fiscal year ended June 30, 2026. This is not included in the consolidated financial results forecast for the fiscal year ending June 30, 2027.

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1. Summary of Consolidated Financial Results for the Three Months Ended September 30, 2026

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Consolidated Financial Results

- **Consolidated financial results for the three months ended September 30, 2026 (from July 1, 2026 to September 30, 2026) showed year-on-year decreases in both revenue and profit.**

(Millions of yen)

	FYE 06/2026 Q1 cumulative	FYE 06/2027 Q1 cumulative	FYE 06/2027 Full-year plan	Year-on-year changes	Percentage of financial results forecast achieved
Net sales	**12,709**	**11,876**	**64,000**	**-6.6%**	**18.6%**
Gross profit	**2,298**	**1,227**	**10,450**	**-46.6%**	**11.7%**
(Profit margin)	(18.1%)	(10.3%)	(16.3%)		
Operating profit (loss)	**995**	**(98)**	**4,700**	**—**	**—**
(Profit margin)	(7.8%)	(-0.8%)	(7.3%)		
Ordinary profit (loss)	**577**	**(552)**	**2,900**	**—**	**—**
(Profit margin)	(4.5%)	(-4.7%)	(4.5%)		
Profit (loss) attributable to owners of parent	**25**	**(565)**	**1,800**	**—**	**—**
(Profit margin)	(0.2%)	(-4.8%)	(2.8%)		

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Consolidated Financial Results Summary (Year-on-year)

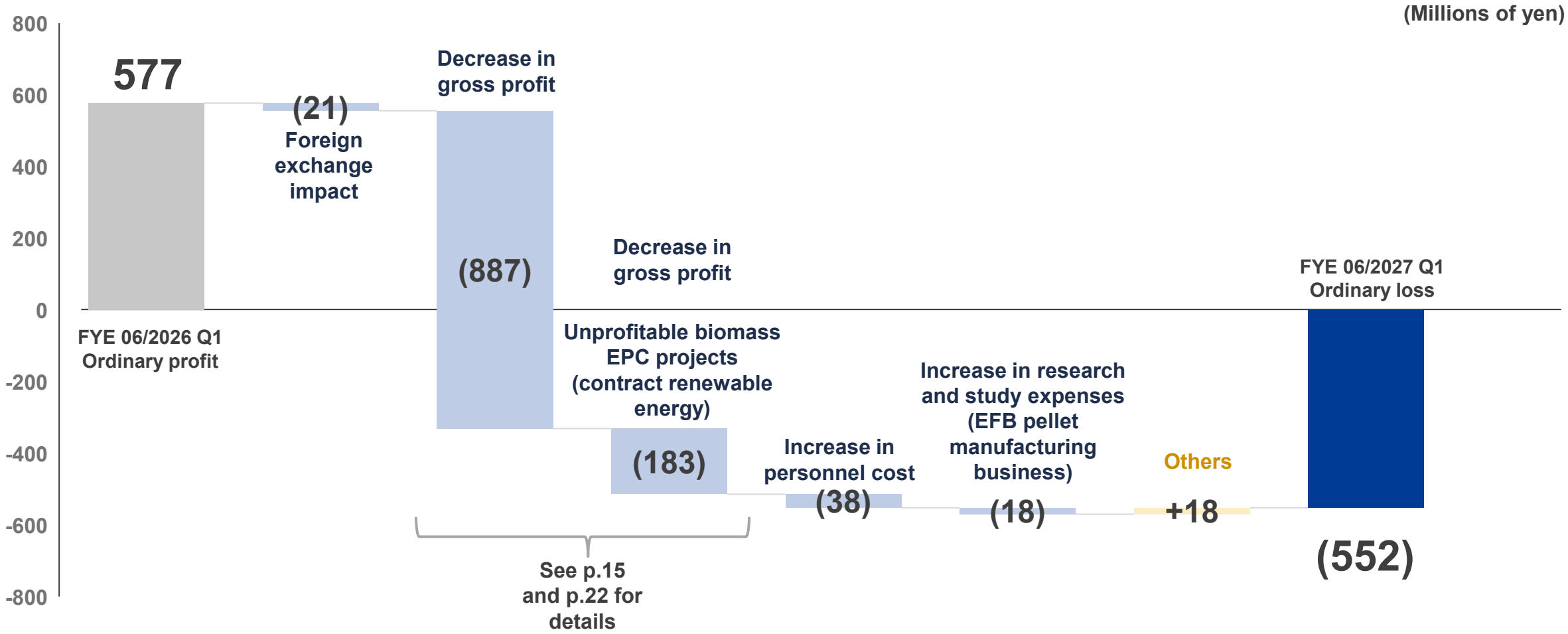
(Millions of yen)

	FYE 06/2026 Q1 cumulative	FYE 06/2027 Q1 cumulative	Change	Main factors behind change
Net sales	12,709	11,876	(832)	See pages 15 and 22 for details.
Cost of sales	10,411	10,649	237	See pages 15 and 22 for details.
Gross profit	2,298	1,227	(1,070)	See pages 15 and 22 for details.
Selling, general and administrative expenses	1,302	1,326	23	Increase in personnel cost due to headcount increase and increase in research and study expenses (EFB pellet manufacturing business)
Operating profit (loss)	995	(98)	(1,093)	
Non-operating income	86	129	43	Increase due to non-operating income related to the renewable energy power generation business (subsidies for facilities, etc.)
Non-operating expenses	503	583	80	Increase in interest expenses, loss on valuation of derivatives, and foreign exchange losses
Ordinary profit (loss)	577	(552)	(1,130)	
Profit (loss) before income taxes	577	(552)	(1,130)	
Income taxes	519	(19)	(538)	Reactionary decrease stemming from not recognizing deferred tax assets related to asset retirement obligations in the same period of the previous fiscal year
Profit (loss)	58	(533)	(591)	
Profit attributable to non-controlling interests	33	32	(0)	
Profit (loss) attributable to owners of parent	25	(565)	(590)	

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Main Factors for Changes in Ordinary Profit (YoY)

- **Ordinary loss for the three months ended September 30, 2026 was 552 million yen (ordinary profit of 577 million yen in the same period of the previous fiscal year).**
  The main factors for this change are as follows.



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Consolidated Balance Sheet

(Millions of yen)

	FYE 06/2026 Full-year	FYE 06/2027 Q1 results	Change	Main factors behind change
Current assets	43,194	47,409	4,214	Increase in advance payments to suppliers in relation to EPC, etc. of the Engineering Segment
Non-current assets	121,752	121,223	(528)	Decrease in non-current assets due to depreciation and increase in construction in progress due to the progress of on-site PPA projects, etc.
Total assets	164,946	168,633	3,686	
Current liabilities	34,439	41,092	6,652	Increase in contract liabilities in relation to EPC, etc. of the Engineering Segment
Non-current liabilities	78,089	76,472	(1,617)	Decrease in long-term borrowings
Total liabilities	112,529	117,564	5,035	
Shareholders' equity	42,015	40,776	(1,239)	Decrease in retained earnings due to the recording of loss attributable to owners of parent and the payment of dividends
Accumulated other comprehensive income	10,101	9,960	(141)	
Non-controlling interests	300	331	31	
Total net assets	52,417	51,068	(1,349)	
Total liabilities and net assets	164,946	168,633	3,686	

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2. Financial Results by Segment, Etc.

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Business Overview

Engineering Segment

Flow-type



EPC for energy conservation-related facilities



EPC for renewable energy-related facilities



Differences in business formats

Commissioned-type	The segment consists of **EPC commissioned** by customers (Generally, the same format as when a construction company undertakes contract work on facilities)
Development-type	A format in which **a project is developed from scratch**, rights are bought and sold, and EPC are provided to client companies

* EPC: **E**ngineering, **P**rocurement, and **C**onstruction

Energy Supply Segment

Stock-type



Renewable energy power generation (FIT, FIP/PPA)





Operation and maintenance (O&M)



