

TESS Holdings

Osaka Head Office (Registered Head Office)
Shin-Osaka Prime Tower, 6-1-1 Nishinakajima, Yodogawa-ku, Osaka-shi, Osaka
532-0011 Japan
TEL +81-6-6308-2794

Tokyo Head Office
Yaeu First Financial Bldg, 1-3-7 Yaeu Chuo-ku, Tokyo
103-0028 Japan
TEL +81-3-3548-8240
URL <https://www.tess-hd.co.jp/english/>



Integrated Report 2025

TESS Group aims to maximize its corporate value by promoting philosophy-driven management



Customer Focus, Customer Satisfaction

- We treat all stakeholders as customers, including all clients, business partners, shareholders, investors, the communities where we operate, and Group officers, employees, and their families.
- Our top management pledges to lead by example, engaging with customers in a sincere, steady, self-reliant and straightforward manner.
- We place ESG and compliance at the core of management, and strive to increase corporate value by growing sustainably through our contribution to the SDGs.



Total Energy Savings & Solutions

As the customers' energy-related issues and needs become more complex, our business philosophy of "Customer Focus, Customer Satisfaction" cannot be achieved with uniform products and services. TESS stands for "Total Energy Savings & Solutions." We will promote the provision of comprehensive energy solutions as a group to realize this goal.



A leading company in decarbonization

A company that realizes Total Energy Savings & Solutions for customers

► **To be a leading company in decarbonization**

- Continue to be chosen by customers for our abundant experience in the field of energy conservation and renewable energy, responsiveness with one-stop service from development and construction to operation and maintenance, and proposal capabilities that make good use of our wide network
- Continue to grow and evolve sustainably without fear of challenges on a stable earnings base
- Continue working on solutions to a wide range of social issues in the environmental and energy fields such as issues concerning decarbonization and resource recycling
- Continue to be a company where all employees work comfortably with a sense of satisfaction in their jobs



Contributing to global energy decarbonization through the realization of Total Energy Savings & Solutions

By placing ESG and compliance at the core of management and focusing on the three business areas with strong social needs and growth outlook, i.e., "renewable energy as a main power source," "energy efficiency maximization," and "intelligent energy infrastructure," we will contribute to global energy decarbonization and SDGs.

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■ Editorial Policy	Period	Fiscal year ended June 2025 (July 1, 2024 to June 30, 2025)
	Organization	TESS Group

Editorial Policy

This integrated report is designed to provide all stakeholders of the TESS Group with details on the Group's medium- to long-term value creation initiatives to help them better understand its efforts, and to link these initiatives to a cycle of value creation with stakeholders.

*Note on forward-looking statements

Any forward-looking statement in this integrated report, including planned future figures and measures, is calculated based on judgments and assumptions that the Company considers reasonable at the time of preparation, using information currently available. Actual results may therefore differ significantly from the estimates stated in this report, depending on various important factors such as economic conditions in major markets in Japan and overseas and fluctuations in exchange rates.

■ Glossary

FIT (Feed-in Tariff) system
A system, based on the Act on Special Measures Concerning Promotion of Utilization of Electricity from Renewable Energy Sources, under which the government guarantees 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) system
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.

Aiming for the next big leap forward by maximizing the expertise accumulated over the past 50 years since its founding

Founded-Late 1990s Early years

The TESS Group began its history in 1973, the year of the first oil crisis, when the founder, Masayuki Ishiwaki, started a private business Hanwa Nessui Ind. to run an engineering business specializing in energy conservation for food factories and industrial laundry plants.

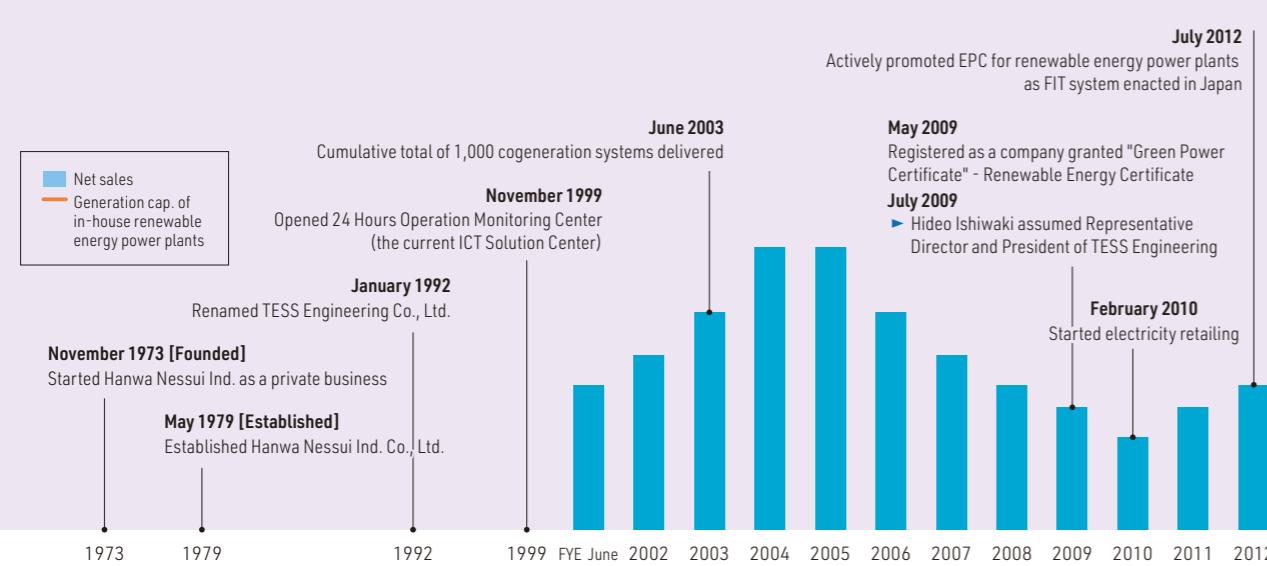
The second oil crisis led to the enforcement of the Energy Conservation Act to promote the effective use of fuel resources and the rationalization of energy use, which triggered an energy conservation boom. In this environment, Ishiwaki incorporated his private business with a desire to be of use to the world through an energy conservation business, and in 1979 established Hanwa Nessui Ind. Co., Ltd. (renamed TESS Engineering Co., Ltd. in 1992). As the following high economic growth stabilized crude oil prices and electricity prices rose, the Company started selling cogeneration systems*1 as distributed power sources and embarked on deploying them to the market nationwide for industrial users seeking to reduce electricity costs, save energy and implement environmental measures.

Early 2000s Period of cogeneration expansion

In the 2000s, the ESCO business*2 became popular as a method of introducing cogeneration systems with no initial investment and the TESS Group saw an increase in orders for cogeneration systems, achieving a cumulative delivery record of 1,000 units in 2003. As a result, the Group grew to capture a significant share of cogeneration systems for the industrial sectors and was called "The TESS of cogeneration systems" at the time.

*1 Cogeneration systems: Also called combined heat and power systems, a form of distributed energy resources in which heat generated simultaneously with power generation is used for heating and cooling or production processes.

*2 ESCO business: A system in which ESCO business operators undertake the entire process of energy conservation at a factory or business facilities, from financing to design, construction and management, to share the cost savings achieved from energy conservation with their customers.



Late 2000s Period of high crude oil prices and declining revenues

The sharp rise in crude oil prices since 2004 also pushed up the price of heavy oil, the fuel for cogeneration systems, so significantly that the Group struggled to obtain new orders for cogeneration systems. With ESCO business operators withdrawing from the market one after another, the TESS Group faced a period of declining revenues due to a decrease in orders.

Although it was a very difficult period, the TESS Group maintained profitability. As stable revenue sources, the Group engaged in operation and maintenance of large-scale gas engine cogeneration systems (one of the largest in Japan at the time) on a lump-sum contract basis, as well as maintenance and other services for existing cogeneration systems, securing a certain level of revenues. In addition, the Group expanded its business portfolio by entering into the CO₂ emissions trading and electricity retail supply businesses and worked on company-wide cost reduction efforts.

In 2009, as the renewed management structure, Hideo Ishiwaki (who joined the Company in 2004), the younger brother of the founder, assumed Representative Director and President of TESS Engineering, while Masayuki Ishiwaki assumed Director and Chairman without representative rights. Under the management policy at the time, "breaking away from a sales-dependent structure and focusing on profits," the Group built the foundations of its current recurring-revenue model even stronger.

2011 Great East Japan Earthquake power restoration project

Following the Great East Japan Earthquake that occurred on March 11th 2011, industrial users were unable to maintain stable operations at their factories and business facilities because rolling blackouts and restrictions on electricity use were imposed not only in the heavily-hit areas but also across the whole of eastern Japan. Receiving inquiries from many of our customers about the installation of in-house power generation equipment, the TESS Group deployed approximately 70 units (about 43 MW) of in-house power generation equipment, mainly for industrial users in the eastern Japan area as part of the power restoration project.

2011-2024 Period of renewable energy business expansion

In July 2012, the Feed-in Tariff (FIT) system was introduced in Japan to expand the use of renewable energy. By actively promoting EPC (engineering, procurement and construction) for renewable energy power plants using the FIT system, the TESS Group achieved a V-shaped recovery since it bottomed out in FYE June 2010, and in FYE June 2015 reported an all-time record in revenues and profits. As a result of more stable financial standing, the Group launched full-scale operations of renewable energy power generation business in which it owned and operated in-house power plants to sell electricity. By improving an internal structure through the establishment of TESS Asset Management LLC to operate and manage renewable energy power plants and further expanding the renewable energy power generation business, the Group accelerated the transition from a one-time sales model to a recurring revenue model.

In terms of the management structure, Toshihiro Takasaki assumed Representative Director and President of TESS Engineering in 2017. In 2018, the Company shifted to a holding company led by TESS Holdings Co., Ltd. as a parent company, with Hideo Ishiwaki assuming Representative Director, Chairman and President and Kazuki Yamamoto assuming Executive Managing Director, General Manager of the Administration Department. In 2021, the Company was listed on the First Section of the Tokyo Stock Exchange (and moved to the TSE Prime Market the following year). In 2022, the representative rights of TESS Holdings were transferred from Hideo Ishiwaki to Kazuki Yamamoto, breaking away from family management to establish a new management structure.

April 2018

Shifted to a holding company led by TESS Holdings as a parent company

- ▶ Hideo Ishiwaki assumed Representative Director, Chairman and President of TESS Holdings
- ▶ Kazuki Yamamoto assumed Executive Managing Director, General Manager of the Administration Department of TESS Holdings

July 2017

- ▶ Toshihiro Takasaki assumed Representative Director and President of TESS Engineering
- ▶ Hideo Ishiwaki assumed Representative Director and Chairman of TESS Engineering

October 2018

In Indonesia, started production, development and research of biomass fuel made from palm trees

August 2024
Formulated and announced the TESS Group's first medium-term management plan, TX2030

June 2013

Started operation of the solar power plant as the first in-house renewable energy power plant

to biomass power generation companies in Japan

April 2020
Started selling PKS fuel

April 2021
Listed on TSE First Section

April 2022
Moved to TSE Prime Market

September 2022
▶ Kazuki Yamamoto assumed Representative Director and President of TESS Holdings

▶ Hideo Ishiwaki assumed Director and Chairman, Chairperson of the Board of Directors of TESS Holdings

399 MW

36.6 billion yen

123 billion yen

83 billion yen

Promoting the growth strategy through the medium-term management plan, TX2030

2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 (Plan)

Period of cogeneration expansion

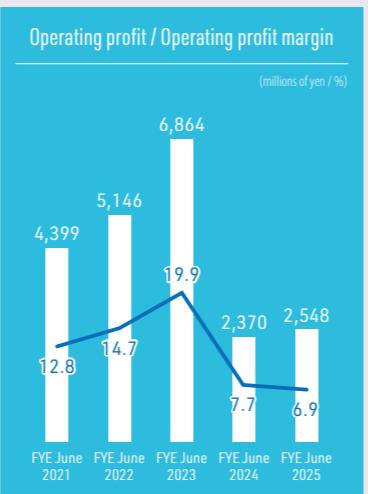
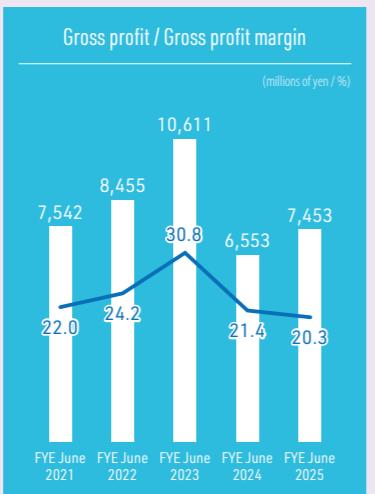
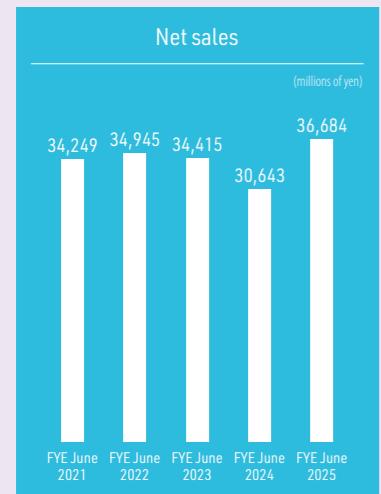
Period of high crude oil prices and declining revenues

Period of renewable energy business expansion

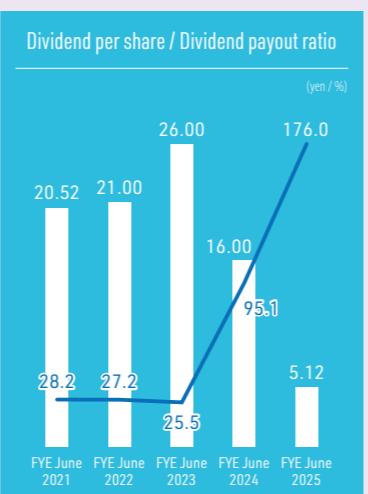
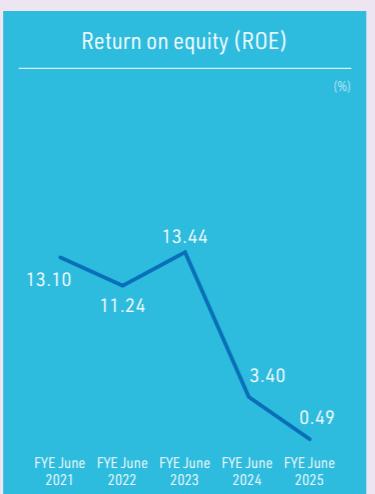
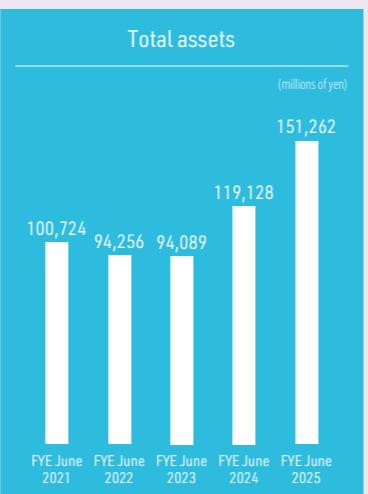
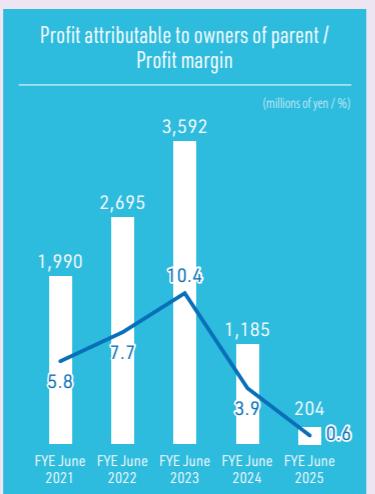
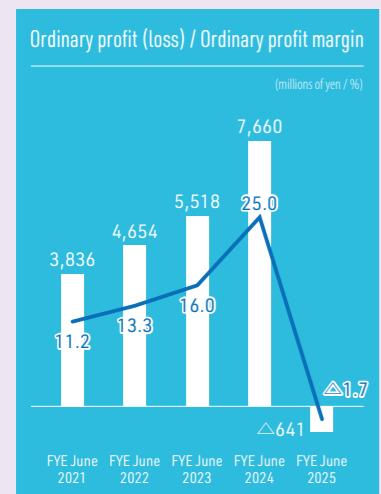
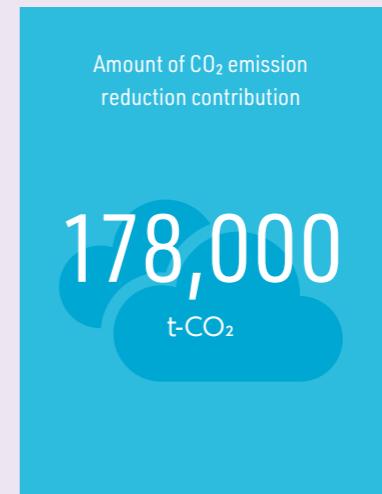
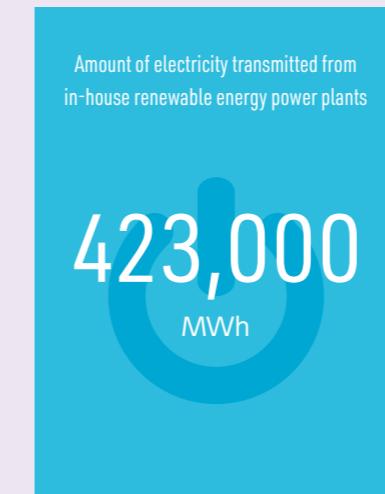
Period of growth expansion under TX2030

* Unaudited until FYE June 2018. Figures from FYE June 2001 to FYE June 2012 are for TESS Engineering (non-consolidated), figures from FYE June 2013 to FYE June 2017 are for TESS Engineering (consolidated), and figures from FYE June 2018 onward are for TESS Holdings (consolidated)

Financial information



Non-financial information (FYE June 2025)



*The ratio of female managers is calculated as of the end of July 2025

With a "recycling-oriented business model" as a strength, we provide comprehensive energy solutions

