

We are the doctor of  
your invisible air.



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

Reference Materials of Financial Results  
for the Fiscal Year Ended March 31, 2022

June 2022

TSE Prime Market, NSE Premier Market : [4658](#)

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## Building facilities **maintenance**

Number of technology-related employees: **2,523**

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 3,132	Non-consolidated 2,303
Net sales	Consolidated ¥49.8 billion	Non-consolidated ¥35.5 billion
Number of bases	Domestic 83 bases	Overseas 10 bases

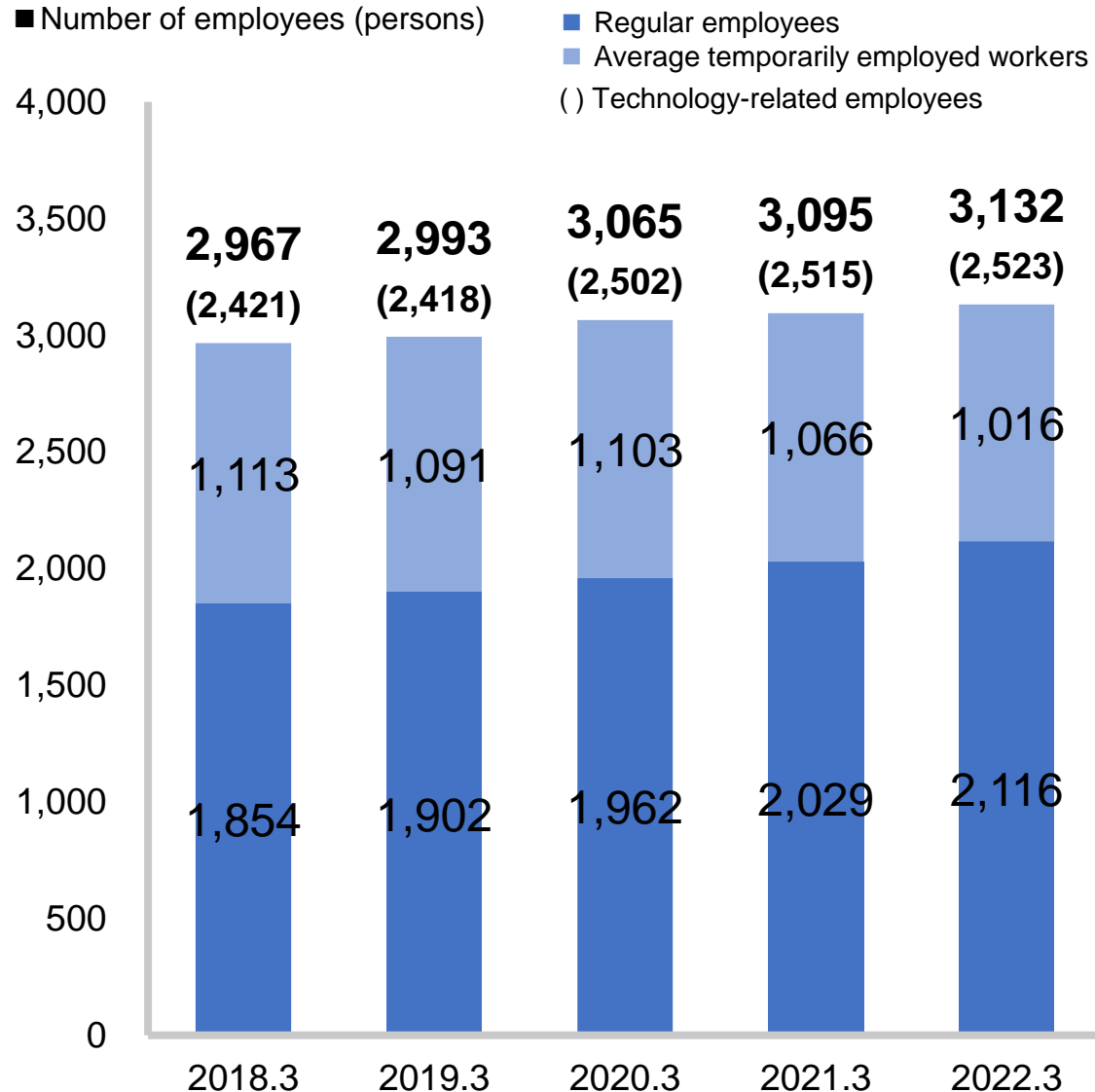
Apr. 1964 The company is established in Higashijukucho, Nakamura-ku Nagoya-shi, Aichi.



\* Number of employees is as of the end of March 2022.

\* For net sales, the number in the fiscal year ended March 31, 2022 is used.

\* Number of bases is as of the end of March 2022 (based on address).



## Technology-related employees

account for more than 80%

**Technology-oriented company**

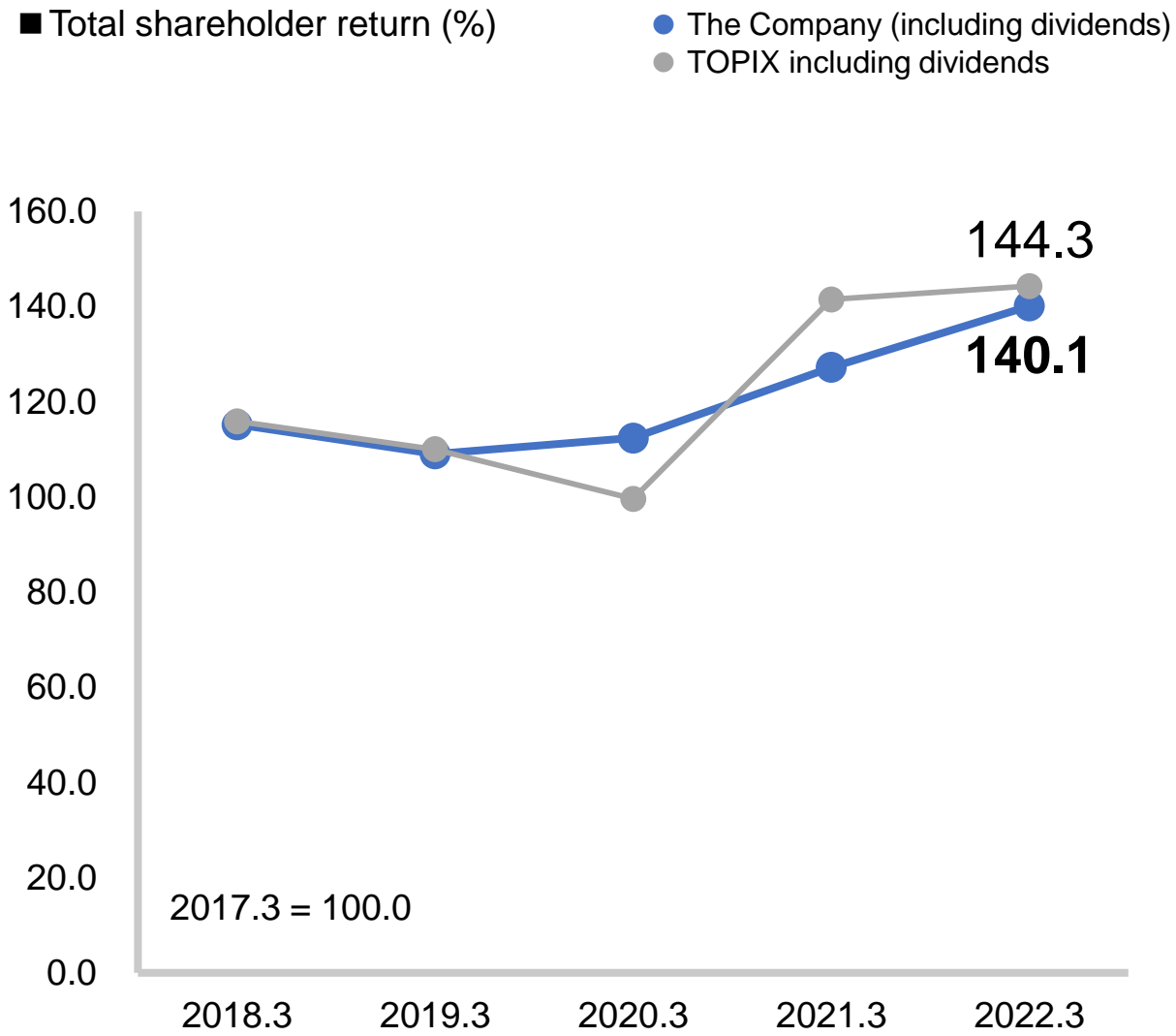


## Systems for improving technological capabilities

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

Stock-related information	
Stock price	¥808
Total market capitalization	¥28.9 billion
Dividends	¥28 per share
Dividend payout ratio	50.7%
Dividend yield	3.47%
Number of shareholders	11,614
PER	14.63x (EPS : ¥55.22)
PBR	1.38x (BPS : ¥584.08)
ROE	14.1%

\* For stock price, closing price as of June 8, 2022 is used.  
\* For dividends and EPS, predicted numbers in the fiscal year ending March 31, 2023 are used.  
\* For number of shareholder, as of the end of March 2022 is used.  
\* For BPS and ROE, actual number in the fiscal year ended March 31, 2022 are used.  
\* Total market capitalization is based on total shares issued and outstanding (including treasury stock) as of March 31, 2022.



