

We are the doctor of
your invisible air.



きれいにしよう日本の空を

日本空調サービス株式会社

Nippon Air Conditioning Services Co., Ltd.

2nd Quarter of Fiscal year ending March 2022
Financial Results Reference Materials

November 2021

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

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Building facilities **maintenance**

Number of technology-related employees: **2,581**

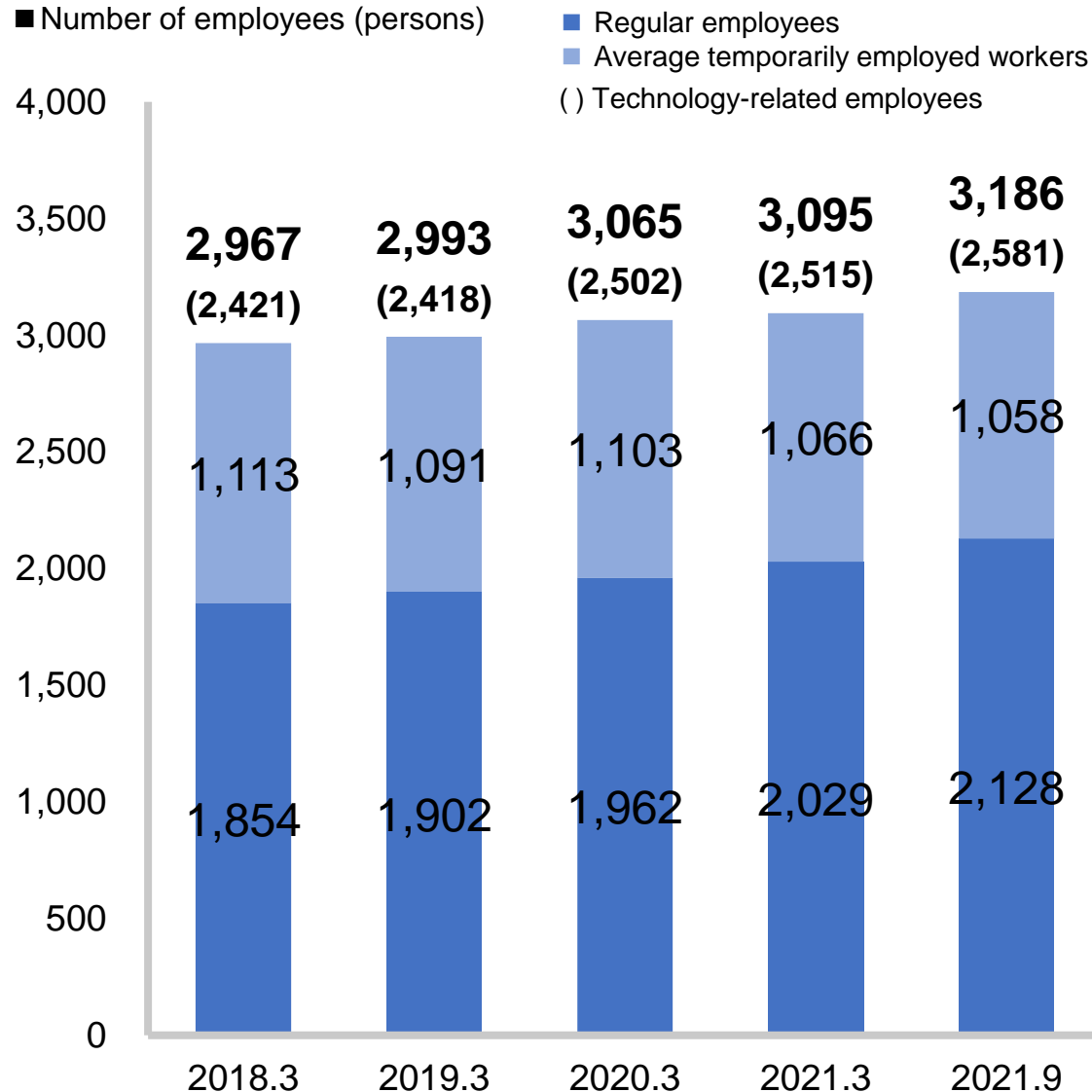
Bases: **47** prefectures and **6** overseas countries

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 3,186	Non-consolidated 2,270
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 September 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%

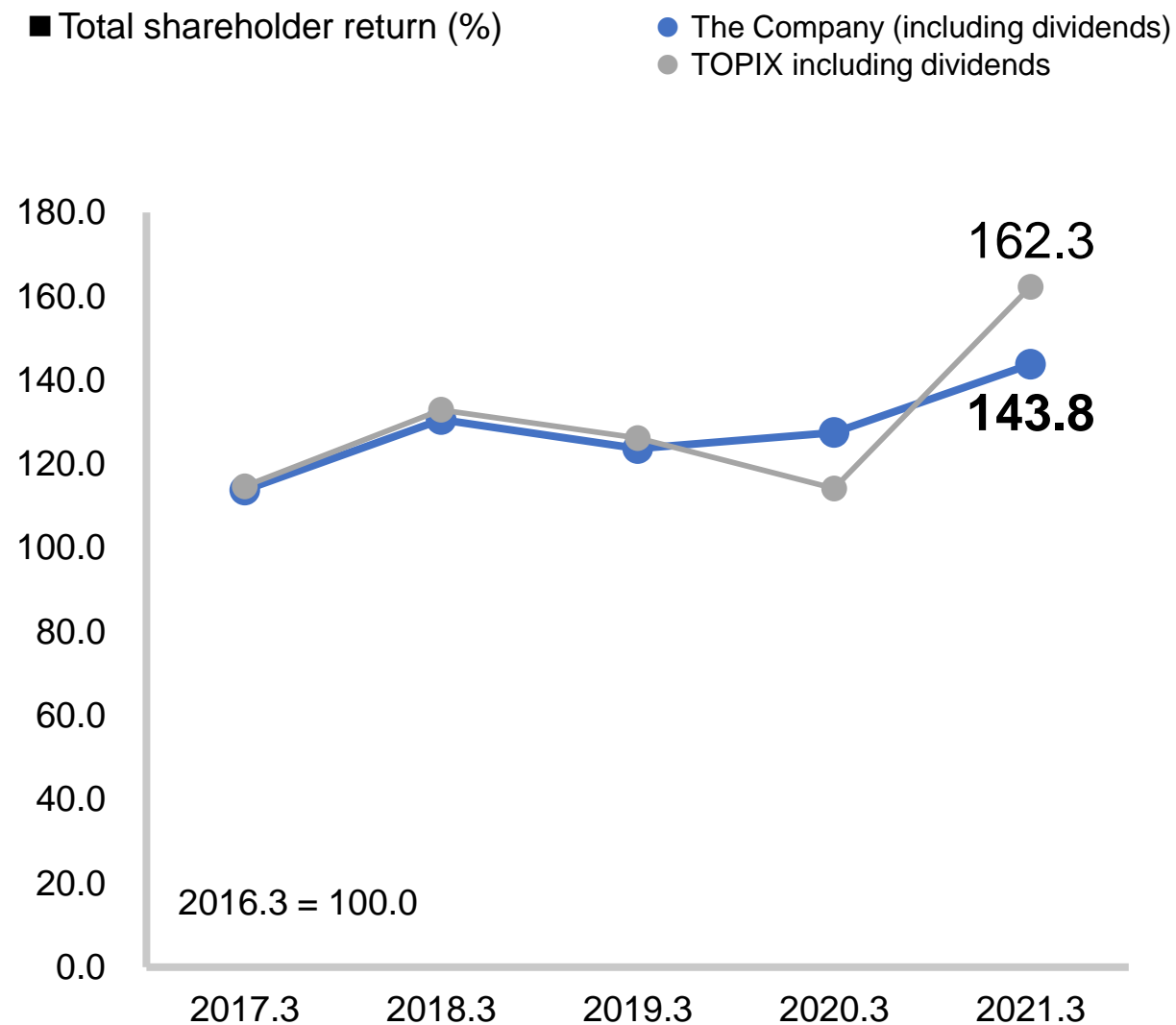
Technology-oriented company



Systems for improving technological capabilities

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

Stock-related information	
Stock price	¥794
Total market capitalization	¥28.4 billion
Dividends	¥41.50 per share
Dividend payout ratio	49.65%
Dividend yield	5.23%
Number of shareholders	9,232
PER	9.50x (EPS : ¥83.59)
PBR	1.39x (BPS : ¥572.85)
ROE	10.5%



* For stock price, closing price as of November 8, 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 September 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 September, 2021.

To make all our stakeholders happier



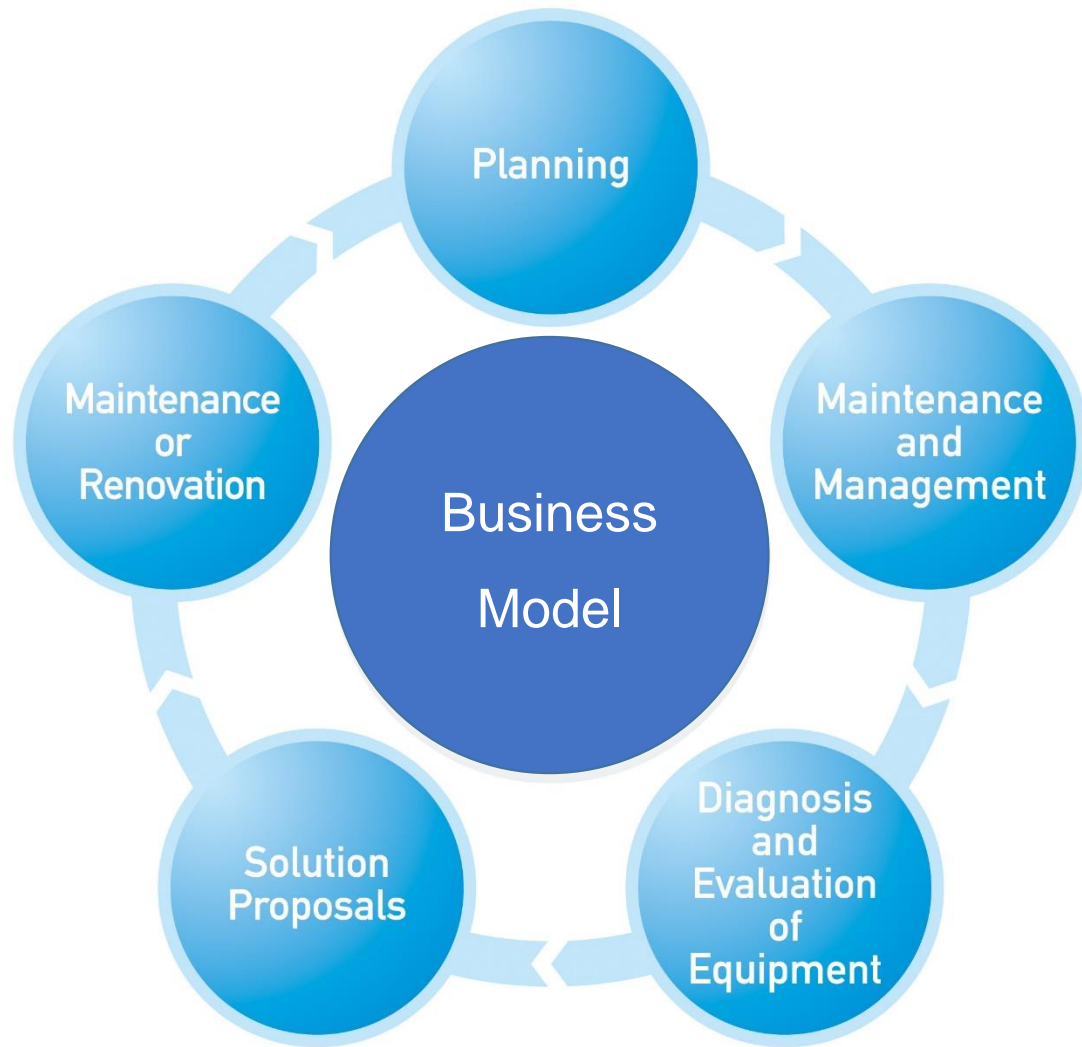
Creation of social value

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>PM Preventive Maintenance</p>	<ul style="list-style-type: none"> ■ Inspection, maintenance, repair, replacement, etc. of overall equipment / systems of buildings. (mainly air conditioning) 	<p>39%</p>
<p>FM Facility Management</p>	<ul style="list-style-type: none"> ■ Integrated management that optimally combines maintenance services with daily maintenance and management. 	<p>34%</p>
<p>RAC Reform and Construction</p>	<ul style="list-style-type: none"> ■ Mainly renovation work of existing equipment. 	<p>27%</p>

