

We are the doctor of
your invisible air.



 **Nippon Air Conditioning Services Co., Ltd.**

Fiscal year ended March 2021
Financial Results Reference Materials

June 2021

TSE 1st section, NSE 1st section: [4658](#)

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I . Overview and strength	p.03-p.24
II . Financial highlights	p.25-p.38
III . Toward the achievement of long-term vision	p.39-p.47

Building facilities **maintenance**

Number of technology-related employees: **2,515**

Bases: **47** prefectures and **6** overseas countries

Company overview		
Head office	239-2 Terugaoka, Meito-ku Nagoya-shi, Aichi Japan	
Capital stock	¥1,139 million	
Business description	General building facility maintenance service	
Number of employees	Consolidated 3,095	Non-consolidated 2,188
Net sales	Consolidated ¥49.1 billion	Non-consolidated ¥34.5 billion
Number of bases	Domestic 82 bases	Overseas 10 bases

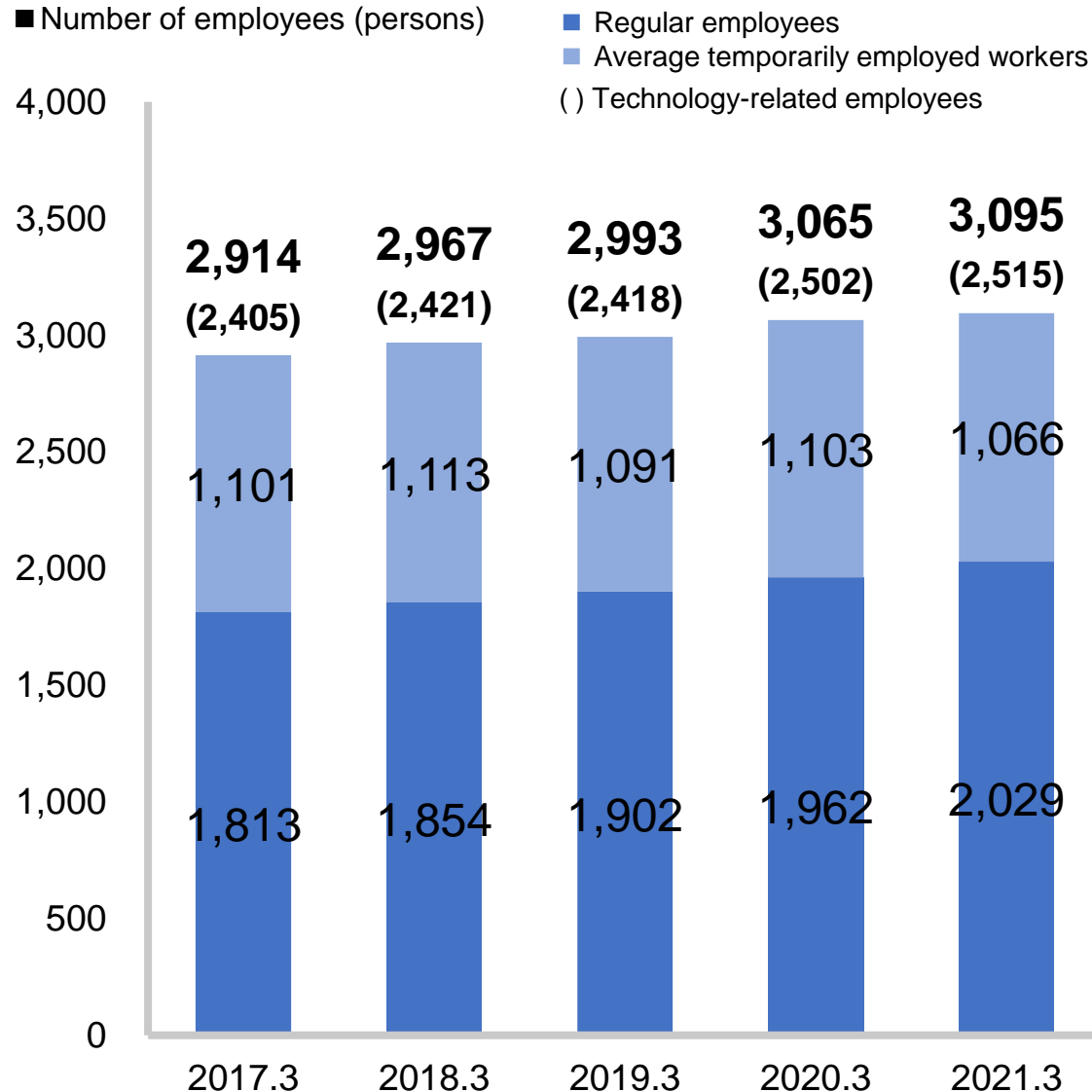
Apr. 1964 The company is established in Higashijukucho, Nakamura-ku Nagoya-shi, Aichi.



* Number of employees is as of the end of March 2021.

* For net sales, the number in the fiscal year ended March 2021 is used.

* Number of bases is as of the end of March 2021 (based on address).



Technology-related employees
 account for more than 80%

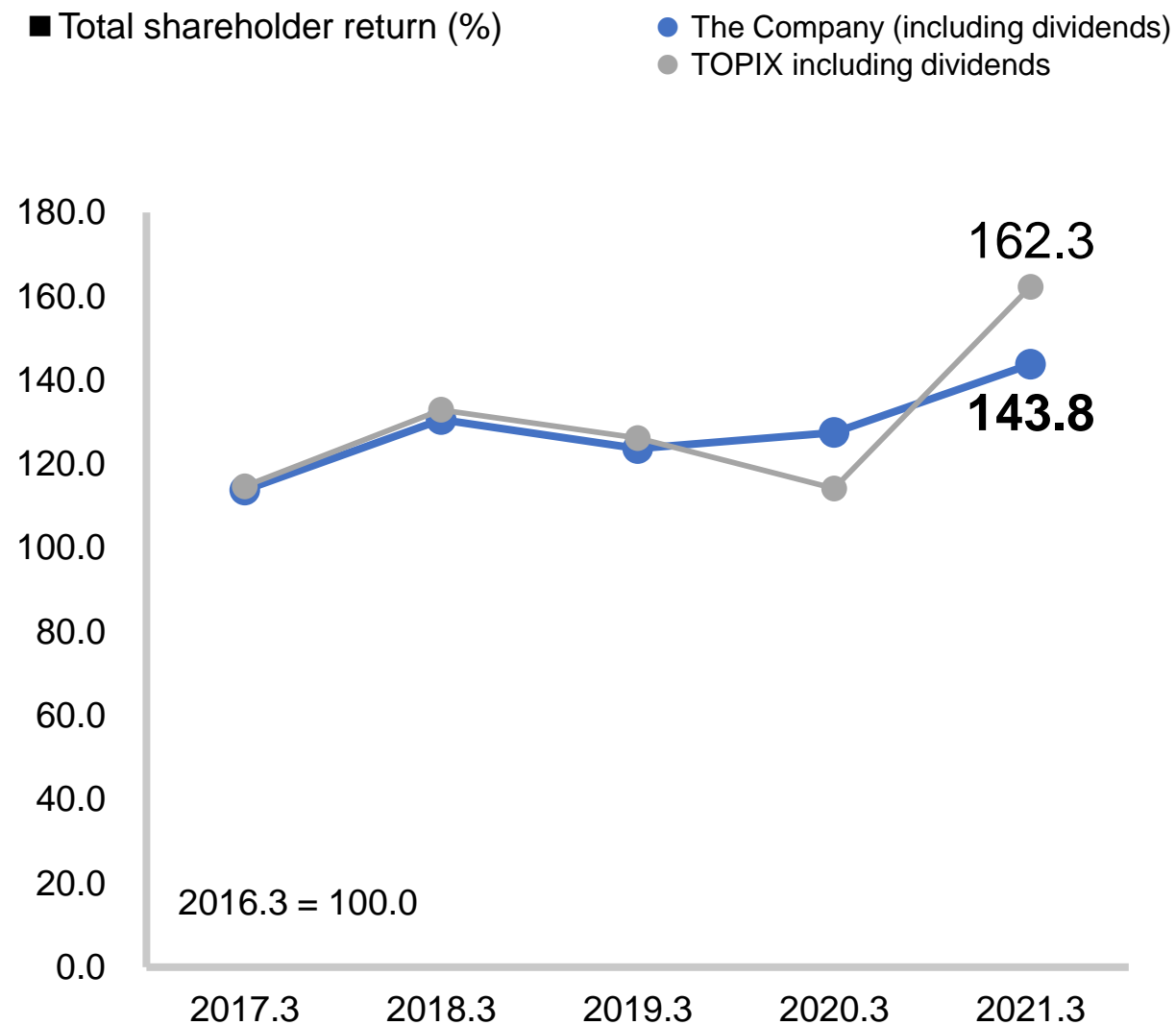
Technology-oriented company



Systems for improving
 technological capabilities

- Systematic training curriculum
- Linking promotions to official qualifications
 - Instructor system, etc.

Stock-related information	
Stock price	¥730
Total market capitalization	¥26.1 billion
Dividends	¥28 per share
Dividend payout ratio	50.2%
Dividend yield	3.84%
Number of shareholders	6,607
PER	13.08x (EPS : ¥55.79)
PBR	1.27x (BPS : ¥572.85)
ROE	10.5%



* For stock price, closing price as of May 31, 2021 is used.

* For dividends and EPS, predicted numbers in the fiscal year ending March 2022 are used.

* For number of shareholder, as of the end of March 2021 is used.

* For BPS and ROE, actual number in the fiscal year ended March 2021 are used.

* Total market capitalization is based on total shares issued and outstanding (including treasury stock) as of the end of the period ended March 31, 2021.