**To make all our stakeholders happier**



## **Creation of social value**

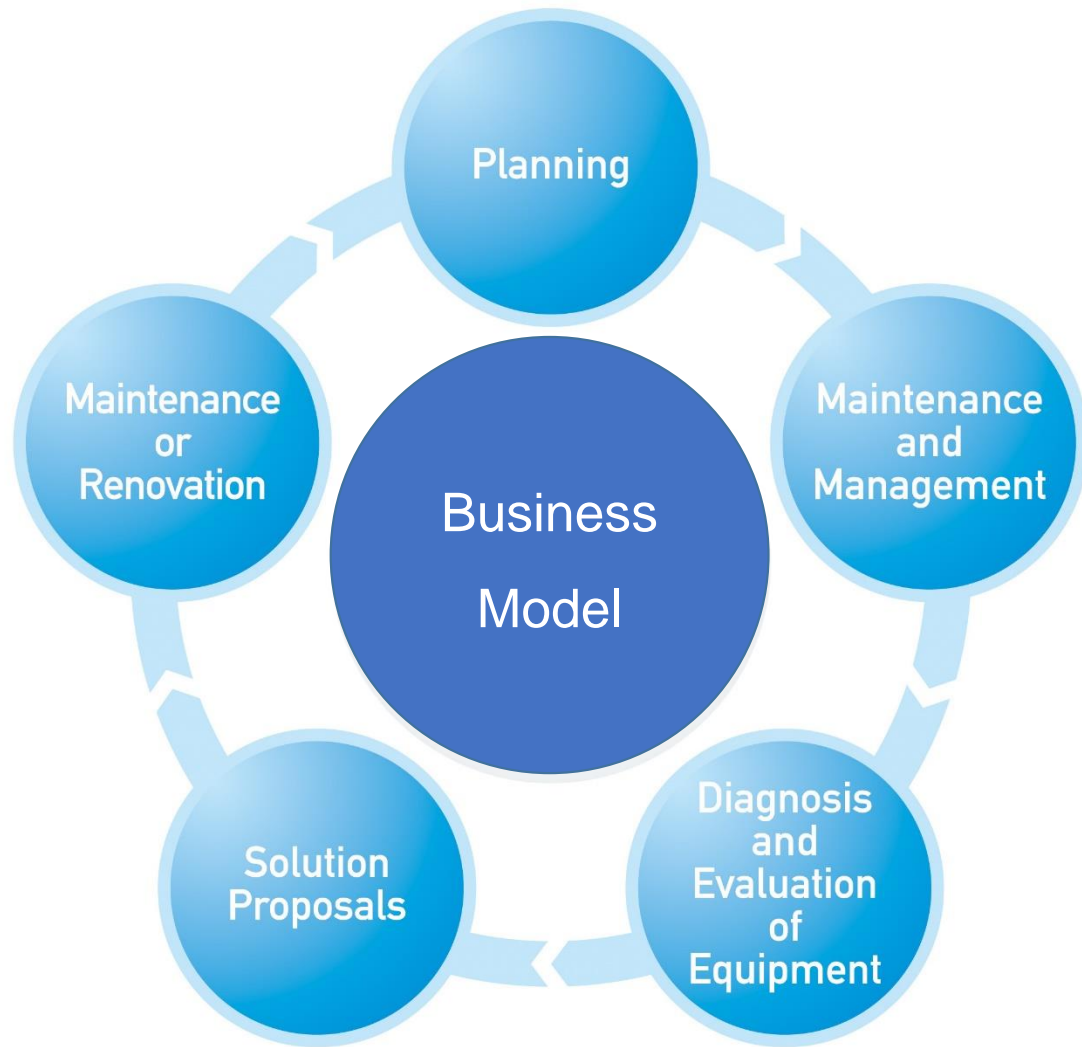
Management philosophy

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**





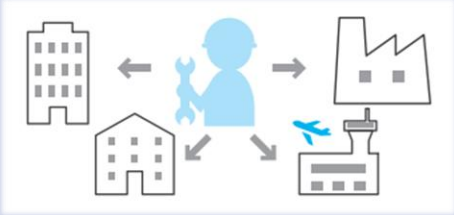

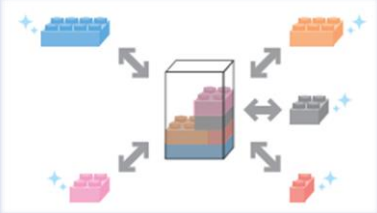
In-house technicians can  
respond in any phase



**Technological capabilities**  
**Solution capabilities**  
**Total support capabilities**



What sets us apart  
from the competition

Business division	Overview	Net sales composition
<p><b>PM</b></p> <p>Preventive Maintenance</p>	<ul style="list-style-type: none"> <li>■ Inspection, maintenance, repair, replacement, etc. of overall equipment / systems of buildings. (mainly air conditioning)</li> </ul> 	<p><b>38%</b></p>
<p><b>FM</b></p> <p>Facility Management</p>	<ul style="list-style-type: none"> <li>■ Integrated management that optimally combines maintenance services with daily maintenance and management.</li> </ul> 	<p><b>30%</b></p>
<p><b>RAC</b></p> <p>Reform and Construction</p>	<ul style="list-style-type: none"> <li>■ Mainly renovation work of existing equipment.</li> </ul> 	<p><b>32%</b></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



Linking with the sustainability  
of the customer's business activities,  
from the perspective of **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**

# Comparison with other companies in the same business

	The Company	Company A	Company B	Company C
Total market capitalization	<b>¥28.9</b> billion	¥157.3 billion	¥108.1 billion	¥7.1 billion
PER	<b>14.63x</b>	13.58x	17.54x	5.36x
PBR	<b>1.38x</b>	1.54x	1.63x	0.38x
ROE	<b>14.1%</b>	11.7%	10.7%	7.7%
Net sales	<b>¥49.8</b> billion	¥317.6 billion	¥103.7 billion	¥31.3 billion
Operating income	<b>¥2.6</b> billion	¥15.7 billion	¥7.5 billion	¥1.4 billion
Operating income to sales	<b>5.2%</b>	5.0%	7.2%	4.5%
Average annual salary	<b>¥5,940</b> thousand	¥4,930 thousand	¥3,490 thousand	¥3,680 thousand
Average age	<b>39.3</b> years old	46.1 years old	53.6 years old	52.3 years old

Characteristics of the Company compared to other companies in the same sector

- (1) Scope of net sales and profits is lower.
- (2) Average annual salary is much higher than the average of other three companies (though the nature of our businesses preclude simple comparison).
- (3) ROE is higher than the average of other three companies.
- (4) Stock price indicators suggest our shares are undervalued.



**We need to boost the creation of added value and strengthen IR activities.**

\* For total market capitalization of individual companies, closing price as of June 8, 2022 is used.

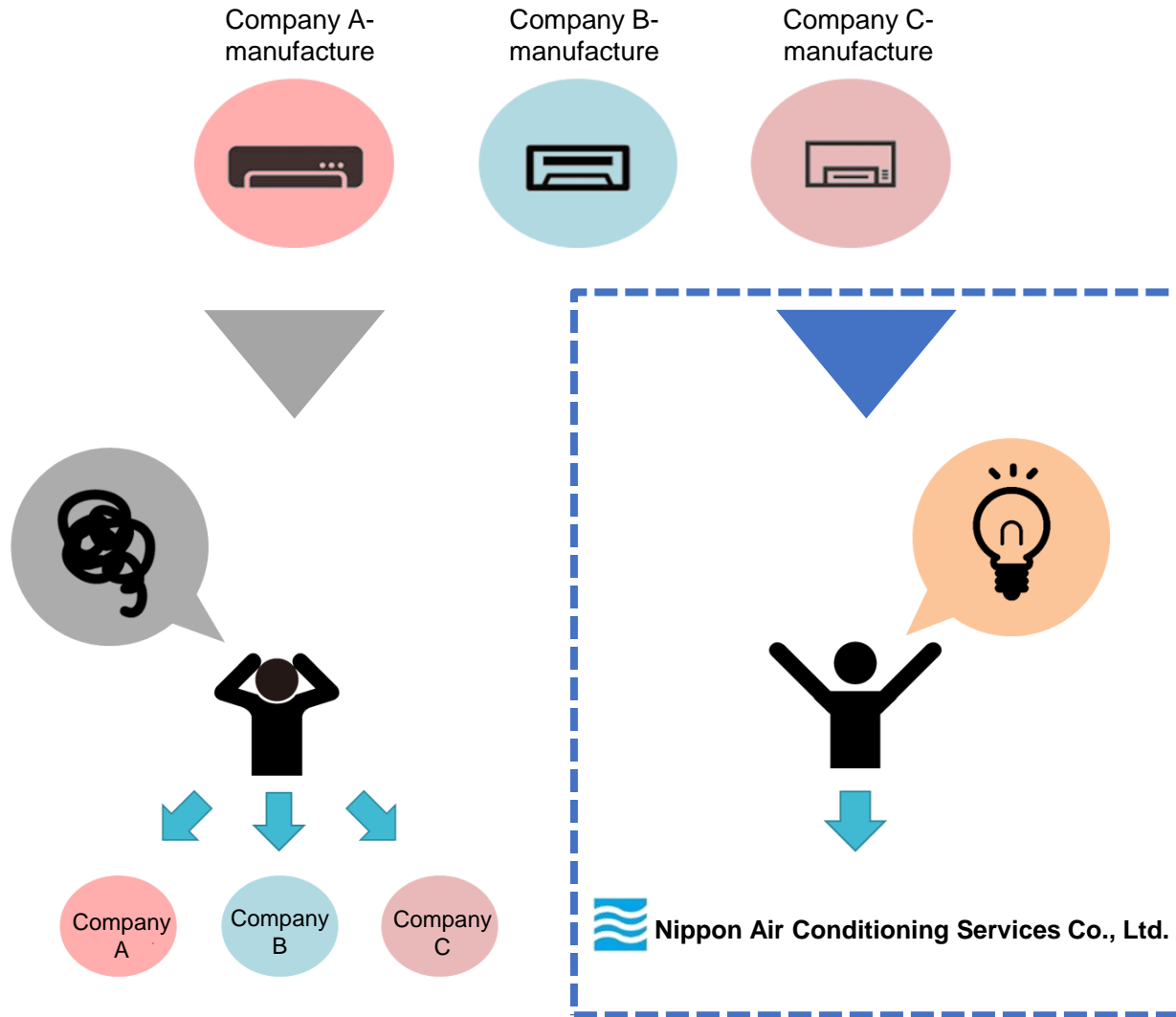
\* For EPS of individual companies, predicted number as of FY2023 is used, for BPS, ROE, net sales, operating income, operating income to sales, the actual numbers for FY2022 are used.

\* For average annual salary and average age, the actual numbers for FY2021 are used.

\* Total market capitalization of individual companies is based on total shares issued and outstanding (including treasury stock) as of FY2022.



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



(1) As an independent company, we are not subject to restrictions imposed by manufacturers.

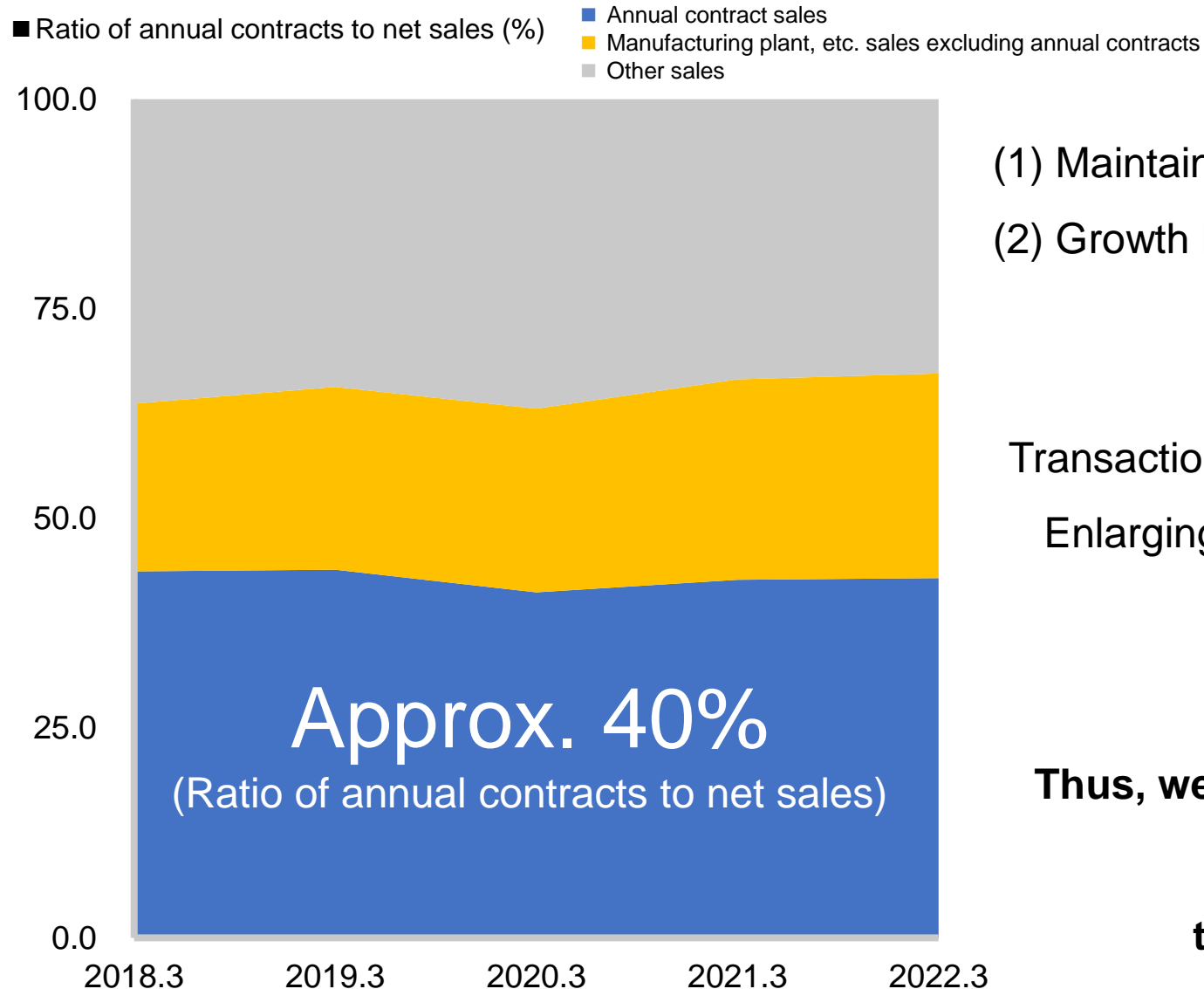
(2) Our skilled employees allow us to complete work rapidly without outside help.