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	¥28.4 billion	¥190.4 billion	¥114.6 billion	¥7.3 billion
PER	9.50x	16.74x	18.59x	7.22x
PBR	1.39x	2.01x	1.86x	0.42x
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	¥5,940 thousand	¥4,930 thousand	¥3,490 thousand	¥3,680 thousand
Average age	39.3 years old	46.1 years old	53.6 years old	52.3 years old

High flexibility and
Capability to create added value

▼

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

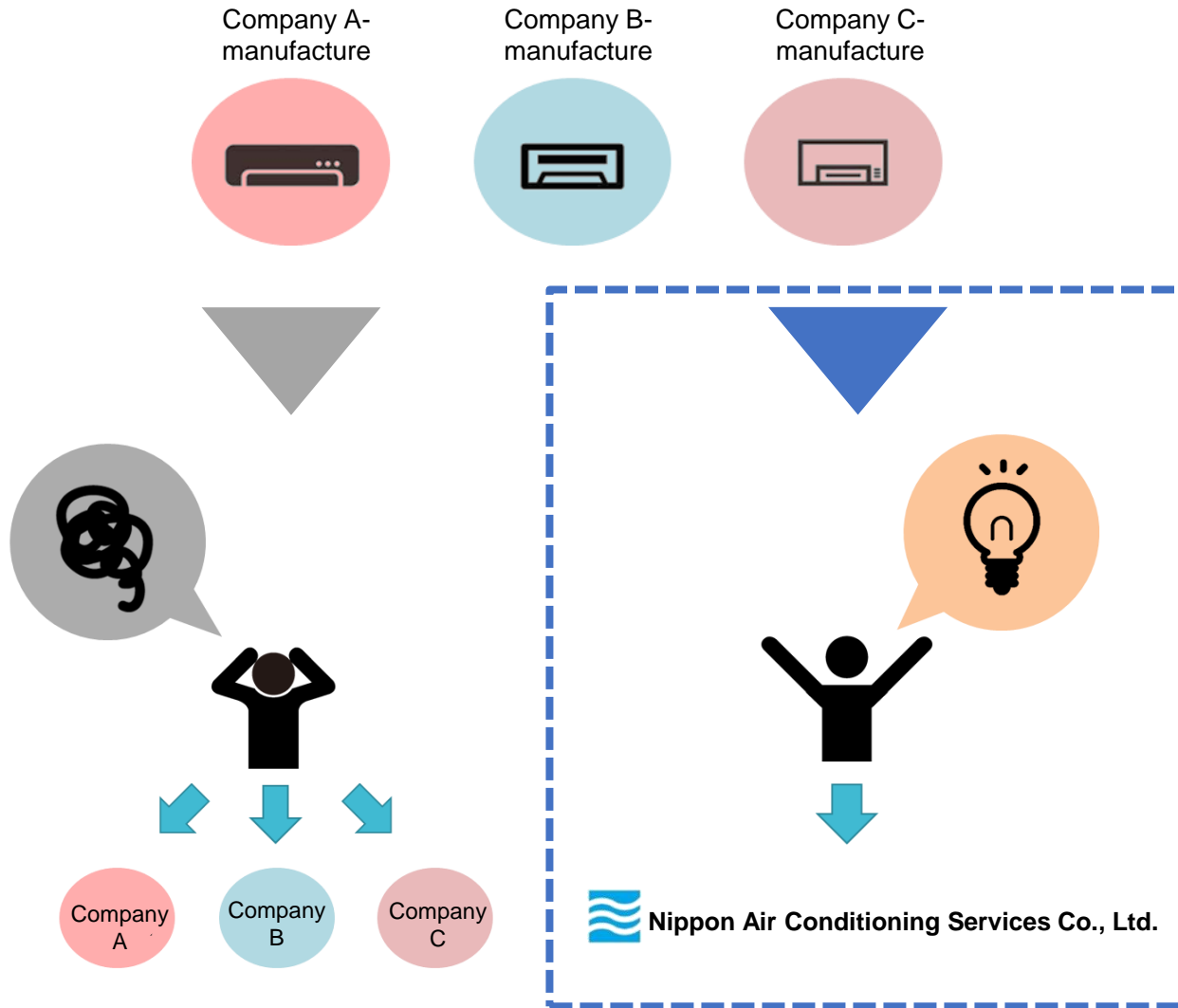
* For total market capitalization of individual companies, closing price as of November 8, 2021 is used.

* 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 FY2020 are used.

* Total market capitalization of individual companies is based on total shares issued and outstanding (including treasury stock) as of FY2021 2Q.