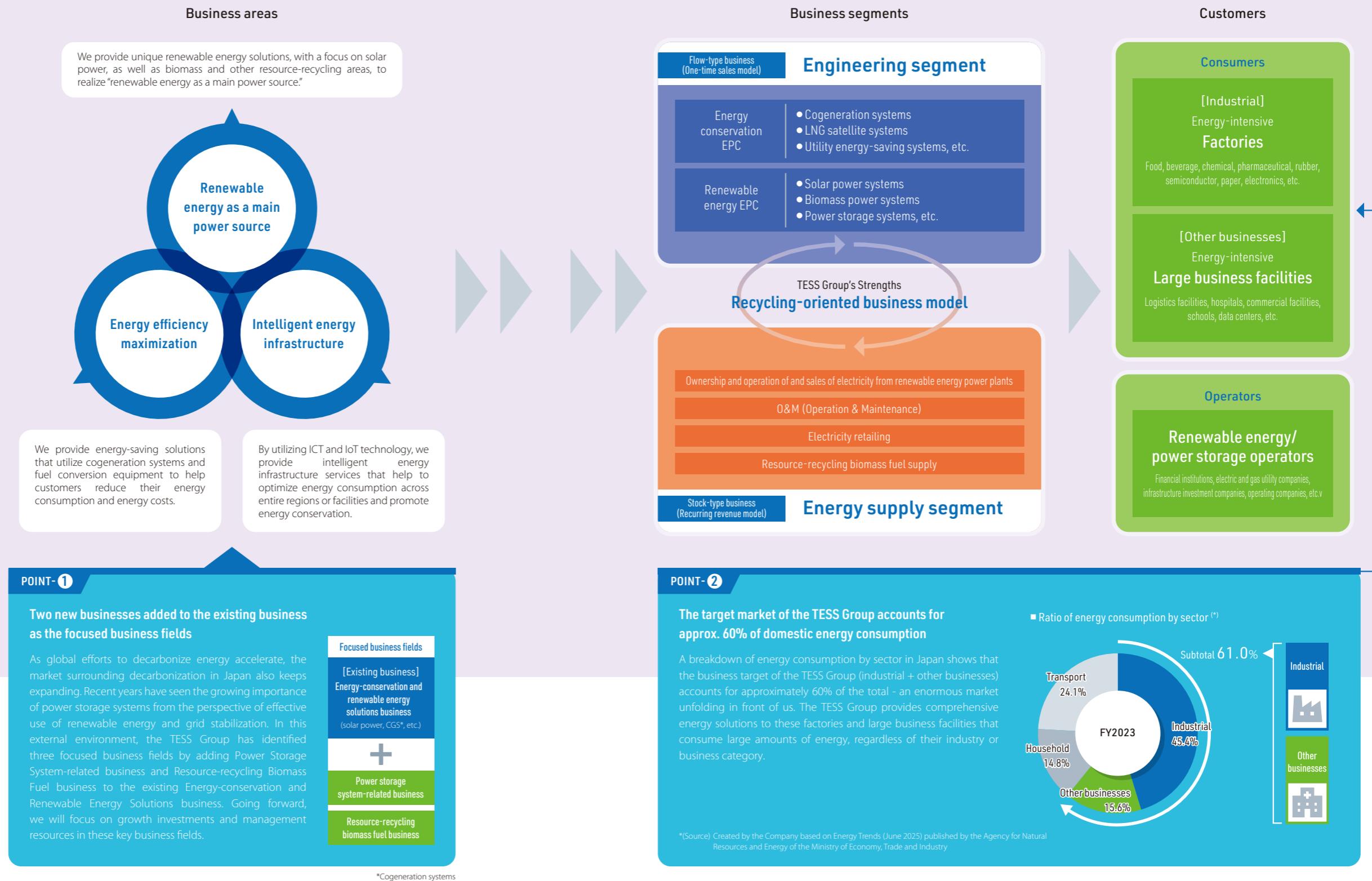
Amid the global trend toward energy decarbonization, Japan has also set out a path for its energy policy in the Seventh Strategic Energy Plan, which was approved by the Cabinet in February 2025, to achieve carbon neutrality by 2050. The plan calls for the further pursuit of thorough energy conservation, setting a target of increasing the proportion of renewable energy in the country's power supply mix to around 40–50% by 2040.

Furthermore, the GX2040 Vision and the Plan for Global Warming Countermeasures were approved by the Cabinet, setting out a long-term strategy to simultaneously achieve ensuring a stable energy supply, economic growth, and decarbonization, in coordination with the Strategic Energy Plan.

In response to this major trend, the TESS Group has identified three areas that will form the core of future energy solutions: "renewable energy as a main power source," "energy efficiency maximization" and "intelligent energy infrastructure." We provide a one-stop solution that is unique to the TESS Group to energy-intensive factories, large business facilities, renewable energy/power storage operators and other sites.

The Group has two business segments: the flow-type Engineering segment and the stock-type Energy Supply segment. Our unique strength lies in the recycling-oriented business model powered by these two segments as its dual engines.

Leveraging these strengths, the TESS Group is steadfastly committed to promoting a challenging growth strategy through proactive growth investments based on a stable revenue base.



The TESS Group owns, operates, and sells electricity from renewable energy power plants across Japan, contributing to the nation's promotion of decarbonization and revitalization of local communities

The TESS Group owns, operates, and sells electricity from renewable energy power plants, primarily solar and biomass facilities. These plants utilize the FIT or FIP systems, or operate under an on-site PPA model that does not rely on these systems. In addition, we are promoting the co-location of storage batteries at the solar power plants that utilize the FIP system, further advancing the effective use of renewable energy.

The TESS Group operates renewable energy power plants nationwide, totaling 130 projects with a combined capacity of approximately 398.6 MW as of June 30, 2025.

During the fiscal year ended June 2025, these renewable energy power plants supplied 423,000 MWh^{*1} of renewable energy, contributing to a reduction of 178,000 t-CO₂^{*1}. This reduction is equivalent to the emissions from approximately 72,000 average Japanese households.

Furthermore, our biomass power plants not only provide a stable supply of electricity generated from renewable energy but also contribute to revitalizing local communities. This is achieved by creating local industries and employment opportunities through plant operation and maintenance, fuel supply, and other business activities.

Amount of electricity transmitted from in-house renewable energy power plants
423,000 MWh

Amount of CO₂ emission reduction contribution
178,000 t-CO₂

Number of employees in the development and operation of biomass power plants^{*2}
Accumulated total of **38**

*1 Actual figures from renewable energy power plants owned by our consolidated subsidiaries

*2 Biomass power plants owned by our consolidated subsidiaries

■ TESS Group and Group-invested renewable energy power plants currently in operation

Total installed capacity (in operation)

Approx. **398.6 MW** Total **130** projects

(Including approx. 57.8 MW, 51 projects for on-site PPA)

*As of June 30, 2025

■ Solar Power Plants **127** projects
Approx. **344.8 MW**

■ Biomass Power Plants **3** projects
Approx. **53.8 MW**

Four solar power plants that utilize the FIP system have completed the co-location of storage batteries (total capacity of approximately 23.2 MWh)

*As of October 31, 2025



Ibaraki Ushiku Mega Solar Plant (generation capacity of 29.4 MW)



Chiba Katori Mega Solar Plant (generation capacity of 14.4 MW)



Fukuoka Miyako Mega Solar Plant (generation capacity of 67.0 MW)



TESS Kagoshima Shimo-Fukumoto Solar Plant (generation capacity of 2.2 MW, storage batteries co-located)



Toyo Seikan Co., Ltd. Shizuoka Plant (generation capacity of 1.6 MW)



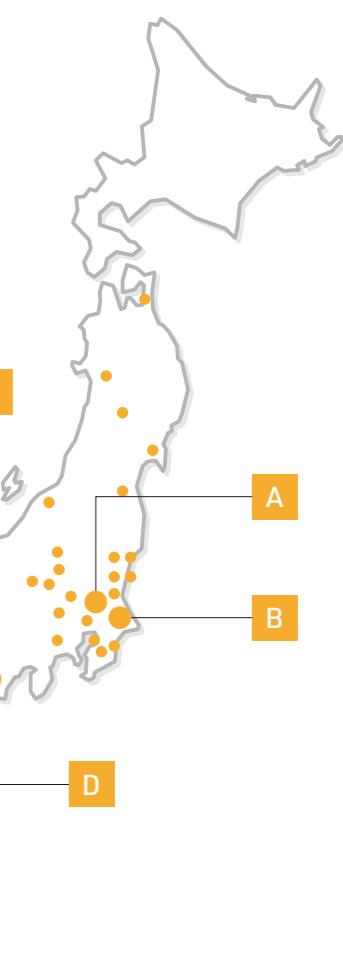
DMG MORI CO., LTD. Iga Campus (generation capacity of 13.4 MW)



Nishiki-machi 2MW Woody Biomass Power Plant (generation capacity of 2.0 MW)



Saga Imari Biomass Power Plant (generation capacity of 46.0 MW)





Accelerating initiatives under our medium-term management plan toward contributing to global energy decarbonization

Since its founding, the TESS Group has been committed to providing solutions to our customers, driven by a desire to be of use to the world through our energy conservation business. Our current operations span three key business areas: "renewable energy as a main power source," "energy efficiency maximization," and "intelligent energy infrastructure."

As global warming and other environmental challenges intensify, building a decarbonized and circular society has become an important social issue for all companies and people living today, as one of the initiatives that helps maintain the sustainability of society. Against this backdrop, and as Japan's energy policy becomes more defined, we developed and announced last year the TESS Group medium-term management plan (2025–2030), titled TX2030 TESS Transformation 2030. The plan positions the first three years as a "preparation period through growth investments." In 2025, the first fiscal year of this period, we also focused intensively on strengthening our management structure.

As the first initiative, we adopted a dual-headquarters system, one in Osaka and the other in Tokyo, effective July 1, 2025. While we have previously operated with our headquarters in Osaka, expanding head office functions to include both Osaka and Tokyo has enabled us to further enhance the flexibility and agility of business operations. Furthermore, we believe that we now have a structure that allows us to fully leverage various management resources in the Tokyo metropolitan area, including the market, information, and talent, thereby establishing a foundation to more vigorously promote the future growth strategy.

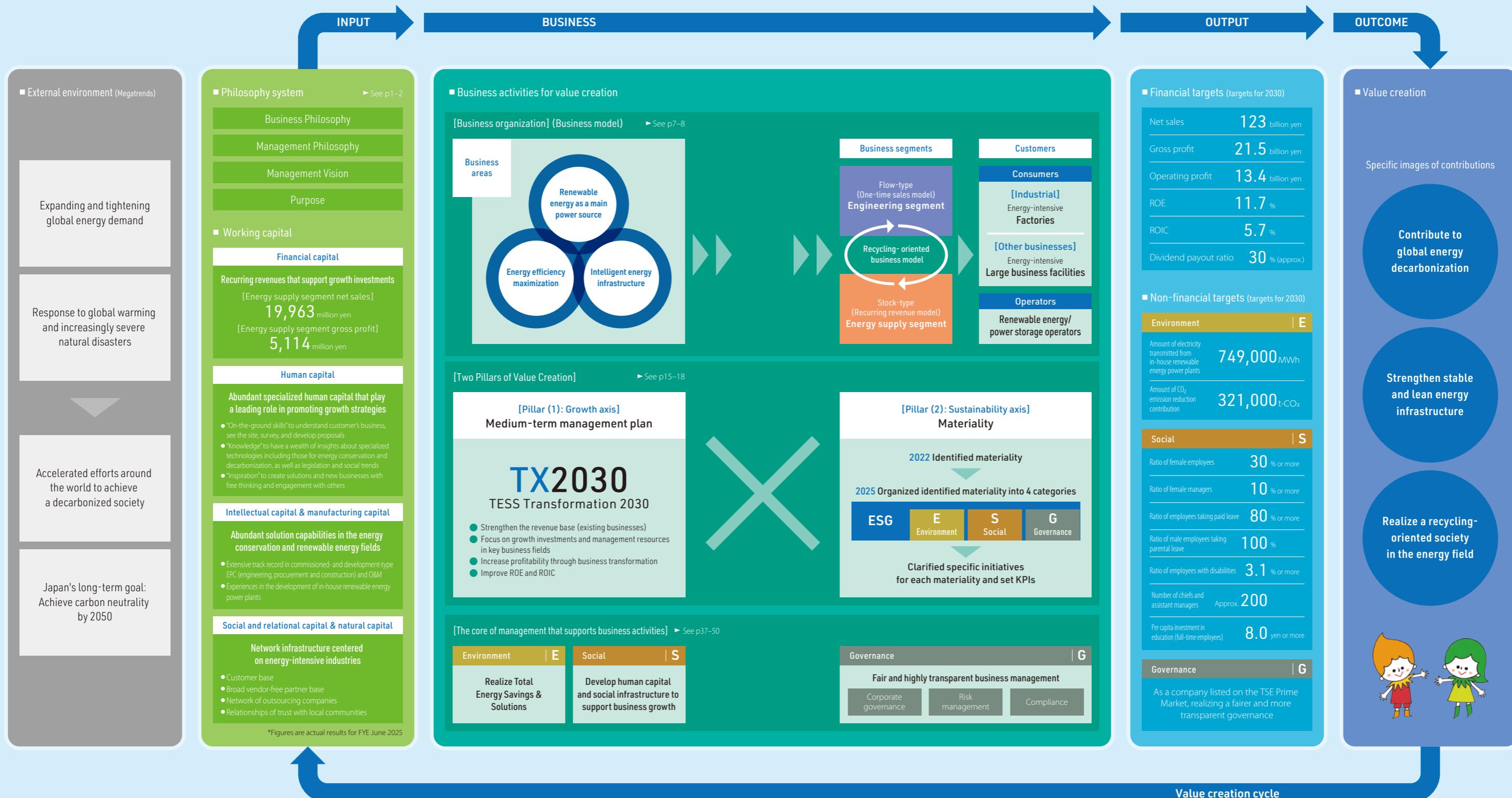
As the second initiative, we further strengthened our governance structure. While we had previously been working to increase the number of external directors and appoint female directors, in 2025, we intensified our commitment to establishing a diverse and transparent management structure by appointing five, a majority of the nine directors, as external directors and two female directors. Particularly for this latest appointment of external directors, we selected individuals aimed at enhancing the effectiveness of the Board of Directors to accelerate our growth strategy based on the medium-term management plan. As a result, three out of the five external directors were newly appointed.

Through these initiatives, the TESS Group will contribute to global energy decarbonization by promoting TX2030 and work diligently to further enhance our corporate value. We ask for the continued support and encouragement of all our stakeholders.

Director and Chairman,
Chairperson of the Board of Directors

A handwritten signature in black ink, appearing to read "H. Shinohara".

With "decarbonization" as the keyword, we promote value creation that only the TESS Group can offer





TX2030

TESS Transformation 2030

▶ For supplementary materials of the medium-term management plan, please visit our company website.
URL: https://ssl4.eir-parts.net/doc/5074/ir_material4/246171/00.pdf

Medium-term management plan basic policy

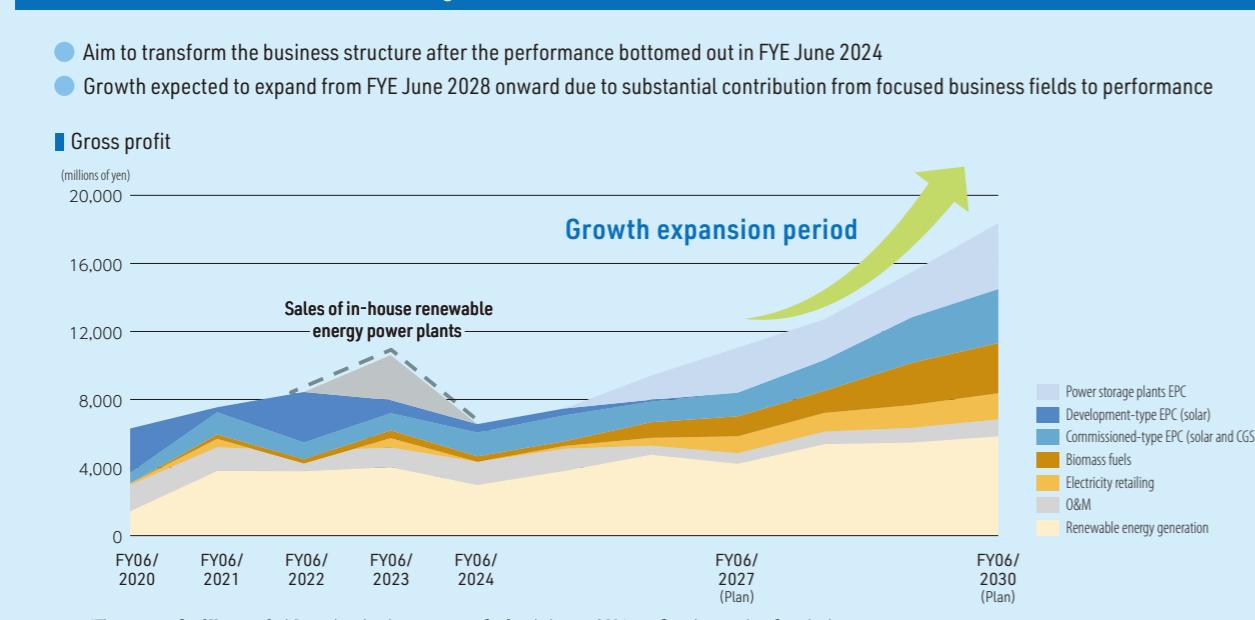
Focus on growth investments and management resources in key business fields while using existing businesses as a revenue base

Achieve high profitability and increase ROE and ROIC through business transformation

Numerical targets and progress status

	FYE June 2025 Actual	FYE June 2027 Plan	FYE June 2030 Plan
Gross profit	7.4 billion yen	13.2 billion yen	21.5 billion yen
Operating profit	2.5 billion yen	6.4 billion yen	13.4 billion yen
ROE	0.5 %	5.8 %	11.7 %
ROIC	1.4 %	3.0 %	5.7 %
In-house FIP rollover renewable energy cap. (Construction started)	8.3MW	75 MW	113 MW
(Actual result)	0MW		
Cumulative installed cap. (power storage plants for the grid)*1 (Construction started)	63.3MW	100 MW	700 MW
(Actual result)	0MW		
Cumulative installed cap. (power storage plants other than for the grid)*1 (Construction started)	33.1MW	120 MW	150 MW
(Actual result)	0MW		
Biomass fuel supply	127,000 tons/year	350,000 tons/year	500,000 tons/year
Renewable energy generation cap.*2	369.4 MW	380 MW	470 MW

*1 For outside the consolidated group *2 Portion owned by consolidated subsidiaries



*The gross profit of "Biomass fuels" is replaced with operating profit after deducting SG&A to reflect the actual profit in this business. Therefore, the total amount of gross profit does not match the one in the above table.

Initiatives to enhance corporate value

ROE/ROIC-focused Management

- Strive to achieve high profitability by transforming the business structure through growth investments
- Establish a business structure that enables ROIC to continuously exceed WACC (Weighted Average Cost of Capital)

- For growth investment, make effective use of non-recourse debt financing, including project financing
- WACC expected to remain at around 4%
- Aim to improve profitability through business transformation, with ROIC at approximately the same level as WACC in 2028 and significantly exceeding WACC in 2030

ROE/ROIC vs. WACC (%)

Over 11%
Over 5.5%

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% to strike a balance between a highly profitable business and financial soundness
- Aim to increase shareholder returns through profit growth

Promotion of ESG management

- E (Environment) : Realize Total Energy Savings & Solutions
- S (Social) : Develop human capital and social infrastructure to support business growth
- G (Governance) : Fair and highly transparent business management

Focused business fields in the medium-term management plan

Outlook for the future business environment
(▶ See p19–21 for details)

- The market for decarbonization will expand both in Japan and overseas during the medium-term management plan period
- The importance of power storage systems will increase from the perspective of effective use of renewable energy power and grid stabilization

Focused business fields

[Existing business]
Energy-conservation and renewable energy solutions business (solar power, CGS, etc.)