Electricity retailing



Biomass fuel supply



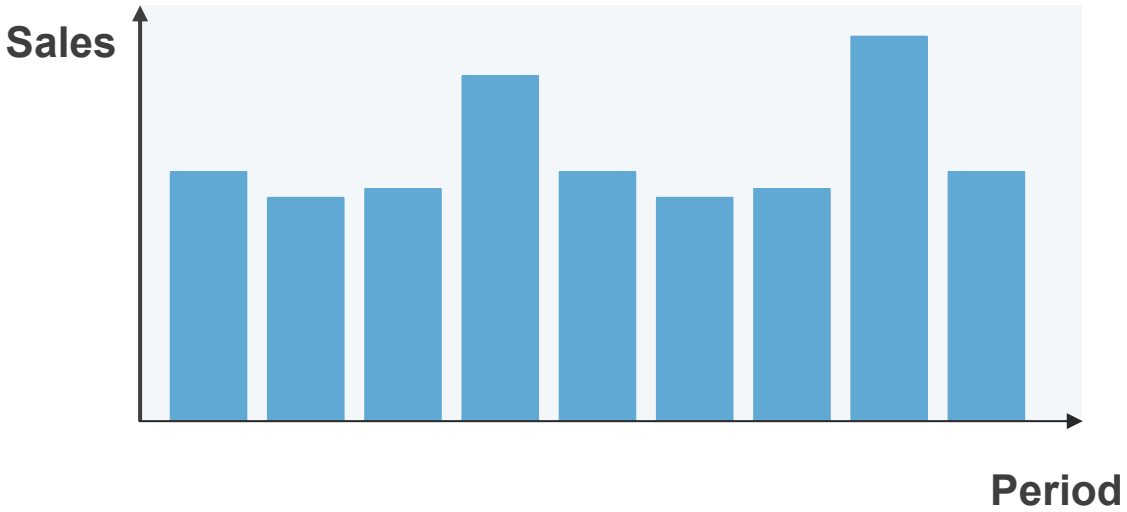
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Business Model

Engineering Segment

Flow-type

**Business that receives orders from client companies on a case-by-case basis.
The scale of sales for each project tends to be large.**



<Image of period recording sales>

- EPC for energy conservation-related facilities: 1–2 years
- EPC for renewable energy-related facilities: Half–2 years

Energy Supply Segment

Stock-type

**Business that earns steady streams of income.
Stable revenue by accumulating income streams one by one.**



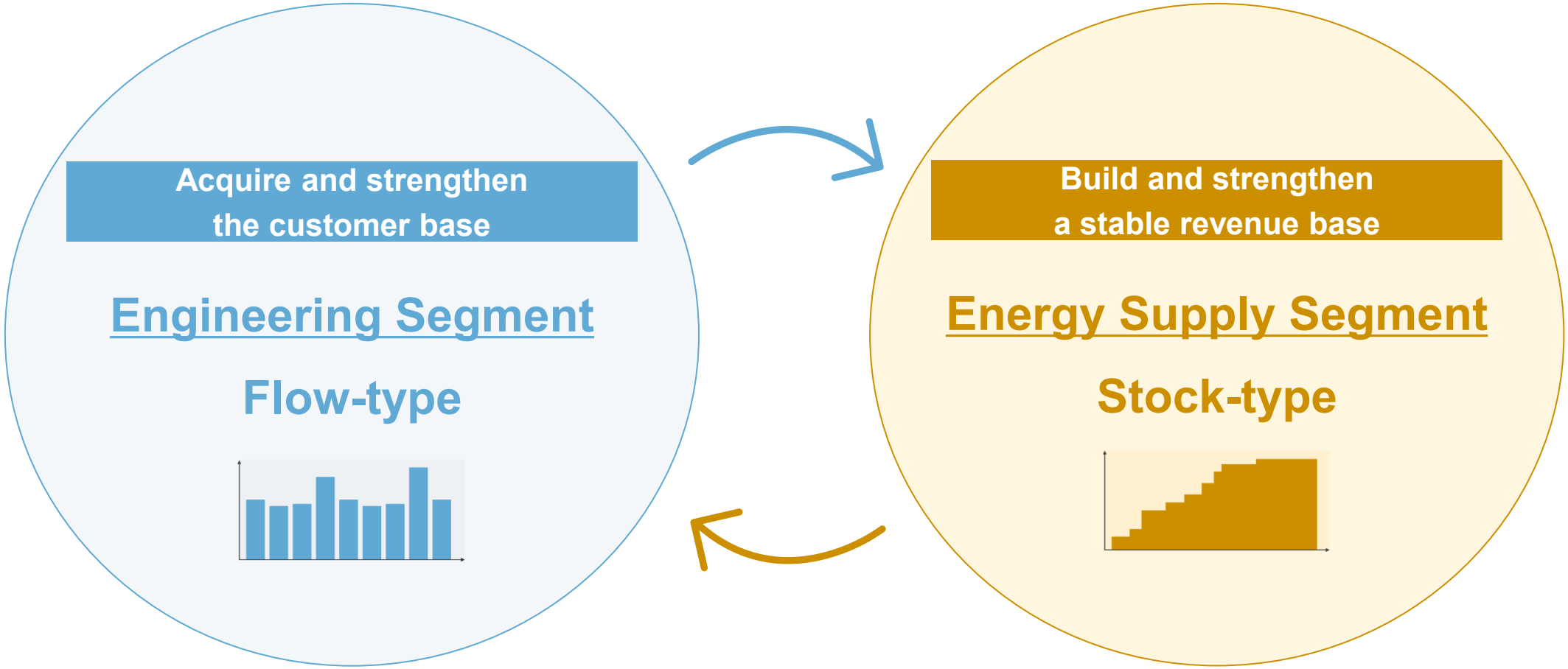
<Image of period recording sales>

- Renewable energy power generation: 15–20 years
- O&M: 15–20 years

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Business Model

- **Circular business model linking flow-type and stock-type business.**
- **Secure both flow and stock revenue opportunities.**
  (For example, after completing EPC in the Engineering Segment, it will lead to O&M orders for the Energy Supply Segment)



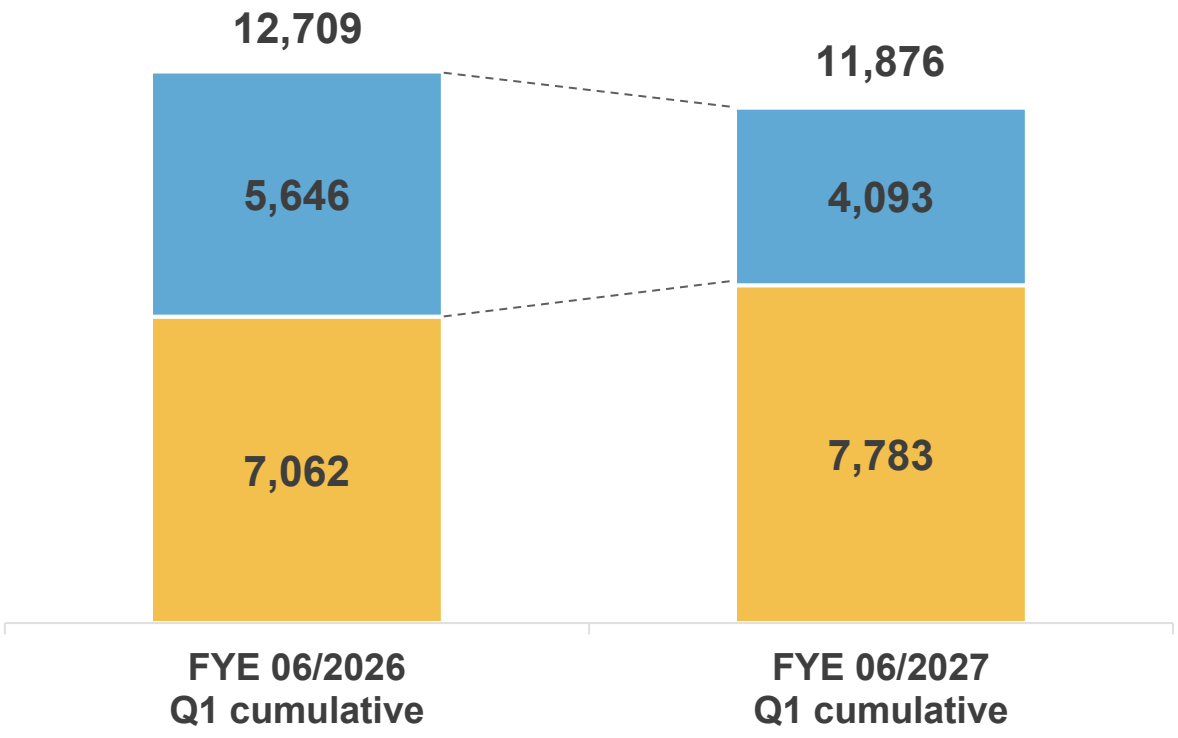
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Breakdown of Net Sales and Gross Profit by Segment (Year-on-year)