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



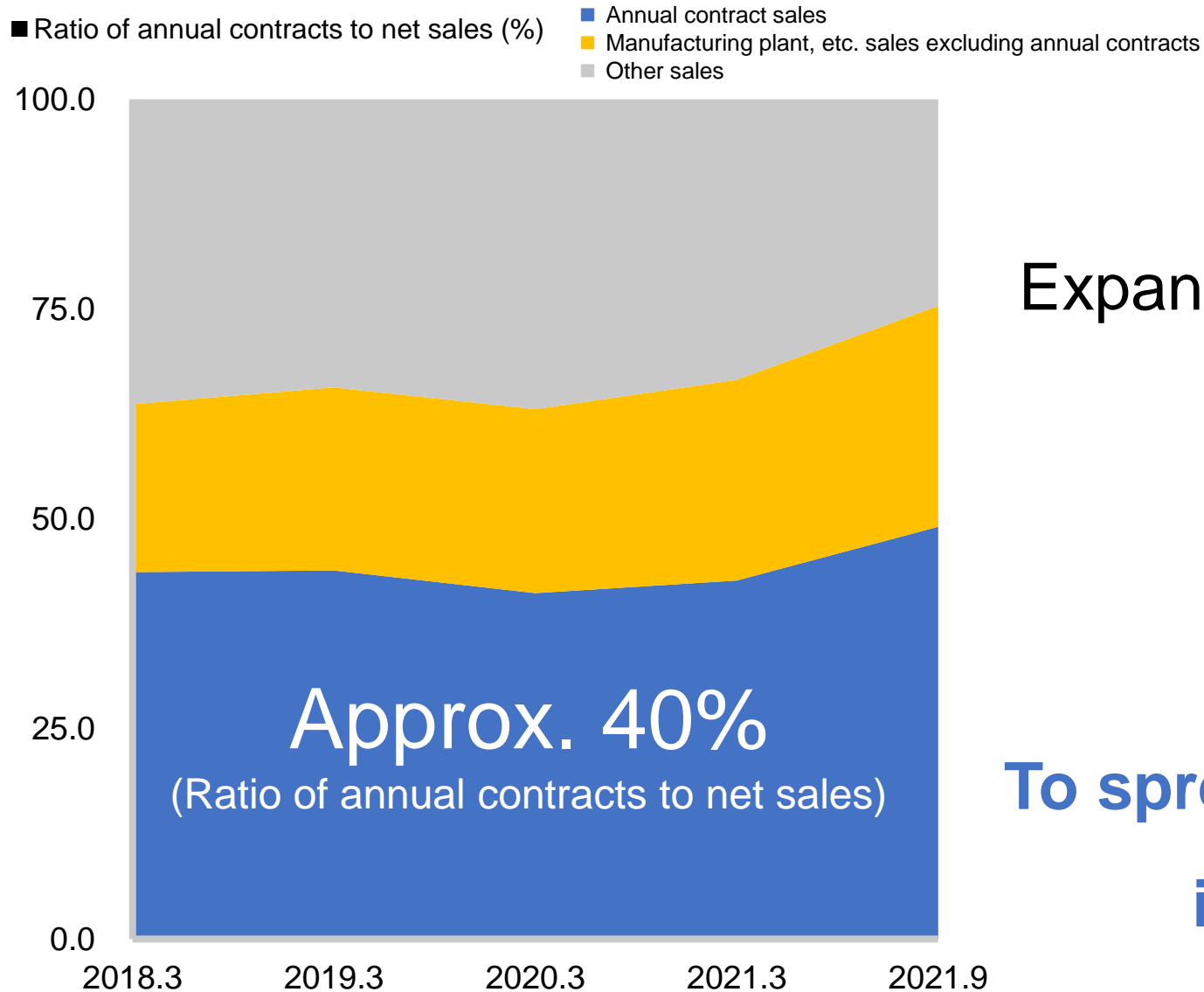
No restrictions by makers

Quick response in-house



Reduced workload on customers

Flexibility and diversity



Stable annual contracts

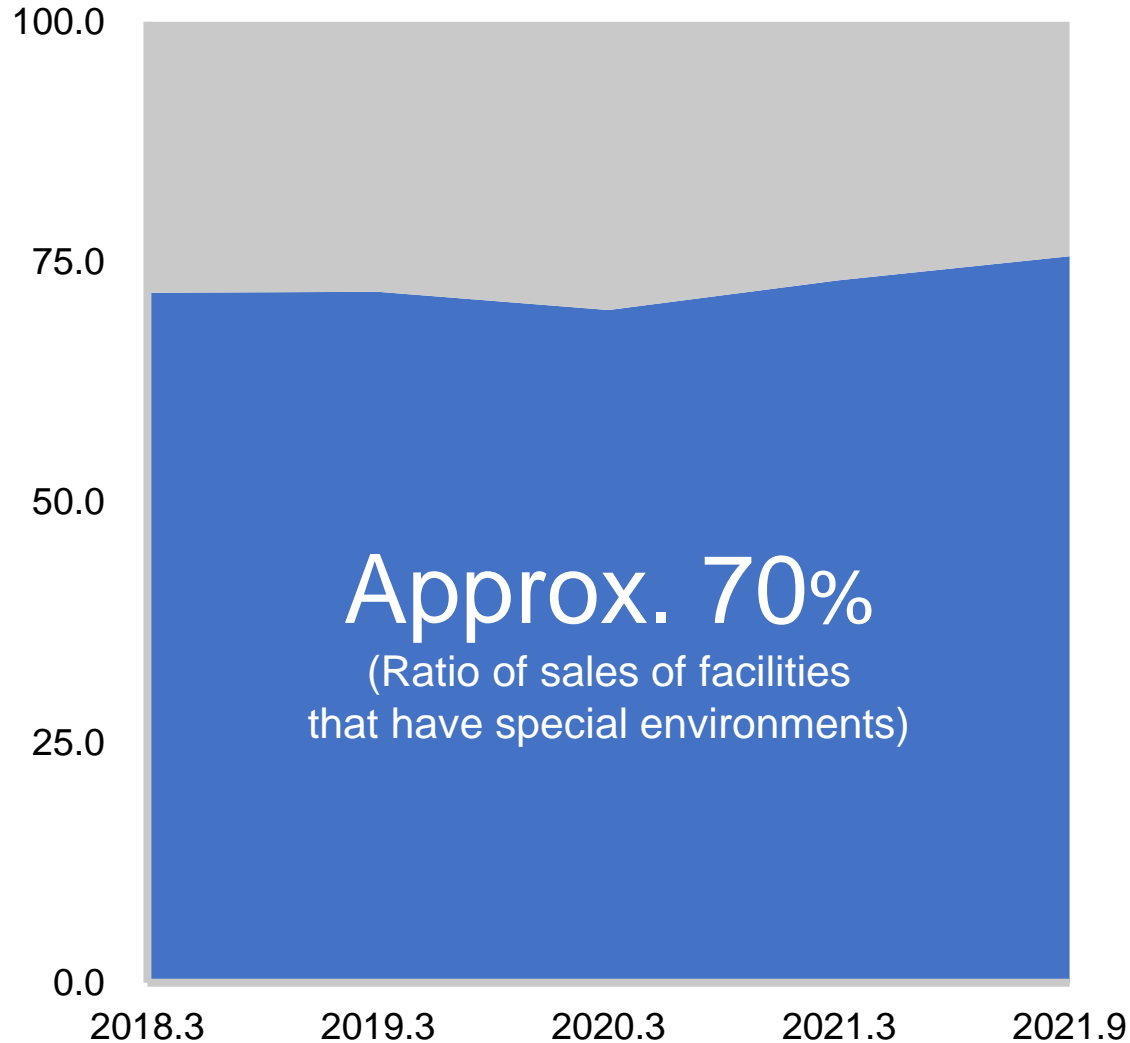
Expansion of manufacturing plants, etc.



**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

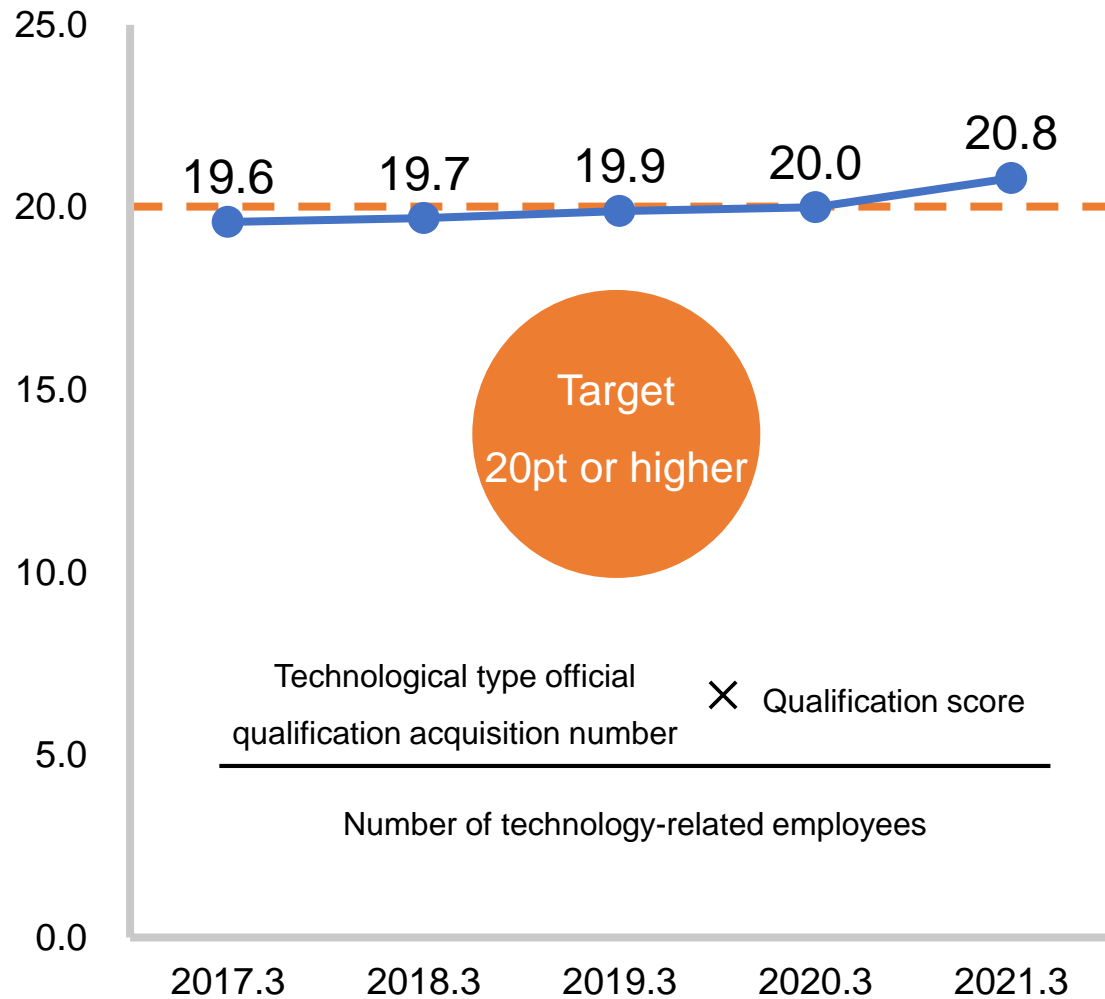
* Facilities with special environments indicate “hospital and research facilities,” “manufacturing plants, etc.,” and “other special facilities.”

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



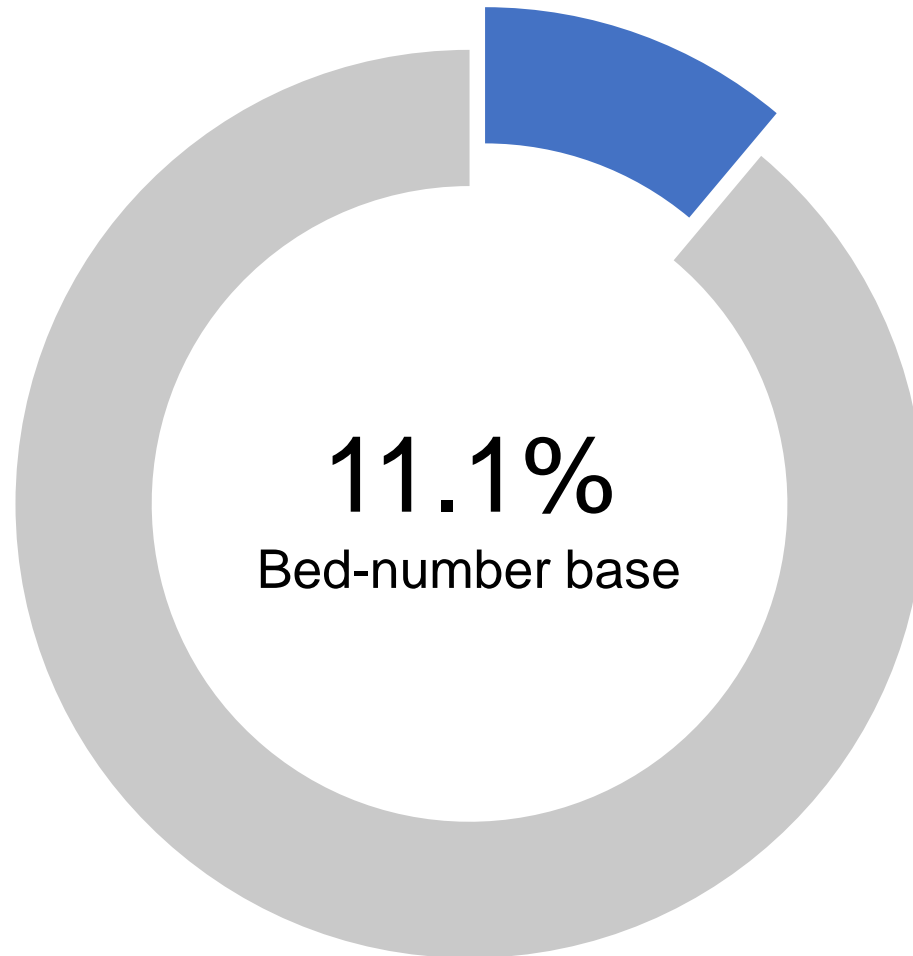
Air conditioning equipment in manufacturing plant breaks down



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.

**Aiming at nationwide development, newly established
the Energy Solutions Division.**

* PPA model: Business model whereby a third party leases space at the site of the power consumer or rooftop to install solar power systems that generate power for the consumer.

* Private solar power generation and consumption system: A system that uses solar power generation to provide part of the electricity required for business activities by installing solar panels within factories and other facilities of businesses.

Role of Energy Solutions Division

**Support the introduction of renewable energy “solar power generation”
by companies.**

**Propose solutions for energy conservation, cost reduction,
environmental improvement, etc.**



Main targets are manufacturing plants with high-voltage reception
and high power consumption.



**Reduce CO₂ emissions and energy costs.
Secure alternative power supply in case of sudden power outages
(BCP measures in case of disasters), etc.**

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Net sales : ¥**21.6** billion [-0.6%]

Operating income : ¥**0.9** billion [-12.9%]

Final income : ¥**1.5** billion [+154.3%]

* For net sales, operating income, final income, the number in the 2nd Quarter of fiscal year ending March 2022 is used.

* Final income indicates profit attributable to owners of parent.