To make all our stakeholders happier



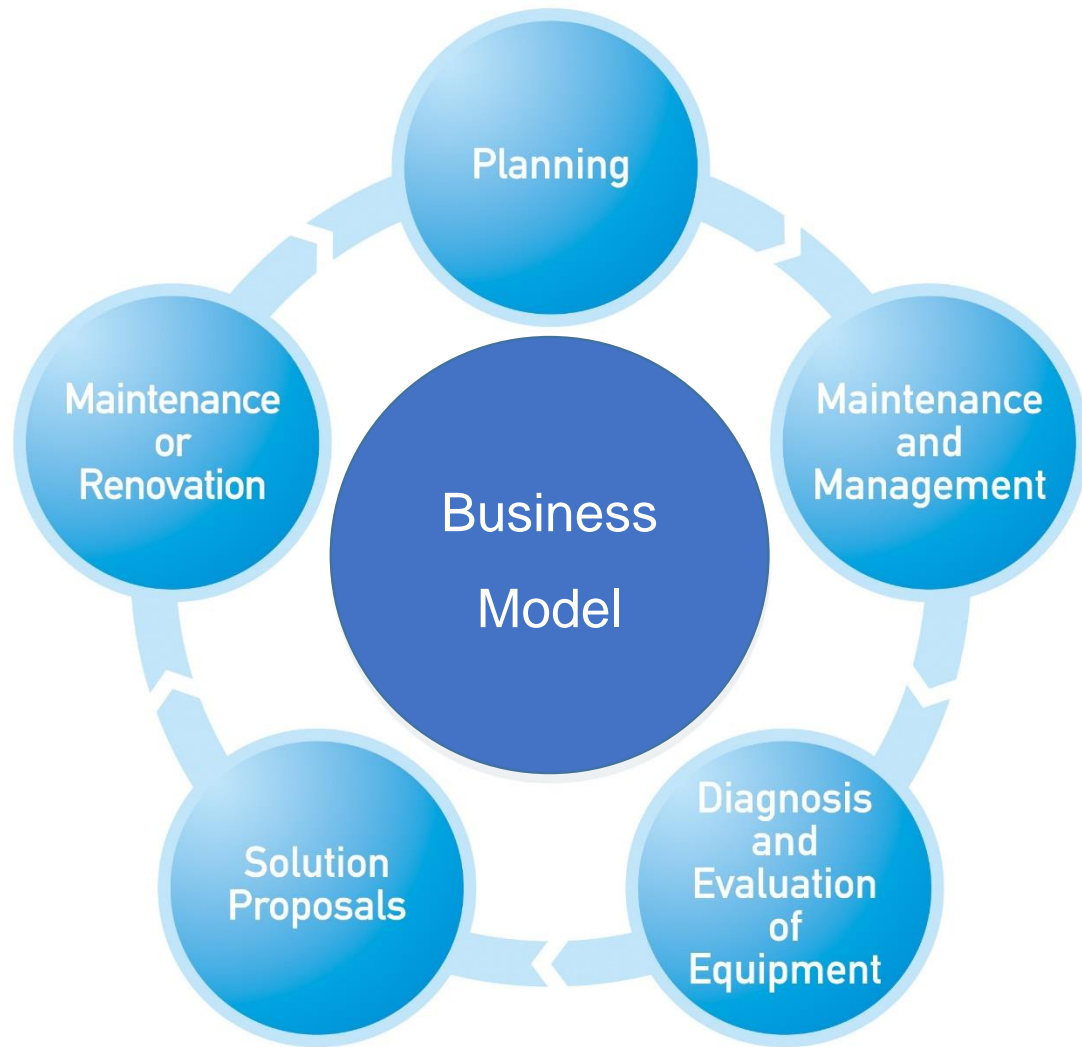
Creation of social value

Management philosophy

Bringing together the technological capabilities and human resources to maintain optimal environments and give our clients peace of mind through top quality service.



Creation of economic value



In-house technicians can respond in any phase



Technological capabilities

Total support capabilities

Solution capabilities

Business division	Overview	Net sales composition
<p style="text-align: center;">PM</p> <p style="text-align: center;">Preventive Maintenance</p>	<ul style="list-style-type: none"> ■ Inspection, maintenance, repair, replacement, etc. of overall equipment / systems of buildings. (mainly air conditioning) 	<p style="font-size: 2em;">37%</p>
<p style="text-align: center;">FM</p> <p style="text-align: center;">Facility Management</p>	<ul style="list-style-type: none"> ■ Integrated management that optimally combines maintenance services with daily maintenance and management. 	<p style="font-size: 2em;">30%</p>
<p style="text-align: center;">RAC</p> <p style="text-align: center;">Reform and Construction</p>	<ul style="list-style-type: none"> ■ Mainly renovation work of existing equipment. 	<p style="font-size: 2em;">33%</p>

* For net sales composition, actual number in the fiscal year ended March 2021 is used.

Central surveillance service



Daily measurement service



Regular maintenance service



Solution proposals



Environmental diagnosis service



Disinfection and decontamination service



“Is it possible to create such and such environment?”
or “How can we improve the situation?”



Boosting added value by identifying needs
based on dialogue with customers

Linked to ESG (Environment)

■ Net sales and operating income changes since foundation (billion yen)



* Accounts settlement period was irregular for FY1969 (6th fiscal year) and FY1992 (30th fiscal year), six months.

Three goals since foundation

- (1) Overseas expansion (Jan. 1999)
- (2) IPO in TSE and NSE (Sep. 2006)
- (3) Expansion to all prefectures (Mar. 2018)

Achieved all



To make all our stakeholders happier

- (1) [Customers] Provision of high-added value services
- (2) [Employees] Improvement of satisfaction level and technological capabilities
- (3) [Shareholders] Implementation of stable returns

Link to improvement of value of entire society

Construction and maintenance Companies
approx. ¥2.2 trillion



Approx. 70% of the air conditioning and heat source system market
is for existing buildings



we project a target for the Company of
approx. ¥1.5 trillion

	The Company	Company A	Company B	Company C
Total market capitalization	¥26.1 billion	¥179.0 billion	¥96.8 billion	¥6.5 billion
PER	13.08x	15.74x	15.69x	6.44x
PBR	1.27x	1.89x	1.57x	0.37x
ROE	10.5%	14.1%	9.8%	6.3%
Net sales	¥49.1 billion	¥300.0 billion	¥104.1 billion	¥34.6 billion
Operating income	¥3.0 billion	¥15.2 billion	¥7.5 billion	¥1.1 billion
Operating income to sales	6.1%	5.1%	7.2%	3.2%
Average annual salary	¥5,960 thousand	¥4,700 thousand	¥3,480 thousand	¥3,650 thousand
Average age	39.1 years old	45.4 years old	52.8 years old	52.2 years old

High flexibility and
Capability to create added value

▼

**Inferior in amount but
superior in ratio and efficiency**

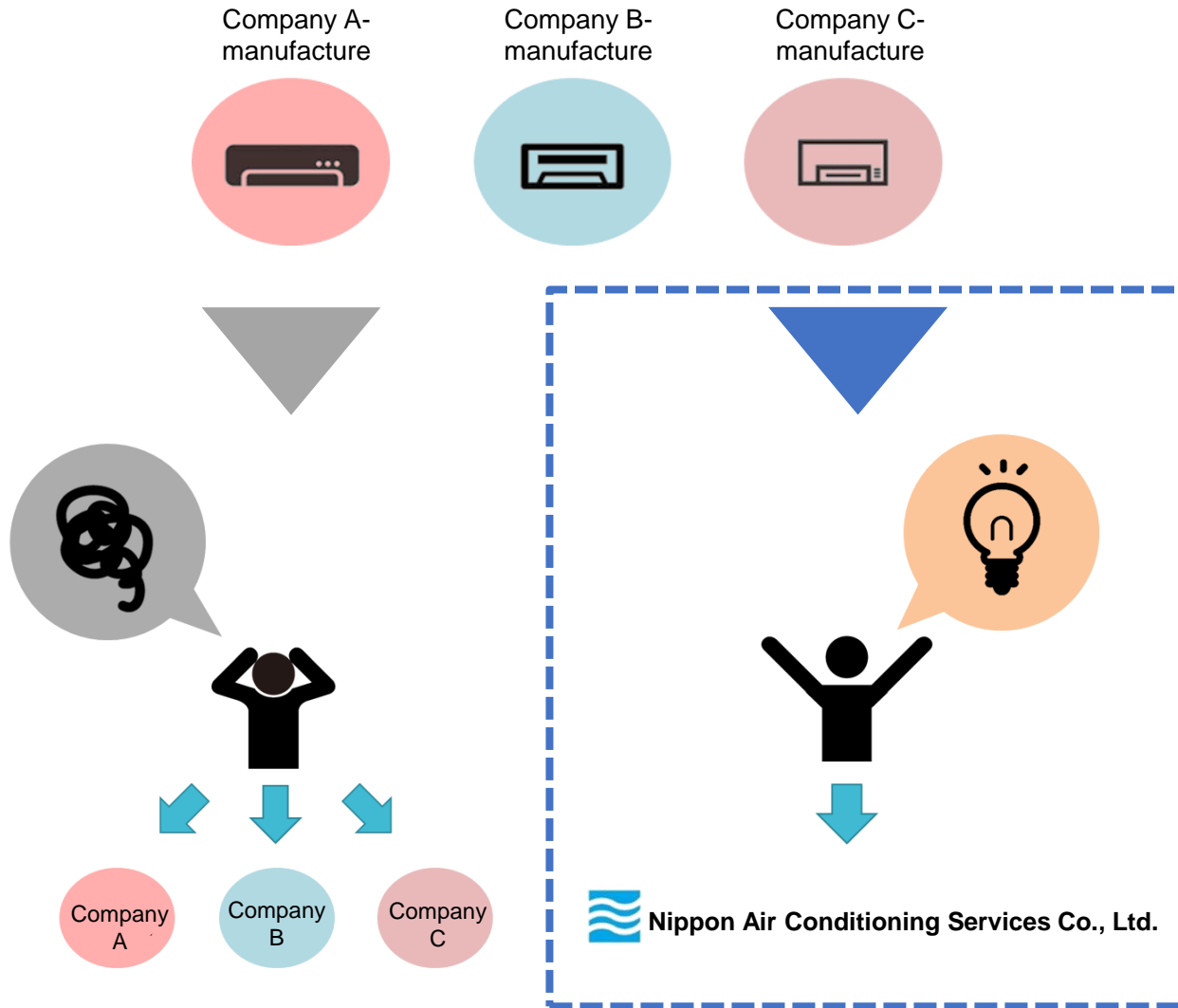
* For total market capitalization of individual companies, closing price as of May 31, 2021 is used.

* For EPS of individual companies, predicted number as of FY2021 is used, for BPS, ROE, net sales, operating income, operating income to sales, the actual numbers for FY2020 are used.

* For average annual salary and average age, the actual numbers for FY2019 are used.

* Total market capitalization of individual companies is based on total shares issued and outstanding (including treasury stock) as of the end of FY2020.

There is air-conditioning equipment from various makers inside buildings.