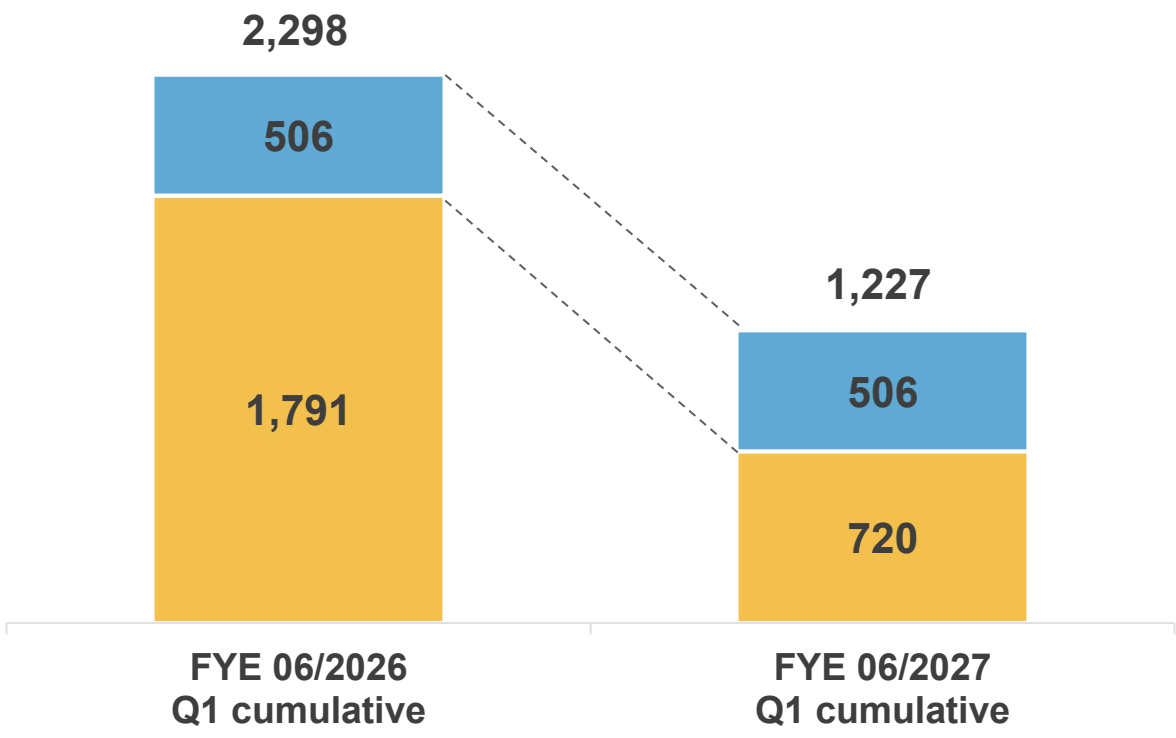
- **Net sales and gross profit for the three months ended September 30, 2026 show year-on-year decreases in both revenue and profit.**

(Millions of yen)

Consolidated net sales



Consolidated gross profit

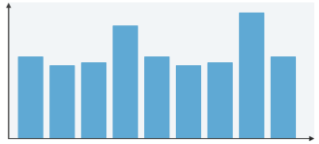


Engineering Segment　Energy Supply Segment

* Figures are after inter-segment elimination.

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Flow-type



Engineering Segment

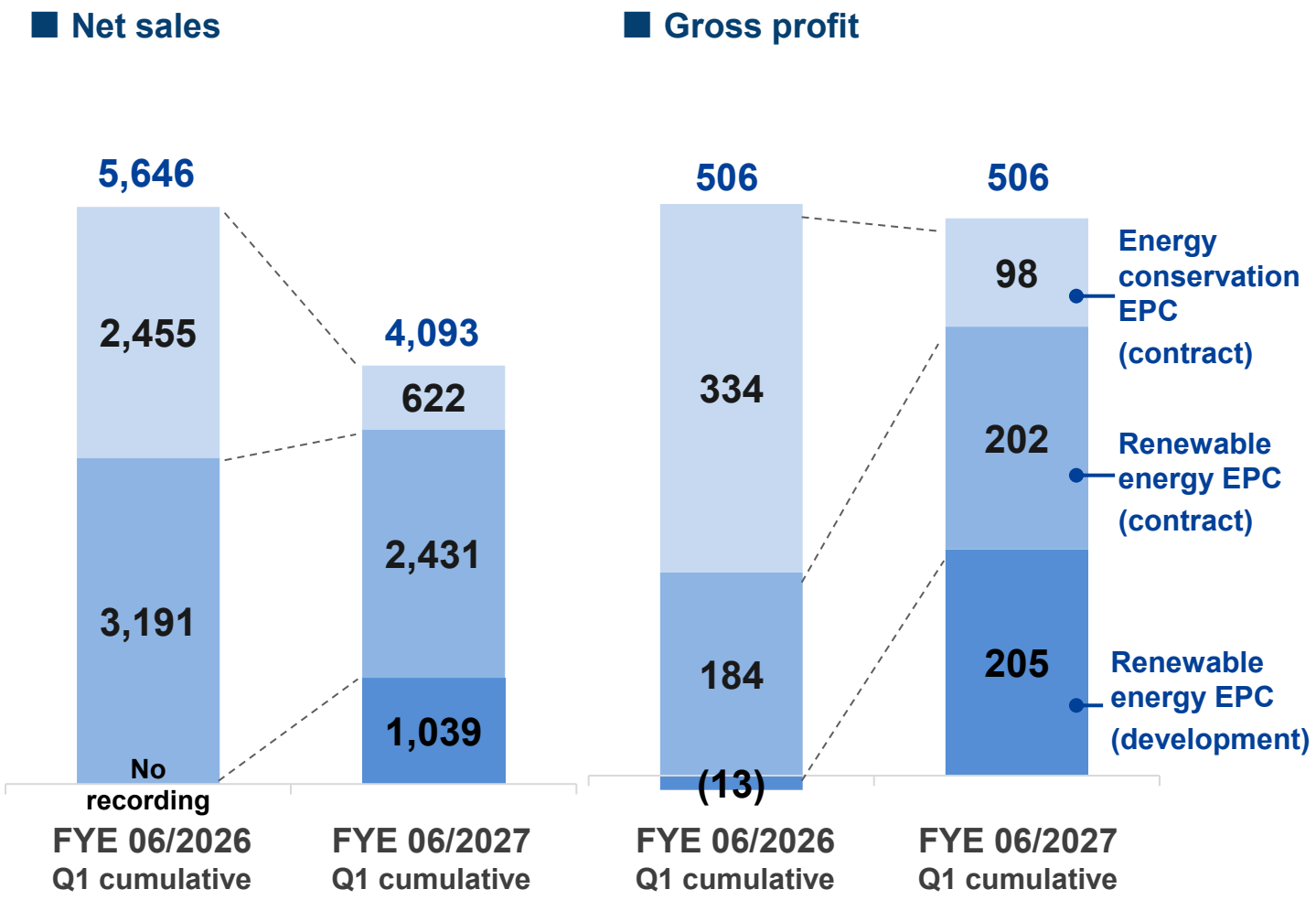
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Breakdown of Net Sales and Gross Profit by Subsegment (Year-on-year)

Engineering Segment

▶ Engineering Segment saw decreased revenue year-on-year, while gross profit remained flat.

(Millions of yen)



- Energy conservation EPC (contract) saw decreased revenue and decreased profit year-on-year due to a decrease in the number of CGS and other projects as a result of the focus on the power storage system-related business under the Mid-term Management Plan.
- Renewable energy EPC (contract) saw decreased revenue year-on-year because the number of solar power and other projects decreased, and although the number of storage battery projects increased, their contribution to sales was limited due to the stage of construction progress. Meanwhile, profit increased year-on-year due to highly profitable projects.
- Renewable energy EPC (development) saw increased revenue and profits year-on-year due to steady progress in EPC for power storage plants for the grid for the Shizuoka Kikugawa Power Storage Plant and a limited liability company established by Tokyo Century Corporation.

* The breakdown of net sales and gross profit by reportable segment has not been audited.
* Figures are after inter-segment elimination.