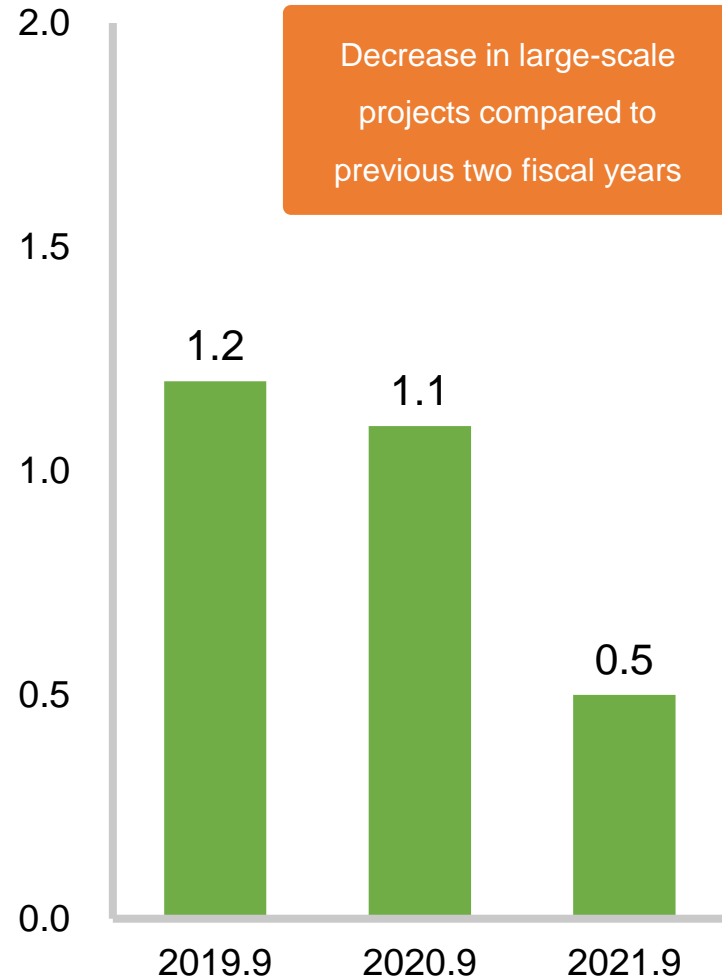
Decrease in sales and profit due to less renovation work and higher labor costs associated with proactive hiring of new graduates (104 persons).

Final profit increased due to gains from sales of investment securities (1.3 billion yen).

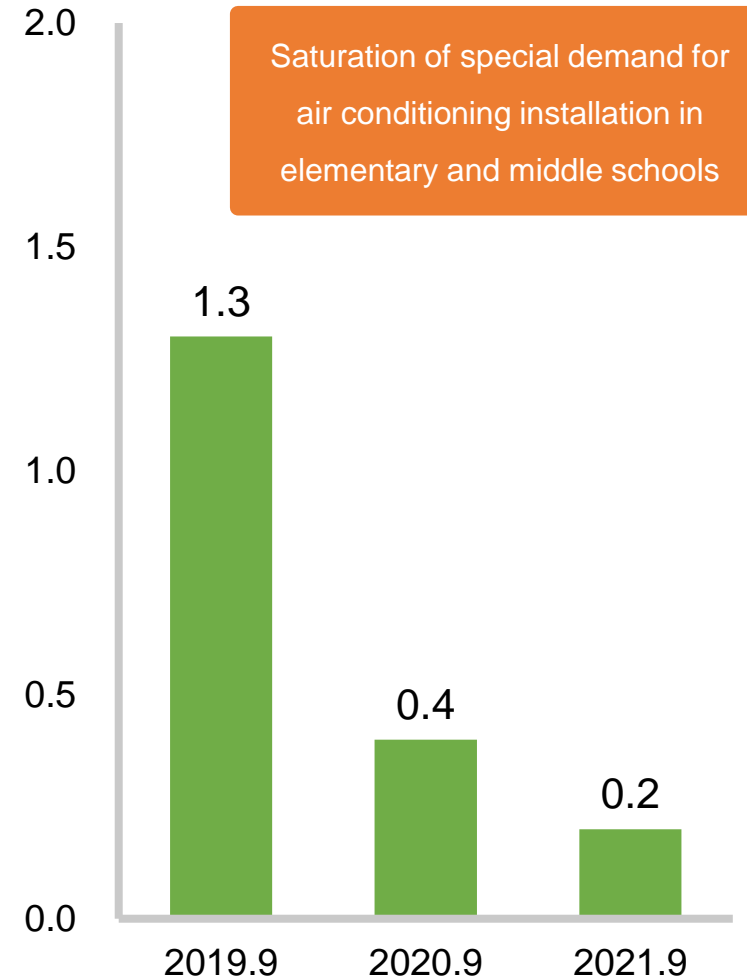
(billion yen, %)

Consolidated (cumulative period)	FY03/2020 2Q			FY03/2021 2Q			FY03/2022 2Q		
	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	23.5	100.0	+15.6	21.7	100.0	(7.5)	21.6	100.0	(0.6)
Maintenance service sales	15.5	66.0	+3.7	15.3	70.4	(1.4)	15.8	73.2	+3.4
Renovation work construction work volume	7.9	34.0	+48.8	6.4	29.6	(19.3)	5.7	26.8	(10.2)
Gross profit on sales	4.5	19.2	+14.6	3.9	18.0	(13.4)	3.8	17.7	(2.0)
Selling, general and administrative expenses	2.8	12.3	+4.1	2.8	13.1	(0.9)	2.9	13.5	+2.1
Operating income	1.6	6.9	+39.9	1.0	4.8	(35.5)	0.9	4.2	(12.9)
Ordinary income	1.7	7.3	+38.2	1.1	5.1	(35.4)	0.9	4.6	(10.5)
Profit attributable to owners of parent	1.0	4.6	+34.0	0.6	2.9	(41.7)	1.5	7.4	+154.3

■ Net sales of renovation work related to solar power generation (billion yen)



■ Net sales of renovation work related to air conditioning at schools



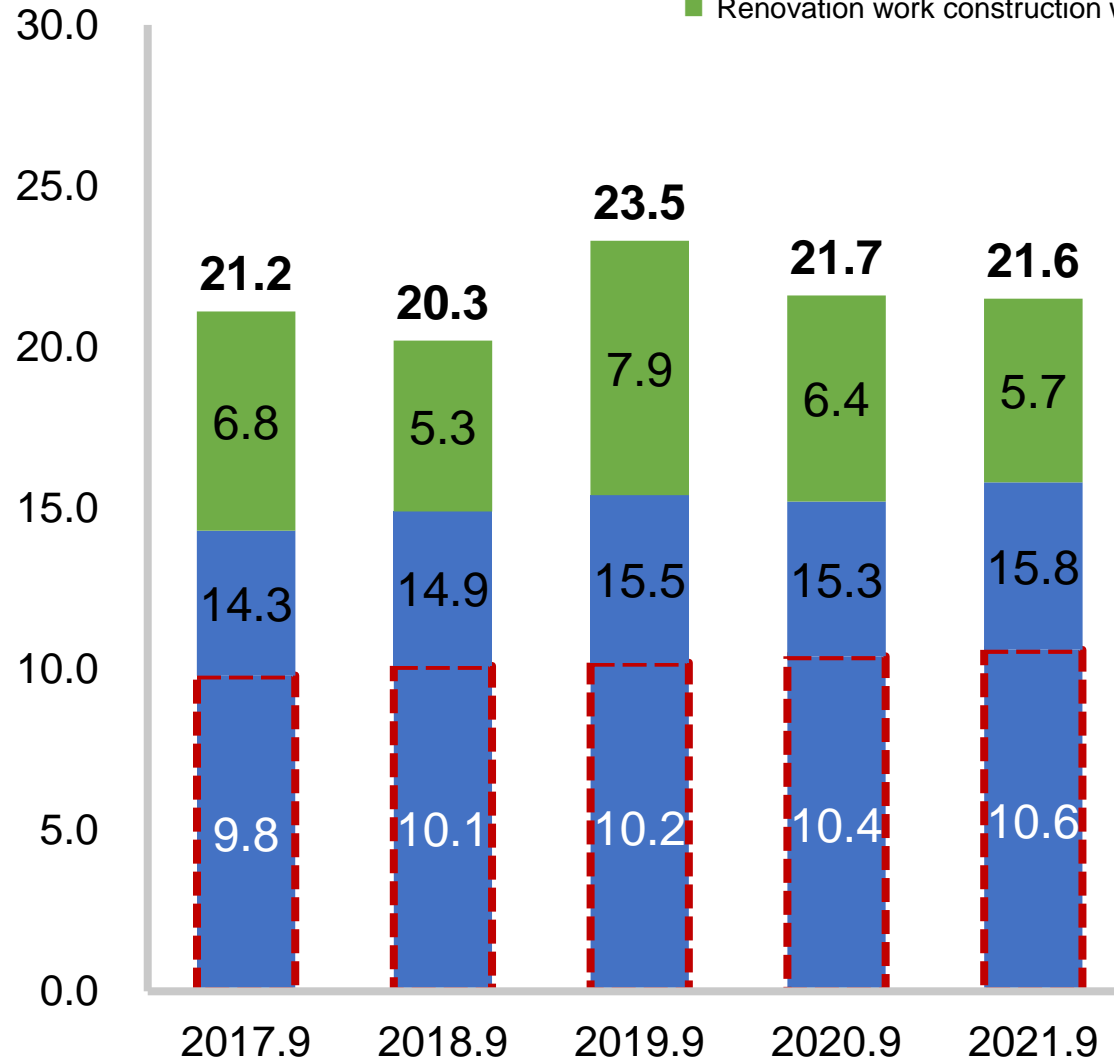
Decrease in renovation work



Mainly due to decrease in construction work related to solar power generation and air conditioning at schools

■ Net sales for each type (billion yen)

- Maintenance services net sales
(inside dotted line frame, annual contract sales)
- Renovation work construction work volume



Steady in maintenance, sluggish in construction

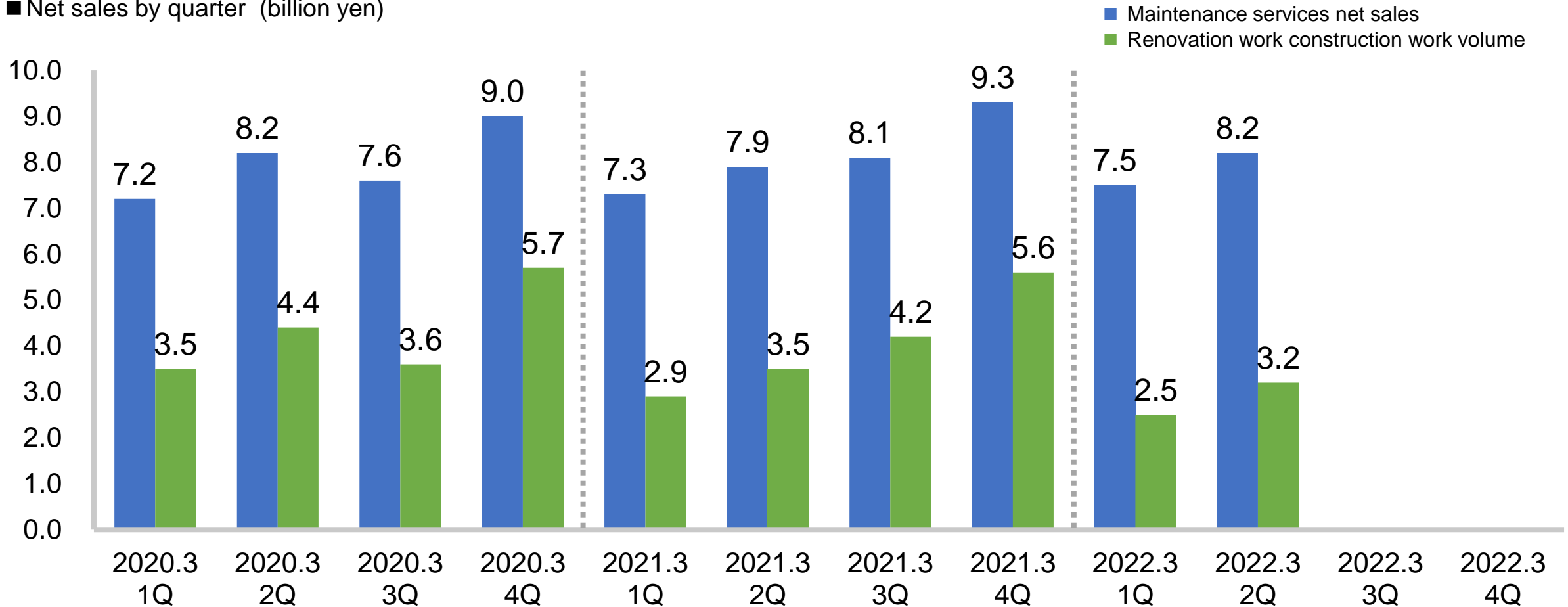


The Covid-19 pandemic had low impact on annual contracts.