+

Power storage system-related business

Resource-recycling biomass fuel business

▶ See p23–30 for details on focused business fields

Having clarified specific initiatives for each materiality and set KPIs, we will pursue these KPIs and meet targets to fully promote sustainability management

■ Materiality Matrix

Importance to Stakeholders	Importance to the TESS Group's business	Very Important
Very Important	Engagement with local communities Implementation of stakeholder engagement Biodiversity conservation Strengthening of the corporate governance system Building of a workplace environment where diverse human capital can thrive with peace of mind Thorough compliance and risk management Promotion of business strategies centered on energy-saving and renewable energy businesses that anticipate the needs of realizing a decarbonized society Promotion of ESG-related initiatives and information disclosure Development and acquisition of renewable energy power plants	
Important	Health and safety in construction and O&M business Provision of solutions for water and waste to factories (new service) Business development that is compliant and sustainable	
Important	Provision of skill development opportunities for employees	

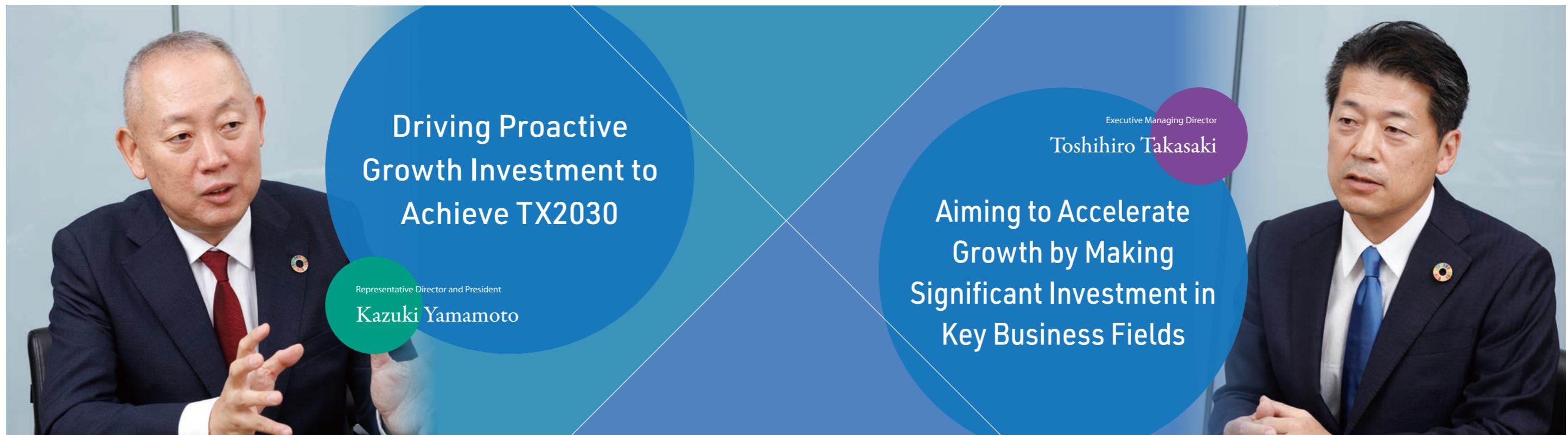
The TESS Group operates business activities based on a business model focused on solving social issues in the energy and environmental fields. As these activities expand, they contribute to solving social issues and realizing a decarbonized society.

Considering the characteristics of this business model, in 2022, we identified priority issues (materiality) based on "importance to stakeholders" and "importance to the TESS Group's business." Then in 2025, we took the next step to classify these materiality issues primarily into four categories using the ESG concept. For each of the 13 materiality issues identified, we specified our initiatives and set KPIs. Going forward, we will steadily promote these specific initiatives, pursue KPIs, and meet the targets to create corporate value.

■ Materiality and Initiatives/KPIs

Category	Materiality	Initiatives	KPIs for initiatives	FYE June 2025 Actual	FYE June 2030 Target	Related SDGs goals
ESG	Promotion of ESG-related initiatives and information disclosure	<ul style="list-style-type: none"> Promotion of ESG-related initiatives Participation in and signing of international programs and frameworks aimed at advancing climate change countermeasures and gender equality (UN Global Compact, WEPs, Japan Climate Initiative, Challenge Zero) Information disclosure Disclosure of information about ESG-related initiatives 	—	—	—	
	Promotion of business strategies centered on energy-saving and renewable energy businesses that anticipate the needs of realizing a decarbonized society	<ul style="list-style-type: none"> Endorsement of TCFD Recommendations and information disclosure Promotion of focused business fields specified in the medium-term management plan <ul style="list-style-type: none"> Power storage system-related business Resource-recycling biomass fuel business Energy-conservation and renewable energy solutions (solar power, CGS, and other existing fields) 	In-house FIP rollover renewable energy cap. (Construction started) 8.3MW (Actual result) 0MW	113MW		 
	Development and acquisition of renewable energy power plants	<ul style="list-style-type: none"> Development and acquisition of renewable energy power plants (including on-site PPA) and power storage plants 	Cumulative installed cap. (power storage plants for the grid)* ¹ (Construction started) 63.3MW (Actual result) 0MW	700MW		
	Biodiversity conservation	<ul style="list-style-type: none"> Compliance with laws and ordinances in the development of power plants and business facilities Gathering information from external experts 	Cumulative installed cap. (power storage plants other than for the grid)* ¹ (Construction started) 33.1MW (Actual result) 0MW	150MW		
	Health and safety in construction and O&M business	<ul style="list-style-type: none"> Preparation and dissemination of health and safety management plans Holding nationwide safety meetings to prevent serious accidents and raise safety awareness 	Renewable energy generation cap.* ² Amount of electricity transmitted from in-house renewable energy power plants	369.4MW	470MW	
	Provision of solutions for water and waste to factories (new service)	<ul style="list-style-type: none"> Joint venture initiative with Veolia Japan K.K. to enable optimal operational management in water, waste, and energy sectors Utilizing waste from Indonesia's palm industry (EFB) as biomass fuel 	Amount of CO ₂ emission reduction contribution Amount of electricity transmitted from in-house renewable energy power plants	423,000MWh	749,000MWh	
	Building of a workplace environment where diverse human capital can thrive with peace of mind	<ul style="list-style-type: none"> Promoting employment of diverse human capital (foreign nationals, seniors, para-athletes, etc.) Introducing a staggered working hours system Introducing a second job system Introducing a sports activity support system Introducing a mentor system Introducing industrial health nurses Establishing "area career-track positions" and a "specialist course" in the personnel system Introducing a "transfer request system" and "career questionnaire" Implementing D&I and anti-harassment training for all officers and employees Considering the reformed work style at construction sites Changing office layout and introducing a free address system Holding internal events (International Women's Day, Healthy Lunch Day, etc.) Holding lunch exchange meetings between the president and employees Launching human rights due diligence initiatives 	Ratio of female employees Ratio of female managers* ³ Ratio of employees taking paid leave Ratio of male employees taking parental leave Ratio of employees with disabilities Number of chiefs and assistant managers* ³	23.2% 3.3% 68.9% 42.9% 2.2% 138	30% or more 10% or more 80% or more 100% 3.1% or more Approx. 200	   
	Engagement with local communities	<ul style="list-style-type: none"> Outreach classes for junior high and high school students on the theme of renewable energy Fundraising activities aimed at contributing to local communities and disaster aid Conducting plant tours and workshops at the in-house biomass power plants Holding explanatory meetings to promote understanding among local residents regarding the development of renewable energy power plants Promoting event cooperation to build trust with local residents and contribute to communities where our power plants are located 	—	—	—	
	Provision of skill development opportunities for employees	<ul style="list-style-type: none"> Implementing tiered training programs tailored to employees' positions and levels Implementing sales mindset training to enhance added value Introducing a subsidy system for management studies Implementing employee recognition programs Enhancing the qualification allowance system 	Per capita investment in education (full-time employees)	54,000 yen (equivalent to 10.1 hours)	80,000 yen or more	
	Strengthening of the corporate governance system	<ul style="list-style-type: none"> Establishing a Board of Directors structure where external directors constitute a majority Establishing and convening the Nomination & Remuneration Advisory Committee 	—	—	—	
G	Thorough compliance and risk management	<ul style="list-style-type: none"> Formulating regulations for compliance and risk management Establishing and convening the Compliance Risk Management Committee Maintaining ISO certifications for quality, environment, and information security 	Number of serious legal violations	0	0	
	Implementation of stakeholder engagement	<ul style="list-style-type: none"> Holding stakeholder dialogues Conducting site tours for institutional investors and analysts Holding company information sessions for individual investors Holding shareholders' dialogue sessions Holding social gatherings to strengthen trust with business partners Distributing IR videos using YouTube, etc. Enhancing press releases Providing timely disclosures, earnings-related materials, and press releases in English Publishing integrated reports Offering endowed lectures at Meiji Business School on the theme of ESG investment and ESG management Implementing an employee engagement survey Responding to the CDP questionnaires 	—	—	—	
	Business development that is compliant and sustainable	<ul style="list-style-type: none"> Compliance with laws and ordinances in the development of power plants and business facilities 	—	—	—	

*1 For outside the consolidated group *2 Portion owned by consolidated subsidiaries *3 Compiled as of the end of July



In 2025, the Seventh Strategic Energy Plan was approved by the Cabinet, pledging further progress in making renewable energy a main power source. Specifically, the plan sets targets such as increasing the share of renewable energy in Japan's domestic power supply mix to around 40–50% by 2040. These developments more strongly signal the direction of climate change countermeasures and decarbonization efforts, with Japan's energy policy rapidly steering toward the next stage.

Amid this trend, the TESS Group announced in August 2024 the medium-term management plan (2025–2030), titled TX2030 TESS Transformation 2030. Approximately one year after the plan's release, with a solid start made toward achieving the goals, TESS Group Representative Director and President Kazuki Yamamoto and Executive Managing Director Toshihiro Takasaki (who also serves as Representative Director and President of TESS Engineering Co., Ltd., a core subsidiary of the TESS Group) discussed primarily the progress of initiatives in key business fields.

Driving growth investment in two new key business fields while using existing businesses as a revenue base

Yamamoto Under TX2030, the Group aims to achieve gross profit of 21.5 billion yen and operating profit of 13.4 billion yen by the fiscal year ending June 2030, with gross profit of 6.5 billion yen and operating profit of 2.3 billion yen in the fiscal year ended June 2024 as the minimum level. This is based on an aggressive growth strategy and aligns with the government's Seventh Strategic Energy Plan.

Takasaki Specifically, while using our existing Energy-conservation and renewable energy solutions business (solar power, CGS, etc.), the current key business field, as a revenue base, we are actively expanding Power storage system-related business and Resource-recycling biomass fuel business as the new key business fields.

Yamamoto To expand these two new focused business areas,

the first three years of the plan are positioned as a "preparation period through growth investments." Accordingly, we are making a significant investment in human capital for the Power storage system-related business. We are also promoting technical and equipment investment for the Resource-recycling biomass fuel business, such as constructing a biomass fuel manufacturing plant and expanding the stockpiles (shipping bases) for PKS (palm kernel shells) in Indonesia. We expect these two growth investments to yield significant results and be reflected in the figures during the subsequent three-year "growth expansion period."

Takasaki While the existing business is based on sales activities that build upon results, the new key business fields require sales activities that produce results from scratch. From this perspective, investing in human capital for the Power storage system-related business in particular is a highly crit-

ical strategy. Orders secured for the fiscal year ended June 2025 (with orders received totaling 22,571 million yen) show a solid return on this investment.

Securing human capital that exceeds the plan to respond to robust demand in both existing and new key business fields

Yamamoto Regarding the recruitment of human capital, we have exceeded our hiring targets, primarily for sales and engineering positions. The number of employees at the entire Group saw a net increase of 66 from the fiscal year ended June 2024, indicating steady progress in strengthening our organizational structure.

Takasaki Behind our efforts to secure more talent than planned lies a market environment where demand for decarbonization solutions is expanding at a scale and speed beyond expectations. With the goal of achieving carbon neutrality by 2050, companies are likely to further intensify their efforts to meet the target of reducing greenhouse gas emissions by 73% (compared to fiscal 2013) by fiscal 2040. To respond to these market needs, we are simultaneously strengthening our human capital in the existing Energy-conservation and renewable energy solutions business.

Yamamoto The Seventh Strategic Energy Plan factors in increased electricity demand resulting from new construction and expansion of data centers. While securing an electricity

supply will be a challenge going forward, the importance of sustainable power procurement through expanding renewable energy and on-site power generation utilizing CGS (cogeneration systems) is expected to grow even more.

Orders received for Power storage system-related business are steadily increasing, due to know-how accumulated through the business in the UK, successful bids in the long-term decarbonization power supply auction, etc.

Takasaki The Group's strength lies in being vendor-free and its ability to provide a one-stop solution from proposals to EPC (engineering, procurement and construction), O&M (operation and maintenance) and finance reviews. This strength is also a key differentiator in deploying the Power storage system-related business, our new focused business field, resulting in steadily increasing orders. Customer inquiries (for commissioned-type EPC) show robust demand, with over 300 projects for power storage plants for the grid and over 180 projects for FIP conversion of FIT solar power plants + storage battery co-location (both as of the end of July 2025).

Yamamoto We began considering entry into the Power storage system-related business around 2019. To accumulate experience and know-how in the European market, where renewable energy has grown ahead of Japan, we joined in 2021 as a co-investor in an energy storage business for the UK grid

led by Nippon Koei Co., Ltd. By steadily building up know-how in project development and operation for the storage battery business, we have achieved concrete results, such as winning the bid for the Shizuoka Kikugawa Power Storage Plant in the long-term decarbonization power supply auction (in fiscal 2023) (*). Since then, the knowledge gained through this investment has greatly helped our current business development, which also includes securing large-scale orders for EPC of power storage plants for the grid.

Takasaki We believe that winning the long-term decarbonization power supply auction has attracted attention from many customers and provided momentum for steady order acquisition in the Power storage system-related business during the first year of our medium-term management plan (fiscal year ended June 2025). Considering that the source of this momentum was the know-how gained from the energy storage business for the UK grid, we can say it was a major upfront investment in building the future.

* Long-term decarbonization power supply auction: An auction system launched in fiscal 2023 to promote the transition from fossil fuel-based to non-fossil fuel-based power sources (through new investment in decarbonized power sources) to achieve carbon neutrality by 2050.

Steadily promoting preparations for the full-scale growth of Resource-recycling biomass fuel business

Yamamoto Regarding the Resource-recycling biomass fuel business, construction of the factory in Indonesia—which will serve as the manufacturing base for EFB pellets, a biomass fuel derived from agricultural residues—is proceeding smoothly, with operations scheduled to commence in June 2026. This plant is accumulating know-how for large-scale commercial production through annual fuel manufacturing at a scale of 10,000 tons, and has launched initiatives with an eye to the next phase, such as building partnerships and supply chains for fuel sales.

Takasaki In Indonesia, ahead of the production of EFB pellets, we are already selling PKS (palm kernel shells), a biomass fuel, to biomass power plants in Japan. In the fiscal year ended June 2025, we also began supplying fuel to our Saga Imari Biomass Power Plant (generation capacity of 46.0 MW), which commenced commercial operation in April of the same year. Looking ahead, we will strengthen our procurement capabilities to ensure a stable supply to this

power plant and also promote supply to power plants outside the Group. For EFB pellet sales, we are targeting both the Indonesian market and the Japanese market. As one of the solutions for decarbonization at coal-fired power plants, we will also work to cultivate new sales channels, such as by proposing co-firing with coal. We recognize that the Resource-recycling biomass fuel business is progressing as planned during this preparation period, toward achieving full-scale growth in the latter half of the medium-term management plan.

Continuing to focus on preparing for growth to enable subsequent growth expansion

Yamamoto As discussed, each business has started off smoothly in the first year of the medium-term management plan, and we are steadily strengthening the human capital, organizational structure, and other resources supporting this. During this preparation period for growth, we will continue to strengthen our organizational structure and sow the seeds thoroughly in our sales activities to expand growth in the latter half of the medium-term management plan.

Takasaki We have already delivered solid results from the first year of the medium-term management plan, and expect growth to accelerate further in the second year (fiscal year ending June 2026). In our focused business fields, the resources for growth are also becoming increasingly robust. We are aware that what remains is to firmly execute and achieve our goals.



TOPICS 2024-2025

Management-related

- December 2024 ● Formed a capital and business alliance with Tokyo Century Corporation to expand the focused business fields specified in the medium-term management plan, TX2030, and enhance the corporate value of both groups
- Published the TESS Group's first integrated report
- March 2025 ● Announced the introduction of a shareholder benefit program
- July 2025 ● Introduced a dual-headquarters system in Osaka and Tokyo to drive further growth and enhance corporate value

"Energy-conservation and renewable energy solutions (solar power, CGS, and other existing fields)"-related

- March 2025 ● Total installed capacity of solar power systems utilizing on-site PPA exceeded 50 MW
- May 2025 ● Announced the signing of an on-site PPA contract with Toyo Tanso Co., Ltd. for approximately 20 MW, one of the largest in Japan for factory use*



"Power storage system-related business"-related

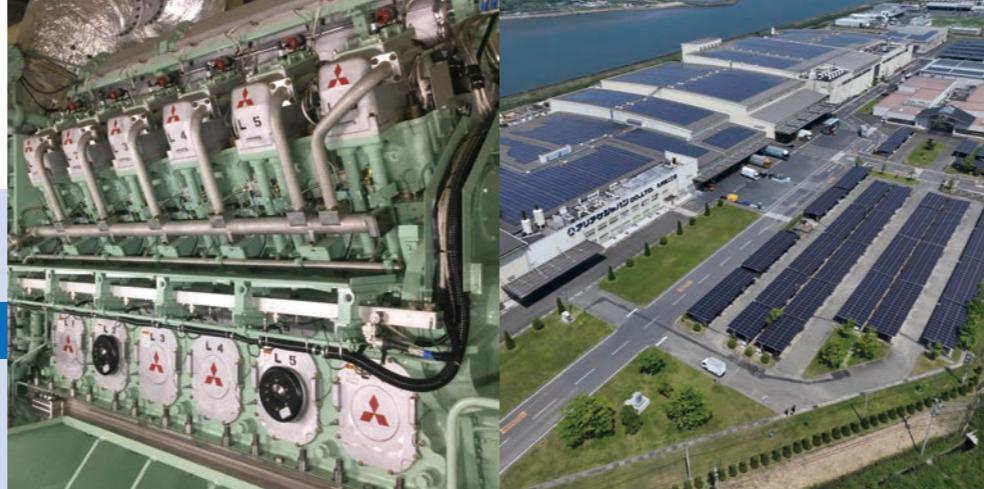
- February 2025 ● Formed a business alliance with Daiwa Energy & Infrastructure Co. Ltd. to operationalize storage battery projects for the grid
- March 2025 ● Secured a major EPC order for a power storage plant co-located with an FIP solar power plant operated by a domestic business company
- Secured a major EPC order for a power storage plant for the grid operated by Shizuoka Kikugawa Power Storage Plant LLC
- April 2025 ● Secured a major EPC order for a power storage plant for the grid operated by DEI Battery Fund Alpha LLC
- July 2025 ● Began collaboration with E-Flow LLC on aggregation services for FIP conversion of FIT solar power plants + storage battery co-location
- September 2025 ● Secured a major EPC order for a power storage plant for the grid operated by DEI Battery Fund Beta LLC
- October 2025 ● Formed a business alliance with Jibannet Co., Ltd. in the storage battery business
- Completed co-location of storage batteries at four FIP solar power plants owned by the TESS Group; started sequential charging and discharging of the storage batteries

"Resource-recycling biomass fuel business"-related

- February 2025 ● Started construction of an EFB pellet production plant at the Sei Mangkei Special Economic Zone in Indonesia
- June 2025 ● Osaka headquarters received Indonesian government officials as visitors; introduced TESS Group initiatives including the resource-recycling biomass fuel business in Indonesia
- August 2025 ● Expanded stockpiles (shipping bases) for the PKS fuel sales business in Indonesia

Others

- April 2025 ● Commenced commercial operation of the Saga Imari Biomass Power Plant
- July–August 2025 ● Conducted tours for local residents and analysts at the Saga Imari Biomass Power Plant
- August 2025 ● Completed the facility registration of nine TESS Group-owned renewable energy power plants for the International Renewable Energy Certificate, or I-REC (equivalent to approximately 40% of registered facilities in Japan)
- Participated in investments in Maniwatt Electric Power Co., Ltd., a regional new power company led by Maniwa City, Okayama Prefecture



Energy-conservation solutions (CGS: Cogeneration System)

CGS, which we are promoting as the core of our energy-conservation solutions, effectively utilizes exhaust heat from power generation to achieve a total efficiency of 70-80%, thereby contributing to CO₂ reduction, energy savings, and BCP measures. Looking ahead, we will also work on next-generation energy utilization in combination with renewable energy and storage batteries.