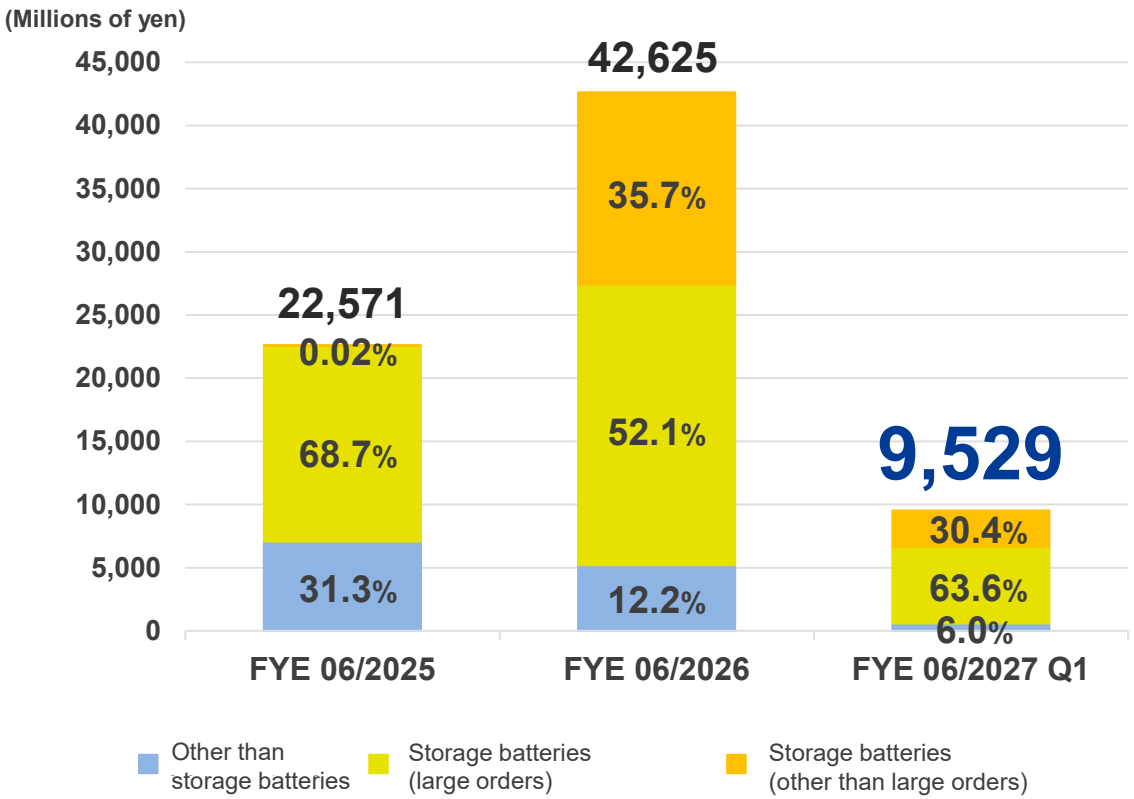
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Orders Received and Order Backlog

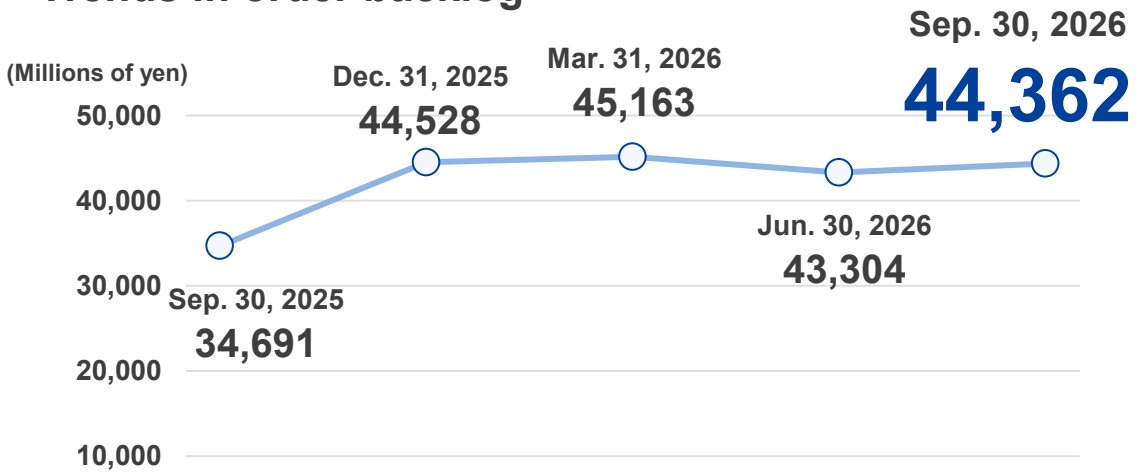
Engineering Segment

- Orders received totaled 9,529 million yen (54.6% year-on-year) and order backlog was 44,362 million yen (127.9% year-on-year)
- Orders received have increased significantly since the fiscal year ended June 30, 2025, mainly driven by storage batteries.

Trends in orders received



Trends in order backlog



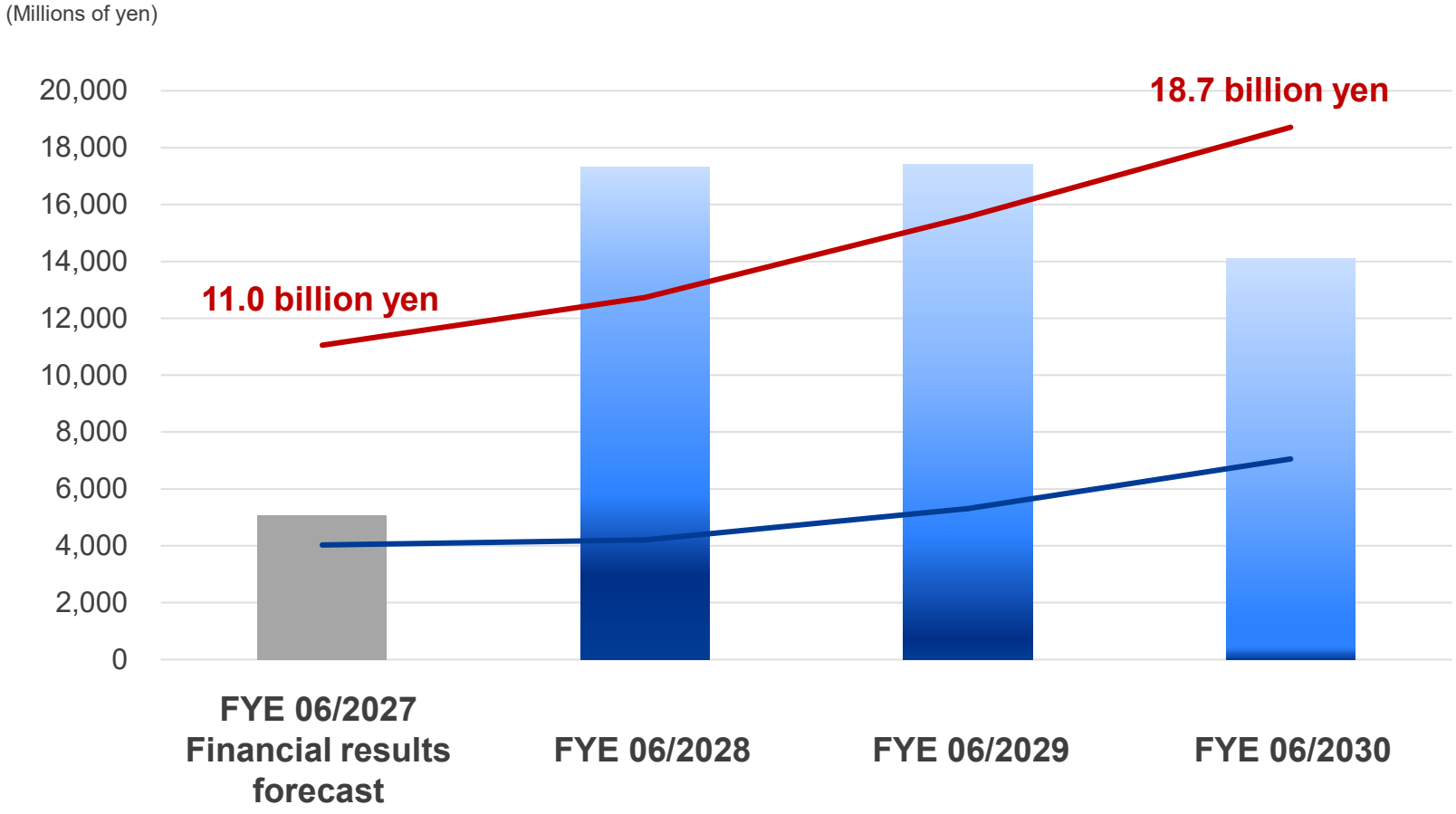
Breakdown of order backlog (major factors) (As of Sep. 30, 2026)		
	Storage batteries	96.1%
	Solar power generation facilities	1.4%
	Other energy conservation facilities	1.1%
	Co-generation/in-house power generation facilities	0.9%
	Biomass power generation facilities	0.3%
	Fuel conversion equipment	0.2%

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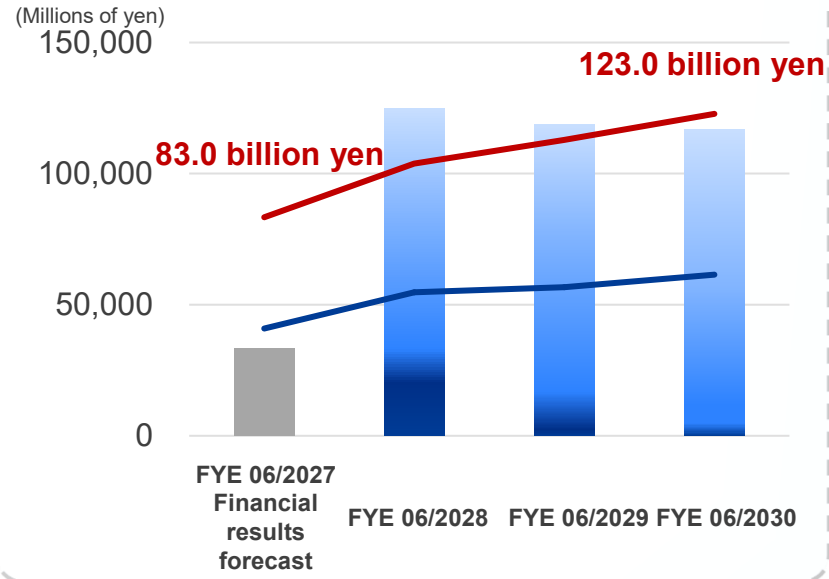
Engineering Segment Pipeline