While spot maintenance grew steadily centering on hospitals, net sales remained sluggish due to low number of large-scale construction projects.

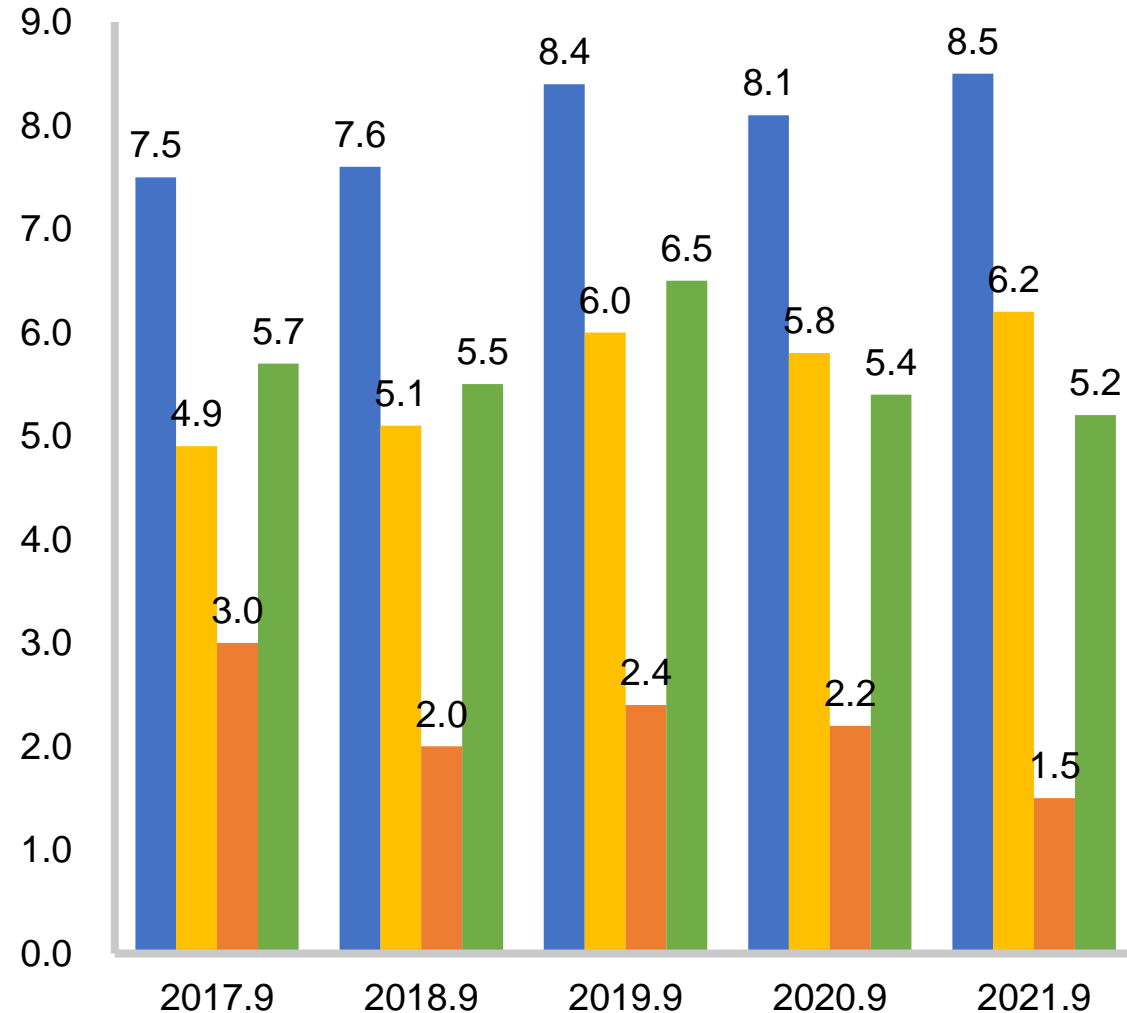
Maintenance is on pace to exceed the previous fiscal year, but recovery is sluggish in construction work.

■ Net sales by quarter (billion yen)



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

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

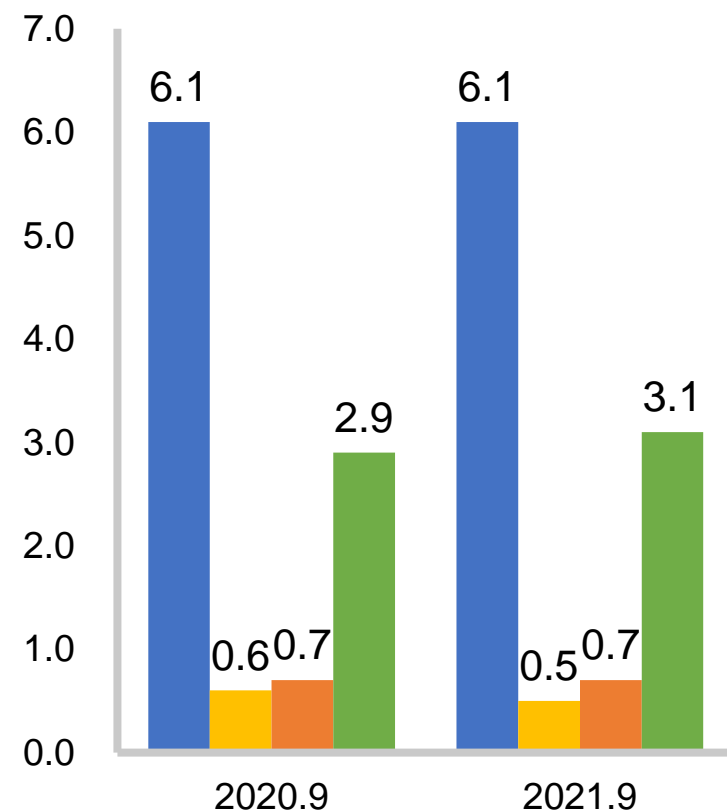


Despite steady growth in spot maintenance and construction work at hospitals and research facilities as well as manufacturing plants, etc.

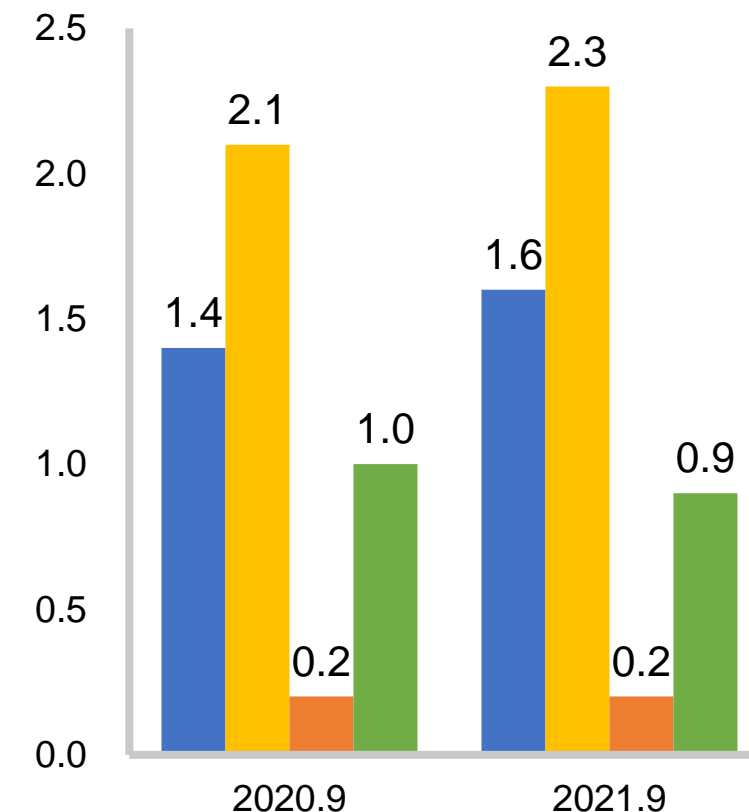


Sales were sluggish in solar power generation and could not offset the effects of saturation of special demand for air conditioning at schools

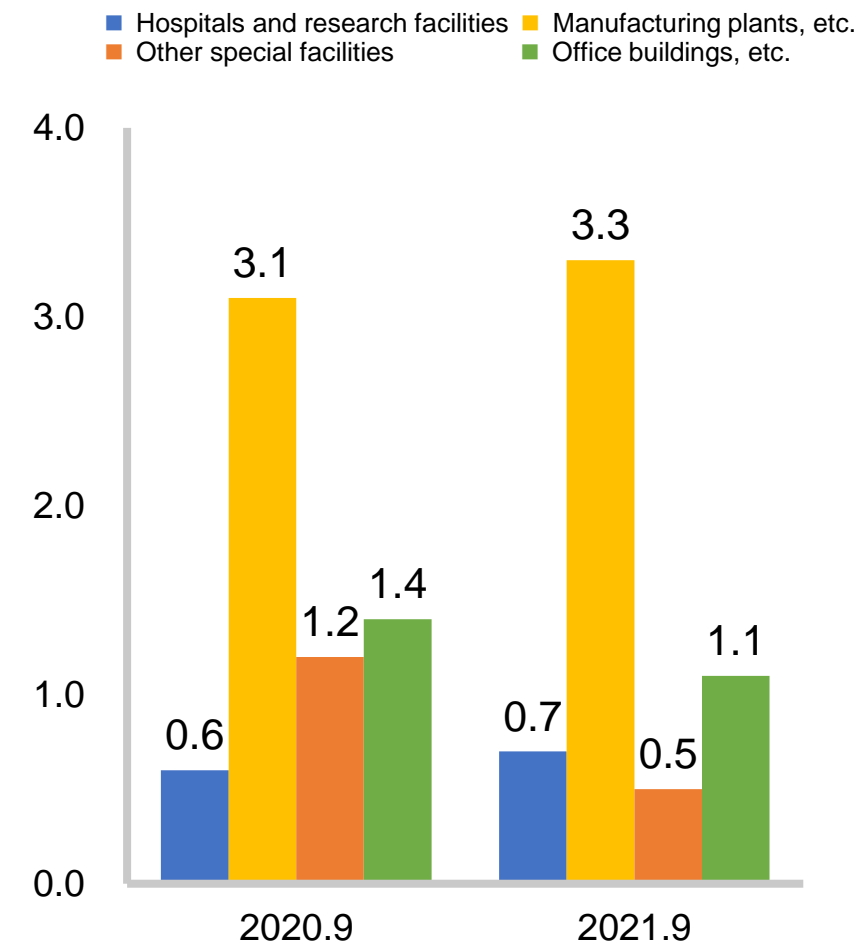
■ Annual contract sales (billion yen)