(1) By offering **flexibility and diversity** in our services, we help customers create optimal environments.

(2) **The burden** on customers' equipment maintenance personnel is **reduced**.





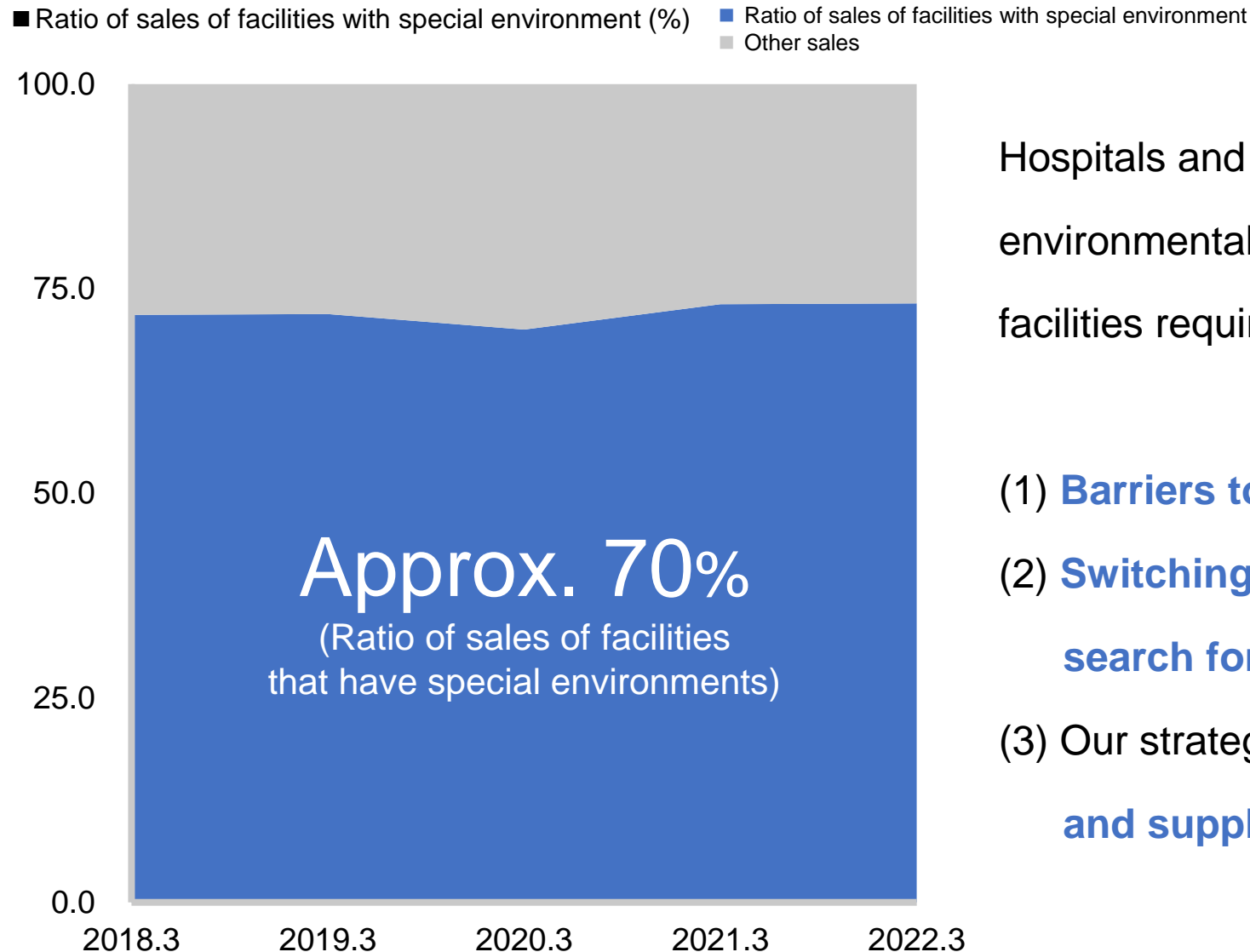
- (1) Maintaining stable annual contracts, mainly with hospitals
- (2) Growth by expanding manufacturing plants



Transactions with manufacturing plants are often spot deals.  
Enlarging our share is likely to reduce the ratio of annual contracts to net sales.



**Thus, we will diversify our response to economic risk by serving numerous sectors, then translate this into stable growth.**



Hospitals and manufacturing plants must meet strict environmental demands, thus maintenance at these facilities requires sophisticated technological capabilities.



- (1) **Barriers to entry** for competitors are high.
- (2) **Switching costs** and **costs associated with the search for suitable service vendors** are high.
- (3) Our strategy is to erect barriers on **both the demand and supply sides**.

## 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



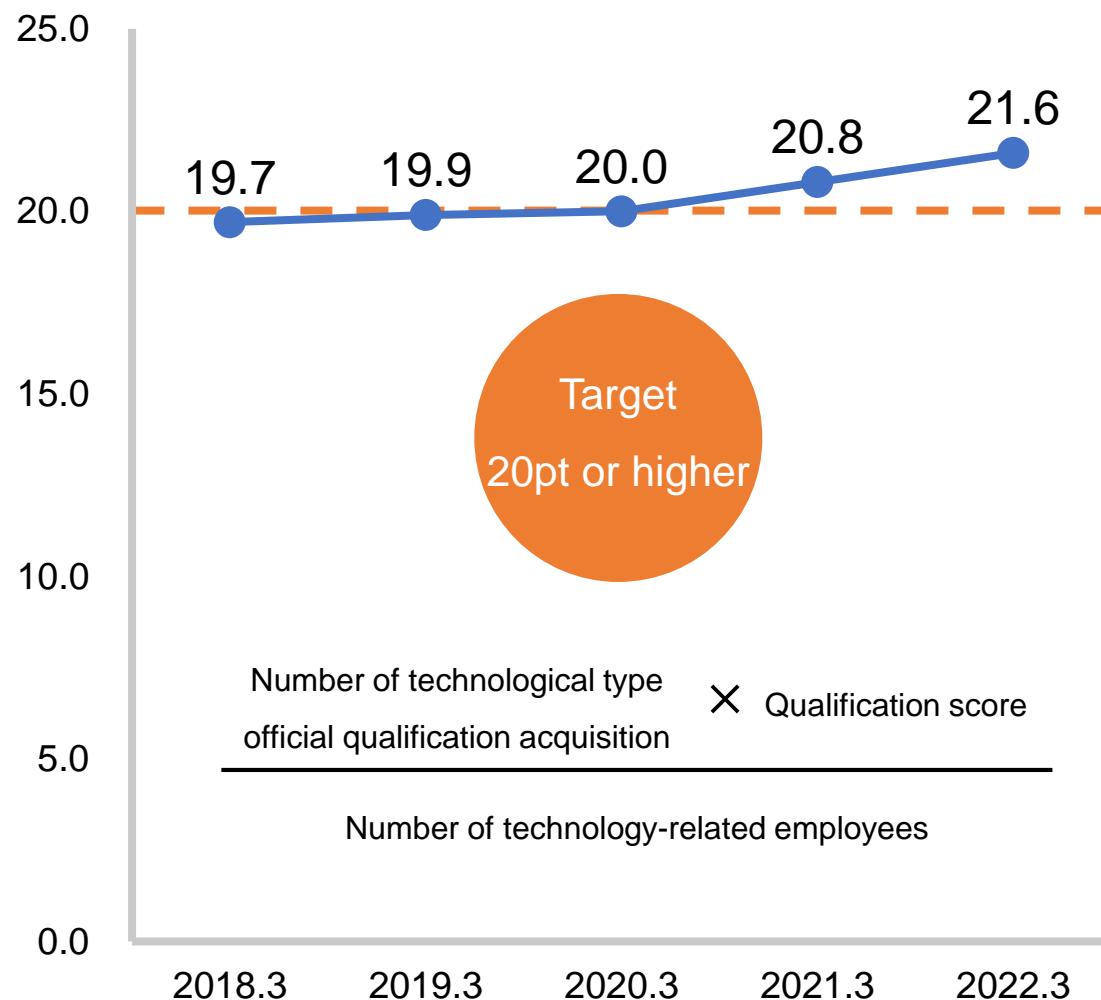


Examples of the **technological capabilities** required are shown below.



\* 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)



Number of technological type official qualification acquisition

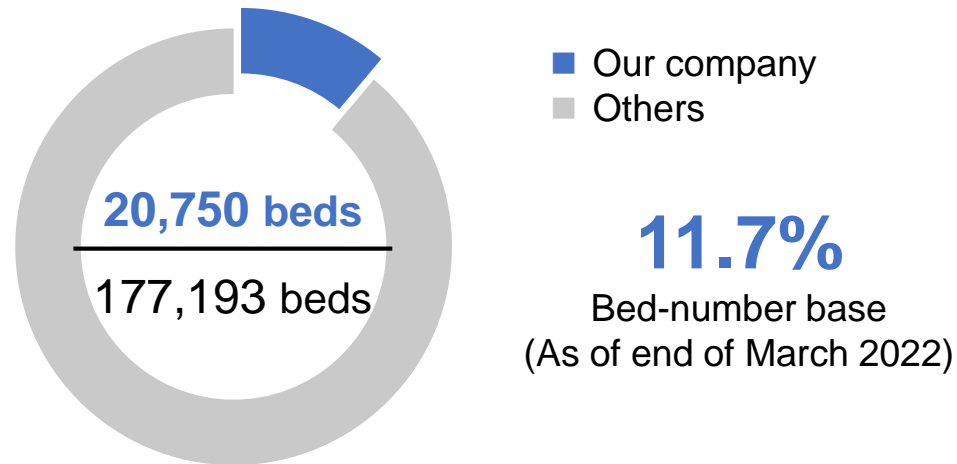
9,873

(Increase of 537 from previous fiscal year)



While technological capabilities cannot be measured by the number of qualifications alone, this remains an important index for linking **our technological capability base to human capital.**

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



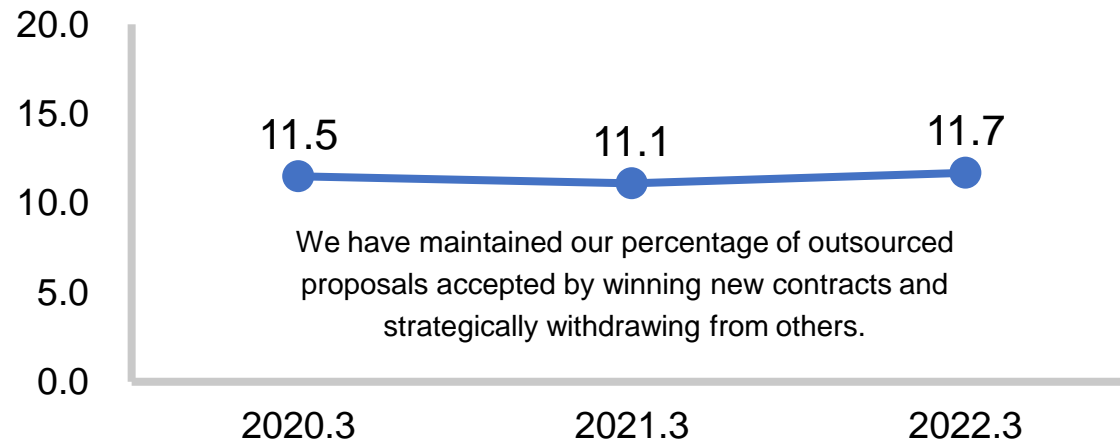
Our strengths include facilities maintenance at large hospitals, founded on our many years of experience at facilities with special environments.