Promoting the adoption of distributed power sources, with an eye to combining them with renewable energy and storage batteries

Demand for CGS is growing not only for CO₂ reduction and energy conservation, but also for its role as a distributed power source expected to meet increasing electricity demand and as an emergency power supply during disasters (BCP measures). In a business environment marked by expanding renewable energy and tightening power supply and demand, we propose optimal systems tailored to customer needs, based on our long-cultivated technical expertise in engineering, construction, and maintenance. We are advancing installations across a wide range of business venues, including factories, public facilities, and hospitals. Going forward, we will continue to contribute to realizing a decarbonized society by promoting the adoption of distributed power sources in combination with renewable energy and storage batteries.

TESS Engineering Co., Ltd.
Director, General Manager of the Engineering Department
Junichiro Hayashi

Renewable energy solutions (Solar power systems)

In addition to EPC (engineering, procurement, and construction) for factories, business facilities, and logistics warehouses, we are also promoting installations through on-site PPA (Power Purchase Agreement) in response to the growing demand for decarbonization in recent years. Furthermore, we have built a track record of diverse construction types, including ground-mounted, rooftop, and carports, to meet a wide range of customer needs.



Aligning with the government's energy policy, we strongly support our customers in installing solar power systems

Our track record in EPC for solar power systems has reached approximately 1,094 MW (as of the end of June 2025). As the Seventh Strategic Energy Plan has raised the target for the renewable energy ratio in the country's power supply mix, the government is expected to continue promoting the installation of solar power systems. Under these circumstances, we will leverage our past achievements to address diverse customer needs. These include adopting flexible modules that can resolve load-bearing issues of roofs, proposing highly efficient repowering using perovskite + silicon tandem cells, and offering EPC for large-scale off-site PPA.

TESS Engineering Co., Ltd.
Director, General Manager of the Sales Department
Makoto Gyobu

Proposal-based sales

In proposal-based sales, we start by listening to our customers' needs, such as their energy demand and energy-conservation requirements. We then take the initiative in comparing and evaluating the specifications of various manufacturers and items. As an independent engineering company with no capital ties to manufacturers, we have the strength to propose the best option. We make a list of comparison items, such as power generation output and fuel efficiency, and select the optimal system from the perspectives of economic efficiency and energy savings. Leveraging our vendor-free advantage, we are committed to providing fine-tuned proposals to ensure our customers install the most suitable equipment.



TESS Engineering Co., Ltd.
Sales Department
East Japan Sales Group Leader
Gaku Hotta



TESS Engineering Co., Ltd.
West Japan Sales Group, Sales Department
West Japan Sales Team 3 Leader
Hideaki Akamatsu

Proposal-based sales

In sales of solar power systems, we focus on making optimal proposals tailored to customer needs by comparing and evaluating numerous manufacturers and construction methods. We are committed to achieving competitive cost performance by, for example, examining equipment specifications that maximize CO₂ reduction within limited space, selecting construction methods that excel in quality and safety, and collaborating with highly skilled partner contractors. Looking ahead, as competition intensifies toward achieving carbon neutrality by 2050, we will continue to offer optimal proposals for our customers, taking into account new technologies like perovskite.

EPC (Engineering, Procurement & Construction)

The Engineering Department is responsible for the engineering, procurement, construction, and commissioning of the equipment we deliver. CGS, in particular, requires extensive knowledge across power receiving and transforming, heat sources (steam, hot water, chilled water, etc.), and instrumentation control. A key characteristic of the Company is that a single engineer handles all tasks rather than dividing responsibilities by field, demonstrating our comprehensive engineering capabilities. While coordinating with each field's representatives from customers and vendors involves advanced technical skills and management capabilities, a sense of accomplishment upon project completion is so great that it makes the work highly rewarding. The future goal is to provide new decarbonization solutions based on the technologies gained through CGS.



TESS Engineering Co., Ltd.
Engineering Department
Engineering Solutions Group
Engineering Solutions Team 2 Leader
Hiroshi Shouganji



TESS Engineering Co., Ltd.
Engineering Department
PV/BESS Management Group
PV Team Leader, PV/BESS Management Group
Iwao Yamaguchi

EPC (Engineering, Procurement & Construction)

In the EPC work for solar power systems, we endeavor to provide engineering services tailored to site conditions and requirements, including coordination with the customer's required equipment, in addition to basic engineering. We also seek optimal solutions within various constraints for challenges during execution phases like construction planning, striving to enhance cost competitiveness while ensuring quality and safety. We find it fulfilling to flexibly respond to unexpected events arising during construction and collaborate with others to bring projects to completion while refining our knowledge and technical skills. We will continue to work toward providing value to all stakeholders.

O&M/ Monitoring

* O&M: Operation & Maintenance

The ICT Solution Center provides 24/7 manned monitoring services for equipment and other facilities we have installed through EPC, supporting their stable operation. Since equipment configurations and features vary by customer, we place particular emphasis on early intervention before critical failures—such as equipment stoppages—occur, especially in production plants operating 24/7. The words of appreciation we receive from customers through our monitoring operations are what make our daily work rewarding. Furthermore, we are working to build a more advanced monitoring environment as we need to facilitate the introduction of new systems for monitoring devices that meet the demands of the times.



TESS Engineering Co., Ltd.
Customer Support Department
ICT Solution Center
Muneyuki Nikaido



TESS Engineering Co., Ltd.
Customer Support Department
West Japan Maintenance Group
West Japan Maintenance Team 1 Leader
Takayuki Shibatani

O&M/ Monitoring

* O&M: Operation & Maintenance

* Job titles, etc. are as of the date of the publication of this document.



In developing power storage plants for the grid, we consistently handle all development processes required for construction and operation, including site exploration, development due diligence, grid connection negotiations, and total project cost estimation, and make proposals for EPC services tailored to power storage operators. By offering highly probable proposals that capitalize on our cumulative know-how in renewable energy development, we provide robust support for operators' decision-making.



Leveraging our one-stop capabilities, we securely capture growth opportunities in the development of power storage plants for the grid

TESS Engineering Co., Ltd.
Executive Officer, Head of the Domestic Business Department and Head of the Power Supply and Demand Department
Ryohei Inomoto

We are expanding our development pipeline to secure orders for development-type EPC projects of power storage plants for the grid. In fiscal 2023, we won the bid for the Shizuoka Kikugawa Power Storage Plant in the long-term decarbonization power supply auction. Construction is now underway, targeting operational start in fiscal 2027. This project has fully leveraged our strength of in-house capability across all processes required for project implementation, from site development to finance reviews, as well as engineering, construction, and maintenance, remote monitoring, and storage battery operation control and management.

As the Seventh Strategic Energy Plan sets a target for the introduction of natural variable power sources, such as solar and wind power, to increase more than threefold by fiscal 2040 compared to fiscal 2023, the importance of storage batteries is growing further.

With the expansion of renewable energy, business opportunities for power storage plants for the grid, which are expected to serve as balancing capabilities, are expanding. Full merchant initiatives that do not rely on government programs or subsidies are also becoming more widespread. Against this backdrop, opportunities for operationalizing the development pipeline are expected to increase even more.

Our medium-term management plan has set targets to achieve a cumulative installed capacity of 100 MW for power storage plants for the grid by the fiscal year ending June 2027 and 700 MW by the fiscal year ending June 2030. Leveraging our structure capable of providing one-stop solutions, we will steadily continue our efforts to address growth opportunities in grid storage battery projects driven by renewable energy expansion.

[Business flow]



* Job titles, etc. are as of the date of the publication of this document.



Solar power plants, which have proliferated under the FIT system, are increasingly switching to the FIP system and co-locating storage batteries to avoid the impact of output curtailment due to constraints of supply-demand balance and other factors. The TESS Group is actively promoting the "FIP conversion of FIT solar power plants + storage battery co-location" initiative for both customer-owned power plants and in-house power plants.



Acting as an "installer" equipped with all functions necessary for transitioning to the FIP system and co-locating storage batteries

TESS Engineering Co., Ltd.
Executive Officer, Deputy General Manager of the Sales Department
Yosuke Murai

Based on its medium-term management plan, the TESS Group is promoting two major initiatives for "FIP conversion of FIT solar power plants + storage battery co-location."

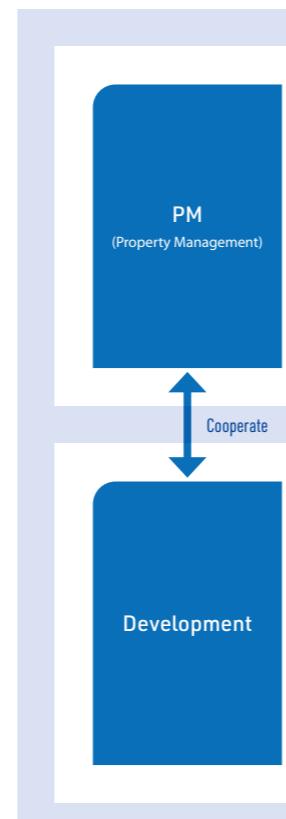
The first is to implement FIP conversion of in-house FIT solar power plants + storage battery co-location. The major advantage of this is that, in addition to improving the profitability of in-house power plants, we can accumulate know-how and insights by taking the lead ahead of other companies. We started with four power plants to implement storage battery co-location, and plan to actively expand the initiative to achieve the targets set in the medium-term management plan.

The second is to secure EPC orders for FIP conversion of FIT solar power plants + storage battery co-location. We are expanding our sales efforts not only to customers we have constructed FIT solar power systems for in the past, but also to projects built by other companies, which are currently generating many inquiries and orders. We initially considered the Kyushu area our main market, but with the expansion of output curtailment, the number of projects is increasing in other areas as well.

FIP conversion of FIT solar power plants + storage battery co-location is not just simple construction work, but requires complex system configurations such as aggregation and EMS. Equipped with all necessary functions, we act not merely as a construction contractor but as an "installer" responsible for the entire system, thereby earning customer trust and being chosen.



■ For in-house power plants



The PM Group's mission is to properly manage the FIT solar power plants owned by the TESS Group nationwide to ensure their stable operation. Our responsibilities are mainly focused on "maintaining and enhancing asset value." For "maintaining asset value," we take on roles such as troubleshooting, countermeasures against copper cable theft, disaster prevention management, operational cost reduction measures, and serving as a liaison with local residents. For "enhancing asset value," we work to improve profitability through power plant analysis, panel cleaning, weed control, and other measures. The PM Group as a whole is working to propose permanent improvements that address issues directly linked to power sales losses, with an eye toward the post-FIT era, and we will continue these efforts.

Property Management Team 1 Leader, PM Group, Domestic Business Department, TESS Engineering Co., Ltd. **Tatsuya Sakamoto**

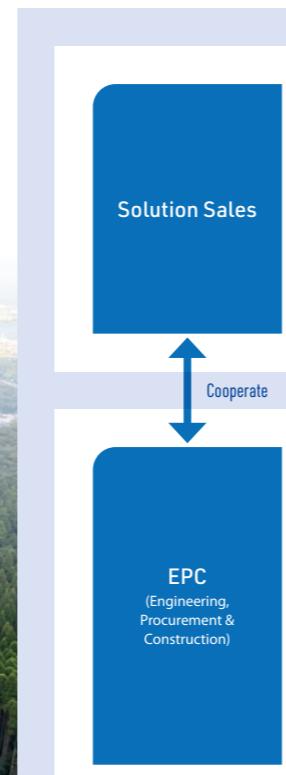


Our team is promoting the operationalization of FIP conversion of in-house FIT solar power plants + storage battery co-location. Under the FIP system, this project enables improved plant profitability, avoids output curtailment, and makes the best of renewable energy by shifting supply times using storage batteries. We are working daily envisioning a future where solar power plants, previously constrained by time of day and weather, are transformed into those controllable according to demand, and renewable energy is fully implemented alongside a stable power supply and demand. Moving forward, we aim to develop a capacity of more than 75 MW by the end of the fiscal year ending June 2027, and also work with the Sales Department to apply the knowledge gained from the development to services for our customers.

Renewable Energy Co-located Storage Battery Business Development Team Leader, Domestic Business Development Group, Domestic Business Department, TESS Engineering Co., Ltd. **Takamasa Tsuda**



■ For customers



Many of our customers who own existing FIT solar power plants are concerned about reduced revenue due to output curtailment. We are confident that the scheme of FIP conversion of FIT solar power plants + storage battery co-location not only offers a direct solution to such customer concerns but also delivers comprehensive value enhancement, including improved plant profitability and creation of value as a future power source. We will continue to deepen our understanding of the regulatory system and improve our technical expertise. Based on our business philosophy of "Customer Focus, Customer Satisfaction," we will pursue the broad potential of this scheme to provide solutions that satisfy more customers.

West Japan Sales Group Leader, Sales Department, TESS Engineering Co., Ltd. **Tadashi Ishii**



We are responsible for engineering and construction management of FIP conversion of FIT solar power plants + storage battery co-location. This requires understanding and compliance with complex laws and regulations, as well as consideration for existing equipment. Particularly at solar power plants that make the most of their sites, installing batteries may involve removing some existing panels. In such cases, we carefully consider the string configuration and mounting structure to minimize the scope of removal. Checking the delivery route for storage batteries is also important. Depending on the situation, we make comprehensive decisions based on cost-effectiveness and take measures such as extending the delivery route or changing the size of storage batteries. Going forward, we will further enhance customer peace of mind and satisfaction by leveraging the knowledge and experience gained from these works of FIP conversion of in-house FIT solar power plants + storage battery co-location.

Kyushu Engineering Group Leader, Engineering Department, TESS Engineering Co., Ltd. **Takenobu Izawa**



* Job titles, etc. are as of the date of the publication of this document.



TESS Engineering Co., Ltd.
Director, General Manager
of the International
Business Department
Tomoya Ishida

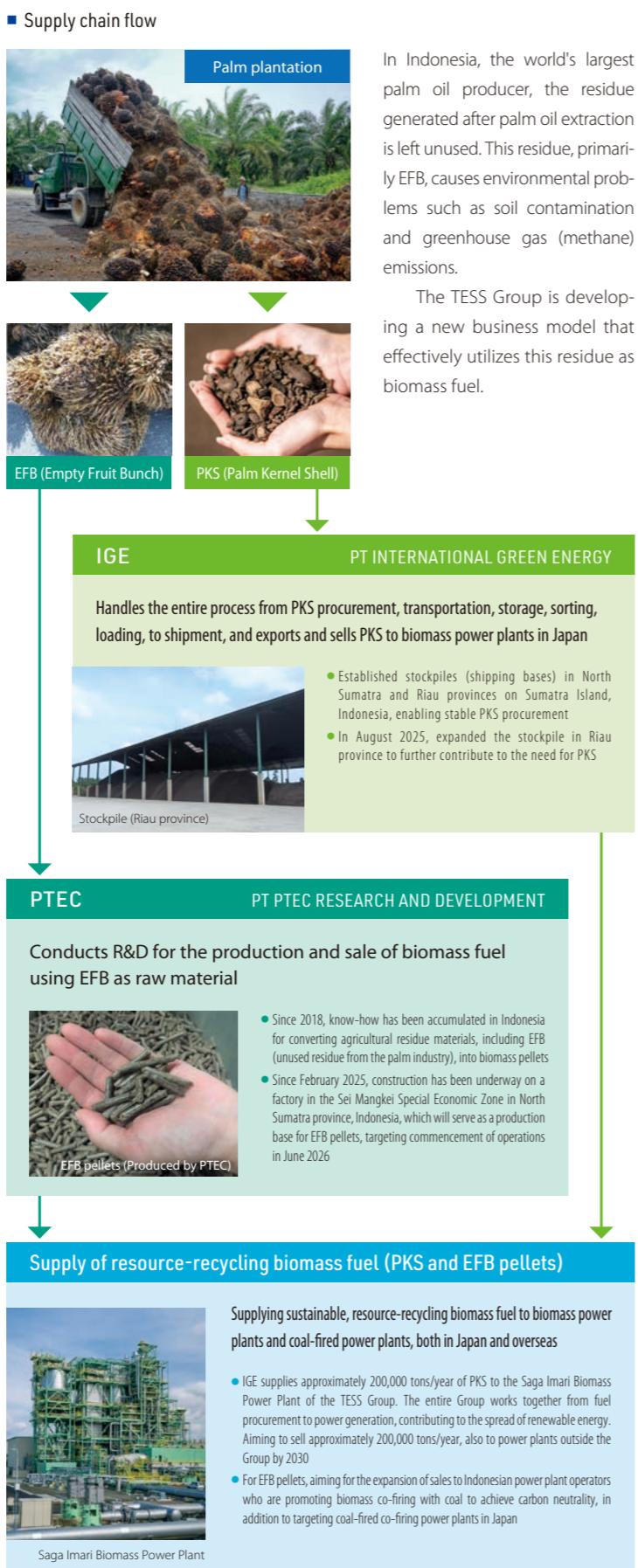
Creating decarbonized energy that utilizes agricultural residues to provide valuable services

Our task is to build and develop resource-recycling biomass procurement networks in agricultural resource countries. In Indonesia's palm oil industry, for example, much of the EFB generated during the production process is abandoned around plantations and mills, causing fermentation and becoming a source of greenhouse gas (GHG) emissions (CH₄ has 25 times and N₂O has 298 times the greenhouse effect of CO₂).

Our goal is to develop and nurture solutions that utilize such agricultural residues to create decarbonized energy, providing valuable services. We aim to contribute to countries, including Japan, that are earnestly working on climate change issues to help them meet their NDCs (Nationally Determined Contributions) through these business activities.

Furthermore, through these initiatives, we believe it is essential to gain public understanding of biomass energy as an alternative to fossil fuels and to encourage its active utilization.

The mission of the resource-recycling biomass fuel business specified in the medium-term management plan is to quantify our growth strategy by combining social needs with the services provided by the TESS Group. Plans to achieve this are progressing steadily.



In Indonesia, the world's largest palm oil producer, the residue generated after palm oil extraction is left unused. This residue, primarily EFB, causes environmental problems such as soil contamination and greenhouse gas (methane) emissions.

The TESS Group is developing a new business model that effectively utilizes this residue as biomass fuel.