■ Maintenance services net sales (billion yen)



■ Renovation work construction work volume (billion yen)



number of cases : 2,726 cases

2,660 cases

number of cases : 19,842 cases

17,529 cases

number of cases : 2,191 cases

1,838 cases

average unit price : ¥3,792 thousand

¥3,935 thousand

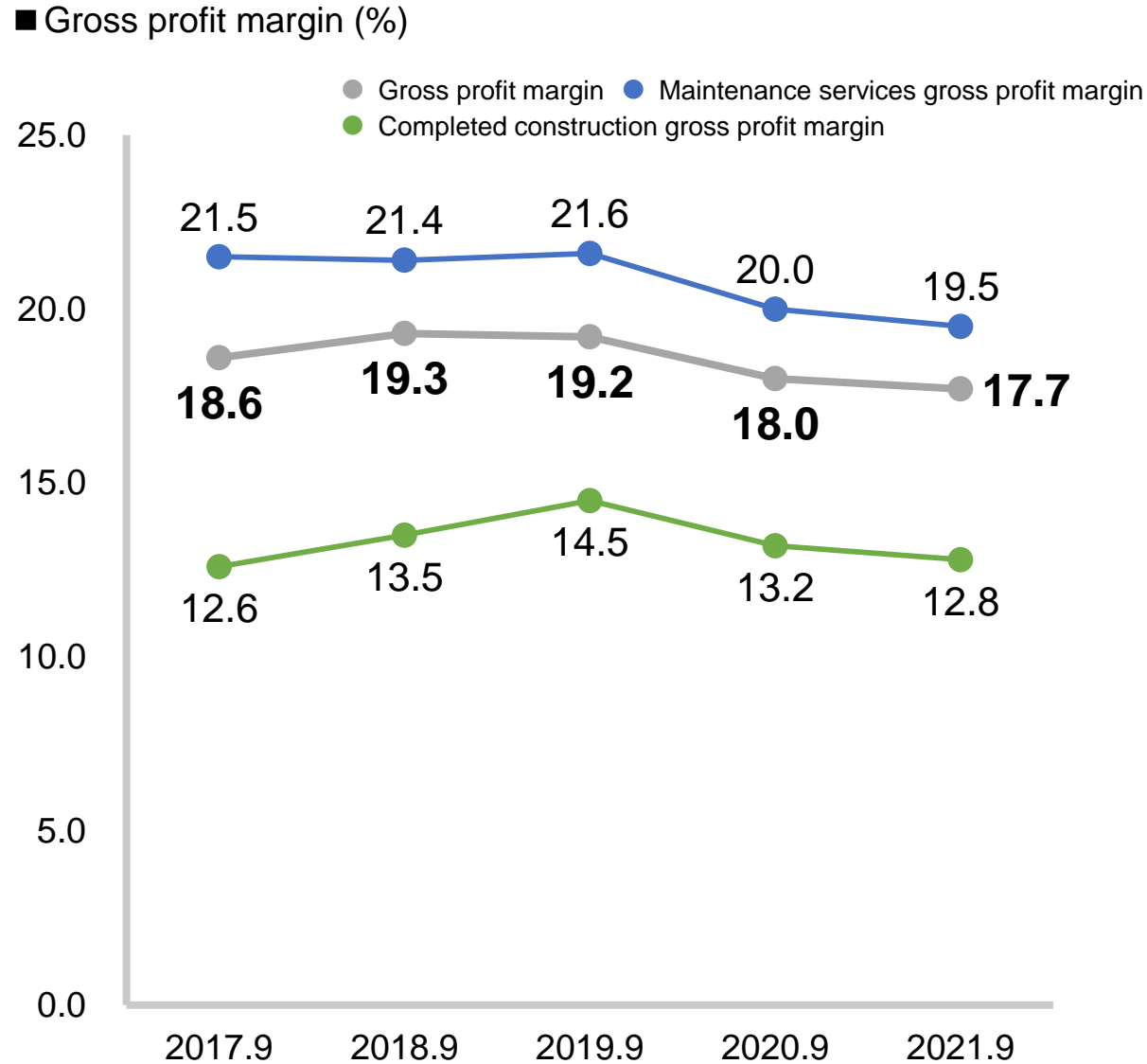
average unit price : ¥241 thousand

¥290 thousand

average unit price : ¥2,861 thousand

¥3,043 thousand

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



Maintenance

gross profit margin: decreased



Mainly due to higher labor costs as forward-looking investment

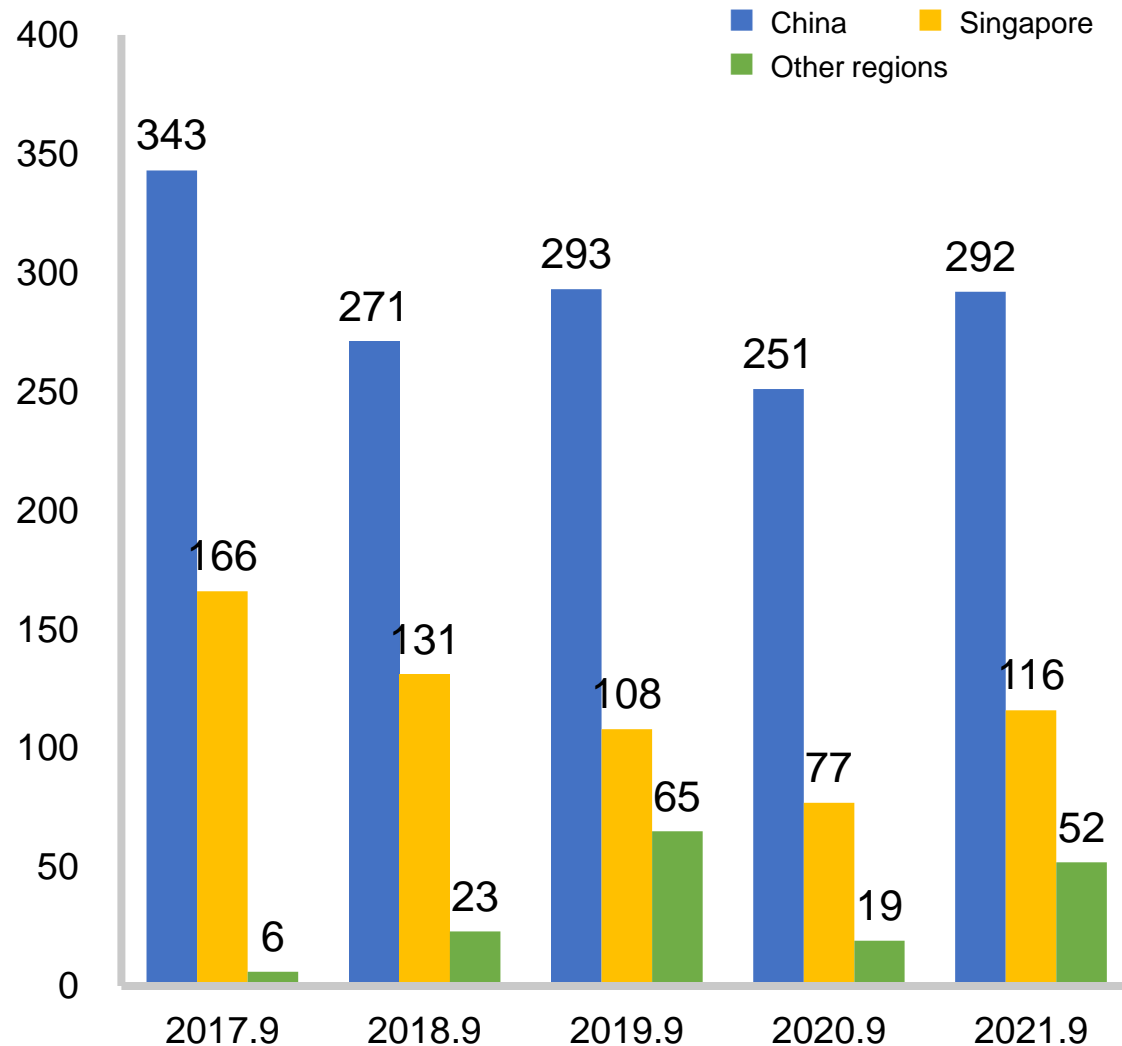
Completed construction

gross profit margin: decreased



Significantly impacted by decline in large-scale construction projects

■ Overseas net sales by region (million yen)



Overseas net sales: ¥ 4.6 billion

Operating income to sales overseas : - 7.5%

Impact of COVID-19 continues



Improved pace of recovery compared to the previous fiscal year under the direct impact of COVID-19, but not yet back to full-scale operations

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

Consolidated (cumulative period)	2QFY03/2021		2QFY03/2022	
	Amount (billion yen)	Year-on-year growth ratio (%)	Amount (billion yen)	Year-on-year growth ratio (%)
Cash flows from operating activities	1.6	+137.8	1.7	+5.7
Cash flows from investing activities	(0.1)	+45.1	1.1	+941.2
Cash flows from financing activities	(1.2)	(253.5)	(0.7)	+37.5
Cash and cash equivalent growth	0.2	+218.4	2.1	+862.0
Balance of cash and cash equivalent at beginning of the period	5.6	(17.8)	6.2	+11.0
Balance of cash and cash equivalent at end of the period	5.8	(15.4)	8.3	+43.2

The investing CF increased



Review of cross-shareholdings
based on Corporate Governance Code
and sales of investment securities,
with the aim of improving capital efficiency

Consolidated (as of the end of period)	FY03/2021		FY03/2022 2Q	
	Amount (billion yen)	Year-on-year growth ratio (%)	Amount (billion yen)	Year-on-year growth ratio (%)
Current assets	20.1	+2.9	19.4	(3.7)
Fixed assets	14.7	+9.9	13.8	(6.1)
Total assets	34.9	+5.7	33.2	(4.7)
Interest-bearing debts	1.2	(29.4)	1.2	(1.4)
Other liabilities	13.3	+3.8	11.3	(15.0)
Total liabilities	14.5	(0.2)	12.5	(13.8)
Total net assets	20.3	+10.4	20.7	+1.8
Total liabilities and net assets	34.9	+5.7	33.2	(4.7)

The capital adequacy ratio increased

57.4% ⇒ 61.2%



Notes and accounts payable for
construction contracts, etc.