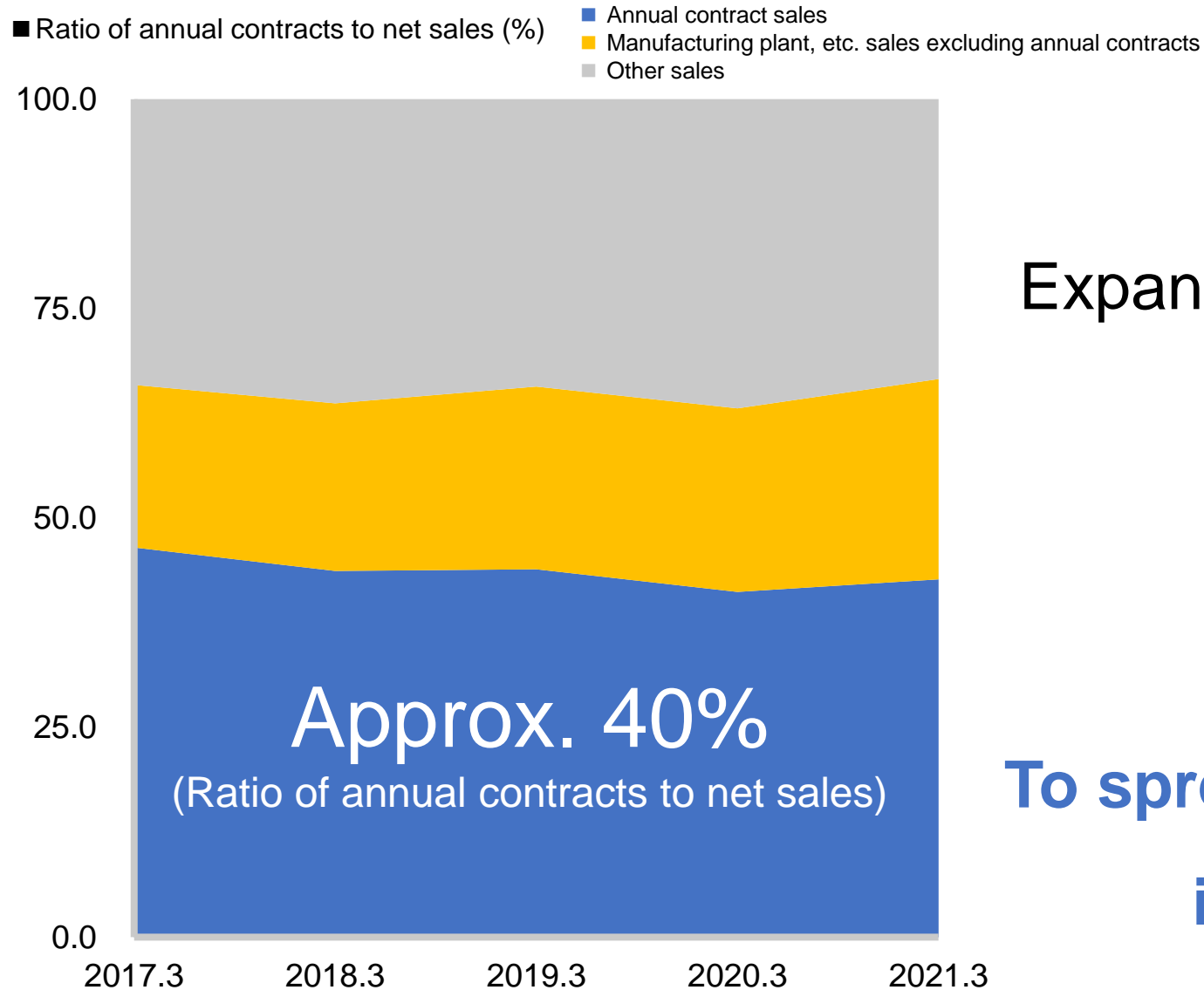
No restrictions by makers

Quick response in-house



Reduced workload on customers

Flexibility and diversity



Stable annual contracts

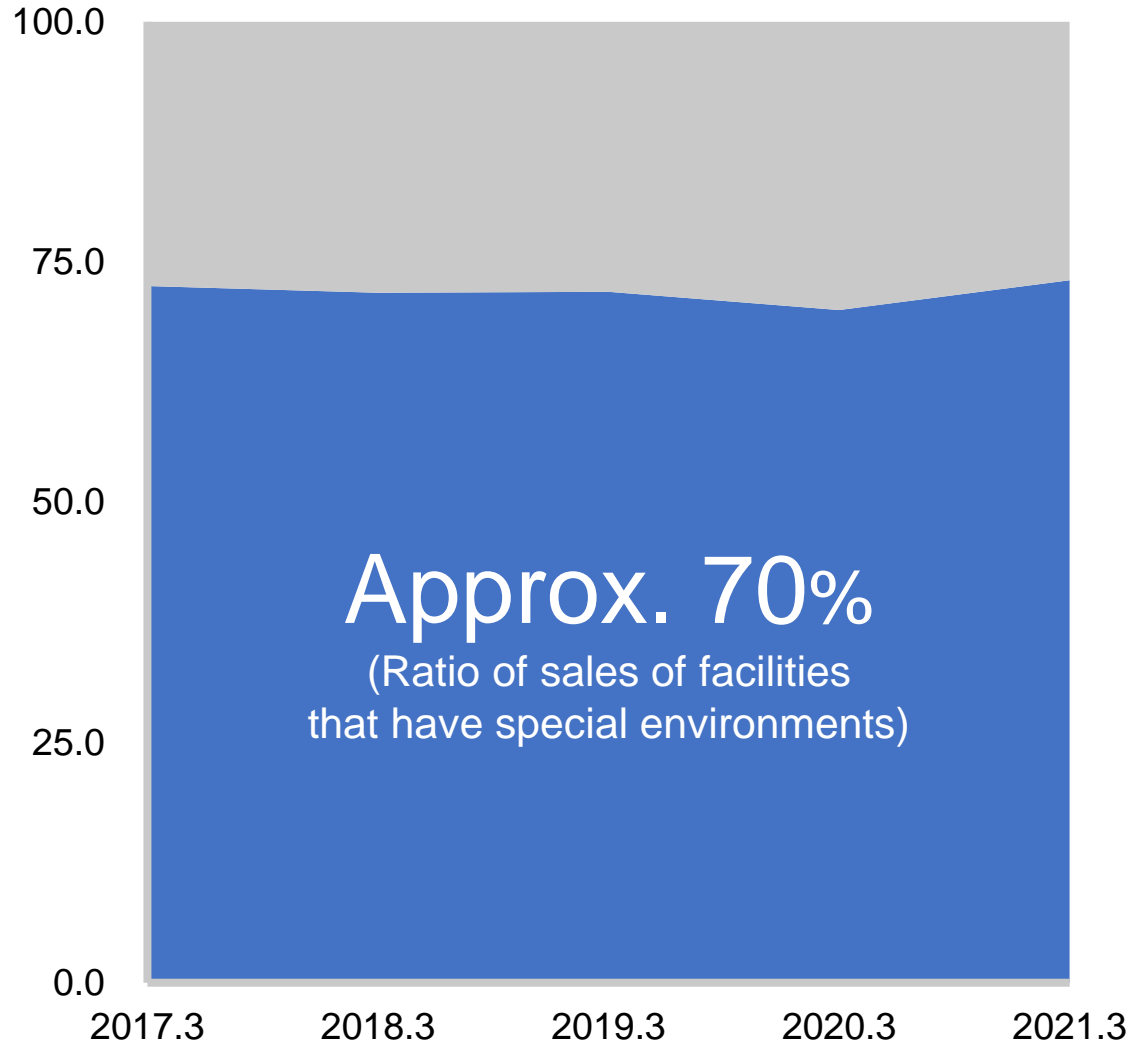
Expansion of manufacturing plants, etc.



**The key to growth is
manufacturing plants**

**To spread economic risk by operating
in various business types**

■ Ratio of sales of facilities with special environment (%) ■ Ratio of sales of facilities with special environment
■ Other sales



Excellent technological capabilities
are required for maintenance
and management



High barrier to entry
High switching cost

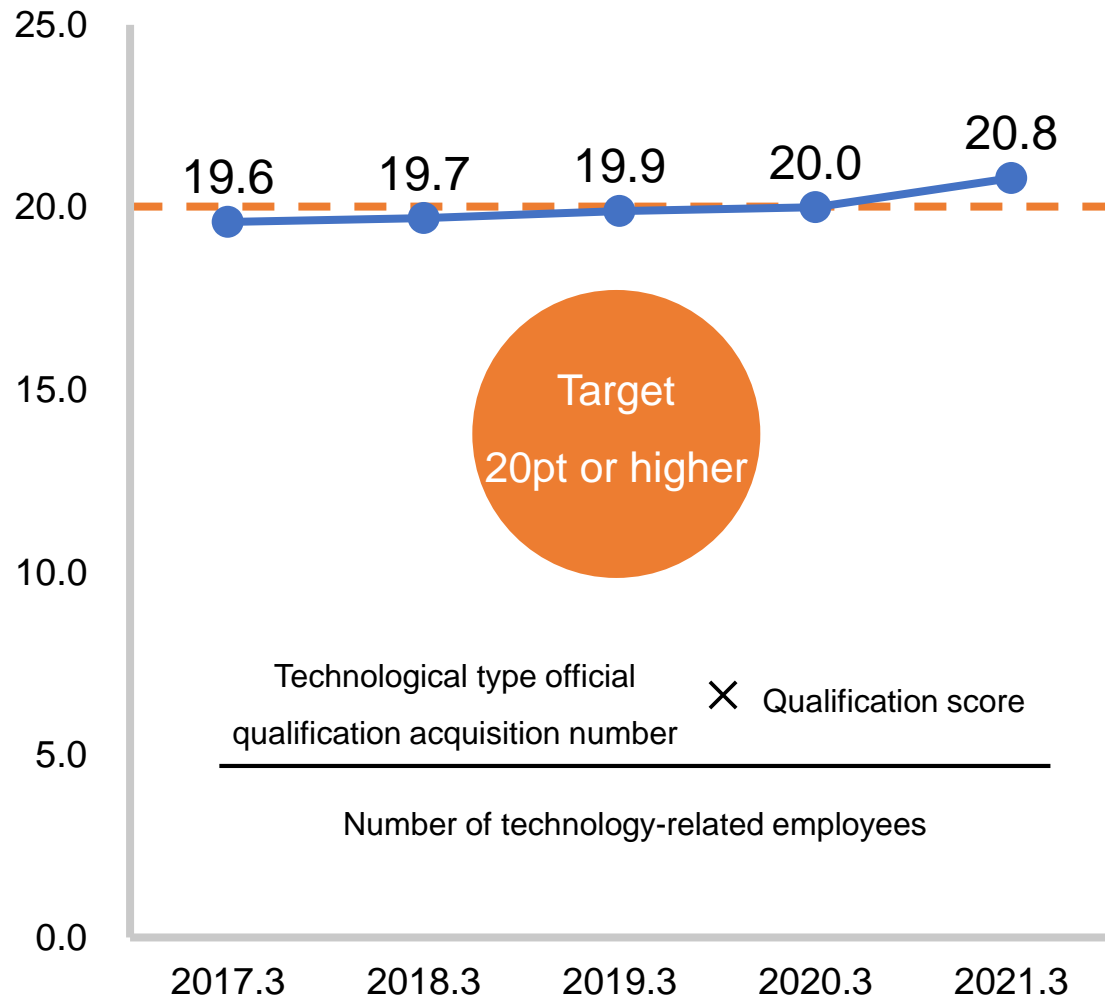
* Facilities with special environments indicate “hospital and research facilities,” “manufacturing plants, etc.,” and “other special facilities.”

Examples of the **technological capabilities** required are shown below.



* Picture: Environmental performance measurement / diagnosis, Clean equipment maintenance, Environmental hygiene management, High efficiency filter maintenance, Work environment measurement, Safety cabinet performance inspection / decontamination / sterilization / cleaning etc.

■ Technological capabilities index (pt)



Technological type official qualification acquisition number

9,336



Base of technological capabilities

Linked to human resources

* The official qualification acquisition number and number of employees are only those related to technology. The qualification score is based on the Company's standard. The total number of official qualifications held is as of the end of March 2021. All numbers are on a non-consolidated basis.