**Integrated management**

**Maintenance of environmental performance**

- Our percentage of outsourced proposals accepted (%)



**We optimize facility operations for both stable operations and energy savings.**

## Solar power generation

**Introduce solar power generation systems for self-consumption**, setting manufacturing facilities as the target.

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



Nippon Air Conditioning Hokuriku Co., Ltd. is actively pursuing this approach using the PPA model, and the Company has newly established **the Energy Solutions Division** with an eye to rolling out this business nationwide.

## Validation

**We are deploying validation total support** with a view to expanding the scope of outsourcing from pharmaceuticals manufacturing plants.



Due to the sophisticated technological capabilities required, we are carefully assembling the structure to achieve this goal over the medium to long term.

\* 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.

\* 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.

\* Validation: Verification that the structural equipment, procedures and processes of a manufacturing plant as well as other manufacturing controls and quality control methods can obtain the expected results, and by documenting these procedures, verification that pharmaceuticals with the target quality can be continuously manufactured.



## ■ Solar power generation and consumption business

[Target] Manufacturing plants with high voltage/high power electricity requirements.

[Goal] Expand outsourcing from manufacturing plants.

[Status] Energy Solutions Division established; currently focusing on expanding this business nationwide.

Train capable engineers while striving to achieve full-scale operations as quickly as possible.

## ■ Validation total support

[Target] Pharmaceutical manufacturing plants, etc.

[Goal] Expand orders for pharmaceutical manufacturing plants, etc.

[Status] Focus on training engineers, building systems, and accumulating knowhow by responding to actual projects.

Acquire the necessary technical capabilities while monitoring risks.

## ■ Overseas expansion

[Target] Overseas manufacturing plants operated by Japanese companies.

[Goal] Establish new revenue sources.

[Status] Overseas operating income is negative; focus on establishing new revenue sources through a select-and-focus approach.

Offer service at levels identical to in Japan while gauging circumstances and needs in each country.



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Net sales : ¥**49.8** billion [+1.5%]

Operating income : ¥**2.6** billion [-13.0%]

Final income : ¥**2.8** billion [+41.2%]

\* For net sales, operating income, final income, the number in the fiscal year ended March 31, 2022 is used.

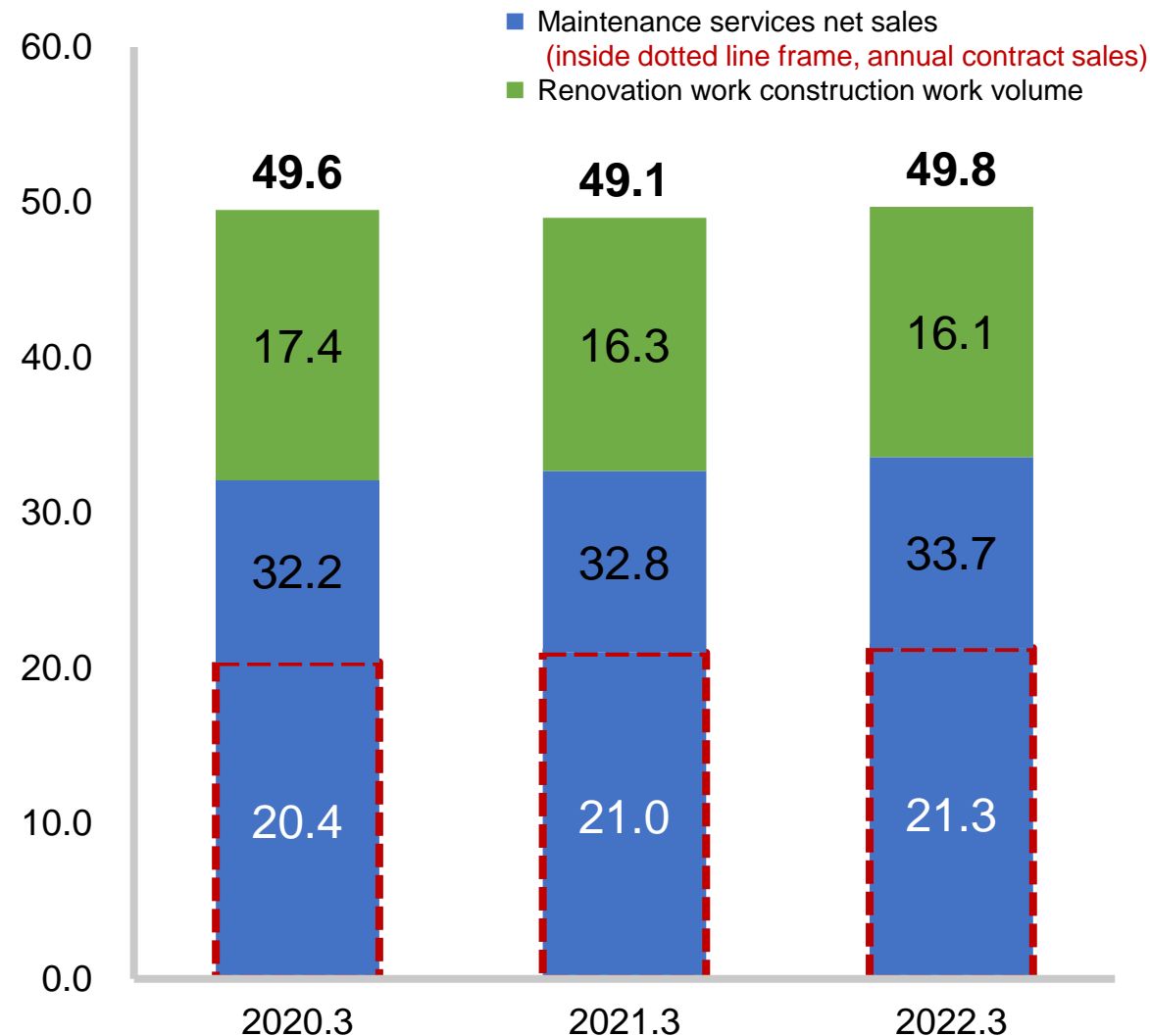
\* Final income indicates profit attributable to owners of parent.

- Net sales were our highest ever thanks to strong performance from maintenance, the major contributor.
- Profits dropped due to soaring raw materials prices and higher personnel expenses following an aggressive new graduate recruitment drive that saw the hiring of 104 new graduates.
- Profit attributable to owners of parent reached a record high due to a gain on sales of investment securities (1.3 billion yen).

(billion yen, %)

Consolidated (cumulative period)	FY03/2020			FY03/2021			FY03/20212		
	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	49.8	100.0	+1.5
Maintenance service sales	32.2	65.0	+1.0	32.8	66.7	+1.7	33.7	67.7	+2.9
Renovation work construction work volume	17.4	35.0	+20.7	16.3	33.3	-6.1	16.1	32.3	-1.4
Gross profit on sales	9.3	18.9	+9.6	9.1	18.5	-2.7	8.8	17.7	-3.4
Selling, general and administrative expenses	6.2	12.6	+5.4	6.1	12.4	-2.5	6.1	12.4	+1.3
Operating income	3.1	6.3	+19.4	3.0	6.1	-3.2	2.6	5.2	-13.0
Ordinary income	3.2	6.5	+18.0	3.1	6.4	-2.3	2.8	5.6	-10.8
Profit attributable to owners of parent	1.8	3.8	+5.9	1.9	4.1	+5.2	2.8	5.7	+41.2

## ■ Net sales for each type (billion yen)



## Steady in maintenance, sluggish in construction



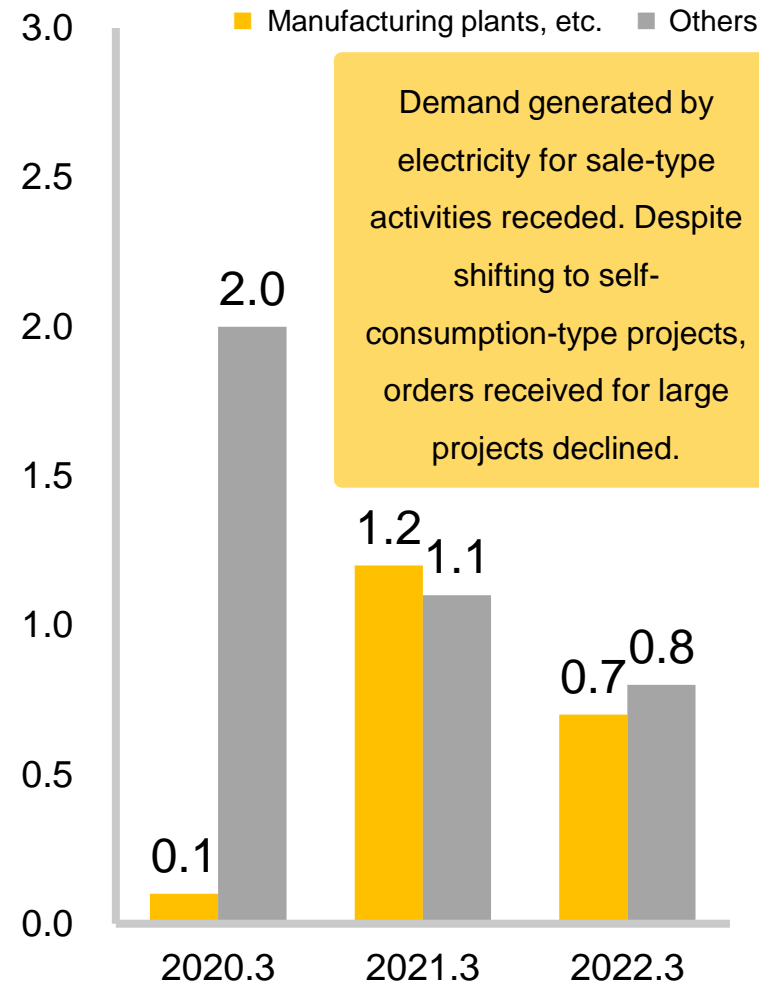
Annual contracts: Limited impact from the Covid-19 pandemic

Spot: Expanded, with hospitals and factories the main customers

Construction:

- (1) Decline in orders received for large projects related to solar power generation
- (2) Unable to offset the disappearance of special demand related to school air conditioning, which boosted earnings during the fiscal year before last