4.6 billion yen ⇒ 3.2 billion yen

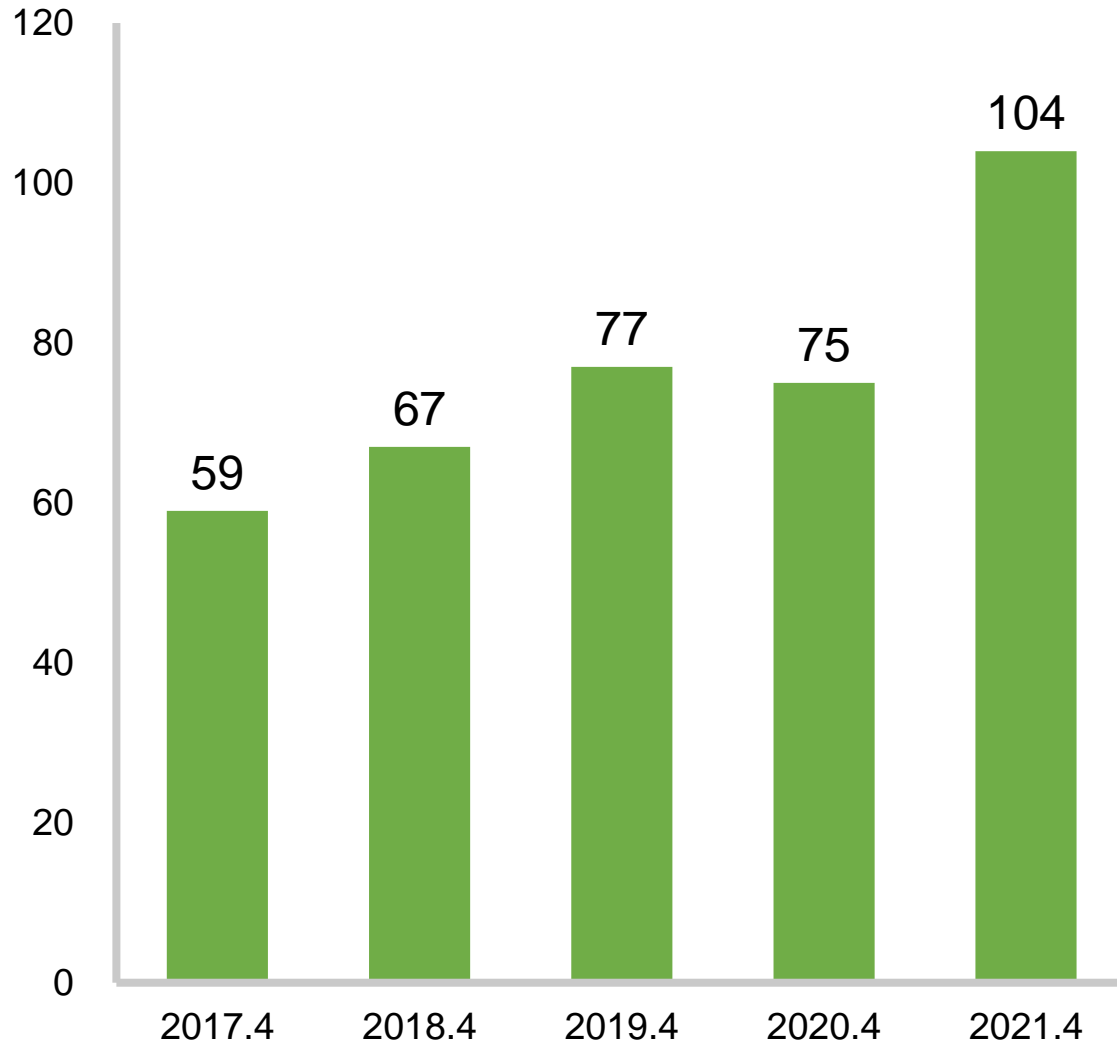
Decrease in current liabilities
due to seasonal factors

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	2.9	5.6	+45.1

■ Number of new graduates hired (persons)



Number of new graduates hired: 104 persons



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

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Enhanced human resources value



Capital productivity improvement

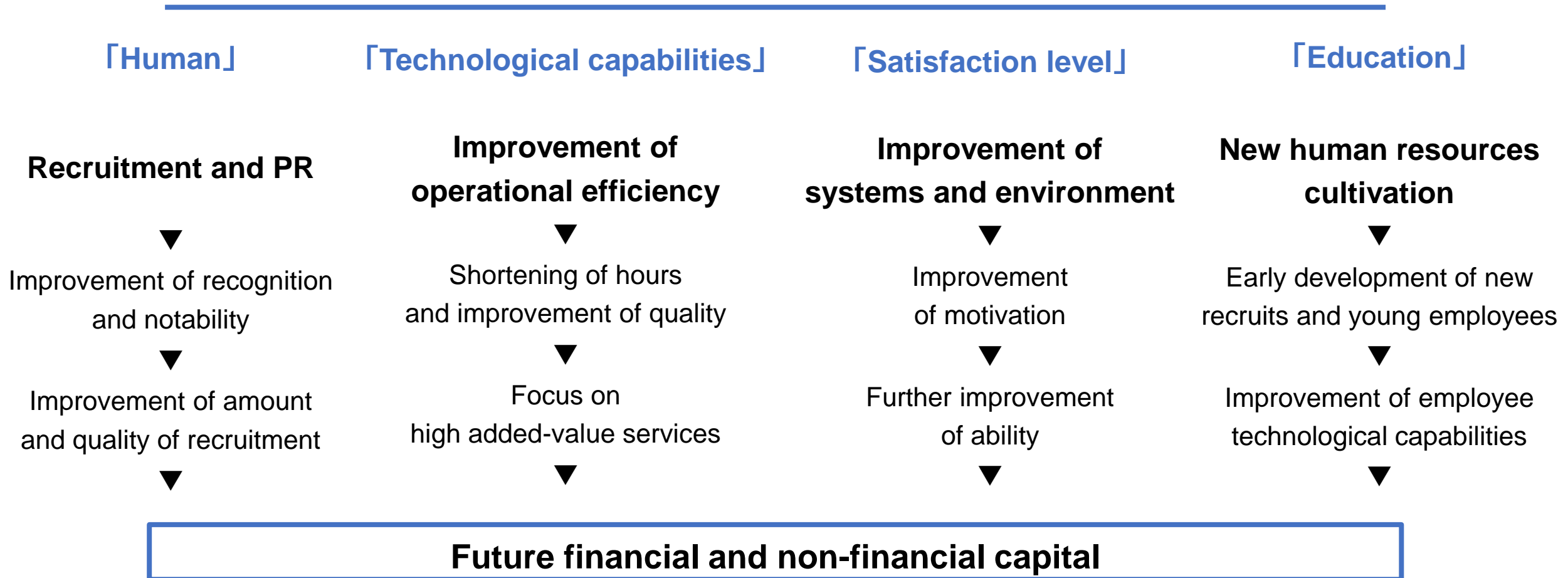


Creation of sustainable shareholder value

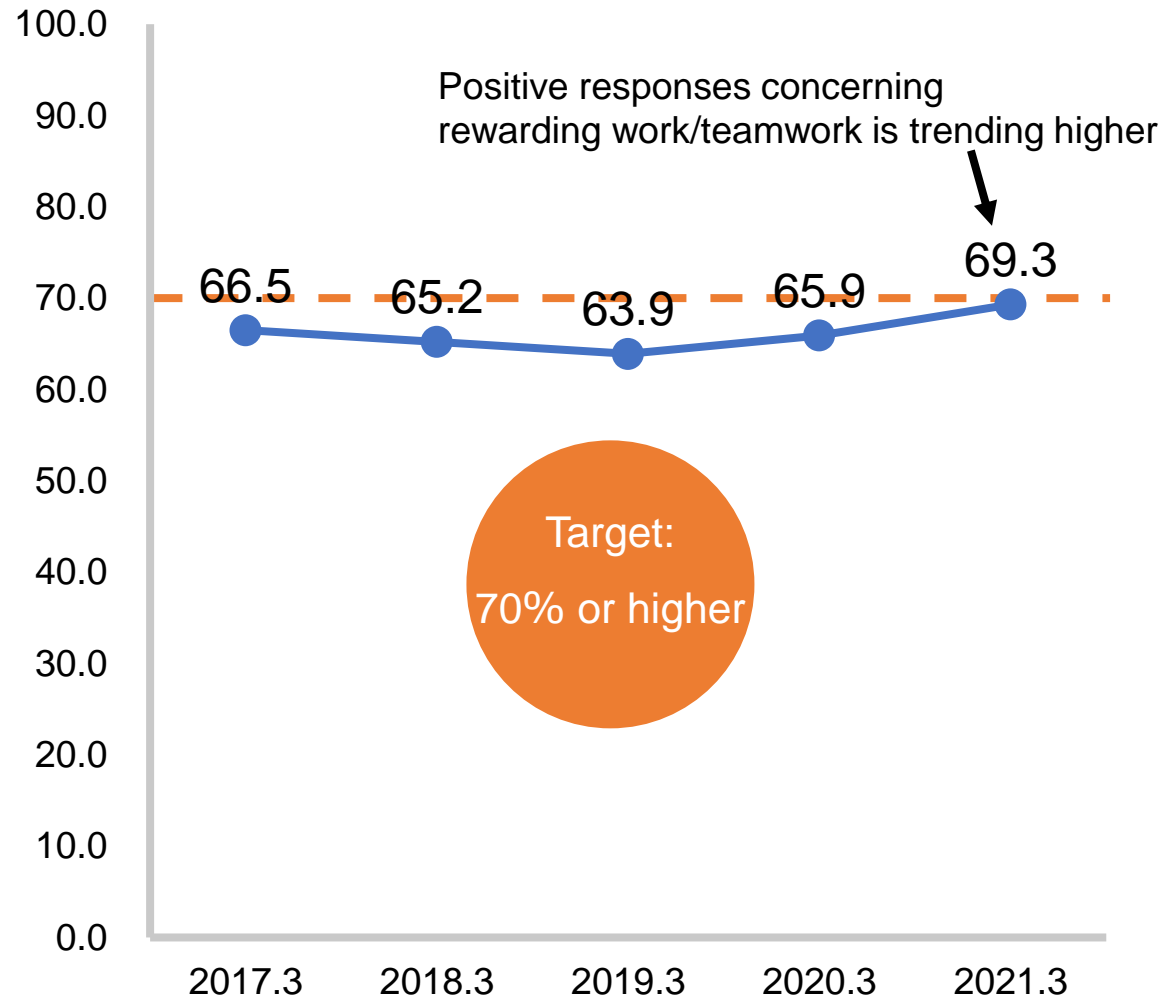


Improvement of happiness of all stakeholders

Promote four projects aiming at enhancing human resources value



■ Employee satisfaction levels (%)