Business location map in Indonesia



IGE

IGE exports PKS, an agricultural residue generated during palm oil production in Indonesia, to Japan as biomass fuel and also supplies it as the primary fuel for the TESS Group's Saga Imari Biomass Power Plant. With the core principle of "Genchi, Genbutsu, Genjitsu" (On site, Hands on, In touch), our expatriate staff oversees operations from direct negotiations and purchasing with palm oil mills to quality and shipment management, ensuring consistent in-house control over the entire fuel supply chain. Moving forward, we will strive to strengthen our supply capacity by expanding and decentralizing the procurement sources, based on an accurate assessment of market conditions and supply-demand forecasts. Furthermore, IGE's business activities are directly linked to building the supply chain for PTEC's EFB pellet production business, a parallel project led by the International Business Department. We will continue to focus on development efforts and work to build relationships with each stakeholder.



Development Team Leader, Indonesia Business Group, International Business Department, TESS Engineering Co., Ltd. (second from left to IGE) **Sho Iwaki**

PTEC

The PTEC project was launched with the desire to "develop sustainable biomass fuels that do not rely on forest resources and contribute to a sustainable society." For palm oil processing mills, EFB was merely waste with unstable quality and freshness, and it took many years to establish technology capable of stably producing EFB pellets that meet the quality required by customers. Now, we have come to construct a small-scale production plant in the North Sumatra province of Indonesia. While many challenges remain—such as the development of the supply chain, reduction of production costs, quality stabilization, and local plant operations—we will work with local staff to make every effort toward the commercialization and mass production of EFB pellets.



Engineering Team Leader, Indonesia Business Group, International Business Department, TESS Engineering Co., Ltd. (second from right to PTEC) **Yasufumi Suwaki**

Imari Green Power Co., Ltd. (Saga Imari Biomass Power Plant)

Have you heard of the word "hachigame"? It's a local term used in Imari City, Saga Prefecture, referring to the horseshoe crab, which is a living fossil that inhabits the area. Facing Imari Bay, known as Japan's largest horseshoe crab spawning ground, stands the Saga Imari Biomass Power Plant. Daily operations at the power plant cover a wide range of tasks, including plant operation, maintenance work, inspection duties, purchasing fuel and plant components/auxiliary materials, coordinating vessel scheduling, fuel handling operations at the port, and fuel transportation to the power plant. These operations are made possible by the understanding of local residents and the support of local businesses. We keep this firmly in mind as we work diligently to continue helping create local industry and jobs through stable power plant operation, contributing to the development of the local community and the realization of a decarbonized society.



Assigned to Domestic Business Department, TESS Engineering Co., Ltd. and Director, In-charge of Business Planning Department, Imari Green Power Co., Ltd. **Yuya Watatani**

* Job titles, etc. are as of the date of the publication of this document.



Q1 Could you explain the fundamental approach to human capital management at the TESS Group?

I believe my mission is to discover the best way of human capital management for the future TESS Group from an outside standpoint. After joining the Company in May 2022, I have served as Director in charge of ESG and Women's Empowerment since September 2022. I have concurrently held the position of General Manager of the Human Capital Strategy Division since January 2024, and worked energetically with colleagues in the division to develop and execute TESS Group's unique human capital strategy, while communicating and sharing information with employees across all departments.

To achieve the medium-term management plan, TX2030, formulated and announced in August 2024, we regard human capital as another management resource. As of the end of June 2025, the number of employees reached 471, a significant increase of 66 employees (16%) from the previous fiscal year. In our human capital strategy, we are working under the three basic policies of "proactive human capital allocation and development to drive company and individual growth," "creating systems and mechanisms that balance rewarding work with a good work environment," and "building a culture and work environment where diversity thrives." In line with these policies, we are progressively promoting various reform and improvement initiatives related to our human capital strategy.

Q2 The employee engagement survey began in 2024. What are its purpose and future plans?

The employee engagement survey, conducted annually on a regular basis, is one of the major starting points for planning and executing our human capital strategy. We completed the second survey in June 2025.

Diverse initiatives aligned with our human capital strategy are accelerating

Director
In-charge of ESG and Women's Empowerment,
General Manager of the Human Capital Strategy Division
Mayumi Yoshida

What prompted us to initiate this survey was the realization of the reality that "what is common sense at TESS may make no sense to the rest of the world." The TESS Group has actively recruited diverse talents, including new graduates, experienced professionals, young individuals, and seniors. As a result, the proportion of mid-career hires has risen to approximately 50%. With this change, it gradually became apparent that quite a few things we had taken for granted at TESS might not be so obvious after all, and perhaps needed some revision. In addition, as the number of employees increased, we faced the reality that conveying management's perspective to all employees became increasingly difficult, creating a gap in perceptions between management and those on the front lines. Therefore, as a way to help inform future system reforms and the development of our education and training framework, we wanted to broadly collect and analyze the thoughts and perceptions of our diverse workforce.

While no drastic change was observed between the two surveys, sympathy with the TESS Group's philosophy and management is shifting in a positive direction. We plan to pursue continuous reform and improvement to ensure this trend progresses with each subsequent survey.

Q3 During the past year, what new systems or mechanisms have been launched?

New systems and mechanisms have been steadily designed and are being rolled out sequentially. These systems and mechanisms are designed to resolve challenges recognized through initiatives over the past 2-3 years and issues that have surfaced in the employee engagement surveys, while also aligning with the human capital strategy outlined in the medium-term management plan.

Among those launched this past year, the first is the introduction of a system that can be considered the foundation of

our personnel system. At the TESS Group, there was no clearly defined method for submitting requests, such as for transfers. We came to realize that this often resulted in reduced motivation among employees who were eager to take on challenges, and increased the risk of resignation among the type of employees who were hesitant to voice their preferences. Therefore, to enable employees of diverse types to obtain an environment where they can work with as much fulfillment as possible, we introduced a system for submitting Transfer Requests (as needed) and Career Questionnaire (once a year). Through future operations, we aim to understand each employee's career aspirations and thoughts. By sharing this information with directors in charge of each department and executive officers and utilizing it for future personnel considerations, we hope to invigorate human capital across the entire Group.

Second, we have established a new "Specialist course" in the personnel system. Previously, the TESS Group only offered a "Management course" as an option for employees' career advancement. The career path envisioned for this course involves gaining experience in the field, advancing one's career to a certain level, then taking on management responsibilities with one's own team, and subsequently progressing through promotions. However, a certain number of employees are better suited for a career path focused on leveraging specialized knowledge and skills rather than managing people or teams. We have established the Specialist course as a new career path for these types of employees. We first began offering this program in the Engineering Department (TESS Engineering Co., Ltd.), where specialist-oriented employees are concentrated. Based on the results from this initial implementation, we plan to refine the program's content and expand it to other departments and Group companies.

The third is "Training by job level." While the TESS Group had previously offered ad-hoc training sessions, it lacked a systematic training program tailored to employees' grades, positions, and roles. Therefore, we carefully examined the content employees should learn, from the viewpoint that employees at a certain level often have such concerns and that possessing such knowledge would help them handle their work effectively. We then embarked on building the "Training by job level" program. In the fiscal year ended June 2025, we started with a systematic training program targeting the levels of Staff/Senior Staff (younger employees) and Team Leader (management level). The curriculum was designed to be interactive, emphasizing communication between instructors and employees, and among employees themselves, rather than focusing on classroom learning (one-way lectures by instructors). Furthermore, attendance is not mandatory for all eligible employees; instead, a voluntary sign-up process is used to attract those with a strong desire to learn. As a result, the program has received favorable feedback from participants, and we are confident it will yield significant benefits going forward.

Fourth, starting in April 2025, we launched an endowed lecture program at Meiji Business School on the theme of "ESG Investment and ESG Management." While this is part of our social contribution activities, it also has the purpose of communicating to our employees the specific ESG management initiatives the TESS Group is actually implementing. We also hope it will help increase the TESS Group's name recognition.

Q4 Finally, what are your thoughts on human capital management in the future?

The TESS Group's business cannot exist without mobilizing the power of its human capital. Therefore, securing top talent has a direct impact on future growth potential, profitability, and ultimately, corporate value. On the other hand, the reality is that the TESS Group's business is B2B, so the company name "TESS" is not widely known among job seekers. This puts us at a significant disadvantage in attracting top talent compared to well-known large B2C companies.

From this standpoint, I have a strong desire to make the TESS Group an "attractive company for all stakeholders." To achieve this, I am determined to do all I can in every possible way as General Manager of the Human Capital Strategy Division. For example, efforts to address "human rights issues" and "inequality and discrimination" are among them. We have established the TESS Group Human Rights Policy and initiated efforts such as human rights due diligence. If deemed necessary, we will spare no effort in changing not only our systems but also the corporate culture and the mindset of our employees.

However, these reforms and improvements can never be effective unless they are widely understood and embraced by our employees. With this understanding, I have never forced the implementation of systems introduced based on organizational logic. Instead, I have carefully worked to identify more appropriate methods for promoting their adoption. By consistently maintaining this "employee-first" approach, I feel that the pace of reform and improvement has significantly accelerated after around three years.

As someone who has worked to represent an "outside" perspective, I cannot completely deny the concern that, as days go by at TESS, I too become part of the company's culture and my view from the "outside" gradually begins to blur. Under such circumstances, following the resolution at the general meeting of shareholders held on September 26, 2025, three new external directors have joined our board of directors. By taking in fresh, "outside" perspectives and insights that are not yet fully influenced by TESS, we will continue to courageously pursue what human capital management should be.

I ask all of our stakeholders for their continued support and encouragement of the TESS Group's growth strategy.



The TESS Group established a new ESG Promotion Committee in 2022. We have worked to improve systems and change mindsets, aiming to create a comfortable working environment for all employees, including women, while also taking into account the perspective of D&I (Diversity & Inclusion). This time, we asked a female director and three young female employees to share their thoughts on women's empowerment, a good work environment, and the present and future of the TESS Group's ongoing efforts to promote women's empowerment. We gathered female employees with different backgrounds: Ms. Mizuta shared that her interest in environmental issues since childhood was the biggest reason she chose the TESS Group; Ms. Kanehira mentioned that a sense of security offered by the flexible career paths proposed during her job search after leaving her previous job due to marriage was the deciding factor; and Ms. Xu, originally from China, said the impressive scene of mutual support among employees she witnessed during the selection process was what made the decision for her.

[Responsibilities and rewarding aspects]

Challenging and growing in one's own way

Yoshida You are all in different departments, but what kind of work are you currently engaged in?

Xu As a sales representative, I make proposals tailored to customer needs. While listening to customers' situations and requests, and estimating costs and effects of installation, I work across a wide range of fields, including solar power generation and cogeneration systems. Working on projects across various fields requires continuous learning, but the role also provides a profound sense of personal growth. After building trust with customers and when they said, "We want to work with you again next time," it really made my day and gave me a sense of fulfillment.

Mizuta You're steadily growing through your daily interactions with customers! That's wonderful.

Kanehira I work in the Financial Management Team as a sub-leader, handling financial operations for the entire Group. My responsibilities primarily involve managing incoming funds, such as credit management, invoice issuance, and cash receipts/bill management. However, I have a young child and need to leave work early, so I put extra effort into improving operational efficiency.

I'm making every effort daily to enhance productivity by devising ways to work efficiently within limited time, such as utilizing RPA, improving Excel processes, and reviewing task assignments, while also sharing this know-how with team members.

Yoshida I really feel that improving work efficiency is crucial for successfully balancing private life, like raising children, with work. Mizuta-san, you also work with me on the ESG Promotion Committee in addition to PR and IR, right?

Mizuta My main job is PR and IR. For PR, I distribute press releases, update the website, and place ads in newspapers and magazines. For IR, I create disclosure materials for shareholders and investors and organize earnings briefings and so on. Our role is to accurately communicate TESS Group's business activities to society and gain the understanding and support of more people. I find it rewarding that my work leaves a tangible mark and contributes to increasing the Company's recognition. Also, I work with both the ESG Promotion Committee and the Budget Management Team, handling tasks like calculating TESS Group's greenhouse gas emissions and managing daily budget vs. actual performance.

[Overview and key points of promoting women's empowerment]

Demonstrating one's capabilities without wearing oneself down

Xu Yoshida-san, what specific responsibilities do you handle in your role promoting ESG and women's empowerment?

Yoshida I actually do quite a lot of things (laughs). It's no exaggeration to say I'm involved in everything outside of TESS Group's core business: work-style reform, revising the personnel evaluation system, improving internal communication, enhancing operational efficiency, human capital allocation, planning and implementing internal training, and expanding employee care systems. While it's labeled as promoting women's empowerment, I want the company to be one where everyone, regardless of gender, can work with a rewarding sense of fulfillment and vitality. My mission is to dedicate myself to enhancing employee happiness.

Mizuta What drives your commitment to improving work style and enhancing employee happiness?

Yoshida Looking back on myself, I think I've been very fortunate to have always found my work interesting and fulfilling since I was young. On the other hand, I also reflected on how I had become too devoted to work, sacrificing my private life and health. Experiencing serious illness myself,

and losing my mother and several of my senior female colleagues who had been successful in their careers to illness, prompted me in my mid-40s to reevaluate my approach to work and my view of life. Creating an environment where people can demonstrate their capabilities and work vigorously without wearing themselves down—whether they are ill, raising children, or providing care. That is what I want to do now, and what I believe I must do.

Kanehira It's important not to wear yourself out, isn't it? I find it appealing that the TESS Group offers various systems like staggered working hours, telework, and reduced working hours, allowing us to work according to our individual needs without overworking ourselves. I'm successfully balancing full-time work and childcare by using staggered working hours and telework. When I see my female friends who are also raising children, many work at companies that require employees to be physically present, so they use reduced working hours to cut back on their workload. I sometimes hear them say, "I want to work, but I can't manage full-time," so I feel very fortunate to be in this environment.

[Perspectives on future work styles]

I want to be my best self, both at work and in my private life

Yoshida Finally, what kind of work style and career do you aim for at the TESS Group going forward?

Xu I want to actively engage in various projects and deepen my expertise in the renewable energy field. My goal is to become a sales representative who can make optimal proposals for our customers while contributing to environmental protection. I also want to constantly update my knowledge to improve my skills in accurately understanding customer needs. I hope my work contributes to the sustainability of society as a whole and helps build a better future.

Yoshida Improving both knowledge and communication skills is important, isn't it? What about you, Mizuta-san?

Mizuta I'm enjoying every day doing the work I want to do. But I can only work because I have a private life and a healthy body, so keeping a good balance will always be important to me. What's appealing about the TESS Group is that it offers flexible working styles through well-established systems like maternity leave, childcare leave, telework, and staggered working hours. It's also a flat company where opportunities are given regardless of gender. I want to take advantage of this

environment to keep both my work and private life fulfilling in my own way.

Yoshida We are working to create a comfortable workplace for all employees at the TESS Group, so I hope you will take full advantage of this environment.

Kanehira I want to get even better at using various tools and help improve work efficiency for my team and the entire company. Leveraging over 10 years of professional experience, my next goal is to be able to take the initiative to act for others while paying attention to the situations of my coworkers and understanding what is expected of me. I want to continue working energetically while also maintaining a reasonable balance with my family life so that I can be a "cool mom" for my daughter.

Yoshida A cool mom—that's wonderful! Like all of you, I want to take care of my physical and mental health while fulfilling both my private life and work. As a role model for female managers and executives, I want to help develop many juniors who will follow in my footsteps. To create an environment where everyone, regardless of gender, can work vigorously and build their careers, we will continue to promote internal reforms.

The direction sustainability management should take at TESS Group

In this Message from the Audit and Supervisory Committee Members, they gave us messages covering a wide range of topics—including growth strategy, financial strategy, human capital management, and governance—based on their respective experiences and insights, on the key theme of “The direction sustainability management should take at TESS Group.”

Establishing a new governance structure and enhancing corporate value

The TESS Group has now come to a point where the entire group must unite more as one to aim for even greater heights. While improving performance is obviously important, we recognize that what is truly needed right now is establishing a new governance structure and fostering a mindset aimed at enhancing corporate value.

To this end, the TESS Group has presented its vision through the medium-term management plan and other means. Initiatives for the new governance are also progressing steadily. The Group's sincere commitment to enhancing crisis management capabilities by leveraging its experience in risk management in the organizational culture and compliance responses deserves high praise. On the other hand, what is indispensable for the TESS Group going forward is the “imagination” to gain insight into future societal and market changes and to envision the outlook ahead. We, the Audit and Supervisory Committee Members, will lead discussions with a broad social perspective and have an ability to envision the future, helping formulate a long-term vision. We will also strive to build an environment that enables constructive discussions with the executive officers, thereby contributing to the enhancement of sustainable corporate value.

External Director, Audit and Supervisory Committee Member **Hiroyuki Okura**

Shifting to aggressive management, such as future-oriented M&A and new business exploration

Twelve years ago, I was appointed president of Sakura Seisakusho Ltd., which was facing a serious management crisis, and successfully managed its turnaround. Today, the company has grown into a group structure that unites multiple businesses and has established a stable revenue base. Leveraging this experience, I will support top management as an Audit and Supervisory Committee Member and encourage bold risk-taking. I have also been working on M&A aimed at enhancing corporate value and have led multiple deals to successful completion. Also for the TESS Group, I believe future-oriented M&A is an important option as part of the growth strategy when it is expected to expand the business portfolio, strengthen competitiveness, and create synergies. Furthermore, companies must always explore new business possibilities, accurately identify challenges, and take an aggressive stance in management. Communicating this approach to our stakeholders is also important. We will strive to further enhance corporate value by taking on the challenge of market cultivation and customer generation based on the Company's purpose and vision, and by communicating this commitment to our stakeholders through diverse means.

External Director, Audit and Supervisory Committee Member **Masaki Inoue**

Building an organization that leverages human capital for more dynamic growth

From my standpoint as a human resources and organizational consultant who has provided support to companies, the TESS Group's business is exactly one in which “human effort and wisdom themselves become the value.” What is essential to bring out this value to the maximum is challenging work, an organization that supports employees, a positive culture, a clear evaluation and compensation system, and mechanisms for development and growth. In particular, I believe having good relationships among employees and across hierarchical levels as well as being able to speak easily and exchange opinions frankly are the most critical factors for personal growth and work achievement. Under the TESS Group's basic policy of “People are our valuable assets,” we will further strengthen and promote initiatives to leverage human capital and aim to be a company where all employees can work to the fullest by utilizing their unique strengths. We will contribute to building an organizational environment that enables continued growth as a dynamic and challenging company.

External Director, Audit and Supervisory Committee Member **Toru Aoki**



External Director, Audit and Supervisory Committee Member
Toru Aoki

External Director, Audit and Supervisory Committee Member
Osamu Nakatsubo

External Director, Audit and Supervisory Committee Member
Hiroyuki Okura

External Director, Audit and Supervisory Committee Member
Masaki Inoue

External Director, Audit and Supervisory Committee Member
Michio Shigemori

Building a governance structure that supports reliability and transparency

Having transitioned from a plant engineer, I have gained extensive experience across diverse fields, including accounting audits, CSR report assurance, environmental consulting, administrative duties at the Ministry of the Environment, and underwriting reviews at a securities firm, all while maintaining my independence as a certified public accountant. Leveraging these insights, I will engage in management as an Audit and Supervisory Committee Member and fulfill my role in supporting the reliability and transparency of the TESS Group. While achieving the medium-term management plan, TX2030, is an important milestone, I believe it is essential not to make this an end in itself but to build a reliable and transparent governance structure that is also capable of flexibly responding to future environmental changes. By determining the appropriateness of management decisions, the effectiveness of internal controls, and the adequacy of risk responses, along with promoting accurate and fair information disclosure, I will contribute to building constructive dialogue and sustainable trust relationships with shareholders and other stakeholders.