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

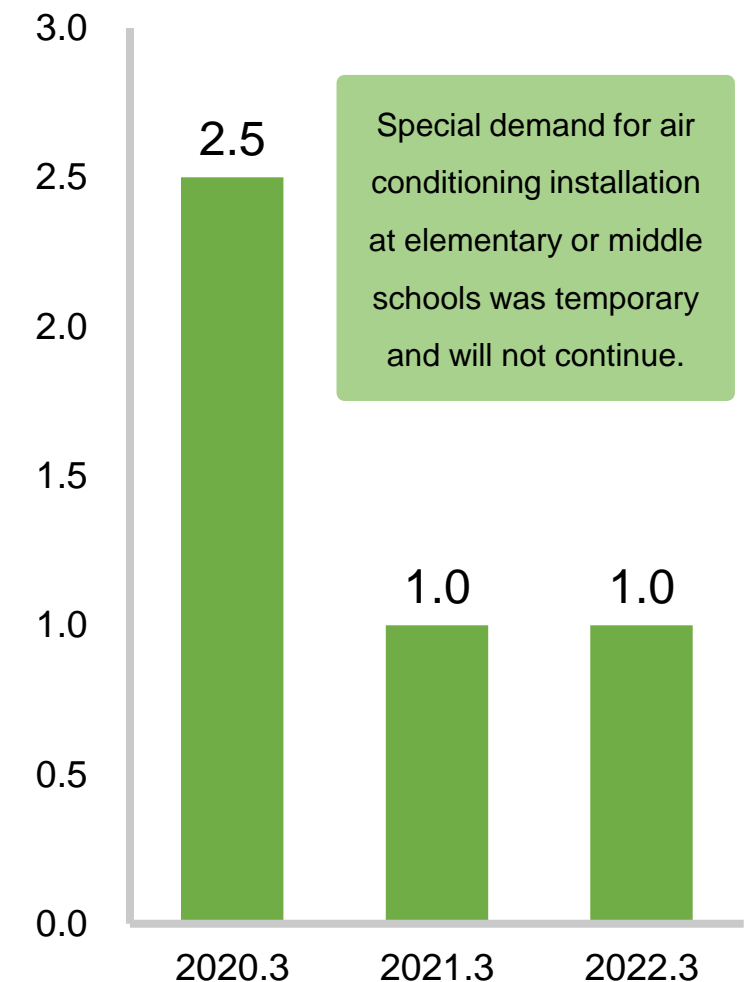


## Decrease in renovation work



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

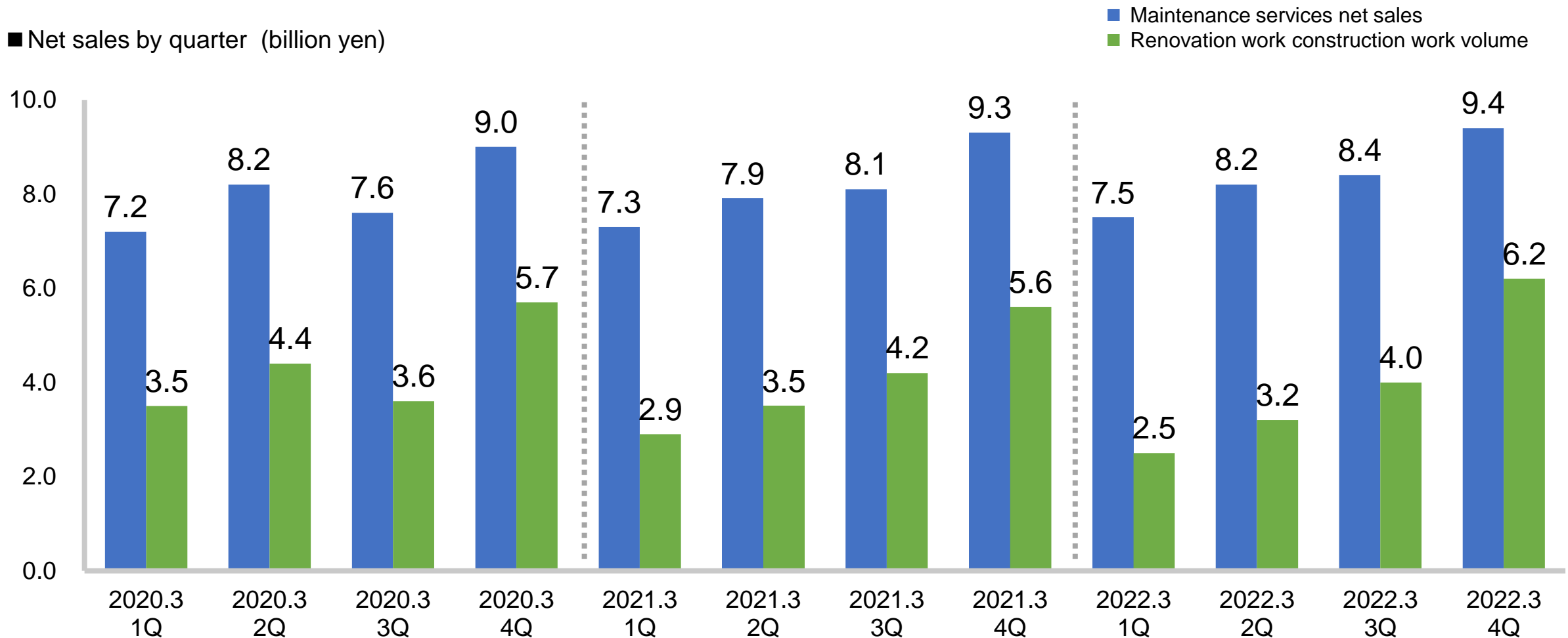
■ Net sales of renovation work related to air conditioning at schools (billion yen)



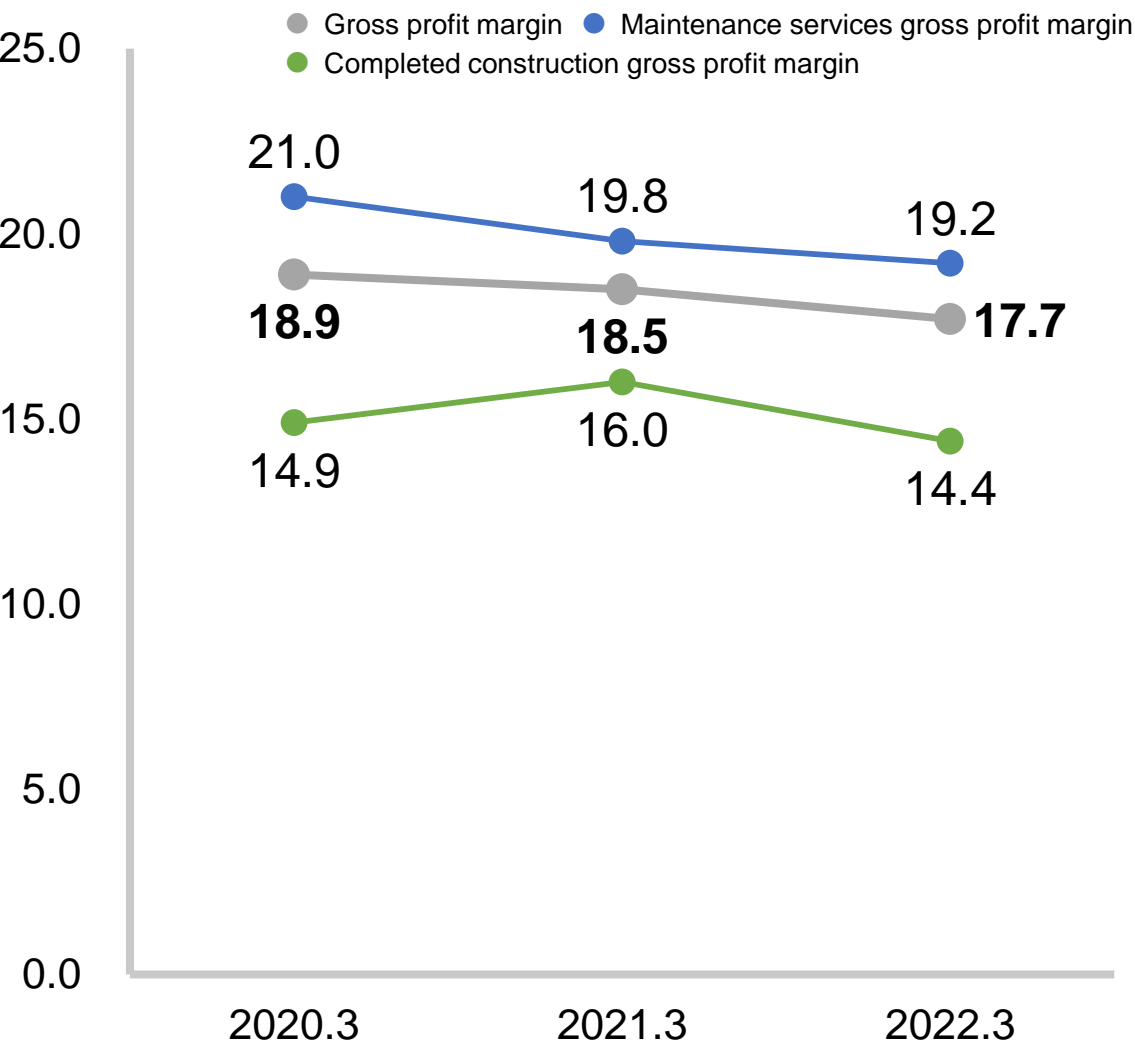
\* Estimated net sales from renovation work related to school air conditioning are for actual renovation work where the customer was a school or library.

Maintenance is on pace to exceed the previous fiscal year. However, except for 4Q, construction work was down year on year. Poor first half performance may have been due to inadequate efforts to generate leads during the previous fiscal year at the height of the Covid-19 pandemic.

■ Net sales by quarter (billion yen)



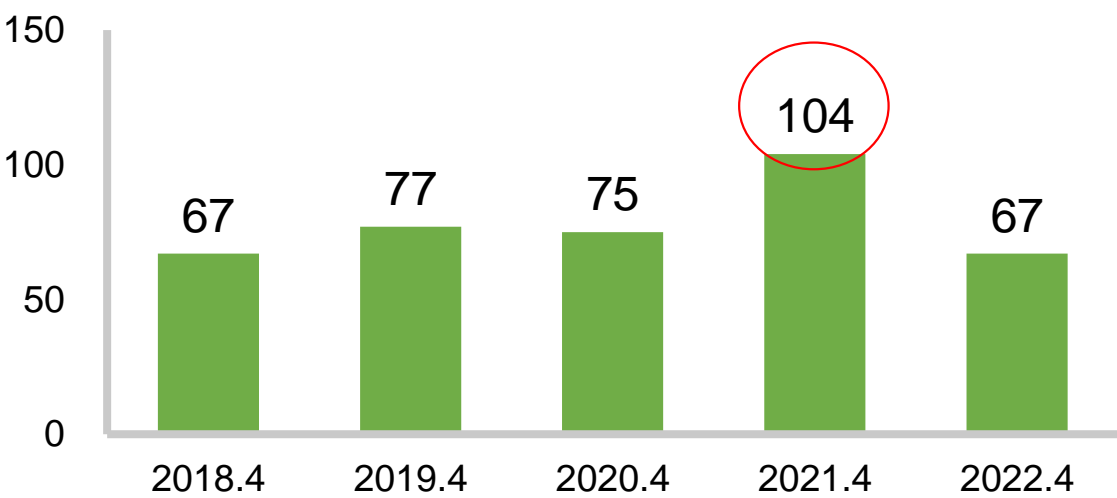
■ Gross profit margin (%)



Maintenance gross profit margin: decreased

Mainly due to higher labor costs as forward-looking investment

■ Number of new graduates hired (persons)