Office building



Air conditioning equipment in conference room breaks down



Use the same room patiently
Use other room

Replaceable, low level of emergency



Hospitals



Air conditioning equipment in operating room breaks down



Operating room cannot be used
Surgery cannot be performed



Irreplaceable, high level of emergency



Manufacturing plants



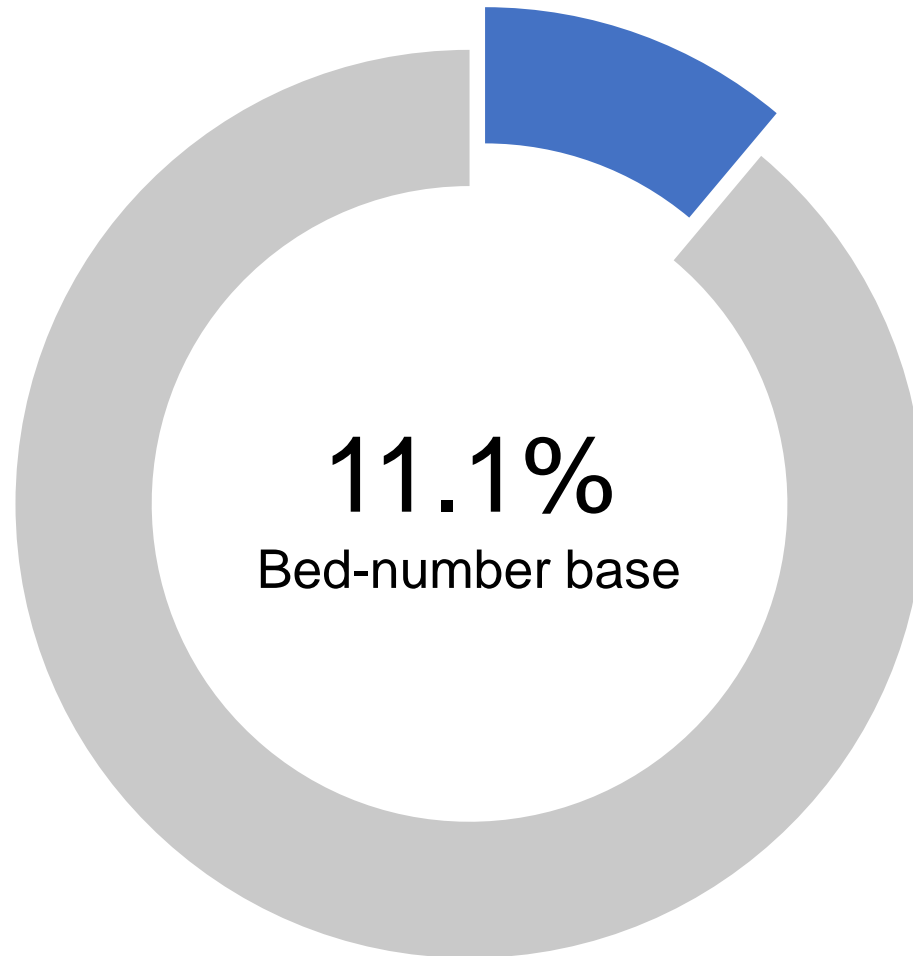
Air conditioning equipment in manufacturing plant breaks down



Products quality defects
Manufacturing line halt



- Percentage of acceptance of outsourcing for domestic hospitals that have 600 beds or more (%)



Strength in maintenance and management
of facilities of large-scale hospitals



Integrated management
Maintenance of environmental performance
Optimization of facility administration

New approach to expand orders for
pharmaceutical manufacturing plants, etc.



Validation total support



A project is under way to build a system
toward medium- to long-term deployment

To achieve carbon neutrality:



Private solar power generation and consumption systems for manufacturing plants and similar facilities



Shift in paradigm from selling power to in-house production and consumption

Currently being actively developed by Nippon Air Conditioning Hokuriku Co., Ltd.
through use of PPA model, etc.

System currently in development targets nationwide deployment

I . Overview and strength	p.03-p.24
II . Financial highlights	p.25-p.38
III . Toward the achievement of long-term vision	p.39-p.47

Net sales : ¥**49.1** billion [-1.1%]

Operating income : ¥**3.0** billion [-3.2%]

Final income : ¥**1.9** billion [+5.2%]

* For net sales, operating income, final income, the number in the fiscal year ended March 2021 is used.

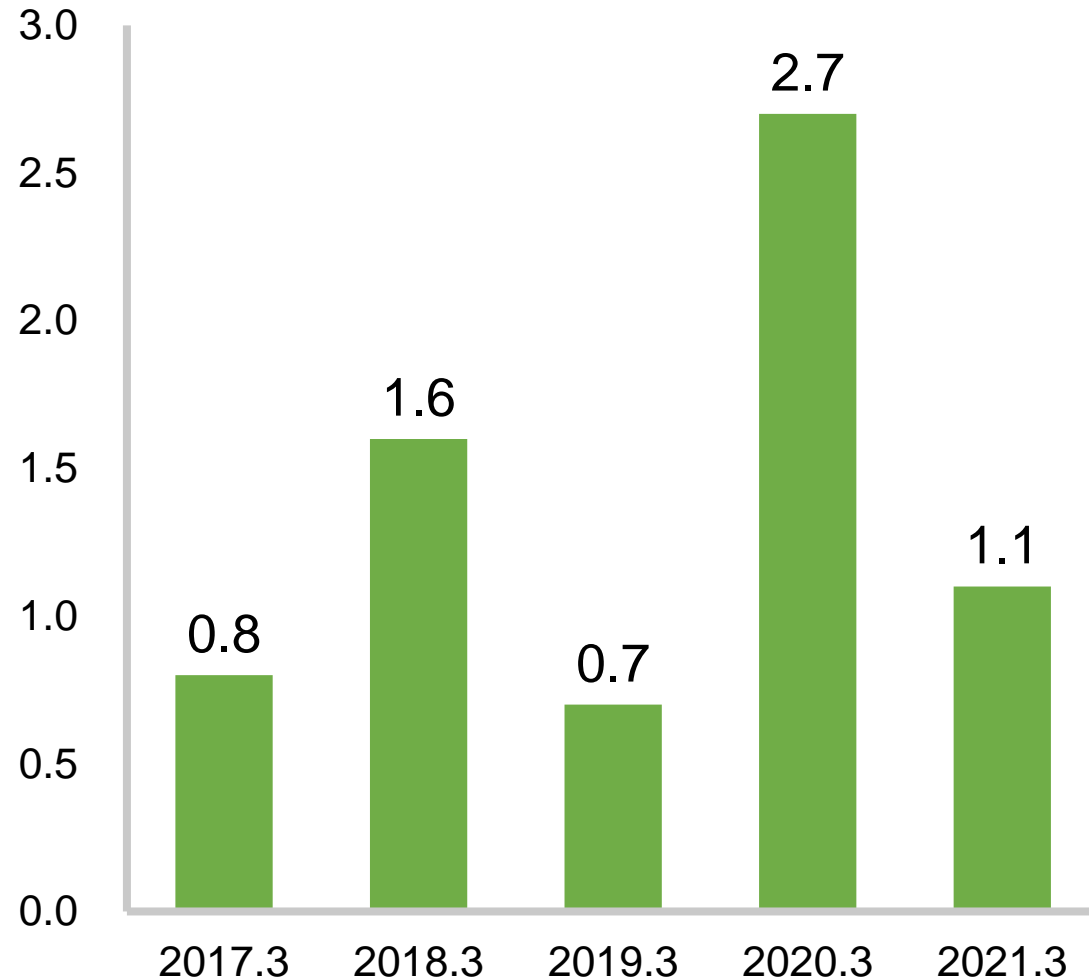
* Final income indicates profit attributable to owners of parent.

Special demand for renovation work related to air conditioning at schools disappeared.
Revenue and profit decreased due partly to the Covid-19 pandemic.

(billion yen, %)

Consolidated (cumulative period)	FY03/2019			FY03/2020			FY03/2021		
	Amount	Ratio to sales	Year-on-year growth ratio	Amount	Ratio to sales	Year-on-year growth ratio	Amount	Ratio to sales	Year-on-year growth ratio
Net sales	46.3	100.0	+2.0	49.6	100.0	+7.1	49.1	100.0	(1.1)
Maintenance service sales	31.9	68.9	+3.8	32.2	65.0	+1.0	32.8	66.7	+1.7
Renovation work construction work volume	14.4	31.1	(1.7)	17.4	35.0	+20.7	16.3	33.3	(6.1)
Gross profit on sales	8.5	18.4	+3.9	9.3	18.9	+9.6	9.1	18.5	(2.7)
Selling, general and administrative expenses	5.9	12.8	+3.5	6.2	12.6	+5.4	6.1	12.4	(2.5)
Operating income	2.6	5.6	+4.8	3.1	6.3	+19.4	3.0	6.1	(3.2)
Ordinary income	2.7	5.9	+5.7	3.2	6.5	+18.0	3.1	6.4	(2.3)
Profit attributable to owners of parent	1.7	3.9	+14.8	1.8	3.8	+5.9	1.9	4.1	+5.2

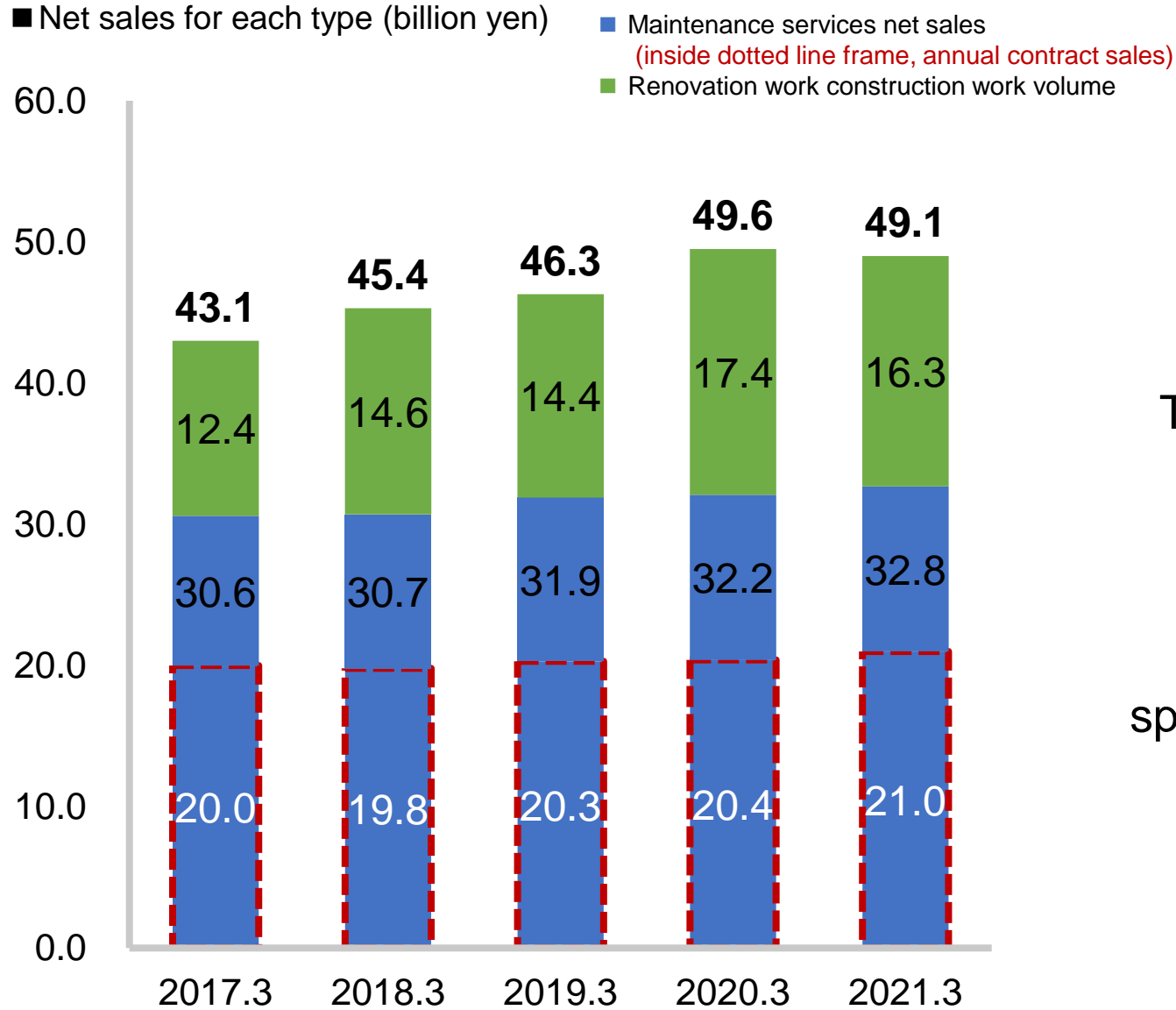
■ Net sales of renovation work for educational and cultural facilities (billion yen, %)



**Disappearance of special demand
for renovation work**



Inability to offset slowing special demand
for air conditioning equipment work
at elementary and middle schools