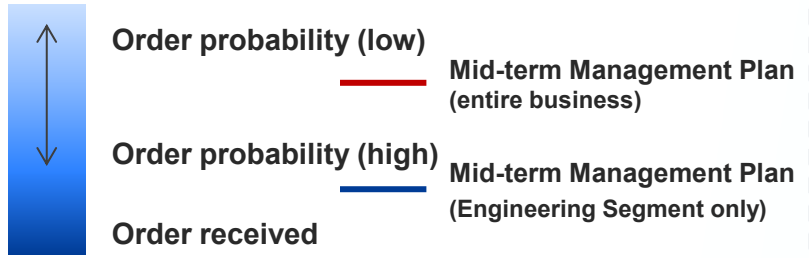
- The Engineering Segment has a robust pipeline.
- We will aim for steady order conversion to achieve the targets of the Mid-term Management Plan

Engineering Segment pipeline (gross profit recognition basis)



(Reference) Net sales recognition basis





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Overview of the Large Orders Secured for Storage Battery EPC

Engineering Segment

▶ Large orders received for storage battery EPC total approximately 38.7 billion yen (as of Nov. 13, 2026)

TX2030 Mid-Term Management Plan Focus Business Areas: Power Storage System-Related Business						
	Ordering Party	Order Type	Order Month	Order Year	Order Amount	Delivery Date (Est.)
 Power storage plants for the grid	Shizuoka Kikugawa Power Storage Plant LLC*1	Development	March 2025	FYE 06/2025	Approx. 5 billion yen	March 2027
	DEI Battery Fund Beta LLC (Invested by Daiwa Energy & Infrastructure Co. Ltd.)*2	Development	September 2025	FYE 06/2026	Approx. 13 billion yen	April 2028
	LLC formed by Tokyo Century Corporation*2	Development	November 2025	FYE 06/2026	Approx. 9 billion yen	June 2028
	Komoro Power Storage Plant LLC	Commissioned	July 2026	FYE 06/2027	Approx. 6 billion yen	March 2028
 FIP conversion of FIT solar power plants + storage battery co-location	Japanese domestic operating companies*3 (Listed on the Tokyo Stock Exchange Prime Market)	Commissioned	March 2025	FYE 06/2025	Approx. 5.7 billion yen	January 2026

*1 In the future, Shizuoka Kikugawa Power Storage Plant LLC, which is the ordering party, may become a consolidated subsidiary of our company. In such a case, the order amount will not be included in consolidated revenue.
*2 The contracts for these orders may be terminated if the development requirements are not met.
*3 Of the five EPC projects for power storage plants co-located with FIP solar power plants operated by Japanese domestic companies, four of the EPC projects will be ordered by Japanese domestic leasing companies (listed on the Tokyo Stock Exchange Prime Market) through lease contracts between Japanese domestic companies as lessees and the Japanese domestic leasing companies.
*4 The information presented is as of the time of release.

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Overview of the Orders Secured for Storage Battery EPC

- During the three months ended September 30, 2026, five storage battery EPC (contract) orders were secured, in addition to the large orders described on the previous page.

TX2030 Mid-Term Management Plan Focus Business Areas: Power Storage System-Related Business						
	Ordering Party	Location	PCS output	Capacity	Delivery Date (Est.)	Order received
 Power storage plants for the grid	Tadasunomori Inc.	Kani City, Gifu Prefecture	1,999 kW	6,266 kWh	March 2027	Q1
	Kuradashi Investment No. 2 LLC	Yasugi City, Shimane Prefecture	1,995 kW	8,224 kWh	February 2027	Q1
 FIP conversion of FIT solar power plants + storage battery co-location	SPC invested in by a fund operated by Global Infrastructure Management Co., Ltd.	Isa City, Kagoshima Prefecture	1,990 kW	5,018 kWh	October 2027	Q1

*The table includes only projects that have been disclosed in press releases. The information presented is as of the date of each press release.

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Topics Related to Storage Batteries

Engineering Segment

- Construction and test operation are progressing steadily at the Shizuoka Kikugawa Power Storage Plant, where the Group is responsible for development, EPC, etc.
- Storage battery EPC (contract) for customers is also progressing steadily.



Site tour for institutional investors and analysts at the Shizuoka Kikugawa Power Storage Plant



DIGITAL GRID ASSET MANAGEMENT Corporation
Power storage plant for the grid
(Delivery: July 2026)



Kyocera TCL Solar LLC
FIP conversion of FIT solar power plants
+ storage battery co-location
(Storage battery operation start: October 2026)

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Stock-type



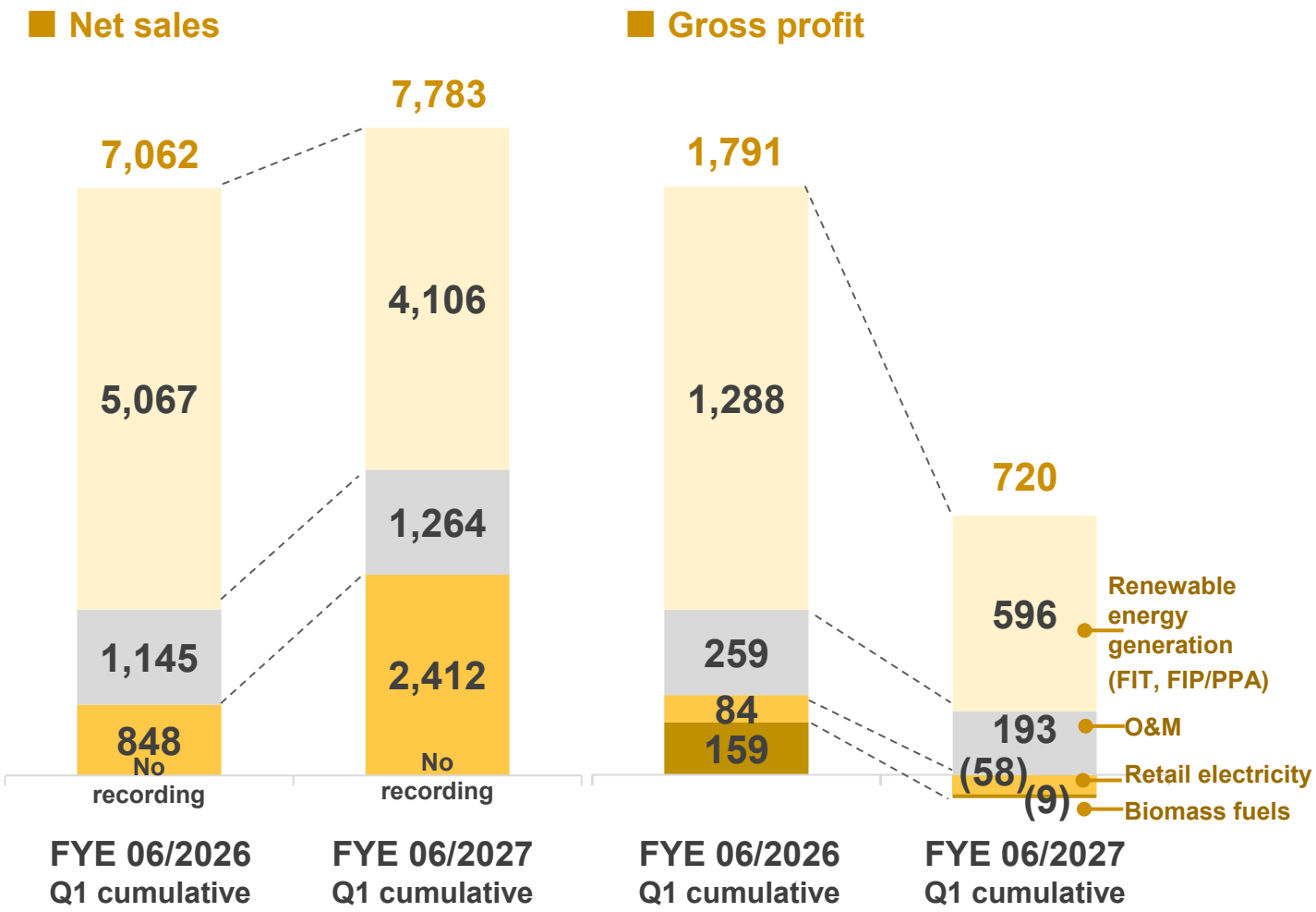
Energy Supply Segment

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Breakdown of Net Sales and Gross Profit by Subsegment (Year-on-year)

Energy Supply Segment saw a year-on-year increase in revenue and decrease in profit.