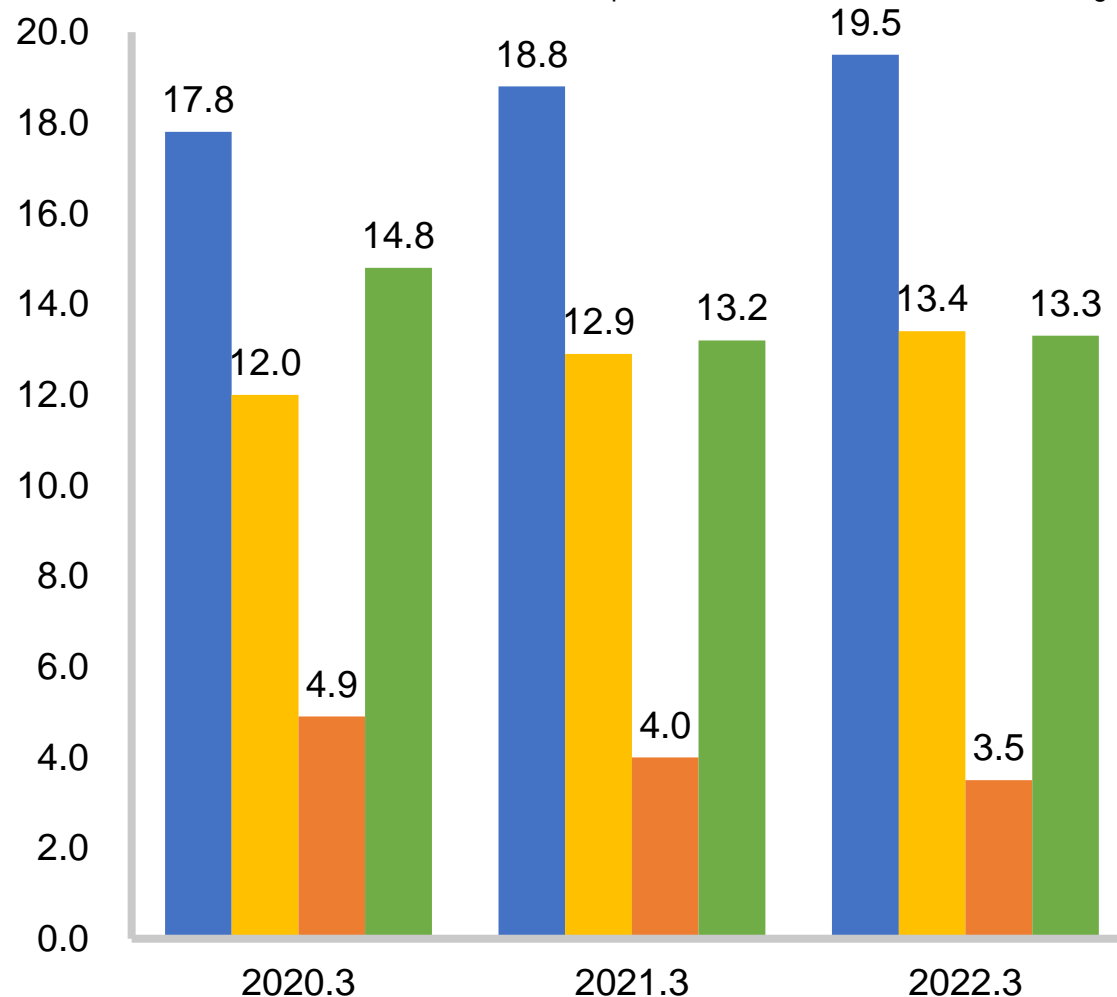
Completed construction gross profit margin: decreased

This was affected by a decline in large construction projects related to solar power generation.

■ Net sales by facilities of which services are entrusted

(billion yen)

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



## (1) Hospitals and research facilities

- ▶ Spot maintenance and construction work exhibited strong performance.

## (2) Manufacturing plants, etc.

- ▶ While spot maintenance increased, the pace of construction work growth slowed, due mainly to flat sales for solar power generation.

## (3) Other special facilities

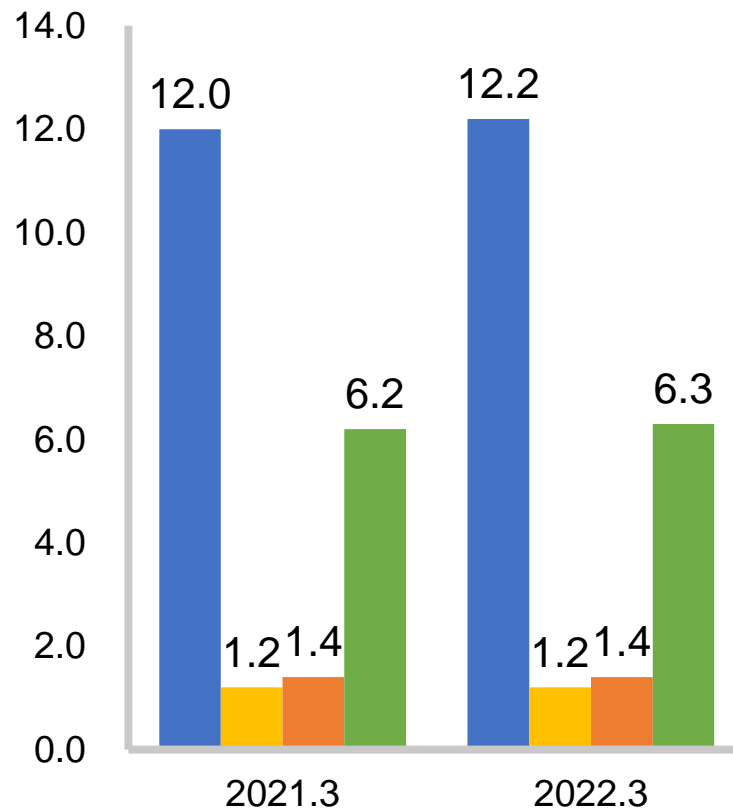
- ▶ Sales were affected by a shift in demand to solar power generation-related demand from self-consumption-type projects, encountered mainly at manufacturing plants, and a drop in demand for generation of electricity for sale-type projects.

## (4) Office buildings, etc.

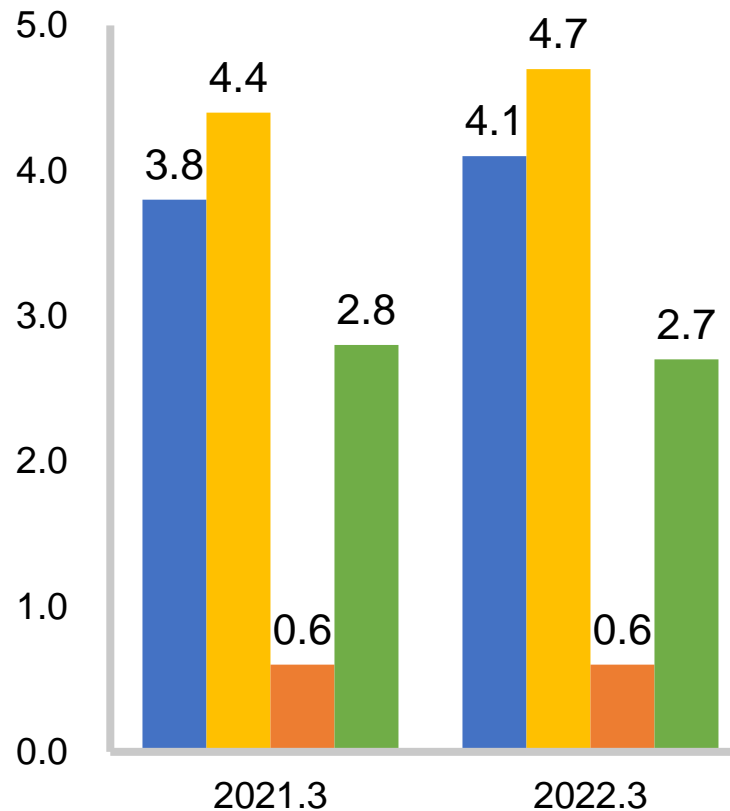
- ▶ Special demand related to school air conditioning faded.



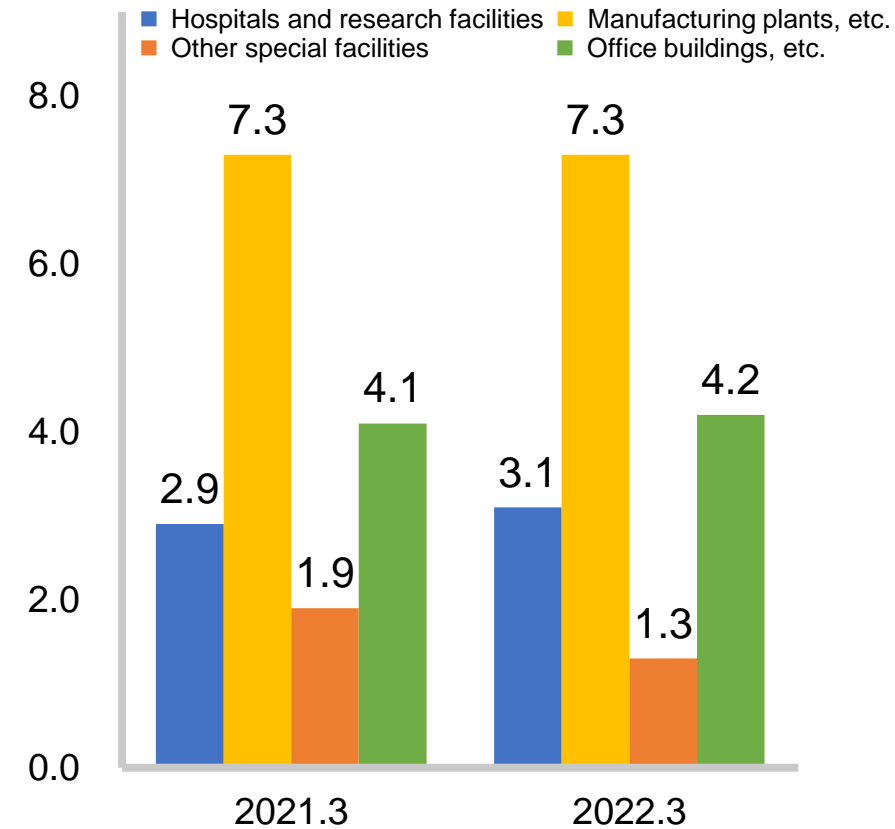
■ Annual contract sales (billion yen)



■ Maintenance services net sales (billion yen)



■ Renovation work construction work volume (billion yen)