Impact of Covid-19 pandemic

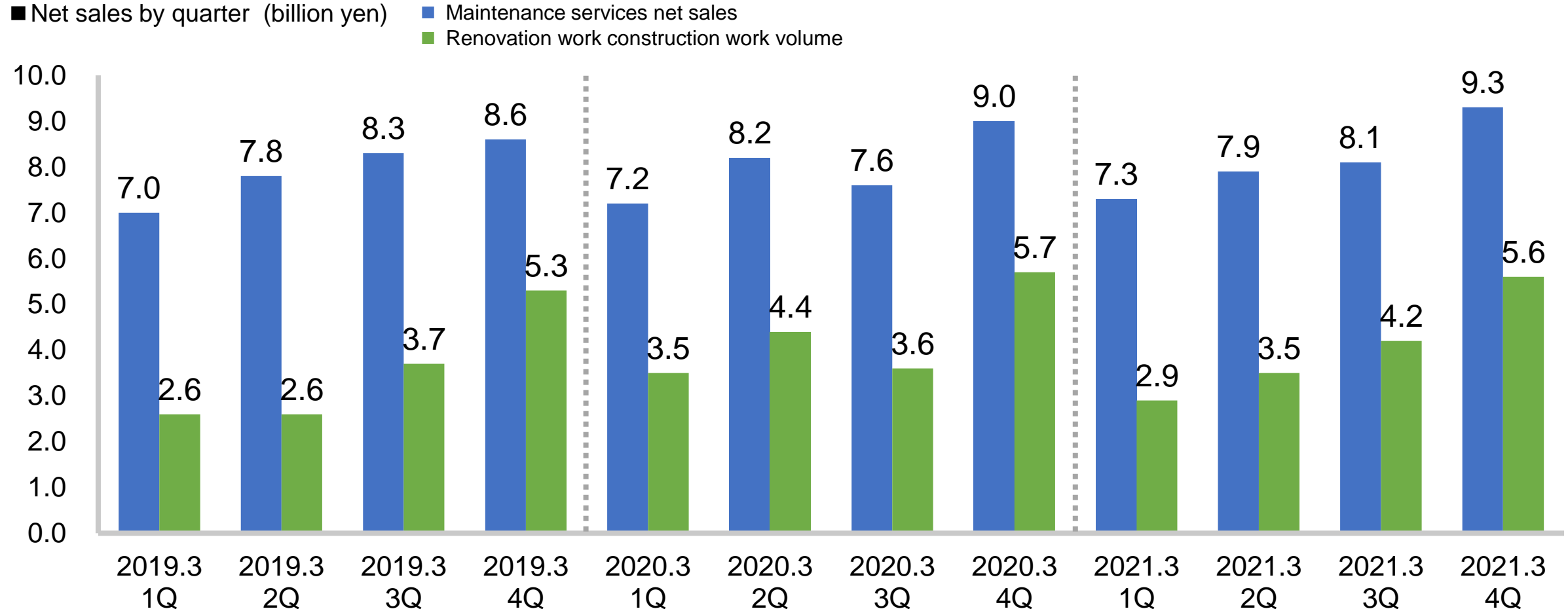


The impact of the Covid-19 pandemic on annual contracts was small

Numerous delays in and freezing of spot maintenance and construction work, especially in first half

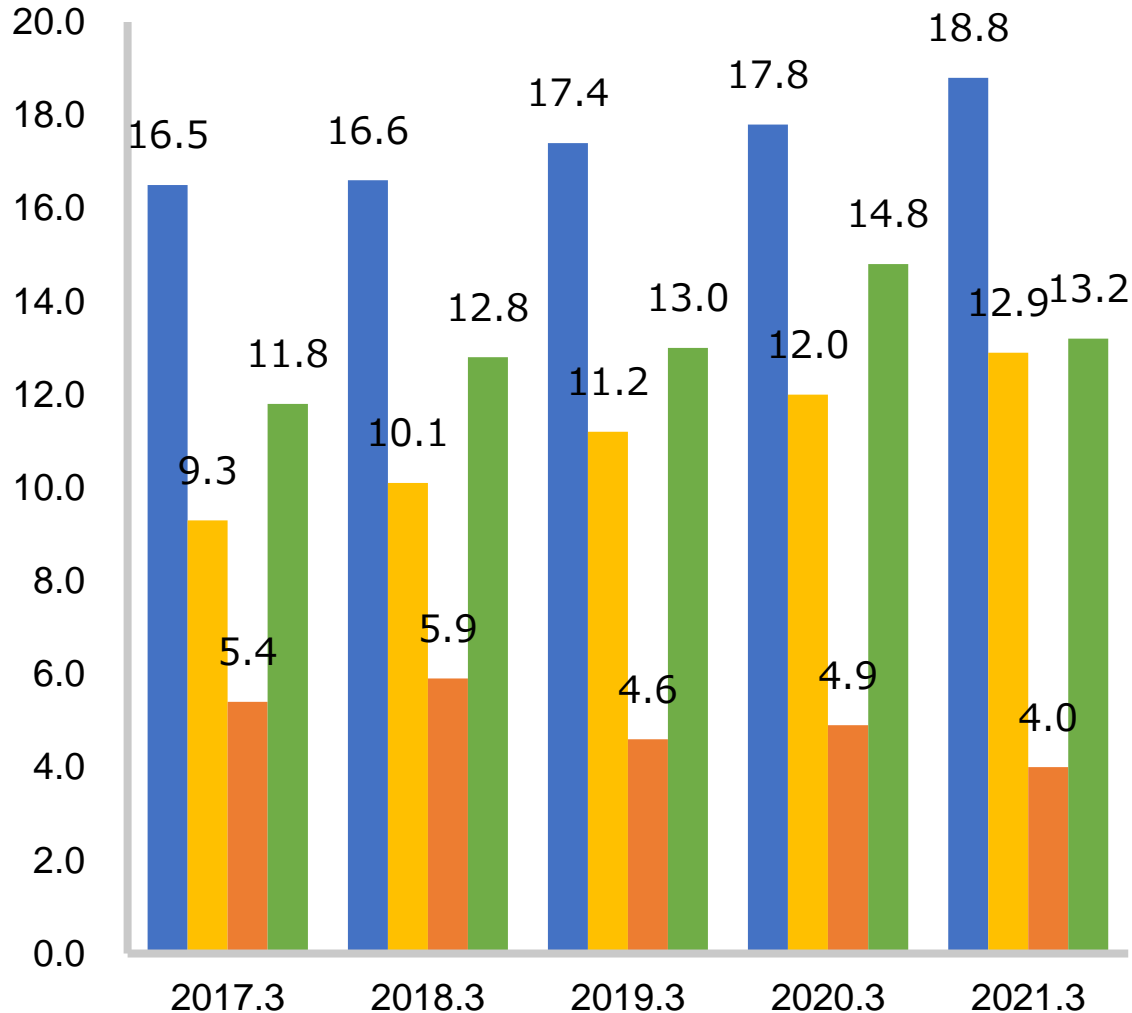
Impact of Covid-19 lessened in 3Q

Slowing special demand and COVID-19 impacted heavily on 1H; recovery began in 3Q



■ Net sales by facilities of which services are entrusted (billion yen)

- Hospitals and research facilities
- Manufacturing plants, etc.
- Other special facilities
- Office buildings, etc.



**Demand related to “Office buildings, etc.”
Decreased due to the disappearance of special
demand related to air conditioning at schools**

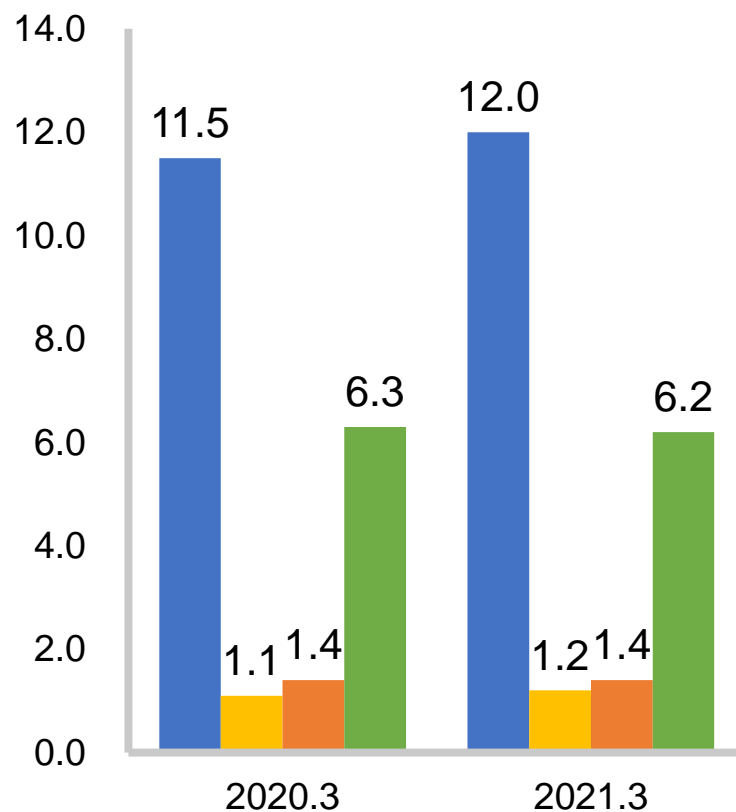


Demand related to air conditioning at schools peaked

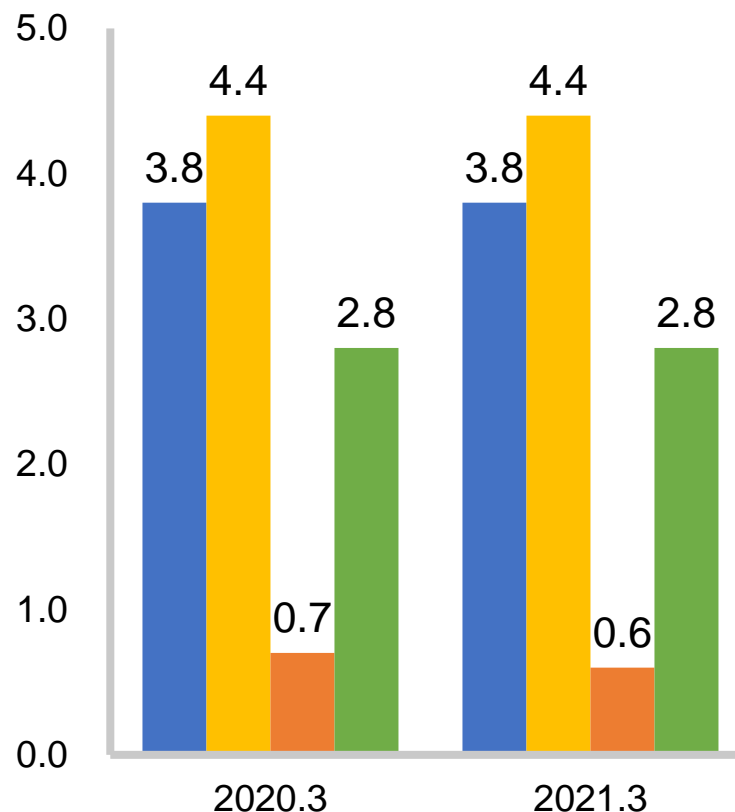
Demand related to manufacturing plants (growth driver)
remained unchanged* due to the Covid-19 pandemic

* The major factor driving growth in net sales to manufacturing plants, etc. in the fiscal year ended March 2021 was a shift in facilities for which solar power orders were received from other special facilities to Manufacturing plants etc.