(Millions of yen)



- **Revenue and profit from renewable energy power generation decreased year-on-year due to a decrease in electricity sales revenue resulting from the periodic inspection of the Saga Imari Biomass Power Plant and the impact of output suppression at the Fukuoka-Miyako Mega Solar Plant and other plants.**
- **O&M saw a year-on-year increase in revenue due to an increase in maintenance operations that occur on an irregular basis. Meanwhile, profit decreased year-on-year due to a temporary increase in costs resulting from periodic inspections.**
- **Retail electricity supply saw a year-on-year increase in revenue as supply volume increased and the unit selling price rose, driven primarily by market-linked offerings. Meanwhile, profit decreased year-on-year due to the impact of higher costs resulting from rising market prices.**
  (Including the impact of timing differences in net sales and cost of sales due to staggered meter reading.)
- **Biomass fuels saw a year-on-year decrease in profit due to increased procurement and logistics costs for PKS fuel.**
  (Profits recorded based on the amount of PKS consumed at the Saga Imari Biomass Power Plant, net sales and cost of sales related to the transactions eliminated as internal transactions in the consolidation process, and no sales of fuel outside the consolidated group.)

* For transactions within the consolidated group in O&M, retail electricity supply and biomass fuels, net sales and cost of sales are eliminated in the consolidation process, with only gross profit being recorded.

* The breakdown of net sales and gross profit by reportable segment has not been audited.

* Figures are after inter-segment elimination.

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Topics Related to On-site PPA

Energy Supply Segment

- As of the end of FYE 06/2027 Q1, we were supplying a total of approximately 70.0 MW of electricity to 60 locations generated by renewable energy using solar power generation systems for in-house consumption employing an on-site PPA model.
- Supply launches for a total of approximately 29.9 MW at 6 locations are planned from FYE 06/2027 Q2 onward.
  The large-scale on-site PPA for TOYO TANSO CO., LTD. is under construction and progressing steadily toward the start of operations in June 2027.



Construction progress of on-site PPA for TOYO TANSO CO., LTD. at the site adjacent to Takuma Division
(power generation capacity: approx. 20.0 MW; scheduled to start in June 2027)

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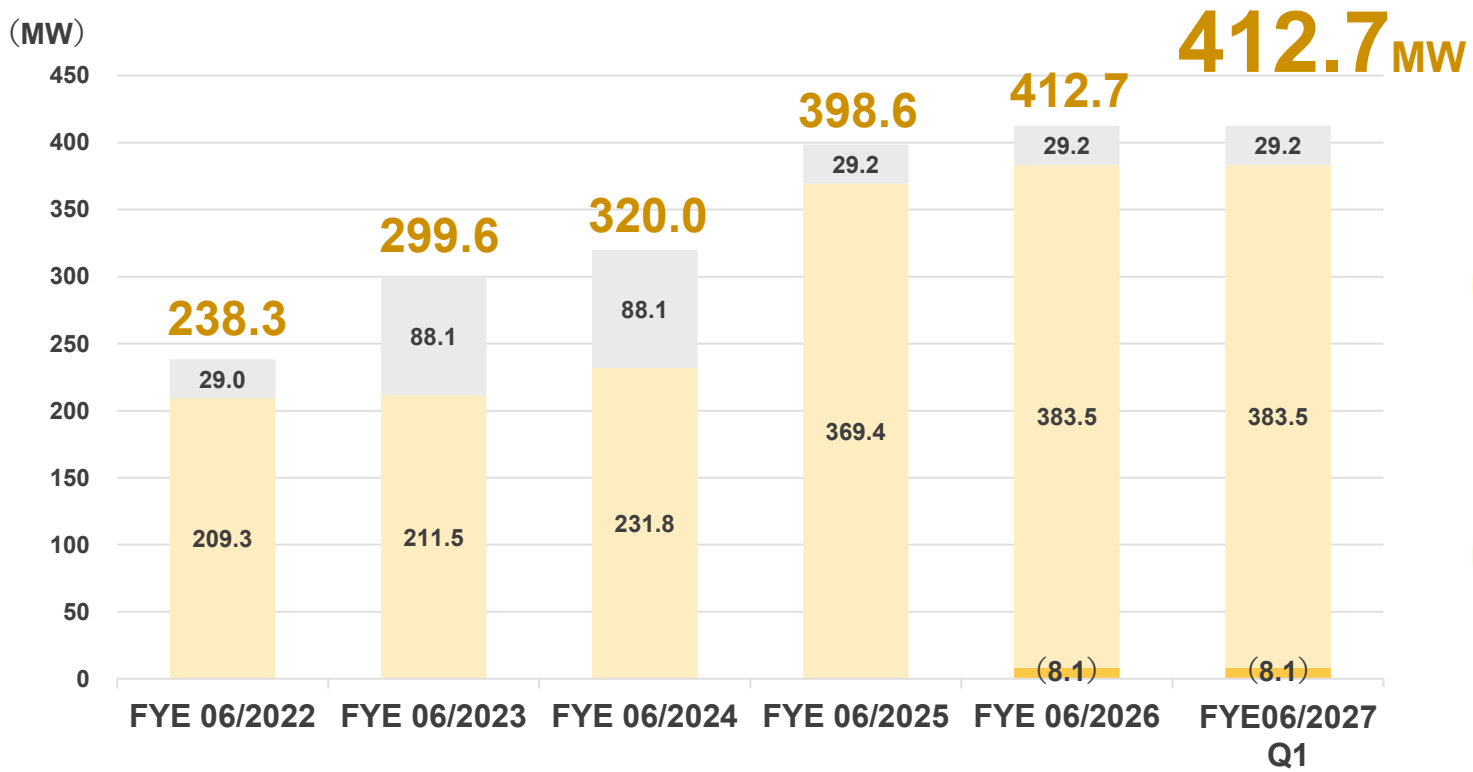
Trends in Generation Capacity for Renewable Energy Power Plants

Energy Supply Segment

- **We seek to obtain stable long-term income from FIT and FIP schemes and on-site PPA models for in-house consumption.**

Trends in total capacity of renewable energy power generation facilities*

* Solar power plants (including on-site PPA for in-house consumption), biomass power plants, and small-scale wind power plants.



Portion owned by consolidated subsidiaries

(Of which, FIP conversion + storage battery co-location completed)

Portion owned by TESS Group investee companies

(Companies accounted for by the equity method and a silent partnership where a limited liability company investing in the silent partnership is the operator)

Solar

137 projects, approx. 358.9 MW

Including 60 on-site PPA projects, approx. 70.0 MW

Biomass

3 projects, approx. 53.8 MW

* As of Sep 30, 2026

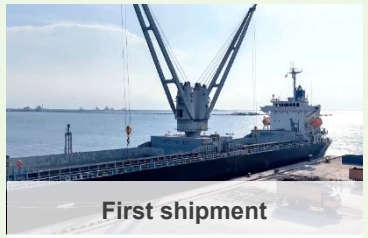
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Topics Related to Resource-recycling Biomass Fuels Business

Energy Supply Segment

▶ **The Resource-recycling Biomass Fuels Business (PKS fuel and EFB pellets) is progressing steadily as follows.**

Opened PKS stockpile (shipping base) and made first shipment


First shipment


Kuala Tanjung stockpile

- Opened a PKS stockpile in North Sumatra Province, which has well-developed infrastructure for the palm industry
- Aim to strengthen the fuel supply system and achieve stable supply by building integrated supply chains for PKS fuel and EFB pellets

Location	North Sumatra Province, Indonesia Kuala Tanjung
Shipping destinations	Biomass power plants in Japan, including the Saga Imari Biomass Power Plant


PKS fuel

Building a stable supply system by integrating the supply chains for both PKS fuel and EFB pellets


EFB Pellets



Obtained GGL certification for "EFB pellet manufacturing"


EFB pellet manufacturing demonstration plant

- GGL certification is an international certification scheme under which a third-party organization certifies that biomass products are produced and procured sustainably
- World's first GGL certification covering the entire supply chain for EFB pellet manufacturing*
- Aim to expand the circular economy and stock business through the utilization of crop residues

GGL green gold label

*Based on the Company's research using information publicly available as of the press release date (September 18, 2026)

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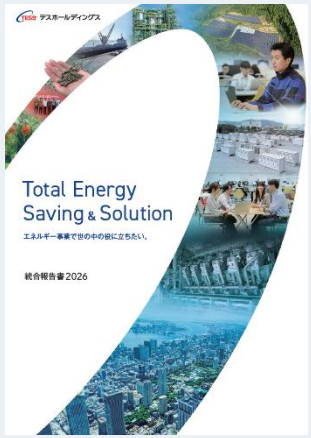
Topics Related to Information Disclosure

Other

▶ **Promoting information disclosure and IR activities to strengthen dialogue with stakeholders, including shareholders and investors**

Publication of Integrated Report

- Enhanced the content by newly featuring dialogues with customers, in addition to the progress of the Mid-term Management Plan “TX2030” and messages from management





Integrated Report 2026
(Japanese)

Shared Research analyst report published

- Published an analyst report analyzing the business overview, financial results trends, progress of the Mid-term Management Plan “TX2030,” and other matters from a third-party perspective



Analyst report

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TESS Group's Human Resources Strategy

We are promoting various reforms and improvement measures for human resources strategy.