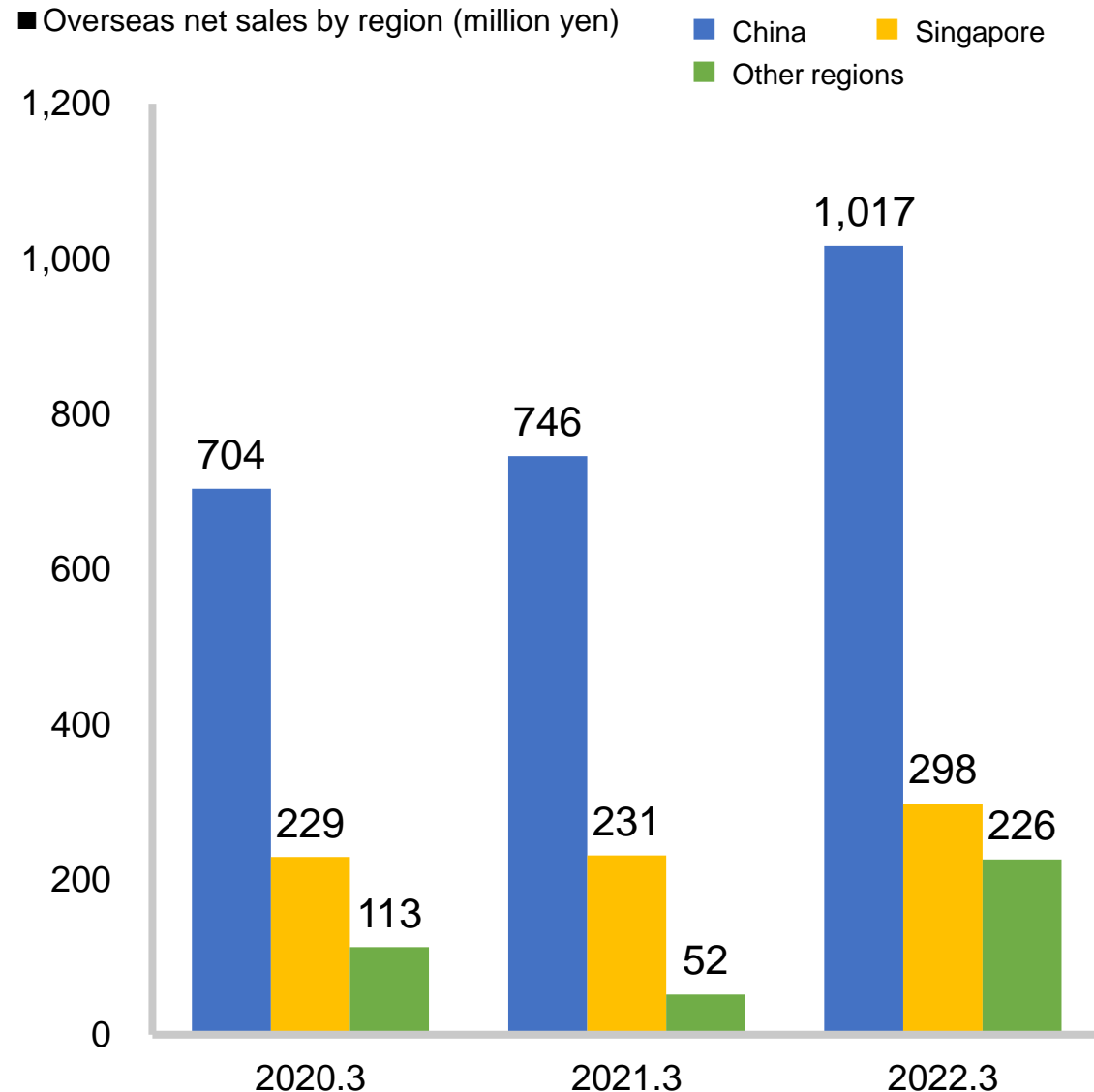


number of cases : 3,071 cases      2,998 cases  
 average unit price : ¥6,757 thousand      ¥7,006 thousand

number of cases : 34,373 cases      35,197 cases  
 average unit price : ¥336 thousand      ¥340 thousand

number of cases : 3,840 cases      4,053 cases  
 average unit price : ¥4,119 thousand      ¥3,790 thousand

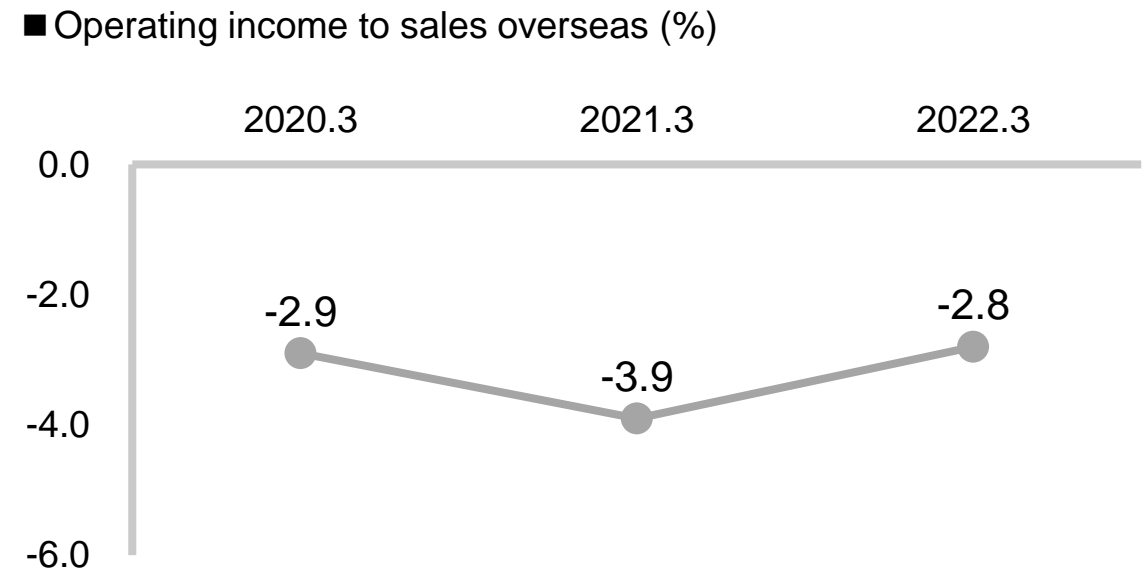
\* Number of cases and average unit price only count domestic ones.



## Net sales in six countries outside Japan: ¥ 1.5 billion

### Operating income to sales overseas : - 2.8%

Despite signs of a recovery in performance, the harsh environment persists due to the Covid-19 pandemic and uncertain geopolitical prospects.



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

\* The ratio of the overseas operating income to net sales is calculated using the simple sum of the operating income of overseas Group companies.

Consolidated (cumulative period)	FY03/2021		FY03/2022	
	Amount (billion yen)	Year-on-year growth ratio (%)	Amount (billion yen)	Year-on-year growth ratio (%)
Cash flows from operating activities	2.7	+2,425.3	1.7	-34.6
Cash flows from investing activities	-0.2	+11.5	0.9	----
Cash flows from financing activities	-1.8	-75.6	-2.3	-30.5
Cash and cash equivalent growth	0.6	----	0.4	-31.4
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	6.2	+11.0	6.6	+6.8

**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	
	Amount (billion yen)	Year-on-year growth ratio (%)	Amount (billion yen)	Year-on-year growth ratio (%)
Current assets	20.1	+2.9	21.6	+7.4
Fixed assets	14.7	+9.9	13.4	-8.6
Total assets	34.9	+5.7	35.1	+0.7
Interest-bearing debts	1.2	-29.4	0.8	-26.4
Other liabilities	13.3	+3.8	13.7	+3.4
Total liabilities	14.5	-0.2	14.6	+0.9
Total net assets	20.3	+10.4	20.4	+0.5
Total liabilities and net assets	34.9	+5.7	35.1	+0.7

**The capital adequacy ratio increased**  
**57.4% ⇒ 57.2%**



Valuation difference on available-for-sale  
 securities

3.1 billion yen ⇒ 2.3 billion yen

Treasury stock

-0.35 billion yen ⇒ -0.8 billion yen

# Forecast for the fiscal year ending March 31, 2023

The harsh environment will persist due to concerns for delays in capital spending generated by Covid-19 and conditions in Ukraine; soaring raw material prices and personnel costs; and late delivery of equipment due to the semiconductor shortage. Nevertheless, we seek to boost both sales and profits by uncovering latent demand for energy and cost savings.

(billion yen, %)

Consolidated (cumulative period)	FY03/2021			FY03/2022			FY03/2023 (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	49.1	100.0	-1.1	49.8	100.0	+1.5	52.0	100.0	+4.2
Maintenance service sales	32.8	66.7	+1.7	33.7	67.7	+2.9	35.0	67.7	+3.7
Renovation work construction work volume	16.3	33.3	-6.1	16.1	32.3	-1.4	17.0	32.3	+5.5
Gross profit on sales	9.1	18.5	-2.7	8.8	17.7	-3.4	9.3	17.9	+5.6
Selling, general and administrative expenses	6.1	12.4	-2.5	6.1	12.4	+1.3	6.4	12.3	+3.4
Operating income	3.0	6.1	-3.2	2.6	5.2	-13.0	2.9	5.6	+10.8
Ordinary income	3.1	6.4	-2.3	2.8	5.6	-10.8	3.0	5.8	+7.1
Profit attributable to owners of parent	1.9	4.1	+5.2	2.8	5.7	+41.2	1.9	3.7	-32.7

\* The forecast for final profit (profit attributable to owners of parent) for the fiscal year ending March 31, 2023 is a decline in profits due to the absence of the gains on the sale of investment securities booked the previous fiscal year.

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## Improvement of happiness of all stakeholders