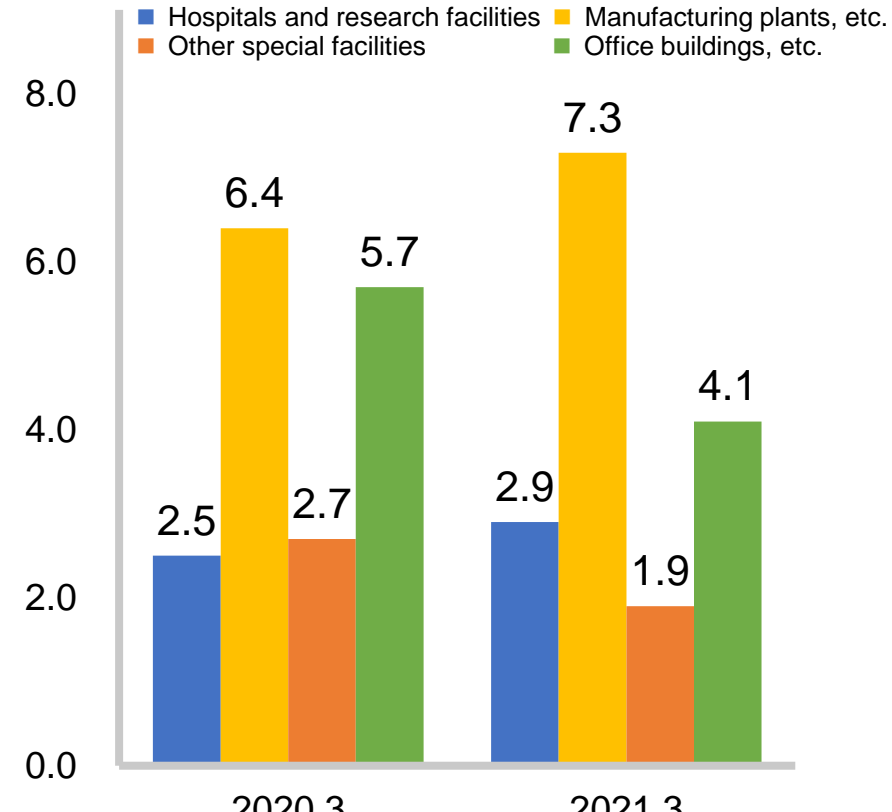
■ Annual contract sales (billion yen)



■ Maintenance services net sales (billion yen)



■ Renovation work construction work volume (billion yen)



number of cases : 3,005 cases

3,071 cases

number of cases : 32,567 cases

34,373 cases

number of cases : 3,576 cases

3,840 cases

average unit price : ¥6,732 thousand

¥6,757 thousand

average unit price : ¥352 thousand

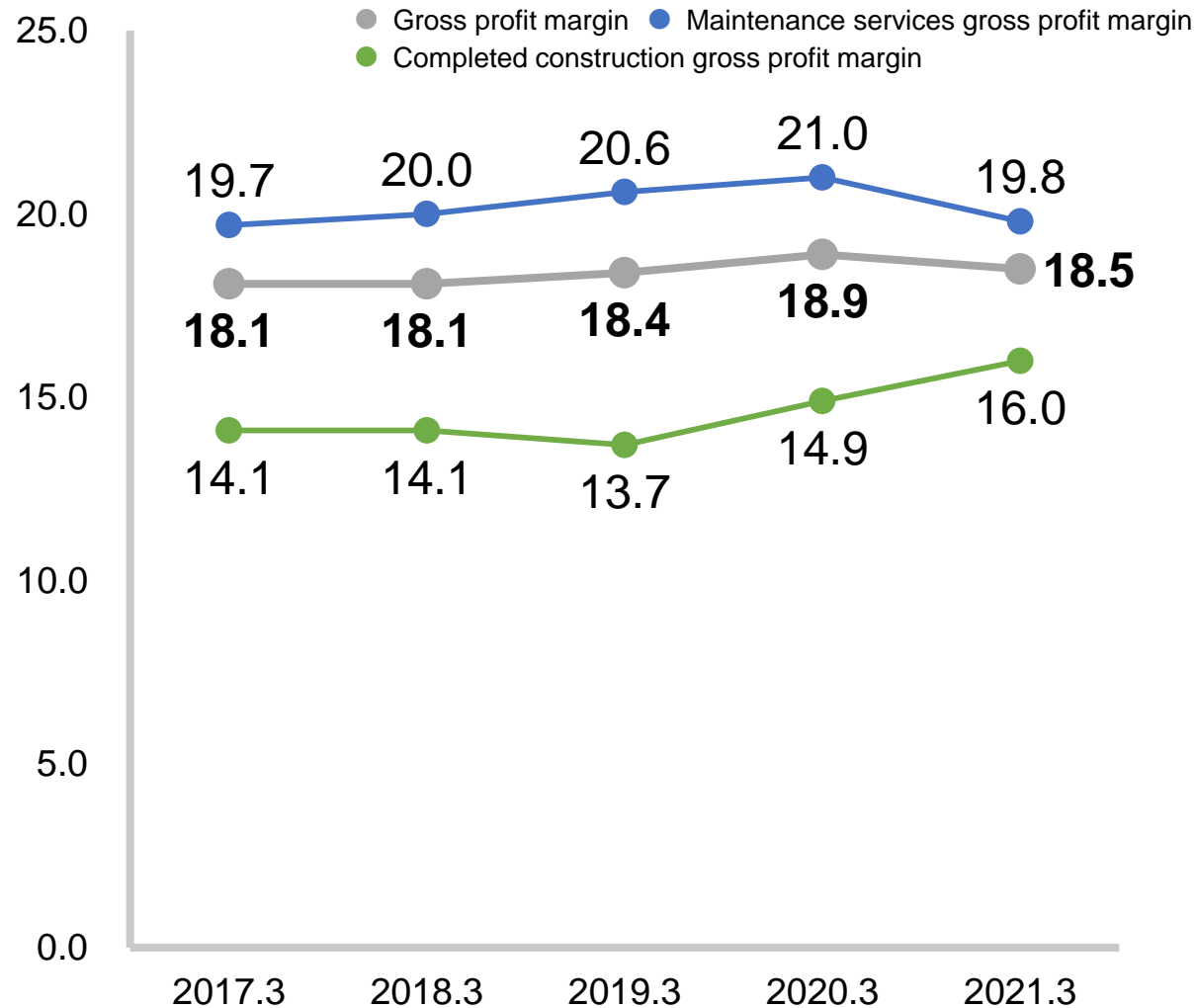
¥336 thousand

average unit price : ¥4,731 thousand

¥4,119 thousand

* Number of cases and average unit price only count domestic ones.

■ Gross profit margin (%)



Maintenance

gross profit margin: decreased



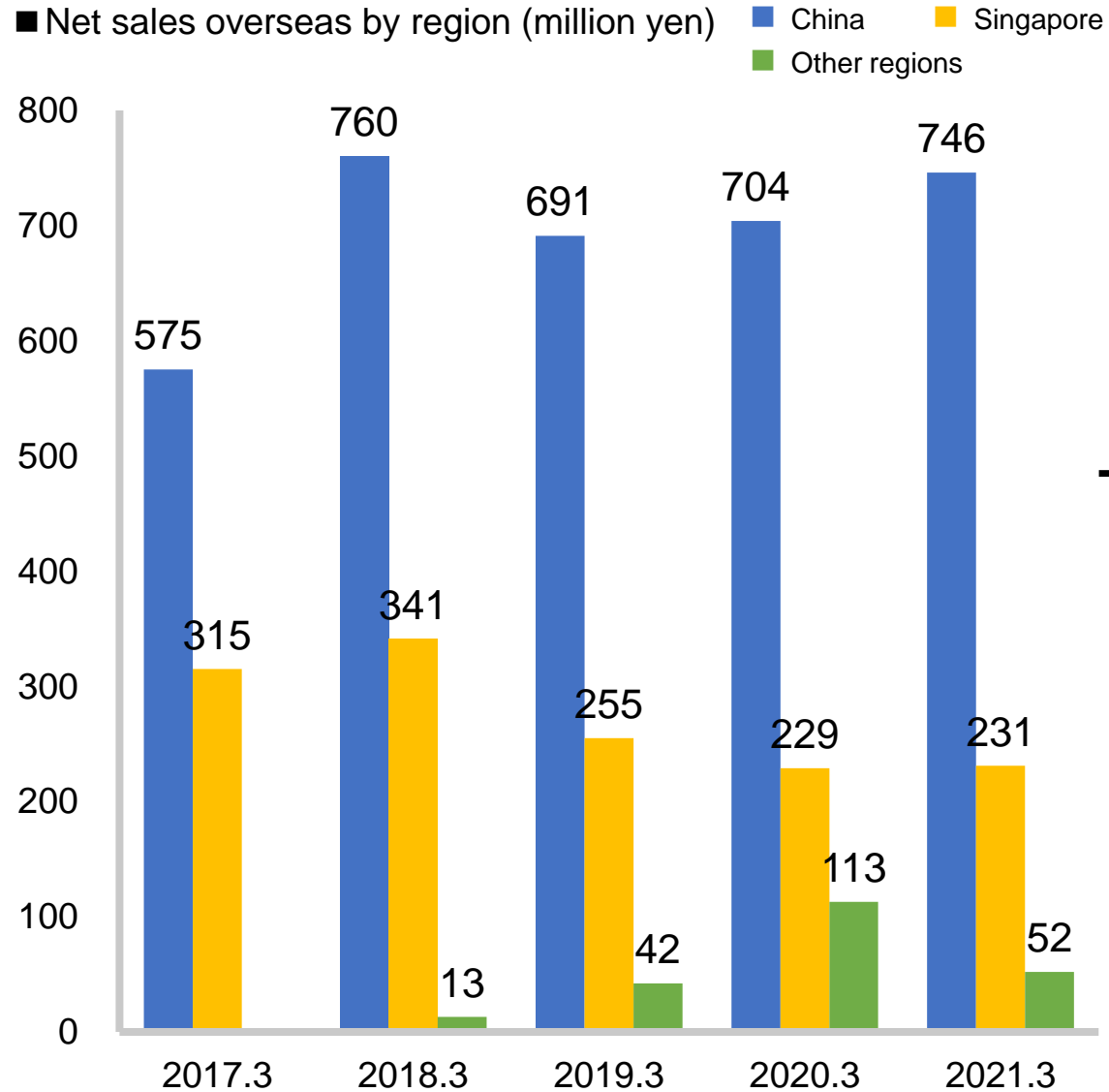
Difficulty in growing spot sales
at manufacturing plants, etc.

Completed construction

gross profit margin: increased



Strong sales of solar panel installation work



Net sales in seven countries outside Japan:

¥ 1.0 billion

Operating income to sales overseas : - 3.9%

The impact of the Covid-19 pandemic was large



Lower interest in capital investments due to lower utilization rates resulting from lockdowns and other factors, especially in 1H

* "Other regions" of net sales overseas by region are Bangladesh, Malaysia, Vietnam and Myanmar.