Basic policy of human resources strategy

- ☑ Proactive human resources placement and development to promote growth of the Company and individuals
- ☑ Development of programs and mechanisms that balance job satisfaction and flexible working arrangements
- ☑ Creation of a culture and work environment that thrives on diversity

■ Major initiatives based on human resources strategy

Recruitment

- Employment of people with disabilities such as para athletes
- Employment of seniors
- Recruitment of foreign talent
- Raising the target percentage of female employees among new graduate hires
- Recruitment enhancement through the introduction of a referral system

Education and training

- Level-based training

  Run systematic training programs according to position and rank

  Facilitate skill improvement according to each employee's career stage
- Sales mindset training aimed at improving added value
- Introduction of a grant program for obtaining MBA
- Work style reform training as a management strategy (for managers)

Evaluation

- Transfer request application system and career-related questionnaire

  Aim to create an environment and mechanism that allows employees to proactively take on new challenges and continue working regardless of their life stage
- Review of personnel and evaluation systems

Work style

- Employee engagement survey

  Extensively collect and analyze the thoughts and attitudes of diverse employees to help inform future system reforms and other initiatives
- Creation of specialist courses
- Creation of area-specific career-track positions
- Start of human rights due diligence
- Introduction and expansion of various programs (telework, staggered working hours, etc.)

Other

- Stakeholder dialogue
- Stock-related programs and plans (restricted stock compensation plan, employee stock ownership plan, stock option plan)

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3. Appendix

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Overall Picture of Mid-term Management Plan “TX2030”

We disclosed the supplementary material of the Mid-Term Management Plan. Please also refer to the IR Information on our website. https://ssl4.eir-parts.net/doc/5074/ir_material4/246171/00.pdf

Basic Policy

- Focus growth investments and management resources on key business areas while sustaining existing operations as the earnings base.
- Achieve high profitability and increase ROE and ROIC through business transformation.

Key Business Areas

[Existing business]

Energy-conservation and renewable energy solutions businesses (solar power, CGS, etc.)

Power storage system-related business

- Development of power storage plants for the grid
- FIP conversion of FIT solar power plants + storage battery co-location

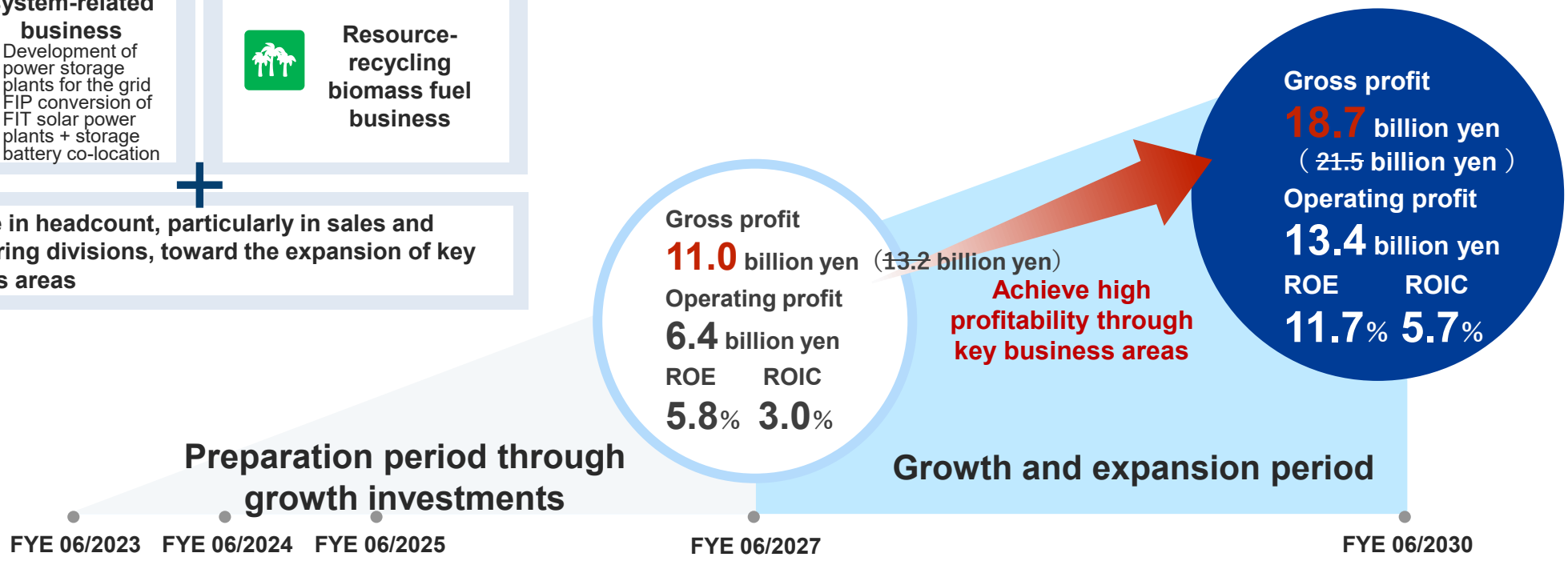
Resource-recycling biomass fuel business

Manage-ment Resources

Increase in headcount, particularly in sales and engineering divisions, toward the expansion of key business areas

Efforts to Enhance Corporate Value

ROE/ROIC oriented management	• Strive to achieve high profitability by transforming the business structure through growth investment. • Establish a business structure that enables ROIC to exceed WACC (Weighted Average Cost of Capital) on an ongoing basis.
Growth Investment and Shareholder Returns	• Achieve profit growth through continuous growth investments. • Continue to return profits to shareholders with a target consolidated dividend payout ratio of 30% in order to strike a balance between a highly profitable business and financial soundness. • Endeavor to increase shareholder returns through earnings growth.
Promotion of ESG Management	• E (Environment) : Realization of Total Energy Savings & Solutions • S (Society) : Developing human resources and social infrastructure to support business growth • G (Governance) : Fair and transparent management



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Progress of KPIs

- **In the fiscal year ended June 30, 2026, profit increased year-on-year, driven by the power storage system-related business, while ROE and ROIC improved.**
- **Renewable energy generation capacity has already reached the target for the fiscal year ending June 30, 2027 and we aim to further expand capacity toward the target for the fiscal year ending June 30, 2030.**
- **We aim to achieve each KPI by advancing initiatives in the key business areas.**

Key Metrics	FYE 06/2025 Actual		FYE 06/2026 Actual		FYE 06/2027 Forecast	FYE 06/2030 Forecast
Gross profit	7.4 bn yen		**10.4 bn yen**		11.0 bn yen (~~13.2~~ bn yen)	18.7 bn yen (~~21.5~~ bn yen)
Operating income	2.5 bn yen		**5.3 bn yen**		6.4 bn yen	13.4 bn yen
ROE	0.5%		**4.5%**		5.8%	11.7%
ROIC	1.4%		**2.5%**		3.0%	5.7%
In-house FIP rollover Renewable energy cap.	0 MW		**8.1 MW**		75 MW	113 MW
Cumulative installed cap. (Power storage plants for the grid) * To outside the consolidated group	63.3 MW (Order received)	0 MW (Actual result)	**375.9 MW (Order received)**	**0 MW (Actual result)**	100 MW	700 MW
Cumulative installed cap. (Power storage plants other than for the grid) * To outside the consolidated group	33.1 MW (Order received)	0 MW (Actual result)	**98.7 MW (Order received*)**	**6.5 MW (Actual result)**	120 MW	150 MW
Biomass fuel supply	127,000 tons/year		**207,000 tons/year**		350,000 tons/year	500,000 tons/year
Renewable energy generation cap. * Portion owned by consolidated subsidiaries	369.4 MW		**383.5 MW**		380 MW	470 MW

* Capacity for orders received includes the capacity of completed projects.

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Introduction of a Shareholder Special Benefit Program

In gratitude for the continued support of our shareholders, we implemented a shareholder benefit program for shareholders.

- Shareholders who hold 10 units (1,000 shares) or more as of the end of June each year, as listed or recorded in our shareholder registry, are eligible.
- Eligible shareholders received a brochure titled “Guide to the TESS Holdings Premium Benefit Club” in every year.
- Eligible shareholders may select their preferred items from over 5,000 products available through the TESS Holdings Premium Benefit Club using points awarded based on the number of shares held.