External Director, Audit and Supervisory Committee Member **Osamu Nakatsubo**

Contributing to sustainable corporate value enhancement, particularly from a financial strategy perspective

Leveraging experience gained at financial institutions and through efforts to enhance corporate value by engaging in fundraising activities at startups, I closely monitor the TESS Group's financial strategy as an Audit and Supervisory Committee Member. The TESS Group is committed to strategically promoting growth investments, shareholder returns, and ESG management in a mutually coordinated manner, based on capital efficiency management that prioritizes ROE/ROIC, to enhance sustainable corporate value. As an Audit and Supervisory Committee Member, I will verify whether the allocation of management resources and investment decisions are rational and made with the cost of capital in mind, and whether consistency is ensured between strategies. I will strive to strengthen the effectiveness of corporate value creation both quantitatively and qualitatively. To achieve the medium-term management plan, TX2030, I will continue to engage in constructive discussions with the executive officers to ensure that the story of corporate value creation is clearly communicated to all stakeholders, also from a financial perspective.

External Director, Audit and Supervisory Committee Member **Michio Shigemori**

TESS Group's Sustainability Management

The TESS Group has an ESG policy. As a leading company in decarbonization, we aim to contribute to global energy decarbonization and achieve the SDGs by promoting ESG-related initiatives.

ESG Policy



Sustainability Promotion Structure

Our Board of Directors supervises and instructs each of the departments and subsidiaries by formulating management strategies and medium-term management plans, as well as managing various initiatives and business targets, etc. These strategies and plans are based on sustainability-related matters such as responses to climate change and human capital diversification, from both risk management and business creation aspects. From the perspective of strengthening oversight of the TESS Group's sustainability initiatives, including climate change responses and human capital diversification, the Board of Directors passed a resolution in June 2022 to establish an ESG Promotion Committee, chaired by the Director in charge of ESG and Women's Empowerment, and the ESG Promotion Committee was established on July 1 of the same year.

The ESG Promotion Committee is placed directly under the Board of Directors and consists of eight directors of the Company (including five external directors who are members of the Audit and Supervisory Committee), three directors of TESS Engineering Co., Ltd. (excluding the Company's concurrent officers), two company auditors of TESS Engineering Co., Ltd., one director of Kyoritsu Engineering Co., Ltd., one executive officer of the Company and three executive officers of TESS Engineering Co., Ltd.

The ESG Promotion Committee identifies materiality issues by extracting and analyzing potential sustainability-related risks and opportunities in the TESS Group's business activities, studies countermeasures and manages the progress of such measures.

As subsidiary bodies of the ESG Promotion Committee, working groups (subcommittees) for Climate Change (CC), Diversity and Inclusion (D&I), biodiversity and information dissemination have been set up to examine specific measures for initiatives on the identified materiality issues and other individual themes.

We also hold regular dialogues with external experts and other stakeholders to obtain their candid opinions and advice for the future, with the policy of incorporating their opinions and advice into our management as appropriate.



E Initiatives for Environment

In response to climate change, the TESS Group is driving our efforts to reduce its environmental impact through business operations, in addition to working on TCFD Recommendations, responding to the CDP (Carbon Disclosure Project) survey and participating in the JCI (Japan Climate Initiative) and Challenge Zero.

Initiatives in response to TCFD Recommendations

The TESS Group expresses support for the recommendation of the Task Force on Climate-related Financial Disclosures (TCFD), which had been founded by the Financial Stability Board (FSB). The TCFD recommendations request that information be disclosed about climate change-related Governance, Strategy, Risk Management, and Indicators and Targets. In line with the recommendations, the TESS Group discloses relevant information. For more details, please see our website.

Initiatives in response to TCFD Recommendations ▶ <https://www.tess-hd.co.jp/english/company/tcfid.html>



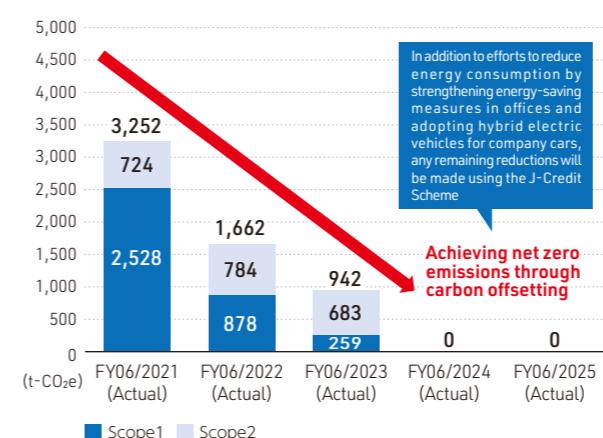
Governance
The TESS Group does not limit its climate change response to a risk management perspective but recognizes it to be one of the material management issues in terms of creating business opportunities. Our Board of Directors supervises and instructs each of the departments and subsidiaries by formulating management strategies and medium-term management plans as well as managing various initiatives and business targets, etc., from both risk management and business creation aspects while taking into account responses to climate change.

Strategy
We identify physical and transition risks and business opportunities associated with climate change and assess the effects of those risks and opportunities in our business strategies and financial planning. A scenario analysis is conducted using 2-degree and 4-degree scenarios during risk identification.

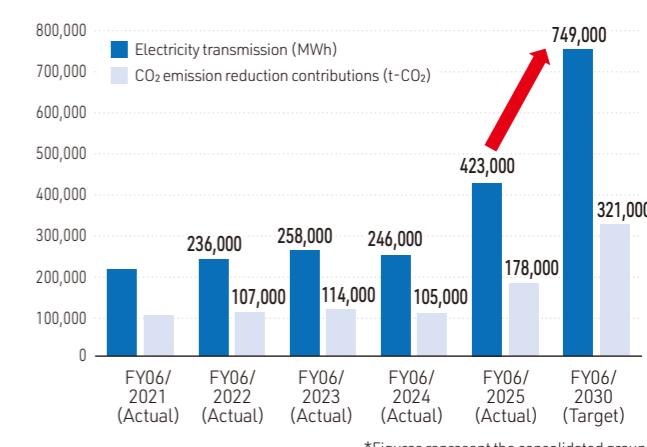
Risk Management
The ESG Promotion Committee identifies and assesses climate-related risks. Material risks including these have been reported and shared with the Board of Directors and others as appropriate in cooperation with the Compliance Risk Management Committee, and suitable countermeasures are to be examined.

Indicators and Targets
We apply GHG emissions (Scopes 1+2 in t-CO₂e) and our renewable energy power plant transmission of electricity (MWh) and the resulting contribution to CO₂ emission reduction amount (in t-CO₂) as indicators in assessing risks and opportunities associated with climate change. The trends and target are shown in the chart below.

■ TESS Group GHG emissions trend



■ Trend and target of TESS Group electricity transmission and CO₂ emission reduction contributions



CDP2024

We scored B (Management level) in the Climate Change category of the 2024 CDP Corporate Questionnaire conducted by CDP, an international non-profit organization that operates an environmental information disclosure system. Furthermore, we scored C (Awareness level) in the Water Security category, which we started responding to for the first time in 2024.



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Initiatives for Human Capital

The TESS Group has formulated a human capital strategy to realize its purpose and growth strategy and is working to develop various policies, promote systemic reforms and establish education and training systems that will serve as the basis for diverse human capital to work actively and lively.

TESS Group basic policy for human capital development

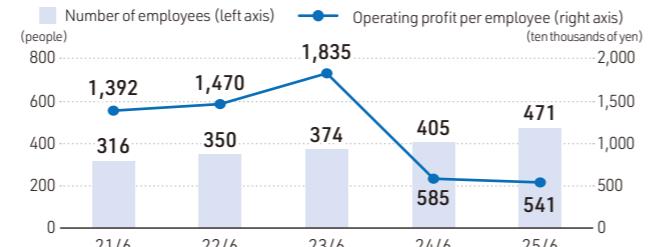
At the TESS Group, people are our valuable assets. To develop human capital that supports the implementation of our purpose of "contributing to global energy decarbonization through the realization of Total Energy Savings & Solutions" and the realization of our corporate growth strategy, we will:

- Systematically implement proactive human capital allocation and development to drive company and individual growth, including making transfers and rotations for further skill development of employees, in addition to placing the right person in the right job.
- Provide opportunities for skill development in a multifaceted and systematic approach, not only through on-the-job training (OJT) at assigned departments, but also through off-the-job training (OFF-JT) that is planned and undertaken within departments or provided by job level across the organization.
- Constantly review the best way to improve our personnel, evaluation and compensation systems, and strive to create systems and mechanisms that balance rewarding work with a good work environment to improve the job satisfaction of our employees.
- Strive to build a work environment where diversity thrives to mutually make the most of individual abilities and differences, and aim to build a corporate culture where we "love people, trust people, recognize people, develop people and rejoice with them in their success."

Proactive human capital development in line with growth strategy

As part of the proactive human capital development in line with our growth strategy, we have been working to enhance recruitment (new graduates + mid-career hires) and training. As a result, the number of employees as of the end of June 2025 increased approximately 1.5 times over the past four years to 471. In terms of productivity, operating profit per employee was at a high level during the period from the fiscal year ended June 2021 to the fiscal year ended June 2023, due in part to factors such as the acquisition of large-scale development-type EPC projects and the sale of in-house solar power plants, which contributed to profits. However, from the fiscal year ended June 2024 to the fiscal year ended June 2025, operating profit per employee was at a low level partly because the above-mentioned profit contributions were small. Going forward, we will promote our human capital strategy and aim to increase operating profit per employee by generating profits in our focused business fields to achieve the medium-term management plan.

Number of employees & operating profit per employee trend (consolidated)



	2021/6	2022/6	2023/6	2024/6	2025/6
Net sales (millions of yen)	34,249	34,945	34,415	30,643	36,684
Operating profit (millions of yen)	4,399	5,146	6,864	2,370	2,548
Number of employees (people)	316	350	374	405	471
Net sales per employee (ten thousands of yen)	10,838	9,984	9,201	7,566	7,788
Operating profit per employee (ten thousands of yen)	1,392	1,470	1,835	585	541

Initiative 1 Implementation of training by job level

We have launched a systematic training program tailored to employees' positions and levels, to support the growth of each individual and solve their challenges. In the fiscal year ended June 2025, we conducted training for Staff/Senior Staff (younger employees) and Team Leaders (management level) to enhance skills according to their respective career stages.

Moving forward, we plan to progressively expand training to all levels, further strengthening initiatives to encourage employees' proactive growth.

Initiative 2 Implementation of sales mindset training to enhance added value

The TESS Group is working to secure more human capital than planned to achieve the medium-term management plan. Looking ahead to future organizational expansion, we strive to deepen our understanding of how a sales organization can create high added value while building an organization capable of delivering highly reproducible results. As part of this effort, we conduct sales mindset training in sales-related departments, using external instructors and specialized content.

Creation of systems and mechanisms that balance rewarding work with a good work environment

To improve the job satisfaction of our employees and ensure higher quality work performance, the TESS Group has been working on the following initiatives.

Initiative 1 Employee recognition program

At a meeting to report management targets for the year, held at the beginning of each fiscal year and attended by all officers and employees, we present awards to teams and employees to recognize their achievements over the past year. For the fiscal year ended June 2025, the awards were given for winning large-scale orders related to storage batteries and on-site PPA, as well as for completing the in-house biomass power plant project. Furthermore, starting in October 2025, as an initiative conducive to the "Promotion of ESG Management" stated in the medium-term management plan, we launched the ESG Award to enable each employee to feel they are contributing to ESG through their own work. This award recognizes outstanding ESG initiatives linked to the Company's materiality (priority issues) and encourages employees' ESG activities. In the fiscal year ended June 2025, the first year of the award, we selected projects that made particularly significant contributions to CO₂ emission reduction among commissioned EPC projects completed during the period. We then recognized employees across different departments who played central roles in completing these projects and will continue to do so in future maintenance and other operations. We will continue to enhance these awards so that employees from a wider range of departments and positions can feel they are playing a part in ESG activities as their own responsibility.



Initiative 2 Introduction of a transfer request system and career questionnaire

The TESS Group has launched a new transfer request system and career questionnaire. This initiative is part of our efforts to create an environment where employees can actively develop their careers and skills and take on new challenges, as well as establish a mechanism that enables them to work continuously even as their life stages change. Through these systems, we will provide flexible human capital allocation and career support that respect employee preferences.

Initiative 3 Personnel and evaluation system review and continued work style reforms

The TESS Group is working to enhance productivity by reviewing its systems to shift to a more flexible personnel and evaluation framework, and promoting improvements in business processes in consideration of DX (Digital Transformation). Through these initiatives, we are striving to build a workplace environment where employees find it rewarding while also feeling comfortable working. Furthermore, in the fiscal year ended June 2025, we established goal-setting guidelines to encourage the further growth of both the evaluated employees and the Company through the fair and appropriate evaluation system. This will clarify goals and increase the transparency of evaluations, supporting employees' proactive growth.

Initiative 4 Newly introduced specialist course

To support career development that respects each employee's aspirations and expertise, we have established a new "Specialist course" for employees in the Engineering Department of TESS Engineering Co., Ltd, starting from the fiscal year ended June 2025. In addition to the traditional career path aimed at managers and other managerial roles, this course enables employees to utilize their knowledge and skills in their specialized fields to contribute to the company, and to be evaluated based on the level of their contribution. We will further enhance this system as a framework that responds to employees' diverse career aspirations, with a view to expanding it horizontally to other departments in the future.

Employee Voice



Having previously worked in management roles and as a technical specialist with equivalent benefits, I joined the Company mid-career in 2023. At the TESS Group, the only path available was to pursue management, and I felt a bit out of place because I wanted to work with technology in the field. However, the introduction of the Specialist course has opened a path for me to use my specialized knowledge and skills to contribute to the company, for which I am very grateful. Also, while promotions were previously somewhat dependent on managerial positions, the expansion of career path options has helped maintain my motivation. I hope this system will be rolled out across the entire TESS Group, enabling all employees to envision a career path unique to themselves.

Engineering Solutions Group, Engineering Department, TESS Engineering Co., Ltd.
Engineering Solutions Team 1 Yuki Nakada

S

Initiatives for Human Capital

Building a culture and work environment where diversity thrives

The TESS Group aims to maximize organizational strength and create innovation by respecting individual abilities and differences in values, and leveraging them to complement each other. We are committed to building a culture and workplace environment where everyone can work with peace of mind and diversity thrives. We will continue to promote the development of systems and specific initiatives to enable our diverse human capital to work in a more flexible way.

Major initiatives in recent years

Systems

- Introduced staggered working hours system
- Continuing telework system
- Introduced second job system
- Introduced volunteer leave system
- Introduced sports activity support system
- Introduced subsidy system for management studies
- Established new area career-track positions and specialist course
- Introduced transfer request system and career questionnaire
- Introduced mentor system

Recruitment

- Promoting employment of persons with disabilities, including para-athletes
- Promoting employment of seniors
- Recruiting foreign human capital
- Raised the target ratio of female employees in new graduate recruitment
- Strengthening recruitment by introducing a referral system

Others

- Established and announced human rights policy
- Launched human rights due diligence initiatives
- Reformed work style at construction sites
- Implementing D&I and anti-harassment training for all officers and employees
- Implementing 1-on-1 meetings by Director in charge of ESG and Women's Empowerment with all female employees and male managers
- Implementing employee engagement survey
- Introduced free address system
- Installed water dispensers at each location
- Holding internal exchange events such as International Women's Day and Healthy Lunch Day
- Holding lunch exchange meetings between the president and employees
- Published a collection on manners as a TESS person
- Implementing training by job level
- Introduced industrial health nurses
- Implementing sales mindset training to enhance added value, etc.

TESS Group Human Rights Policy ▶ <https://www.tess-hd.co.jp/english/company/human-rights.html>



Initiative 1 Health considerations

The TESS Group considers safeguarding the physical and mental health of each employee a critical management priority and is promoting initiatives to enhance their health. In the annual stress checks, we have set up opportunities for each department to consider areas for improvement based on the results of the checks. We have been checking for improvements not only within the department but also across the company. In addition to installing water dispensers at each location, we regularly hold internal events such as Healthy Lunch Day as an opportunity for employees to interact with each other while enjoying a health-conscious lunch at each location.

Initiative 2 Introduction of a mentor system

The TESS Group has introduced a mentor system to help new employees settle in quickly and support their growth. Under this system, employees of a similar age support new hires as mentors. The goal is to prevent new employees from feeling isolated in the workplace by providing not only work-related but also emotional support.

Initiative 3 Recruitment of diverse human capital

The TESS Group promotes individuals based on their ability and performance, regardless of gender, age, nationality, work history, and other factors.

In the fiscal year ended June 2025, the Engineering Department of TESS Engineering Co., Ltd. actively promoted recruitment, particularly of women and foreign nationals.

Initiative 4 Promotion of foreign talent recruitment

We are working to hire foreign nationals to strengthen our human capital and promote diversity. Currently, we are building a cooperative relationship with a staffing agency that focuses on developing foreign talent. We will continue these efforts, expecting that adding people with different nationalities and cultural backgrounds will bring new perspectives and values to the organization, leading to the creation of innovation and improved ability to solve challenges.

Employee Voice



I majored in the engineering of renewable energy facilities at a university in Mongolia. Hoping to enhance my expertise, I sought employment in Japan and now I am working on the biomass power plant construction project, starting from the design phase, at the TESS Group. While the TESS Group still has relatively few foreign nationals, many employees take a positive approach to their work regardless of nationality. This warm workplace environment is what motivates me. I feel the TESS Group's appeal lies in its environment where people from diverse backgrounds can thrive.

Engineering Solutions Group, Engineering Department, TESS Engineering Co., Ltd.
Engineering Solutions Team 1 BATNASAN SANDAGDORJ

Initiative 5 Introduction of industrial health nurses

We introduced industrial health nurses starting in the fiscal year ended June 2025 to further establish our health and safety system and enhance preventive support for the physical and mental health issues of all officers and employees. We have also established a dedicated contact point where anyone can easily consult with nurses about everyday concerns, promoting an environment that enables employees to work with peace of mind.

Status of indicators related to human capital

Indicators*	FY06/2022 (Actual)	FY06/2023 (Actual)	FY06/2024 (Actual)	FY06/2025 (Actual)	FY06/2030 (Target)
Ratio of female employees	21.0%	20.1%	21.5%	23.2%	30% or more
Ratio of female managers ²	3.9%	3.7%	3.0%	3.3%	10% or more
Ratio of employees taking paid leave	69%	56%	66.3%	68.9%	80% or more
Ratio of male employees taking parental leave	—	—	12.5%	42.9%	100%
Ratio of employees with disabilities	2.9%	2.9%	3.0%	2.2%	3.1% or more
Number of chiefs and assistant managers ²	83	88	111	138	Approx. 200
Per capita investment in education (full-time employees)	76,000 yen	56,000 yen	69,000 yen	54,000 yen (equivalent to 10.1 hours)	80,000 yen or more
Number of serious industrial accidents	0	0	0	0	0
Number of serious legal violations	0	0	0	0	0

*1 Total of the TESS Group *2 Compiled as of the end of July

S Initiatives for Society

Under the principle of "Developing social infrastructure" stated in the ESG Policy, the TESS Group promotes initiatives to realize a sustainable society.