Consolidated (cumulative period)	FY03/2020		FY03/2021	
	Amount (billion yen)	Year-on-year growth ratio (%)	Amount (billion yen)	Year-on-year growth ratio (%)
Cash flows from operating activities	0.1	(95.9)	2.7	+2,425.3
Cash flows from investing activities	(0.3)	(138.3)	(0.2)	+11.5
Cash flows from financing activities	(1.0)	+23.1	(1.8)	(75.6)
Cash and cash equivalent growth	(1.2)	—	0.6	—
Balance of cash and cash equivalent at beginning of the period	6.8	+20.4	5.6	(17.8)
Balance of cash and cash equivalent at end of the period	5.6	(17.8)	6.2	+11.0

The operating CF increased



Method of paying outsourcing costs
changed in previous period
(to cash payment in following month),
resulting in decreased
cash flow from operating activities

Consolidated (as of the end of period)	FY03/2020		FY03/2021	
	Amount (billion yen)	Year-on-year growth ratio (%)	Amount (billion yen)	Year-on-year growth ratio (%)
Current assets	19.5	(3.1)	20.1	+2.9
Fixed assets	13.4	(2.2)	14.7	+9.9
Total assets	33.0	(2.8)	34.9	+5.7
Interest-bearing debts	1.7	(3.5)	1.2	(29.4)
Other liabilities	12.8	(13.1)	13.3	+3.8
Total liabilities	14.5	(12.0)	14.5	(0.2)
Total net assets	18.4	+6.0	20.3	+10.4
Total liabilities and net assets	33.0	(2.8)	34.9	+5.7

The capital adequacy ratio increased

54.8% ⇒ 57.4%



Treasury stock

(68 million yen) ⇒ (359 million yen)

Revaluation on available-for-sale securities

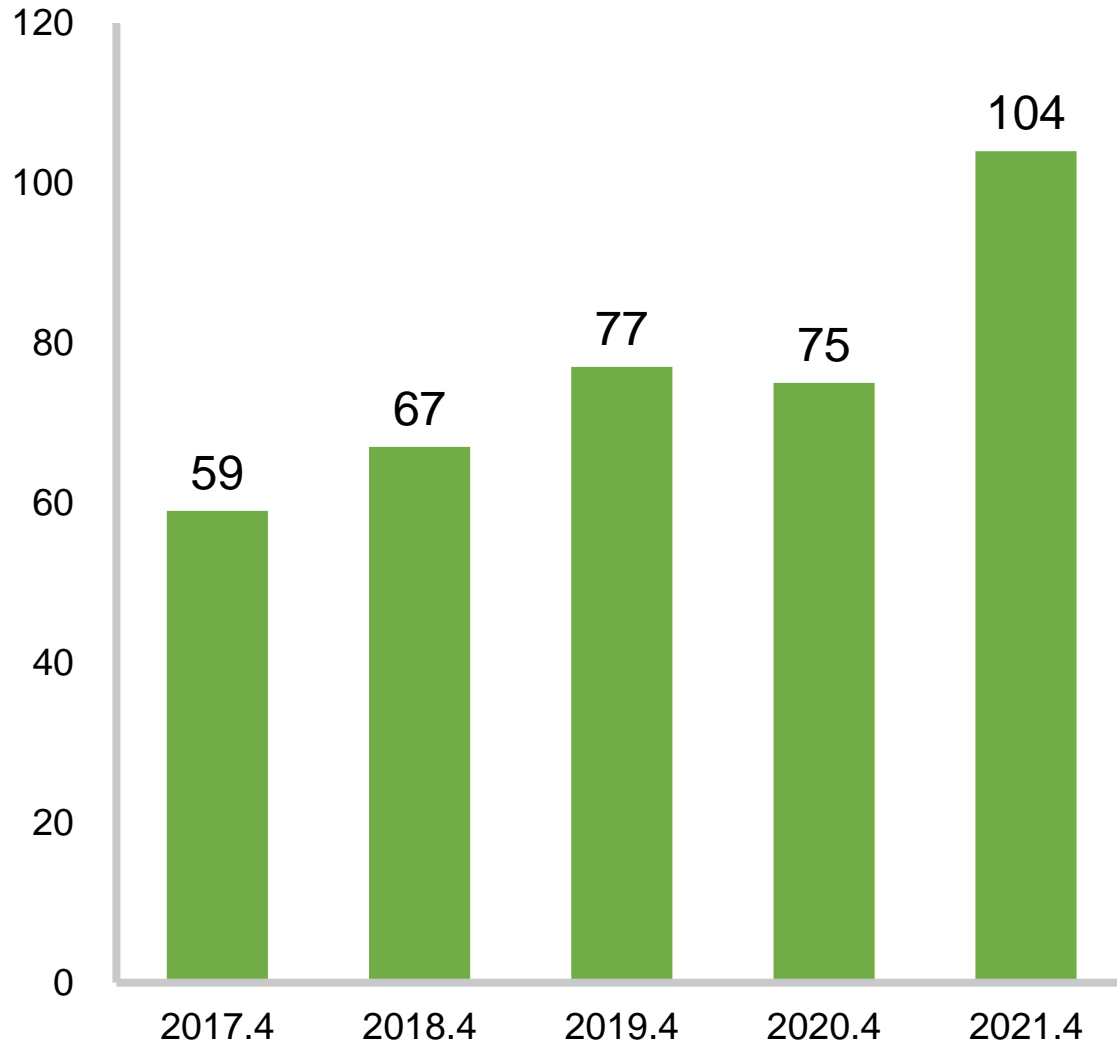
1.9 billion yen ⇒ 3.1 billion yen

While the impact of COVID-19 is not expected to increase from the last period, profits are expected to decrease, despite increased sales, due to factors such as higher labor costs associated with the proactive hiring of new graduates

(billion yen, %)

Consolidated (cumulative period)	FY03/2020			FY03/2021			FY03/2022(forecast)		
	Amount	Ratio to sales	Year-on-year growth ratio	Amount	Ratio to sales	Year-on-year growth ratio	Amount	Ratio to sales	Year-on-year growth ratio
Net sales	49.6	100.0	+7.1	49.1	100.0	(1.1)	52.0	100.0	+5.8
Maintenance service sales	32.2	65.0	+1.0	32.8	66.7	+1.7	35.0	67.3	+6.7
Renovation work construction work volume	17.4	35.0	+20.7	16.3	33.3	(6.1)	17.0	32.7	+4.0
Gross profit on sales	9.3	18.9	+9.6	9.1	18.5	(2.7)	9.2	17.7	+0.9
Selling, general and administrative expenses	6.2	12.6	+5.4	6.1	12.4	(2.5)	6.2	11.9	+1.5
Operating income	3.1	6.3	+19.4	3.0	6.1	(3.2)	3.0	5.8	(0.3)
Ordinary income	3.2	6.5	+18.0	3.1	6.4	(2.3)	3.1	6.0	(1.4)
Profit attributable to owners of parent	1.8	3.8	+5.9	1.9	4.1	+5.2	1.9	3.8	(2.4)

■ Number of new graduates hired (persons)



Number of new graduates hired: 104 persons



Forward-looking investments
intended to increase the value of human capital

I . Overview and strength	p.03-p.24
II . Financial highlights	p.25-p.38
III . Toward the achievement of long-term vision	p.39-p.47

Enhanced human resources value



Capital productivity improvement



Creation of sustainable shareholder value

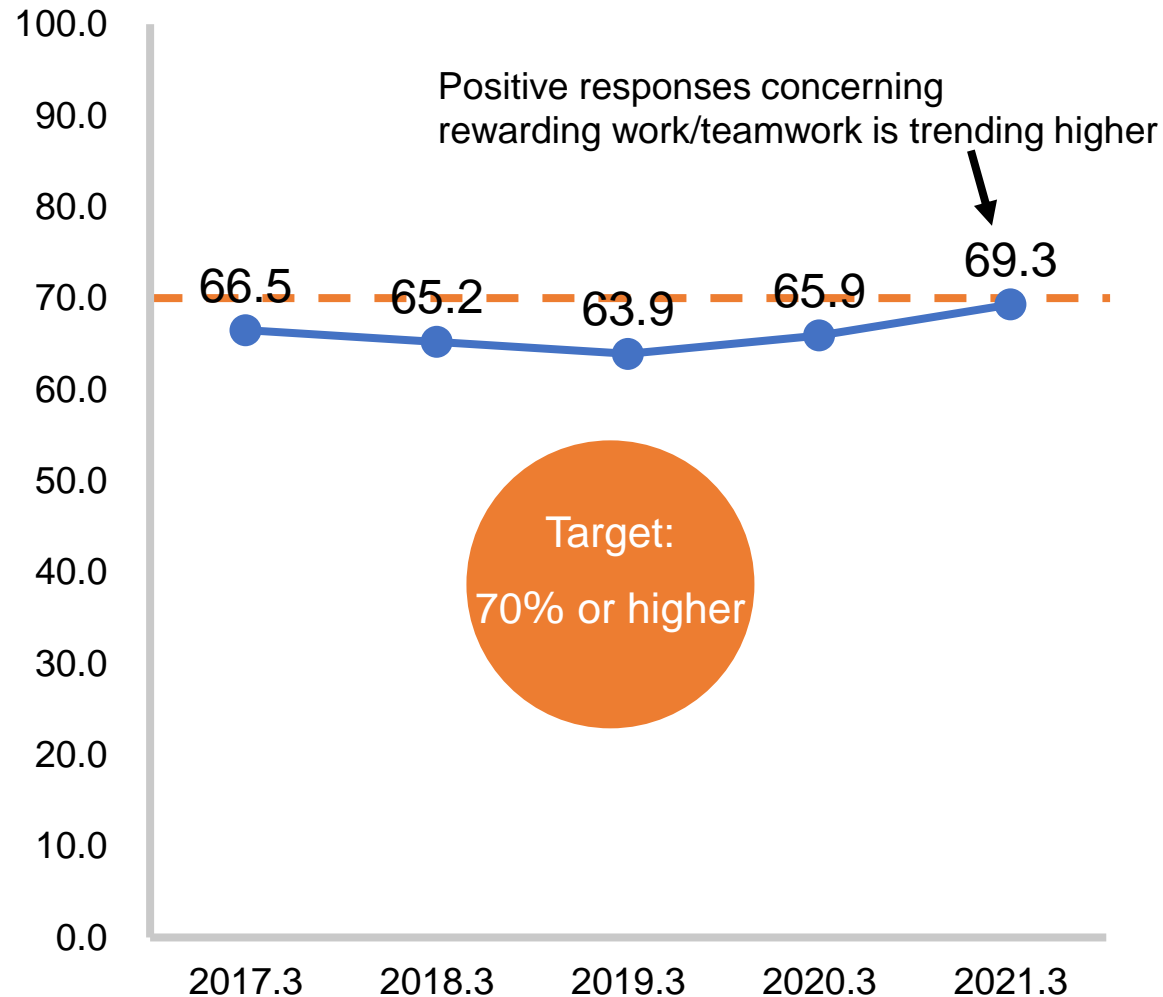


Improvement of happiness of all stakeholders

Promote three projects aiming at enhancing human resources value



■ Employee satisfaction levels (%)



Employee satisfaction levels

69.3%



Basis of customer satisfaction

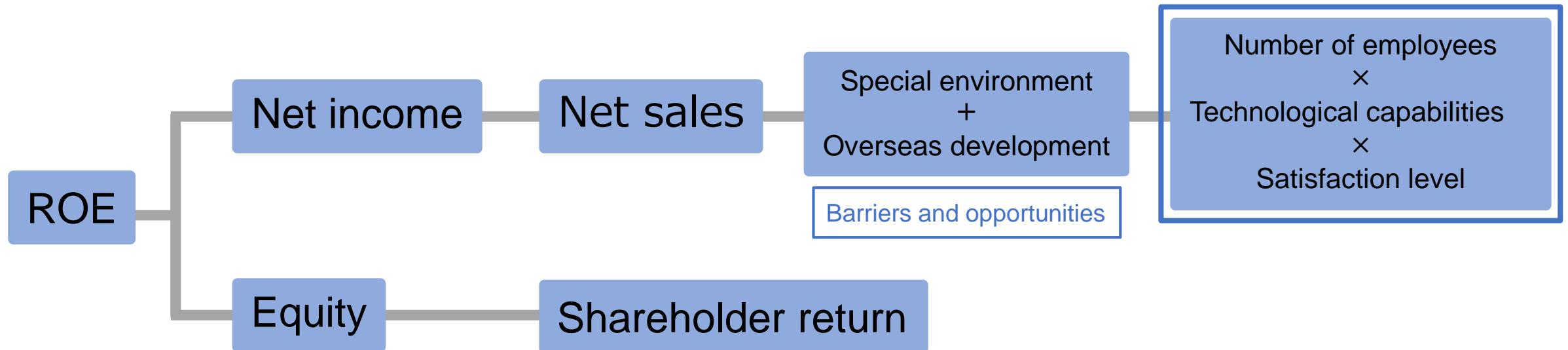
“Foundation of corporate value”