Employee satisfaction levels

69.3%



Basis of customer satisfaction

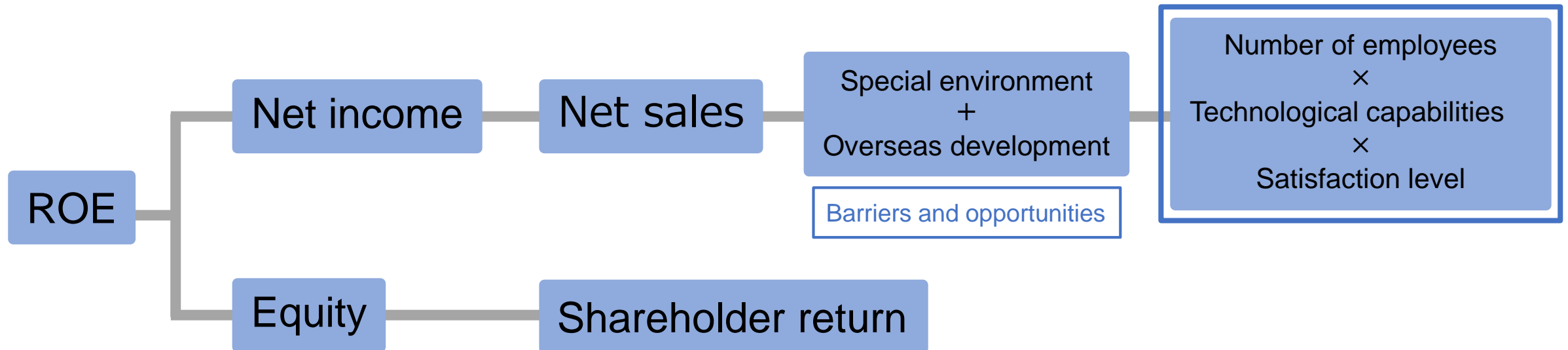
“Foundation of corporate value”

Linked to human resources

Most important factor for improving the capital productivity

「enhancement of human resources value」

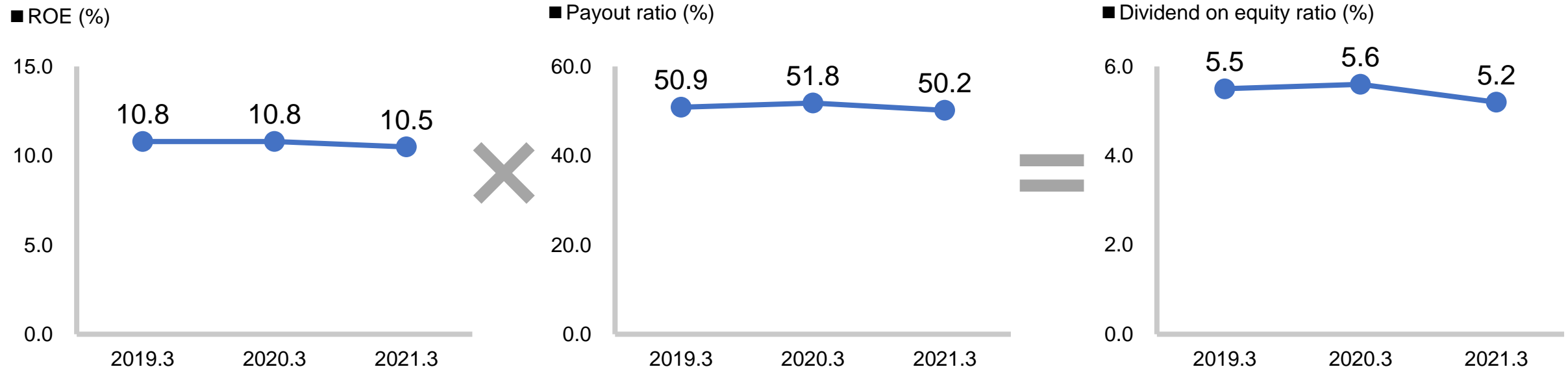
Linked to ESG(Social)

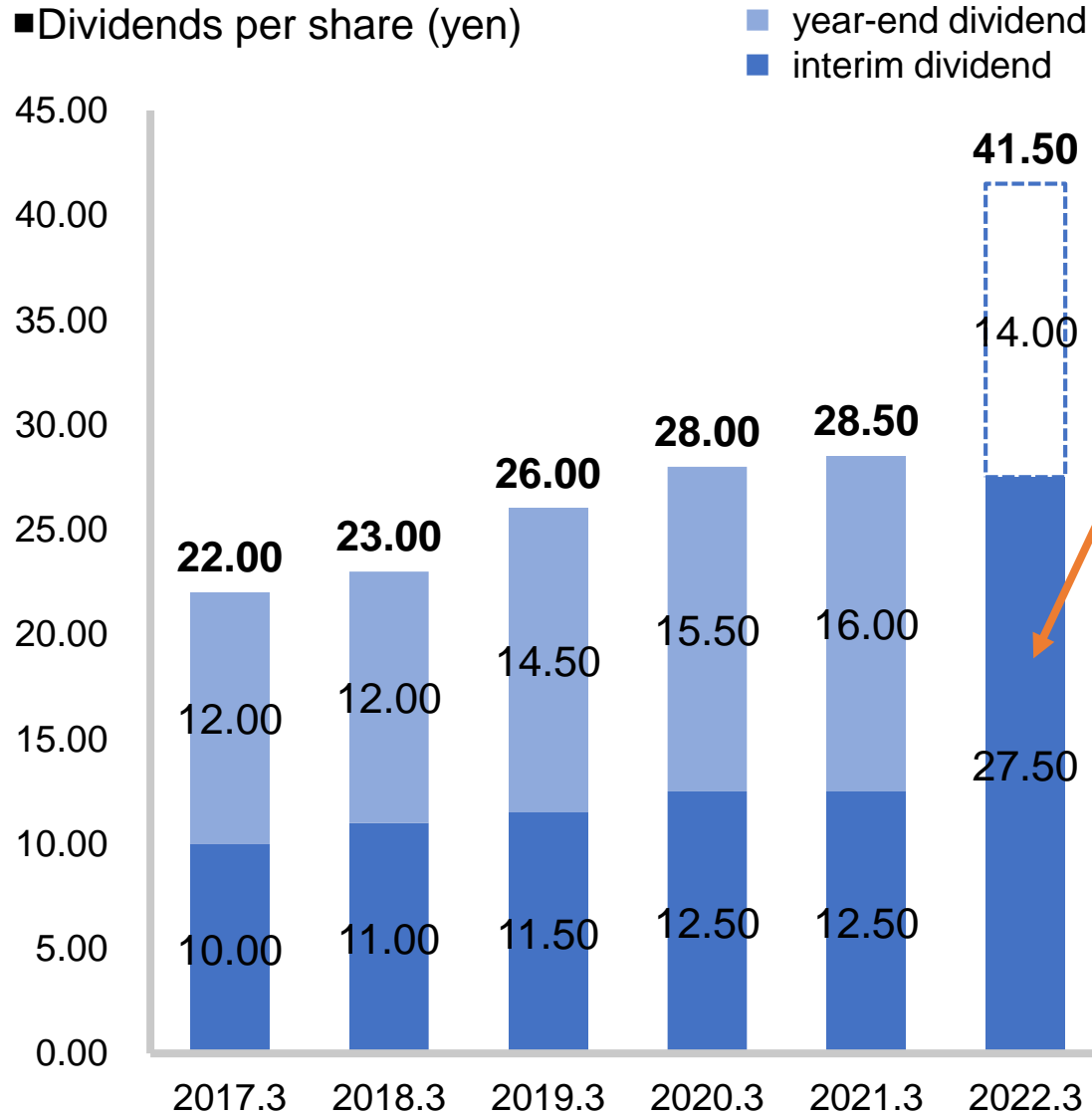


Maintain dividend payout ratio of 50%
by enhancing capital productivity



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





Returning 50% of extraordinary gains from cross-shareholdings sales as a special dividend

Dividend per share 13.50 yen

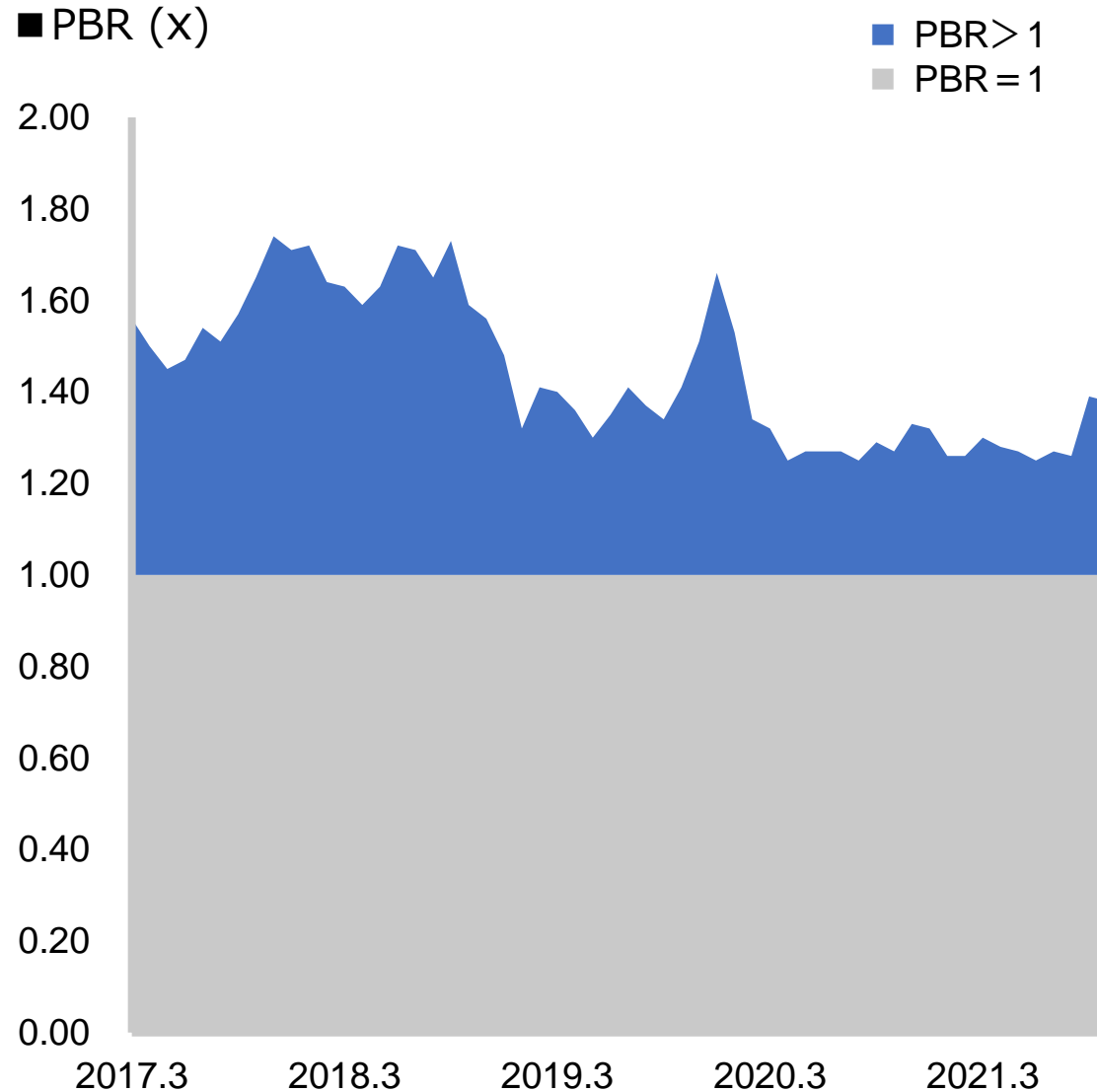
Decisions on matters related to acquisition of treasury shares

Total number: up to 700,000 shares (2.01%)

Total amount: up to 500 million yen

Period: November 2021 to July 2022

Method: purchase on the Tokyo Stock Exchange



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.

www.nikku.co.jp/en

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