Initiative Implementation of endowed lectures at Meiji Business School

As part of our external communication of ESG activities and social contribution, we implemented a series of endowed lectures (14 sessions in total) on the theme of "ESG Investment and ESG Management" during the spring semester, starting April 2025, at Meiji Business School.

In this course, Yamamoto, our Representative Director and President, and Yoshida, our Director in charge of ESG and Women's Empowerment, gave lectures based on their practical experience as visiting professors. Additionally, an employee responsible for ESG-related operations also joined as a special lecturer for several sessions to share with the participants the importance of ESG and the realities of its implementation through these lectures from a practical perspective.



A scene from the endowed lecture

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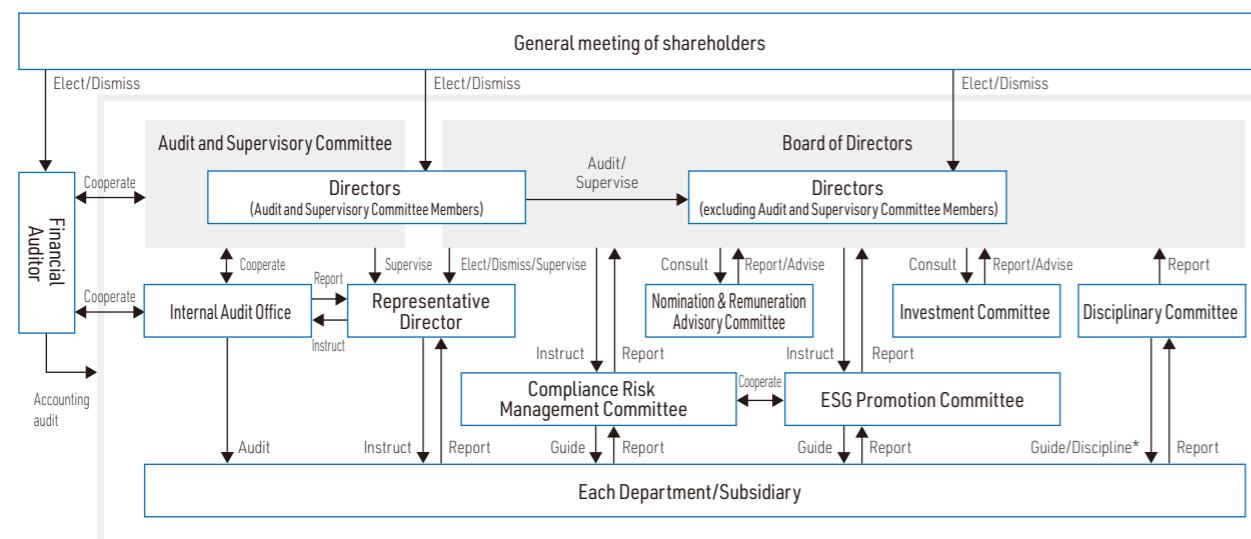
Corporate Governance

We are a Company with an Audit and Supervisory Committee and have bodies such as a Board of Directors, Audit and Supervisory Committee and Financial Auditor. We have adopted the current system because we believe that having the Audit and Supervisory Committee, in which the majority of members are external directors, involved in management decision-making will enable us to strengthen the auditing and supervisory functions of the Board of Directors, further enhance our corporate governance and improve management efficiency.

Basic approach to corporate governance

We strive to strengthen and enhance corporate governance by fulfilling our social responsibility to our shareholders and other stakeholders and earning their trust, as well as by establishing compliance, decision-making and business execution, and appropriate supervision and monitoring systems from the perspective of achieving sustainable growth and increasing corporate value.

Our corporate governance structure



Overview of the corporate governance structure

As a Company with an Audit and Supervisory Committee, we have established the following bodies to strengthen our corporate governance structure.

Board of Directors

The Board of Directors consists of nine directors, five of whom are external directors. The Board of Directors meets monthly in principle and holds extraordinary meetings as necessary to make decisions on important matters related to management and business execution.

Audit and Supervisory Committee

The Audit and Supervisory Committee consists of five external directors who are members of the Audit and Supervisory Committee. The Audit and Supervisory Committee meets monthly in principle and holds extraordinary meetings as necessary. The Audit and Supervisory Committee members attend the Board of Directors meetings and other important meetings and ensure an appropriate supervisory and auditing system for management through audit procedures, including inspection of important documents based on the audit plan and questions for officers and employees.

Nomination & Remuneration Advisory Committee

The Nomination & Remuneration Advisory Committee is a voluntary advisory body to the Board of Directors and consists of five directors, three of whom are external directors. The majority of the committee members are external directors. The Nomination & Remuneration Advisory Committee meets at least once a year, in principle, and as needed. The Nomination & Remuneration Advisory Committee deliberates on director nominations and remuneration to ensure transparency and objectivity in these matters.

Investment Committee

The Investment Committee is a voluntary advisory body to the Board of Directors and consists of three directors and one executive officer. The Investment Committee deliberates on business investment in the TESS Group to ensure transparency and objectivity in these matters.

Compliance Risk Management Committee

The Compliance Risk Management Committee is placed directly under the Board of Directors and consists of eight directors of the Company (including five external directors who are members of the Audit and Supervisory Committee), three directors of TESS Engineering Co., Ltd. (excluding the Company's concurrent officers), two company auditors of TESS Engineering Co., Ltd., one director of Kyoritsu Engineering Co., Ltd., one executive officer of the Company and three executive officers of TESS Engineering Co., Ltd. The Compliance Risk Management Committee identifies and analyzes potential risks in the TESS Group's business activities, and discusses and promotes effective compliance initiatives and risk management to further strengthen the corporate governance structure.

ESG Promotion Committee

The ESG Promotion Committee is placed directly under the Board of Directors and consists of eight directors of the Company (including five external directors who are members of the Audit and Supervisory Committee), three directors of TESS Engineering Co., Ltd. (excluding the Company's concurrent officers), two company auditors of TESS Engineering Co., Ltd., one director of Kyoritsu Engineering Co., Ltd., one executive officer of the Company and three executive officers of TESS Engineering Co., Ltd. The ESG Promotion Committee identifies materiality issues by extracting and analyzing potential ESG-related risks and opportunities in the TESS Group's business activities, and studies countermeasures to manage the TESS Group in a way that enables long-term and sustainable growth of the Group.

Disciplinary Committee

As a decision-making body for disciplinary actions at the Company and TESS Engineering Co., Ltd., the Disciplinary Committee consists of three directors of the Company, three directors of TESS Engineering Co., Ltd. (excluding the Company's concurrent officers), and one executive officer of the Company. The purpose of the Disciplinary Committee is to deter and prevent acts by employees that disrupt workplace order or hinder the fulfillment of corporate objectives by determining the details of disciplinary measures in the Committee.

Internal Audit Office

The Internal Audit Office is an independent department that reports directly to the Representative Director. With the approval of the Representative Director, the Internal Audit Office formulates its own internal audit plan and conducts internal audits of all departments and subsidiaries in a two-year cycle.

Compliance Risk Management (Risk Management Structure)

The Company has established the Compliance Risk Management Committee as the Group compliance committee to build a risk management structure, and has also established the Risk Management Regulations to ensure their appropriate application. Should a material event occur over the course of business activities, it is reported to the Compliance Risk Management Committee, and a structure is in place for deliberations to take place as necessary regarding the handling of the situation. We have also established a system to receive advice from outside experts such as attorneys, auditors and tax accountants as needed to detect risks early and prevent their occurrence. With regard to sustainability risks, including climate change risks identified and assessed by the ESG Promotion Committee and others as potentially having a significant impact on the TESS Group, we review countermeasures in cooperation with the Compliance Risk Management Committee.

Group governance

The Company has resolved the Basic Policy on Internal Control System, which includes as one of its basic policies the "policy for the development of systems necessary to ensure the properness of operations of a Company and operations of a group of enterprises consisting of the Company and its Subsidiary Companies." As a holding company, the Company's policy is to concentrate on group-wide management through risk management, information system management and operation, management strategy and internal auditing, which are the infrastructure operations across the Group, and to respect the autonomy of its subsidiaries in terms of business operations. The Company has established a system to support and manage subsidiaries so that they can operate their businesses with a sense of urgency to realize the TESS Group's management policy by delegating authority for business execution related to the businesses they are in charge of and clarifying their roles and responsibilities. The Company has also established a system to regularly report its business performance and sales activities to the Board of Directors.

Information Security

The Company considers information security-related initiatives as an important management issue in its business activities and has established the TESS Group Information Security Policy. Under this policy, the Company strives to protect the customers' information assets that it handles, as well as the TESS Group's assets, prevent information security incidents, and continue to improve protection and prevention.

TESS Group Information Security Policy ► <https://www.tess-hd.co.jp/english/security/>



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Corporate Governance

Evaluation of the Board of Directors' effectiveness

To continually improve the effectiveness of the Board of Directors, the Company conducts an annual analysis and evaluation through an anonymous questionnaire and discussion based on the results of the questionnaire to identify the strengths and issues of the Board of Directors, and works to make improvements as necessary.

In the evaluation of the Board of Directors' effectiveness implemented in the fiscal year ended June 30, 2025, we conducted a questionnaire survey of all directors, including external directors, and extracted discussion points. Then, we selected three directors (excluding members of the Audit and Supervisory Committee) and two members of the Audit and Supervisory Committee and held individual discussions with these directors on the extracted discussion points, facilitated by an external expert.

They deepened their discussions, in particular, on the efforts over issues identified in the previous year's evaluation of the Board of Directors' effectiveness and the issues identified in that year's questionnaire, including what should be positively evaluated and what still needs to be improved.

As a result, the Board of Directors confirmed that it was fulfilling its roles and responsibilities appropriately as a whole, and that the effectiveness of the Board of Directors as a whole was being ensured.

To further improve the effectiveness of the Board of Directors, we will continue to work on the implementation of constructive and active expression of opinions and supervision for highly effective business execution, based on the areas for improvement shared through the evaluation for the fiscal year ended June 30, 2025.

(Issues recognized as having improved since the previous fiscal year)

(1) The Board of Directors reaffirmed its role as a "forum for discussions to enhance corporate value"; each director is working with a high level of awareness toward investments and business execution aligned with the medium-term management plan; and a management direction focused on enhancing corporate value is shared and clarified among directors.

(2) Collaboration between the Investment Committee and the Board of Directors on significant investment projects has further progressed; systems for sharing necessary information in a timely and accurate manner have been strengthened, including the introduction of off-board meetings; and the sufficient establishment of "discussion forums" has improved the quality and depth of discussions.

(Issues recognized in the effectiveness evaluation as requiring discussions and consensus building among directors to further enhance the effectiveness of the Board of Directors)

(1) Further reform of the Board of Directors

Further select the agenda to address more important management issues and promote discussion from a more strategic, long-term, and broad perspective.

(2) Reform of the Executive Committee

Increase the delegation of authority from the Board of Directors to the Executive Committee and the frontline; and consider narrowing down the agenda of the Executive Committee to important issues required from an "executive" perspective.

(3) Reform of the Investment Committee

Establish an examination board (tentative name) as a subordinate body to the Investment Committee to select projects to be delib-

erated by the Investment Committee and identify discussion points and risks, and reduce duplication of agendas between the Board of Directors and the Investment Committee by increasing the delegation of authority from the Board to the Investment Committee, thereby transforming the way decisions are made on significant investment projects.

(4) Information collaboration with external directors

Review the system to ensure external directors' opinions are appropriately reflected in the Board of Directors by having the Board secretariat share the Board agenda and anticipated discussion points with external directors in advance, to facilitate their oversight function.

Executive training

The Company continually provides all directors and executive officers, including external directors, with training opportunities necessary to properly fulfill their roles and responsibilities through study sessions with outside experts and seminars hosted by external organizations, etc.

With regard to training, we strive to improve the effectiveness of training by setting appropriate themes based on changes in the business environment surrounding the Company and revisions to laws and regulations, etc., and also use this training as a succession planning initiative for candidates for the next board of directors.

(Themes implemented in FYE June 2025 and reasons for their selection)

(1) Corporate management and human capital management

To recognize once again the importance of human capital development and the required human capital profile in the modern business environment, and to rethink their roles and the capabilities they should possess for developing next-generation executives

(2) Corporate governance reform and the Board of Directors

To understand discussions regarding the authority and role of the Board of Directors required today, in light of trends in corporate gov-

ernance reform, and to strengthen the Board's oversight function and effectiveness

(3) SR/IR response from the investor viewpoint

To recognize that the ultimate goal of Investor Relations (IR) is to contribute "to a company's securities achieving fair valuation," understand that IR is a strategic management responsibility, and to promote the development of a more effective and efficient IR activity structure

360-degree evaluation of directors

The TESS Group conducts multi-faceted mutual evaluations of directors and executive officers at both the Company and its core subsidiary, TESS Engineering Co., Ltd.

In addition to deepening self-awareness, this evaluation helps promote collaboration among directors and executive officers and improve the quality of management decisions through feedback from diverse perspectives.

Attendance at the Board of Directors, the Audit and Supervisory Committee and the Nomination & Remuneration Advisory Committee meetings

During the fiscal year ended June 30, 2025, the Company held a total of 22 meetings of the Board of Directors, 13 meetings of the Audit and Supervisory Committee and 3 meetings of the Nomination & Remuneration Advisory Committee. Attendance at these meetings is as follows.

Job title	Name	Board of Directors*1	Audit and Supervisory Committee	Nomination & Remuneration Advisory Committee
Director and Chairman, Chairperson of the Board of Directors	Hideo Ishiwaki	100% (22/22)	—	100% (3/3)
Representative Director and President	Kazuki Yamamoto	100% (22/22)	—	100% (1/1)*2
Executive Managing Director	Toshihiro Takasaki	100% (22/22)	—	—
Director, In-charge of ESG and Women's Empowerment, General Manager of the Human Capital Strategy Division	Mayumi Yoshida	100% (22/22)	—	—
Director, Audit and Supervisory Committee Member (full-time)	Katsuhige Fujii	100% (22/22)	100% (13/13)	—
External Director, Audit and Supervisory Committee Member	Hiroyuki Okura	100% (22/22)	100% (13/13)	100% (3/3)
External Director, Audit and Supervisory Committee Member	Masaki Inoue	95% (21/22)	100% (13/13)	100% (3/3)
External Director, Audit and Supervisory Committee Member	Akio Hamamoto	100% (22/22)	100% (13/13)	100% (3/3)

*1 In addition to the above number of meetings, there were 10 written resolutions that were deemed to have been adopted by the Board of Directors based on the provisions of Article 370 of the Companies Act and Article 26 of the Company's Articles of Incorporation.

*2 The figures indicate the number of meetings held and the number of times attended since being elected as a member of the Nomination & Remuneration Advisory Committee on September 27, 2024.

Directors' remuneration

● Basic policy

The Company's basic policy is to determine the remuneration of directors as fixed remuneration and evaluation remuneration, and to set the remuneration of individual directors at an appropriate level based on their individual job responsibilities.

● Overview of directors' remuneration

Remuneration for the Company's directors is the sum of monthly fixed remuneration and monthly evaluation remuneration, and no performance-linked remuneration or non-monetary remuneration, etc. is paid. Evaluation remuneration is determined based on the Company's and the Group's performance and the contribution of each director in the previous fiscal year and other factors, taking into comprehensive consideration factors in accordance with the Company's director regulations.

The Company's policy is to determine the remuneration of Directors who are members of the Audit and Supervisory Committee by respecting the report of the Nomination & Remuneration Advisory Committee and taking into consideration the responsibilities of the Audit and Supervisory Committee Members and the level that will help maintain management human capital. Directors who are members of the Audit and Supervisory Committee determine their remuneration through consultation in response to drafts prepared by the Representative Director based on such policy (provided, however, that such remuneration shall be within the maximum amount determined by the General meeting of shareholders).

► Pickup Topics - Initiatives to strengthen governance

Introduction of the Board of Directors' effectiveness evaluation

■ The number of directors	Increase in the number of external directors (from 2 to 3)				
	FY06/2021	FY06/2022	FY06/2023	FY06/2024	FY06/2025
Directors (external directors)	6 (2)	7 (3)	8 (3)	8 (3)	8 (3)

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Dialogue with Stakeholders

The TESS Group actively engages in information disclosure and other initiatives aimed at all stakeholders to promote understanding of the TESS Group's value creation. We strive to provide timely and proactive IR-related information to shareholders and investors based on the principles of transparency, fairness and continuity. In addition to holding regular shareholders' dialogue sessions and financial results briefings, we actively disseminate information through a variety of means, including the following.

Site tours and other events at in-house power plants

The Saga Imari Biomass Power Plant, which commenced commercial operation in April 2025, holds various events such as tours for local residents, institutional investors, and analysts, as well as hosting fieldwork programs for local students. These tours provide valuable opportunities for dialogue with stakeholders as we receive questions and feedback from participants.

Furthermore, during the inspection tour held at the completion ceremony in May 2025, over 100 participants, including representatives from Imari City and other local authorities, construction personnel, and business partners responsible for fuel handling, operation, maintenance, and other tasks, were also invited to view the plant.



Information dissemination and briefings for shareholders and individual investors

The TESS Group focuses on providing information and holding briefings and other events for shareholders and individual investors to expand the reach and deepen their understanding about our business activities and future initiatives. Since September 2024, we have also held shareholders' dialogue sessions after the general meeting of shareholders. These sessions provide an opportunity for mutual communication, where we share information about the TESS Group's businesses and management's views, as well as ask for opinions and questions from our shareholders.

Information dissemination using YouTube



—Aggressive IR—
Market Breakthrough
URL ▶ <https://youtu.be/WMIXhJwIPI>



Certified public accountant Heineken's stock investment channel

[Interview with President Yamamoto of TESS Holdings (5074)]
Contributing to CO₂ and cost reduction for energy-intensive companies
—Stable growth through two models of Stock and Flow—
URL ▶ <https://youtu.be/SLy2Fv3iUdk?si=oNUzDtRJhn9G3CC>



FISCO TV

[TESS Holdings]
Prominent investor Mr. DAIBOUCHOU asks President Yamamoto a direct question!
Digging deeper?
URL ▶ <https://youtu.be/RgW9Itc4vIE>



Year-end social gatherings with clients and partner companies

We hold year-end social gatherings to strengthen relationships with our clients and partner companies. These gatherings serve as opportunities to deepen mutual understanding, build trust, and foster sustainable collaborative relationships.

Stakeholder Dialogues

The TESS Group holds dialogues with external experts and other stakeholders to obtain their candid opinions and advice for the future. We held the first dialogue in June 2023 on the theme of the TESS Group's overall ESG-related initiatives, the second in September 2024 on human capital management and diversity initiatives, and the third in September 2025.

We take their opinions and advice seriously and incorporate them into our management to enhance corporate value and contribute to the realization of a sustainable society.

3rd (September 2025)

Theme Human capital management and DX promotion



External experts

(Front row, left)
Executive Vice President
Acting General Manager of Customer Solution Division
General Manager of Gas Business Division
The Kansai Electric Power Company, Incorporated
Ms. Mika Makiyama

(Front row, center)
Professor
Meiji Business School
Graduate School of Global Business
Mr. Minoru Noda (Facilitator)

(Front row, right)
General Manager of
Human Resources Department
SG Holdings Co., Ltd.
Ms. Naoko Tobikawa

At the third dialogue held in September 2025, we invited three external experts to exchange opinions on the theme of human capital management and DX promotion. Professor Noda from Meiji Business School Graduate School of Global Business delivered a keynote speech on themes including Japan's version of Bullshit Jobs* and an intolerant society. Ms. Makiyama from The Kansai Electric Power Company, Incorporated and Ms. Tobikawa from SG Holdings Co., Ltd. shared specific initiatives from their respective companies regarding human resource strategies, organizational culture development, DX promotion, and other topics.