* Pictures are for illustrative purposes only.
Benefit program products are subject to change.

Shareholder Benefit Program Point Table
(1 point = Approx. 1 yen)

Number of shares held	Number of benefit program points
1,000 to 1,999 shares	3,000 points
2,000 to 2,999 shares	7,000 points
3,000 to 3,999 shares	15,000 points
4,000 shares and above	40,000 points

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Consolidated Statement of Income (Five Fiscal Years)

(Millions of yen)	FYE 06/2023 Q1 cumulative	FYE 06/2024 Q1 cumulative	FYE 06/2025 Q1 cumulative	FYE 06/2026 Q1 cumulative	FYE 06/2027 Q1 cumulative
Net sales	8,323	6,221	8,308	12,709	11,876
Cost of sales	5,856	4,487	6,205	10,411	10,649
Gross profit	2,466	1,733	2,103	2,298	1,227
Selling, general and administrative expenses	938	1,018	1,158	1,302	1,326
Operating profit (loss)	1,527	714	944	995	(98)
Non-operating income	152	195	632	86	129
Non-operating expenses	226	412	819	503	583
Ordinary profit (loss)	1,453	498	757	577	(552)
Extraordinary income	–	–	471	–	–
Extraordinary losses	–	–	292	–	–
Profit (loss) before income taxes	1,453	498	937	577	(552)
Income taxes	481	157	222	519	(19)
Profit (loss)	971	340	715	58	(533)
Profit attributable to non-controlling interests	65	56	30	33	32
Profit (loss) attributable to owners of parent	905	283	684	25	(565)

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Quarterly Consolidated Statements of Income -Reportable Segment Details (Two Periods)

(Millions of yen)

	FYE 06/2026 Q1	FYE 06/2026 Q2	FYE 06/2026 Q3	FYE 06/2026 Q4	FYE 06/2027 Q1
Net sales	**12,709**	**14,333**	**10,401**	**13,773**	**11,876**
Engineering Segment	5,646	6,908	3,886	5,755	4,093
Contract EPC (energy conservation)	2,455	1,153	920	446	622
Contract EPC (renewable energy)	3,191	5,754	2,965	3,167	2,431
Development EPC (renewable energy)	–	–	–	2,142	1,039
Energy Supply Segment	7,062	7,425	6,514	8,018	7,783
Renewable energy power generation	5,067	5,478	4,323	4,782	4,106
O&M	1,145	1,191	1,325	1,685	1,264
Retail electricity supply	848	755	865	1,550	2,412
Biomass fuels	–	–	–	–	–
Gross profit	**2,298**	**3,494**	**1,545**	**3,079**	**1,227**
Engineering Segment	506	1,382	767	1,936	506
Contract EPC (energy conservation)	334	264	398	73	98
Contract EPC (renewable energy)	184	1,131	378	384	202
Development EPC (renewable energy)	(13)	(13)	(8)	1,479	205
Energy Supply Segment	1,791	2,111	778	1,142	720
Renewable energy power generation	1,288	1,756	426	893	596
O&M[*1]	259	160	203	203	193
Retail electricity supply[*1]	84	5	9	(50)	(58)
Biomass fuels[*1]	159	188	139	96	(9)
Operating profit (loss)	**995**	**2,276**	**320**	**1,733**	**(98)**
Engineering Segment	152	889	326	1,463	65
Energy Supply Segment	1,384	1,821	399	732	301
Elimination or company-wide	(541)	(433)	(405)	(462)	(465)

[*1] For transactions within the consolidated group, net sales and cost of sales are eliminated in the consolidation process, with only gross profit being recorded.

[*2] The breakdown of net sales, gross profit, and operating profit by reportable segment has not been audited.

[*3] Figures are after inter-segment elimination.

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Frequently Asked Questions from Shareholders and Investors

■ Questions related to Power storage system-related business

Question	Answer
Can continued orders for storage battery EPC projects be expected going forward?	Storage battery EPC is a key business area for the Group, and customer inquiries remain firm. Projects currently include a wide range of completion schedules, from those completing during FYE 6/2027 to those scheduled for completion in 2028.
How is revenue from storage battery EPC projects recognized?	In accordance with revenue recognition standards, revenue is recognized over time based on the progress of construction work. In principle, the progress ratio tends to advance significantly upon installation of major equipment.
Please explain the gross profit margin level for storage battery EPC projects.	We target gross profit margin of approximately 15% for commissioned EPC, and 15% or higher for development EPC. Although margins vary depending on project conditions, this range is assumed on average.
Given the large order backlog, are there any concerns regarding resource shortage?	Orders are secured after considering factors such as the availability of certified managing engineers. In anticipation of future increases in projects, we will continue our efforts to strengthen resources, including personnel expansion.
How do you address the risk of rising costs in storage battery EPC projects?	We take a multifaceted approach to address cost increase risks, including confirming procurement prices at the time orders are secured, implementing foreign exchange hedging for imported products, utilizing futures transactions, and making order acceptance decisions that incorporate price increases. In addition, by leveraging our vendor-neutral position, we seek to reduce dependence on specific regions and manufacturers and mitigate procurement risks.
Is there a risk of delays in grid connection?	We strive to reduce risks through early-stage grid connection consultations, schedule adjustments, and the setting of disclaimer clauses for customers. In EPC projects, the impact on business performance is considered to be limited as revenue is recognized according to construction progress.
What is your policy for complying with “JC-STAR,” a cybersecurity certification program for IoT products that is required for the grid connection of power storage plants for the grid and other facilities?	Based on industry trends and customer needs, we are working to expand the use of certified products and strengthen collaboration with our suppliers.

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Frequently Asked Questions from Shareholders and Investors

■ Questions related to changes in the external environment

Question	Answer
Will the worsening instability in the Middle East affect business performance?	While there are concerns about rising material and logistics costs due to increasing crude oil prices and resource shortages resulting from the instability in the Middle East, there is a possibility that it may also increase interest in energy-saving and renewable energy investments. Therefore, we consider responses from both perspectives.
Is there any impact from increases in material prices or logistics costs?	As a basic policy, we confirm procurement prices at the time orders are secured, and accordingly, cases in which profitability deteriorates significantly after orders are secured are considered limited.
Will growing electricity demand from data centers and other facilities provide a tailwind for your business?	Electricity demand is expected to increase significantly with the establishment of newly developed data centers. We believe this will lead to an expansion of medium- to long-term business opportunities for the Group, including EPC proposals for distributed power sources such as cogeneration systems, which are essential for new data centers, as well as power supply through on-site PPA and other means once they become operational.

■ Question related to shareholder returns

Question	Answer
Please provide details of the shareholder benefit program.	We have introduced a shareholder benefit program for shareholders who hold at least 10 units (1,000 shares) and are listed or recorded in the Company's shareholder register as of June 30 each year. Eligible shareholders receive points based on the number of shares they hold and can use these points to select from a variety of products.

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Explanations of Terms

Term	Explanation
Energy conservation	Reducing the amount of energy consumed through the efficient use of resources and energy.
Co-generation system	A type of distributed energy resource consisting of a combined heat and electricity supply system that uses the heat emitted during power generation for air conditioning and heating, or for production processes. It may also be referred to as CHP (Combined Heat & Power).
Renewable energy	Energy, such as solar power, wind, and geothermal, that can be used repeatedly without depleting resources, unlike fossil fuels derived from finite resources.
Solar power generation system	A power generation system that uses a photovoltaic panel to absorb light energy from the sun and convert it to electricity for use.
Biomass power generation system	A power generation system that obtains energy through the rotation of a turbine using steam or gas generated by the combustion or gasification of biomass resources (resources derived from biological matter).
On-site PPA (Power Purchase Agreement)	A form of contract in which TESS Group acts as a power generation company, owning, maintaining, and managing solar power generation plants for in-house consumption, and providing the electricity generated by these plants to customers.
EPC	An abbreviation for Engineering, Procurement, and Construction.
FIT (Feed-in Tariff)	A system, based on the Act on Special Measures Concerning Promotion of Utilization of Electricity from Renewable Energy Sources, under which the national government promises that electricity utilities will purchase electricity generated from renewable energy, such as solar, wind, or biomass, at a set price and for a set period of time.
FIP (Feed-in Premium)	A system where the amount equivalent to the difference between the standard price (FIP price) and market price shall be paid as a premium in the case that electricity produced by renewable energy electricity utilities is sold on the wholesale electricity market or in direct dealings.
PKS (Palm Kernel Shell)	The shell that remains after palm oil has been extracted from palm kernels.
EFB (Empty Fruit Bunch)	The empty oil palm husk produced as a byproduct (residue) when extracting palm oil from oil palms.
Power storage plants for the grid	A facility that connects large industrial storage batteries to a power grid (transmission and distribution network) and performs charging and discharging. The purpose is to stabilize the power grid by storing electricity when there is a surplus and discharging it when there is a shortage.

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