Linked to human resources

Most important factor for improving the capital productivity

「enhancement of human resources value」

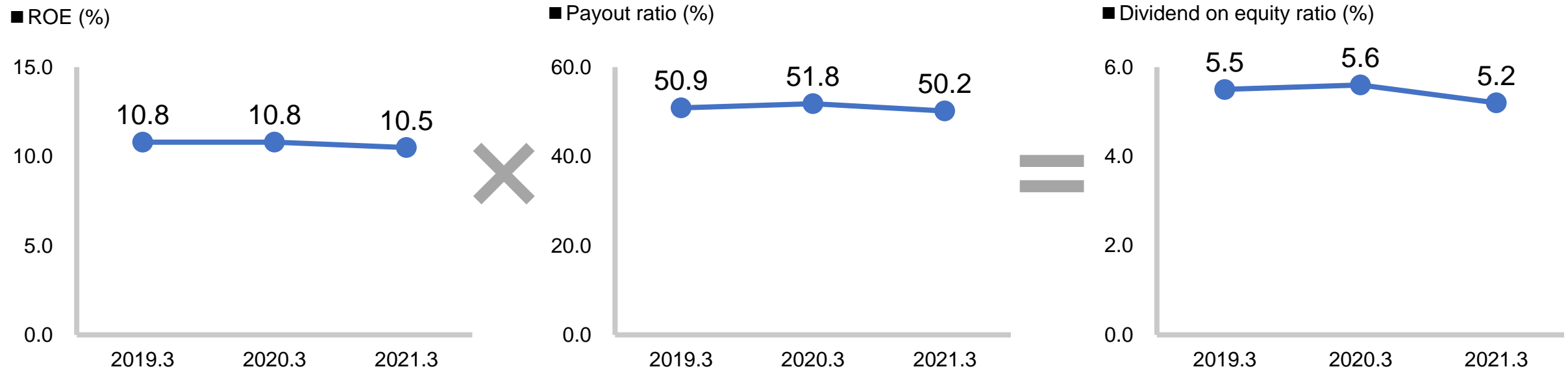
Linked to ESG(Social)



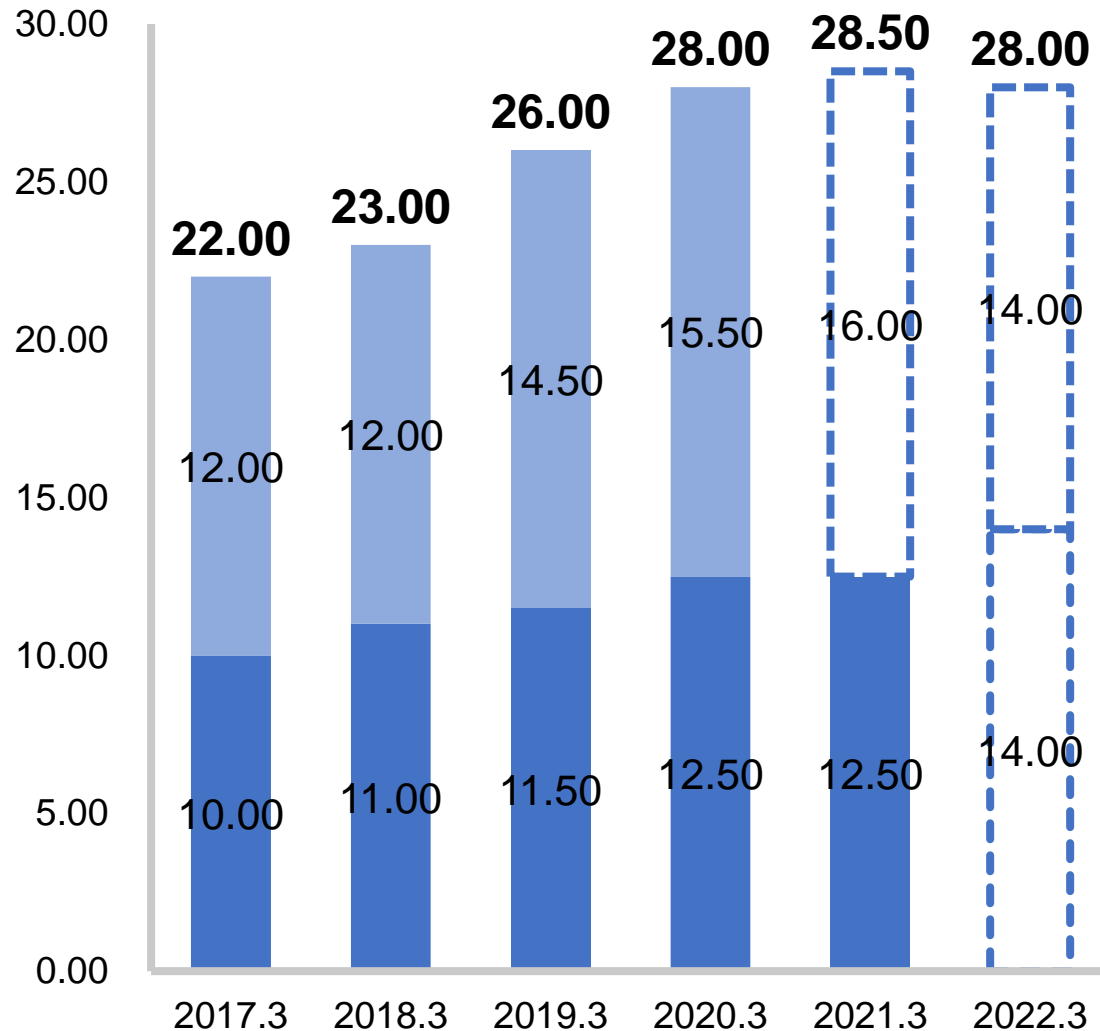
Maintain dividend payout ratio of 50%
by enhancing capital productivity



**Implementation of shareholder return
with awareness of dividend on equity ratio**



■ Dividends per share (yen)



Decisions on matters related to acquisition of treasury shares

Total number: up to 700,000 shares (1.98%)

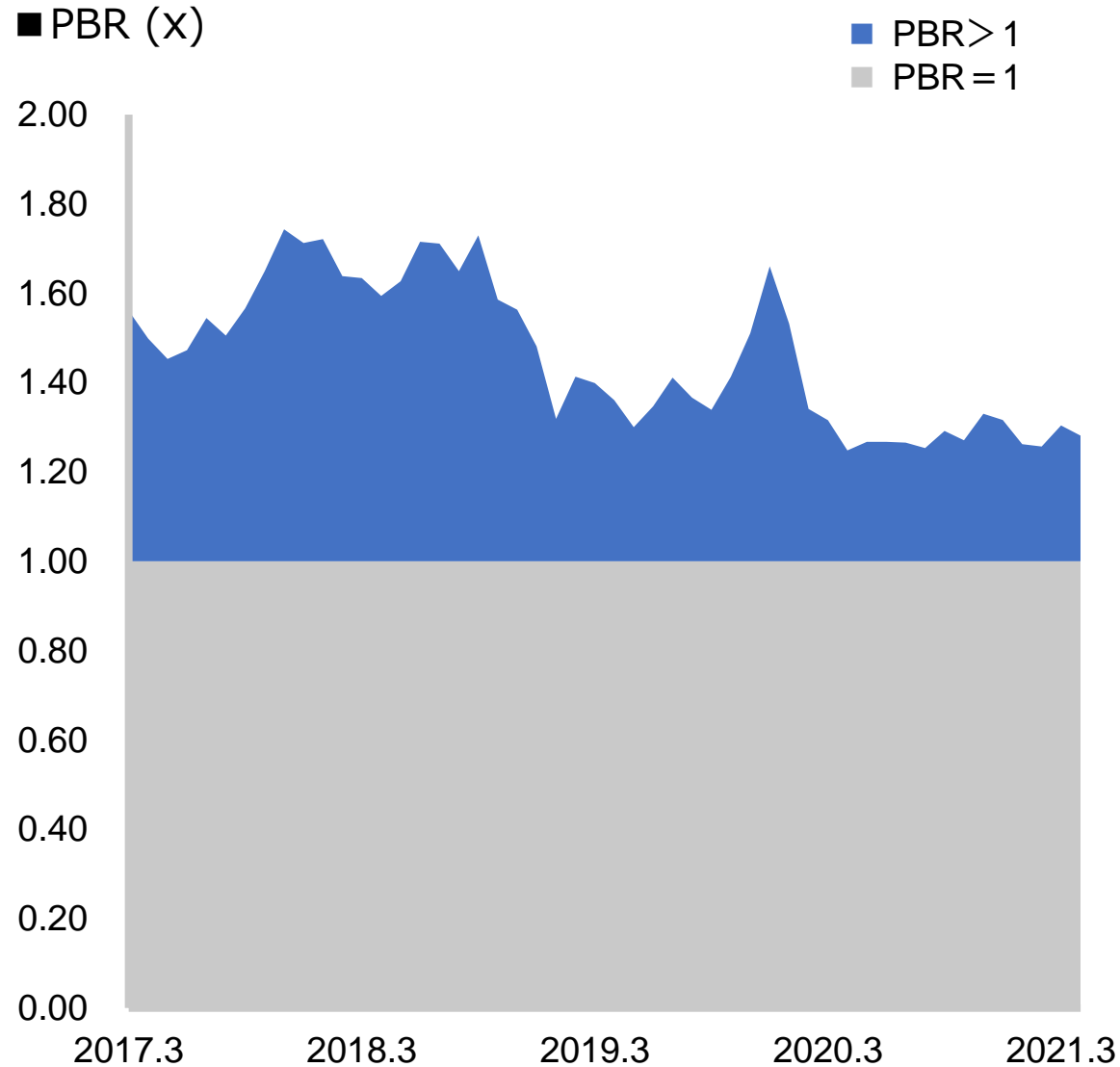
Total amount: up to 500 million yen

Period: November 2020 to July 2021

Method: purchase on the Tokyo Stock Exchange

Status: 580,000 shares

437 million yen (as of end of May)



PBR > 1

Evaluation of non-financial capital



“Creation of sustainable shareholder value”

Linked to ESG (Governance)



Medium- to long-term expansion of corporate value

Improvement of happiness of all stakeholders

Net sales : **¥55 billion** (Ratio of sales of facilities with special environment **75%**)

Operating income : **¥3 billion** (Operating income to sales overseas **5%**)

Profit attributable to owners of parent : **¥1.9 billion**

EPS : **¥54** (Payout ratio : **50%**)

ROE : Maintain **10%**

* For net sales, operating income, final income, EPS, ROE, the Target number in the fiscal year ending March 2024.

* Final income indicates profit attributable to owners of parent.

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