* A concept proposed by anthropologist David Graeber. It refers to jobs that even the person doing them feels are unnecessary and contribute nothing to the world or society.

Main themes discussed

- Communication between management and employees
- Initiatives for promoting DX
- Work burden on mid-level managers
- Implementation of 360-degree evaluations
- TESS Group's D&I training

URL ▶ https://www.tess-hd.co.jp/english/company/stakeholder-dialog/003_202509.html



*Job titles, etc. are as of the date of the event.

G

Board of Directors



Director and Chairman
Chairperson of the Board of Directors

Hideo Ishiwaki

Front row, second from the right

Sept. 2004	Joined TESS Engineering Co., Ltd.
Feb. 2008	Executive Officer, General Manager of Tokyo Branch Office, and General Manager of Corporate Planning Office
July 2008	Managing Director, and General Manager of Tokyo Branch Office
July 2009	Representative Director and President
July 2009	Director of TESS Techno Service Co., Ltd. (currently the Company)
Aug. 2012	Representative Director and President of the Company
Oct. 2012	Representative Director and President of Kyoritsu Engineering Co., Ltd.
July 2017	Representative Director and Chairman of TESS Engineering Co., Ltd.
Sept. 2017	Director of Kyoritsu Engineering Co., Ltd.
Apr. 2018	Representative Director, Chairman and President of the Company
Sept. 2022	Director and Chairman, Chairperson of the Board of Directors (current position)

Executive Managing Director

Toshihiro Takasaki

Front row, first from the right

Apr. 1995	Joined TESS Engineering Co., Ltd.
July 2014	Executive Officer, General Manager of Tokyo Branch Office, and General Manager of Sales Division
July 2017	Director, General Manager of Tokyo Branch Office, and General Manager of Sales Division
July 2017	Representative Director and President (current position)
Apr. 2018	Director of the Company
Sept. 2022	Executive Managing Director (current position)

Representative Director and President

Kazuki Yamamoto

Front row, second from the left

Apr. 1993	Joined TESS Engineering Co., Ltd.
July 2009	Director, General Manager of Tokyo Branch Office, and General Manager of Eastern Japan Sales Division
Apr. 2010	Director, General Manager of Tokyo Branch Office, and General Manager of Sales Division
Aug. 2012	Director of TESS Techno Service Co., Ltd. (currently the Company)
Jan. 2013	Representative Director of Energy and Partners Co., Ltd.
July 2014	Director and General Manager of Corporate Planning Office of TESS Engineering Co., Ltd.
July 2017	Director and General Manager of Planning Division
Apr. 2018	Executive Managing Director and General Manager of the Administration Department of the Company
Sept. 2022	Representative Director and President (current position)

Director
In-charge of ESG and Women's Empowerment,
General Manager of the Human Capital Strategy Division

Mayumi Yoshida

Front row, first from the left

Sept. 1994	Joined NIPPON TRAVEL AGENCY PACIFIC, INC.
July 1997	Joined ChuoAoyama Audit Corporation (Translation Professional of International Division)
Apr. 2001	Environmental Audit Department of Business Development Division
Sept. 2003	Seconded to ChuoAoyama Sustainability Certification Co., Ltd. while retaining the status of a member of ChuoAoyama Audit Corporation
Mar. 2006	Director
July 2007	Joined PricewaterhouseCoopers Araata (currently PricewaterhouseCoopers Japan LLC) Seconded to PricewaterhouseCoopers Araata Sustainability Certification Co., Ltd. while retaining the status of a member of PricewaterhouseCoopers Araata
Apr. 2008	Joined Japan Smart Energy Corporation (currently Japan Smart Energy Certification Corporation)
May 2009	Representative Director
June 2014	Director of Smart Energy Co., Ltd.
May 2022	Joined the Company Executive Officer, In-charge of ESG and Women's Empowerment
Sept. 2022	Director, In-charge of ESG and Women's Empowerment
Jan. 2024	Director, In-charge of ESG and Women's Empowerment, General Manager of the Human Capital Strategy Division (current position)

External Director,
Audit and Supervisory Committee Member

Hiroyuki Okura

Back row, center

Apr. 1984	Joined The Sanwa Bank, Limited (currently MUFG Bank, Ltd.)
Apr. 1989	Section Chief of Research and Information Division, Construction Economy Bureau of the Ministry of Construction (currently the Ministry of Land, Infrastructure, Transport, and Tourism) (Seconded)
May 1991	Assistant General Manager of Tokyo Sales Headquarters No.2 Department of The Sanwa Bank, Limited (currently MUFG Bank, Ltd.)
Aug. 1993	Assistant General Manager of Capital Markets Department
Apr. 1994	Senior Manager of Corporate Strategy Development Office, Branch Office Department
Oct. 1997	Head of Customers Section, Jingumae Branch
Apr. 1998	Assistant General Manager of Sanwa Securities Co., Ltd. (currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.) (Seconded)
Apr. 1999	Assistant General Manager of Business Succession Team, Corporate Business Department of The Sanwa Bank, Limited (currently MUFG Bank, Ltd.)
July 2011	Joined Tax Accounting Service KTS
May 2015	Representative Director of Sun Business Support Co., Ltd. (current position)
Sept. 2017	Audit & Supervisory Board Member of TOBI Co., Ltd. (current position)
Apr. 2018	External Director, Audit and Supervisory Committee Member of the Company (current position)
May 2025	Representative Director and Chair of Takeda Works Corporation (current position)

External Director, Audit and Supervisory Committee Member

Osamu Nakatsubo

Back row, second from the left

Apr. 1988	Joined Sumitomo Heavy Industries, Ltd.
Oct. 1993	Joined Showa Ota & Co. (currently Ems & Young ShinNihon LLC)
Oct. 2000	Joined ChuoAoyama Audit Corporation (dissolved after changing its corporate name to Misuzu Audit Corporation)
Mar. 2002	Registered as certified public accountant Seconded to ChuoAoyama Sustainability Certification Co., Ltd.
Sept. 2005	Joined Environmental Policy Bureau of Ministry of the Environment
Sept. 2007	Joined PricewaterhouseCoopers Araata (currently PricewaterhouseCoopers Japan LLC) Seconded to PricewaterhouseCoopers Araata Sustainability Certification Co., Ltd. Member of Sustainability Disclosure Technical Committee, Management Advisory Service and Research Committee of Japanese Institute of Certified Public Accountants
July 2012	Joined Gokeikai Ofuna Chuo Hospital
Aug. 2013	Joined Roppongi Life Co., Ltd.
Jan. 2020	Joined AZAWA SECURITIES CO., LTD.
July 2025	Established Nakatsubo Osamu CPA Office (current position)
Sept. 2025	External Director, Audit and Supervisory Committee Member of the Company (current position)

Skills Matrix

Name	Gender	New election	External/independent officer	Current position in the Company	Tenure	Expertise and experience						
						Corporate management	Industry knowledge/experience	Global	Finance/accounting	Legal affairs/risk management	Human capital/diversity	ESG
Hideo Ishiwaki	Male			Director and Chairman Chairperson of the Board of Directors	16 years and 3 months	●	●	●		●	●	●
Kazuki Yamamoto	Male			Representative Director and President	13 years and 1 months	●	●		●	●		
Toshihiro Takasaki	Male			Executive Managing Director	7 years and 6 months	●	●	●				
Mayumi Yoshida	Female			Director	3 years	●	●	●		●	●	●
Hiroyuki Okura	Male	External Independent		Director, Audit and Supervisory Committee Member	7 years and 6 months	●			●			
Masaki Inoue	Male	External Independent		Director, Audit and Supervisory Committee Member	7 years and 6 months	●	●	●		●	●	
Toru Aoki	Male	New election	External Independent	Director, Audit and Supervisory Committee Member	—	●			●		●	
Osamu Nakatsubo	Male	New election	External Independent	Director, Audit and Supervisory Committee Member	—				●	●		●
Michio Shigemori	Female	New election	External Independent	Director, Audit and Supervisory Committee Member	—	●	●	●	●	●		

*As of September 26, 2025

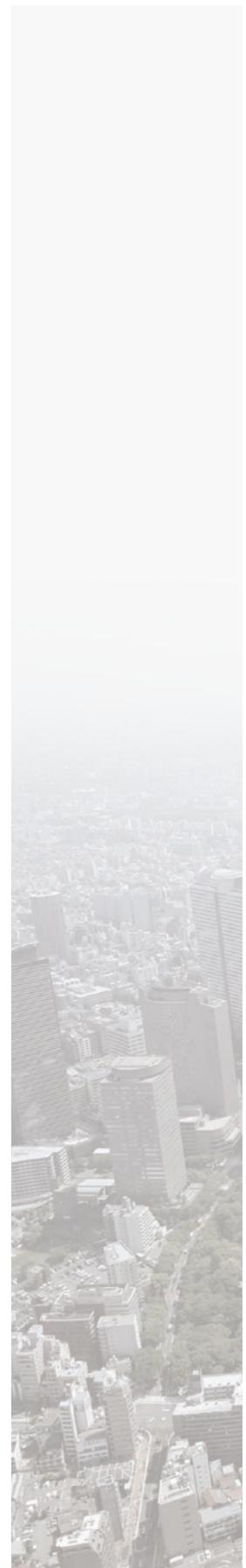
Reason for nomination as an external director

External Director, Audit and Supervisory Committee Member Hiroyuki Okura	Mr. Hiroyuki Okura has been mainly engaged in finance and capital policy operations, and has extensive business experience and knowledge. The Company has nominated him as an external director and member of the Audit and Supervisory Committee based on the belief that he will apply his experience and knowledge to the auditing and supervision of the Company.
External Director, Audit and Supervisory Committee Member Masaki Inoue	Mr. Masaki Inoue has been mainly engaged in trading and corporate planning operations, and has extensive business experience and knowledge, as well as management experience as the representative director and president of a machinery equipment manufacturer. The Company has nominated him as an external director and member of the Audit and Supervisory Committee based on the belief that he will apply his experience and knowledge to the auditing and supervision of the Company.
External Director, Audit and Supervisory Committee Member Toru Aoki	Mr. Toru Aoki has mainly accumulated extensive consulting experience in areas such as human resources strategy, talent development, and management strategy at a consulting firm. He also possesses considerable expertise through his many years serving on the audit and supervisory committee at an operating company. The Company has nominated him as an external director and member of the Audit and Supervisory Committee based on the belief that he will apply his experience and knowledge to the auditing and supervision of the Company.
External Director, Audit and Supervisory Committee Member Osamu Nakatsubo	Mr. Osamu Nakatsubo has been mainly engaged in accounting audits, assurance services for CSR reports, environmental consulting, and environmental administration as a certified public accountant at audit firms, operating companies, and the Ministry of the Environment, accumulating extensive experience. He also possesses extensive expertise from his experience in underwriting reviews at a securities firm. The Company has nominated him as an external director and member of the Audit and Supervisory Committee based on the belief that he will apply his experience and knowledge to the auditing and supervision of the Company.
External Director, Audit and Supervisory Committee Member Michio Shigemori	Ms. Michio Shigemori has been mainly engaged in financial and tax management and internal audit responses at financial institutions, accumulating extensive experience. She also possesses considerable expertise from her experience in fundraising, building internal control systems, and investor relations in the startup industry. The Company has nominated her as an external director and member of the Audit and Supervisory Committee based on the belief that she will apply her experience and knowledge to the auditing and supervision of the Company.

	FY06/2019	FY06/2020	FY06/2021		FY06/2022	FY06/2023	FY06/2024	FY06/2025
Consolidated operating results								
Net sales (millions of yen)	29,638	28,415	34,249		34,945	34,415	30,643	36,684
Gross profit (millions of yen)	5,050	6,303	7,542		8,455	10,611	6,553	7,453
Gross profit margin (%)	17.0	22.2	22.0		24.2	30.8	21.4	20.3
Operating profit (millions of yen)	1,508	3,511	4,399		5,146	6,864	2,370	2,548
Operating profit margin (%)	5.1	12.4	12.8		14.7	19.9	7.7	6.9
Ordinary profit (millions of yen)	775	2,534	3,836		4,654	5,518	7,660	(641)
Ordinary profit margin (%)	2.6	8.9	11.2		13.3	16.0	25.0	(1.7)
Profit attributable to owners of parent (millions of yen)	38	1,625	1,990		2,695	3,592	1,185	204
Profit margin attributable to owners of parent (%)	0.1	5.7	5.8		7.7	10.4	3.9	0.6
Consolidated financial position								
Net assets (millions of yen)	8,536	8,409	22,813		25,239	28,340	41,796	42,853
Total assets (millions of yen)	59,182	81,158	100,724		94,256	94,089	119,128	151,262
Per share information (consolidated) *1, *2								
Net profit per share (yen)	0.56	26.77	31.83		38.43	51.05	16.82	2.91
Net assets per share (yen)	100.32	127.01	324.47		358.41	401.08	588.72	603.51
Consolidated cash flows								
Cash flows from operating activities (millions of yen)	1,181	(1,608)	431		14,646	13,827	(42)	7,806
Cash flows from investing activities (millions of yen)	(8,427)	(15,348)	(4,475)		(6,215)	(16,029)	(15,490)	(9,165)
Cash flows from financing activities (millions of yen)	7,649	19,220	17,098		(12,397)	(5,192)	18,436	3,794
Cash and cash equivalents at end of period (millions of yen)	6,872	9,094	22,169		18,369	11,026	14,098	16,431
Dividend								
Dividend payout ratio (consolidated) (%)	—	3.1	28.2		27.2	25.5	95.1	176.0
Dividend per share (yen)	—	20.00	20.52		21.00	26.00	16.00	5.12
Key management indicators								
Return on equity (ROE) (%)	0.55	22.09	13.10		11.24	13.44	3.40	0.49
Return on invested capital (ROIC) (%)	—	—	—		—	—	1.6	1.4
Equity ratio (%)	11.74	9.56	22.60		26.74	30.02	34.85	28.13
Others								
Number of consolidated employees (people)	295	300	316		350	374	405	471
Number of consolidated subsidiaries (companies)	12	17	18		20	21	20	22

*1 The Company carried out a ten-for-one share split of its common shares on February 1, 2021. Net profit per share and net assets per share are calculated on the assumption that the stock split was executed at the beginning of the fiscal year ended June 30, 2019.

*2 The Company allotted stock acquisition rights based on partial commitment-type rights offering to shareholders as of the shareholder fixed date of June 30, 2023, and issued new shares upon the exercise of such rights. Net profit per share and net assets per share are calculated on the assumption that the payment under such rights offering was made at the beginning of the fiscal year ended June 30, 2019.



Overview of the Company

Company name	TESS Holdings Co., Ltd.
Representative	Kazuki Yamamoto, Representative Director and President
Founded	July 9, 2009
Share capital	6,760 million yen
Number of employees	471 (consolidated) / 65 (non-consolidated)
Location	<p>Osaka Head Office (Registered Head Office) Shin-Osaka Prime Tower, 6-1-1 Nishinakajima, Yodogawa-ku, Osaka-shi, Osaka 532-0011 Japan TEL +81-6-6308-2794 FAX +81-6-6308-2749</p> <p>Tokyo Head Office Yaesu First Financial Bldg, 1-3-7 Yaesu Chuo-ku, Tokyo 103-0028 Japan TEL +81-3-3548-8240 FAX +81-3-3548-8241</p>



Osaka Head Office (Yodogawa-ku, Osaka-shi)



Tokyo Head Office (Chuo-ku, Tokyo)

Status of shares

Total number of authorized shares	120,000,000 shares
Total number of shares issued	70,646,130 shares (incl. 130,156 treasury shares)
Number of shareholders	17,805

Status of major shareholders

Name of shareholder	Number of shares held (thousand shares)	Shareholding ratio (%)
Stone Side LLC	5,200	7.37
Hideo Ishiwaki	4,800	6.80
Takaokaya LLC	4,731	6.70
The Master Trust Bank of Japan, Ltd. (trust account)	4,675	6.63
K Co., Ltd.	4,303	6.10
Hikari Co., Ltd.	3,857	5.47
Tokyo Century Corporation	3,532	5.00
Kazuki Yamamoto	1,555	2.20
Tomoya Ishida	1,396	1.98
ISHIWAKI FOUNDATION	1,200	1.70

*The shareholding ratio is calculated after deducting 130,156 treasury shares.

Shareholder memo

Fiscal year	From July 1 of each year to June 30 of the following year
Fixed date for shareholder to receive year-end dividend	June 30
Fixed date for shareholder to receive interim dividend	December 31
Ordinary general meeting of shareholders	Within 3 months after the end of each fiscal year
Shareholder registry administrator Special account management institution	Mitsubishi UFJ Trust and Banking Corporation
Contact of the above	Mitsubishi UFJ Trust and Banking Corporation Osaka Securities Agency Division 3-6-3 Fushimi-machi, Chuo-ku, Osaka 541-8502 Japan TEL 0120-094-777 (toll-free within Japan)
Stock exchange listing	Tokyo Stock Exchange Prime Market

Consolidated subsidiaries

TESS Engineering Co., Ltd.	EPC, renewable energy power generation and operation businesses
Kyoritsu Engineering Co., Ltd.	New installation and renewal of utility facilities for factories
Prime Solar LLC	Solar power generation business
TESS Asset Management LLC	Renewable energy operation business
Energy and Partners Co., Ltd.	Solar power generation business
T&M Solar LLC	Solar power generation business
Solar Energy Create LLC	Solar power generation business
Silent partnership with Awaji-Sano Solar Power LLC as operator	Solar power generation business
Silent partnership with Kochi-Muroto Solar Power LLC as operator	Solar power generation business
Silent partnership with Chiba-Katori Solar Power LLC as operator	Solar power generation business
Silent partnership with Ibaraki-Ushiku Solar Power LLC as operator	Solar power generation business
Silent partnership with Prime Solar 2 LLC as operator	Solar power generation business
Prime Solar 3 LLC	Solar power generation business
Kumamoto Nishiki Green Power LLC	Biomass power generation business
Imari Green Power Co., Ltd.	Biomass power generation business
Gunma Tanigawadake Hydropower LLC	Hydroelectric power generation business
Kirishima-Manzen Geothermal Energy LLC	Geothermal power generation business
Silent partnership with Fukuoka-Miyako Solar Power LLC as operator	Solar power generation business
TESS Logistics LLC	Trade, commerce and transportation of biomass fuels
PT PTEC RESEARCH AND DEVELOPMENT	Research and development of biomass fuels
PTEC SINGAPORE PTE. LTD.	Procurement and wholesale distribution of biomass fuels
PT INTERNATIONAL GREEN ENERGY	Export and sales of biomass fuels
Intelligent Solar System Co., Ltd.	Maintenance of solar power generation monitoring systems
Mie Enewood Co., Ltd.	Biomass power generation business
VT Utilities Services K.K.	Utility management service business in water, waste and energy sectors
TOLLCUX INVESTMENTS LIMITED	Energy storage business for the UK grid

Please see our website for the latest information on the list of our group companies.