Creation of sustainable shareholder value



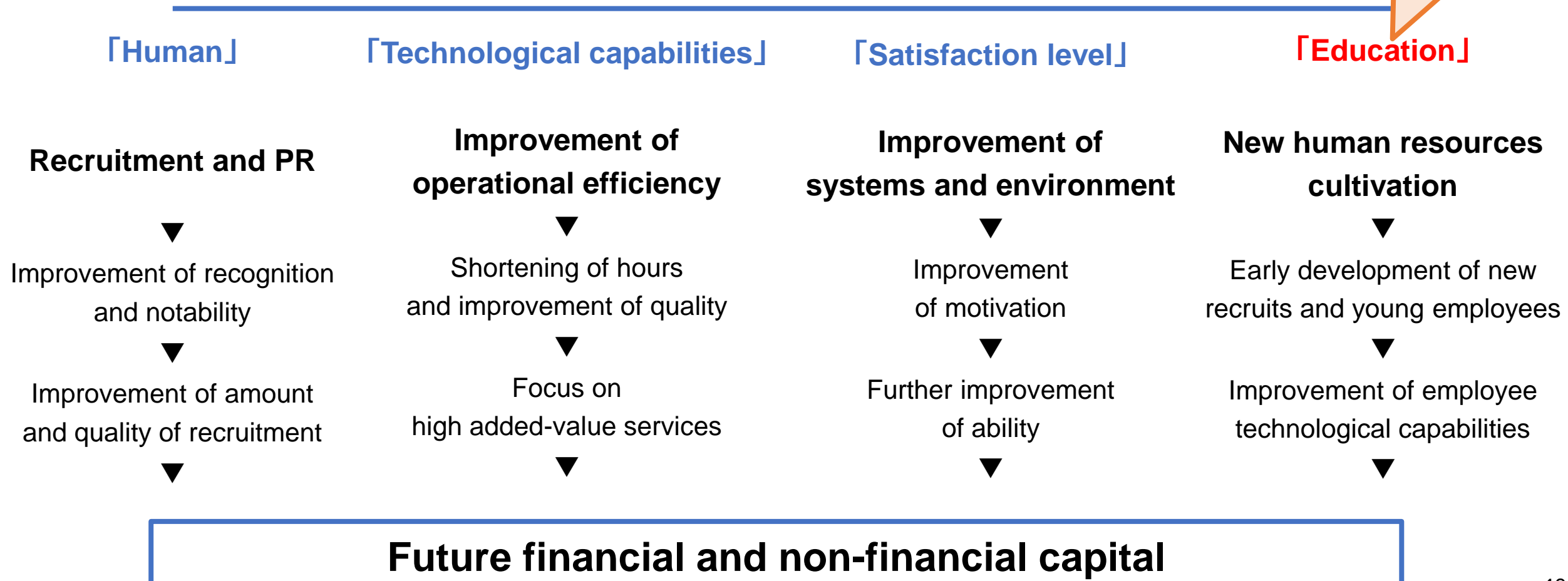
Capital productivity improvement



**Enhanced human resources value**

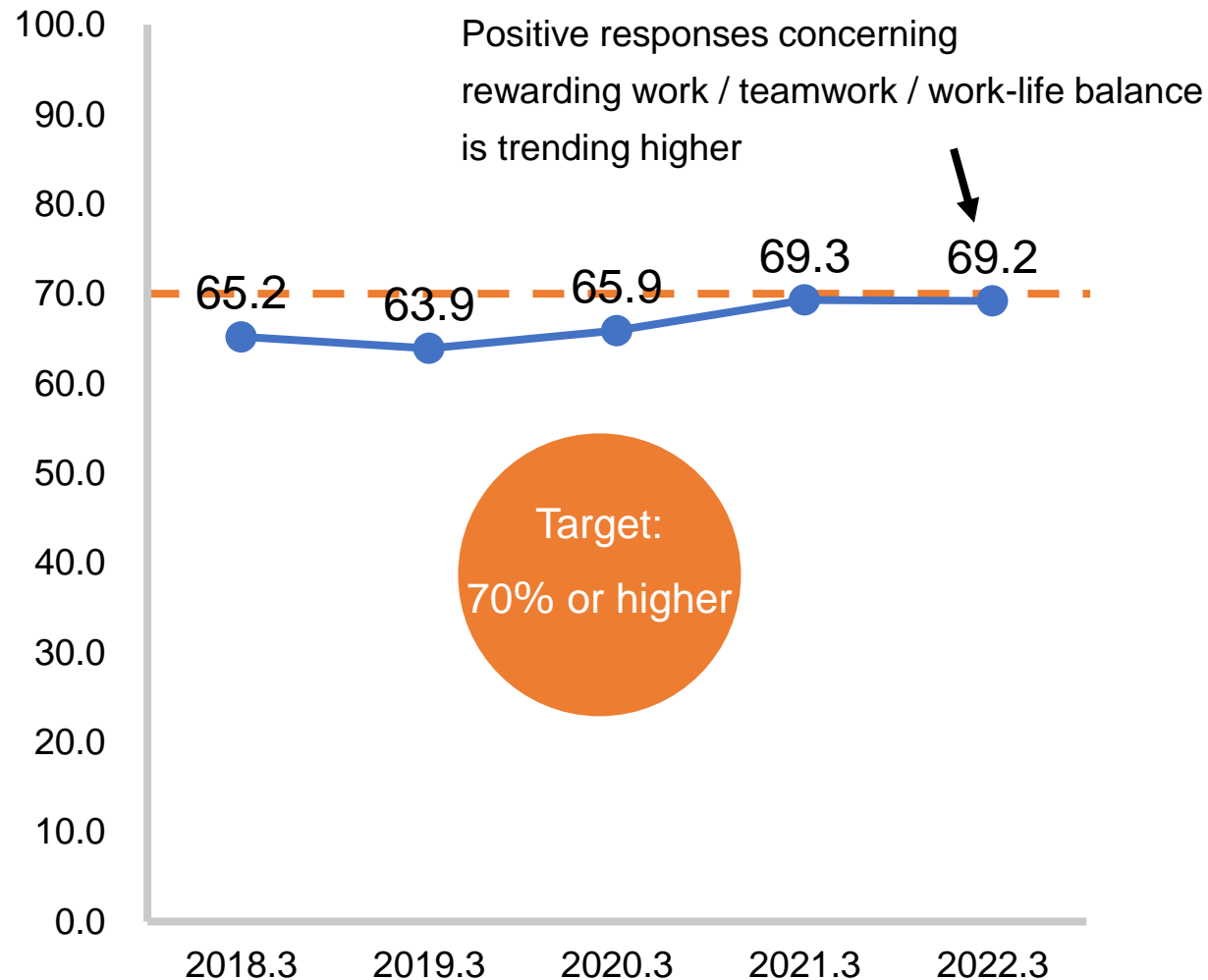
# Promote four projects aiming at enhancing human resources value

We plan to build a new training center to achieve rapid productivity with new hires and young employees and to strengthen the skills of other personnel.





## ■ Employee satisfaction levels (%)



Employee satisfaction levels: 69.2%

We will strive to deliver improvements through initiatives with each project and improvements in internal communication.



Basis of customer satisfaction

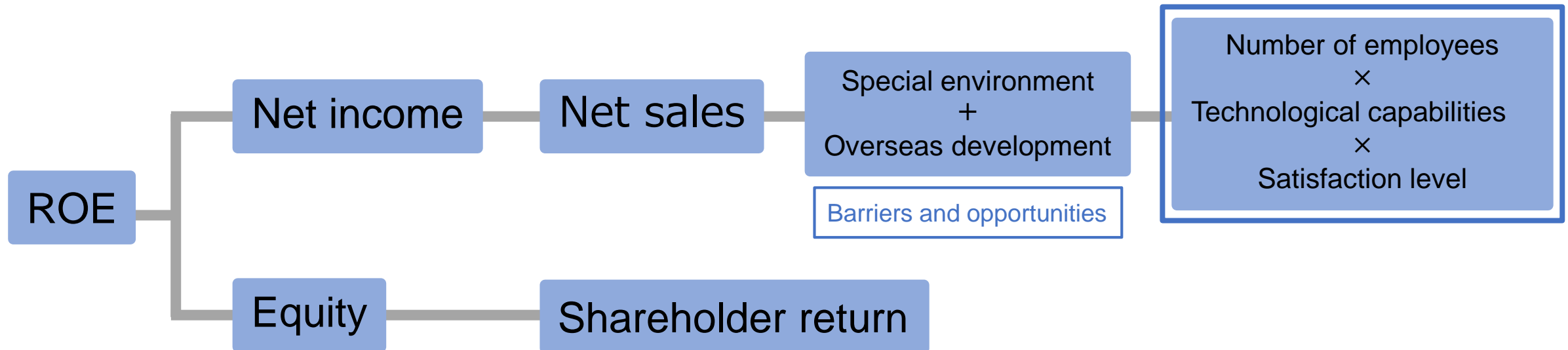
**“Foundation of corporate value”**

**Linked to human resources**

# Most important factor for improving the capital productivity

## 「enhancement of human resources value」

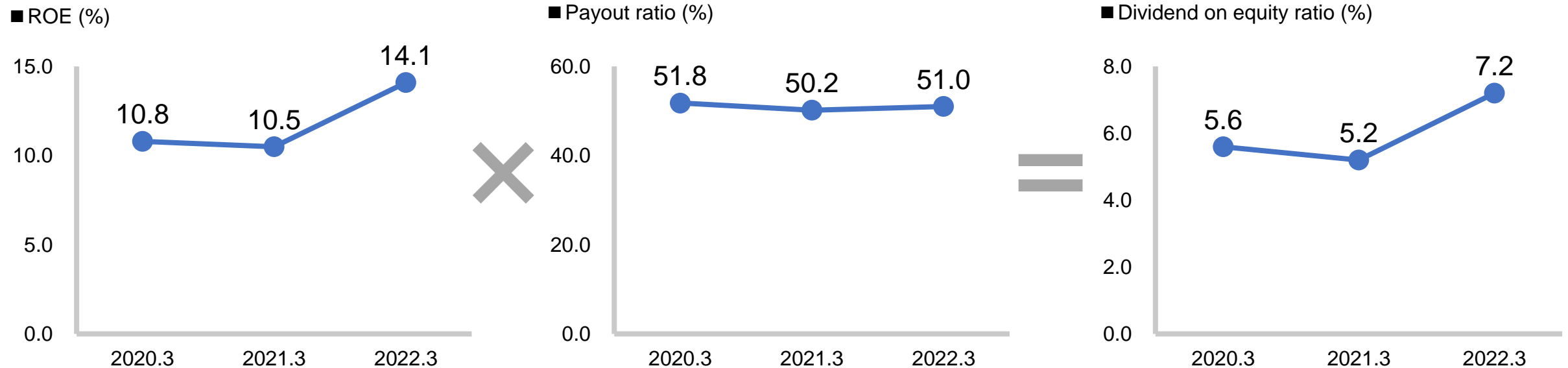
### Linked to ESG(Social)

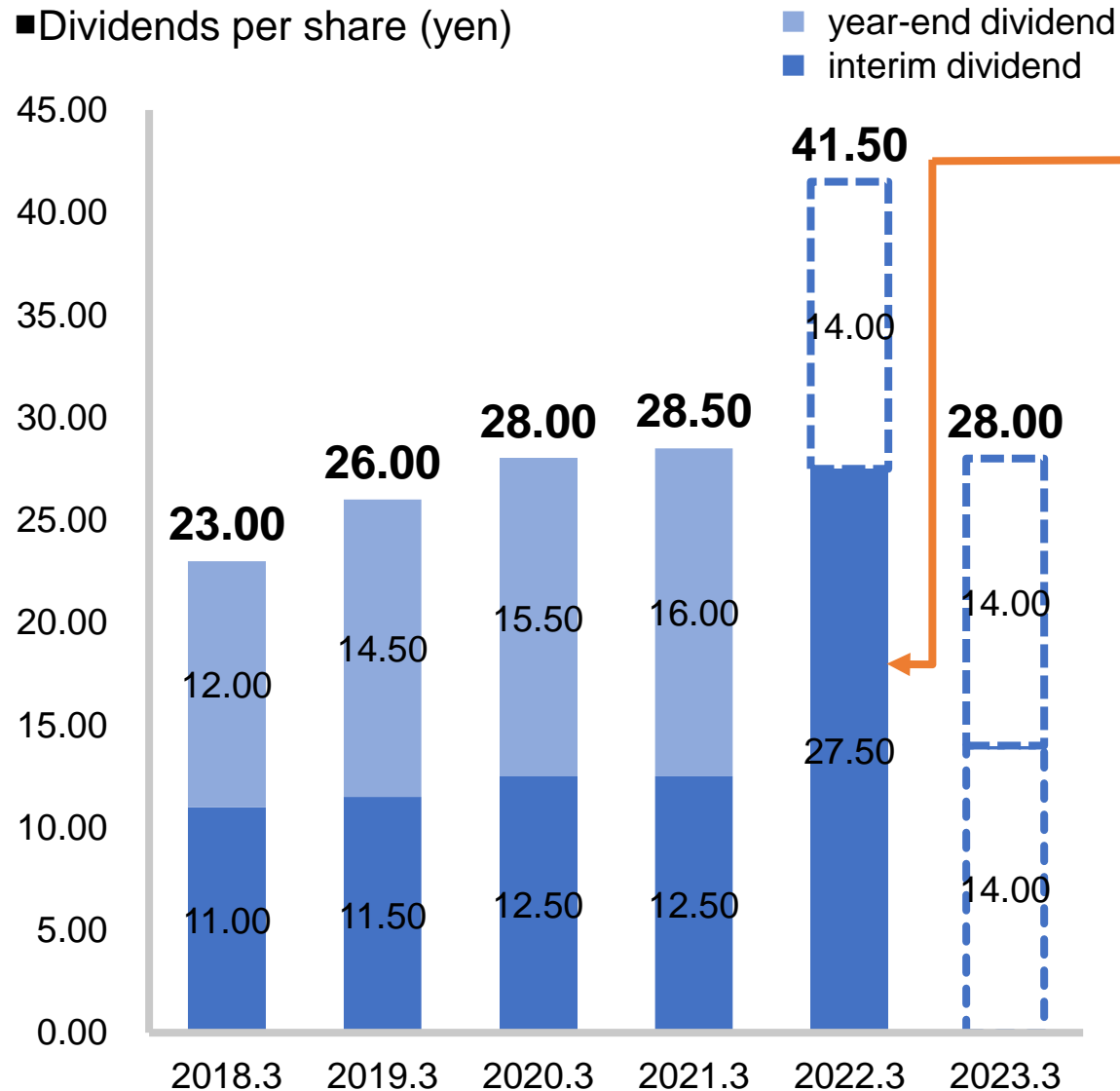


Maintain dividend payout ratio of 50%  
by enhancing capital productivity



## 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%)

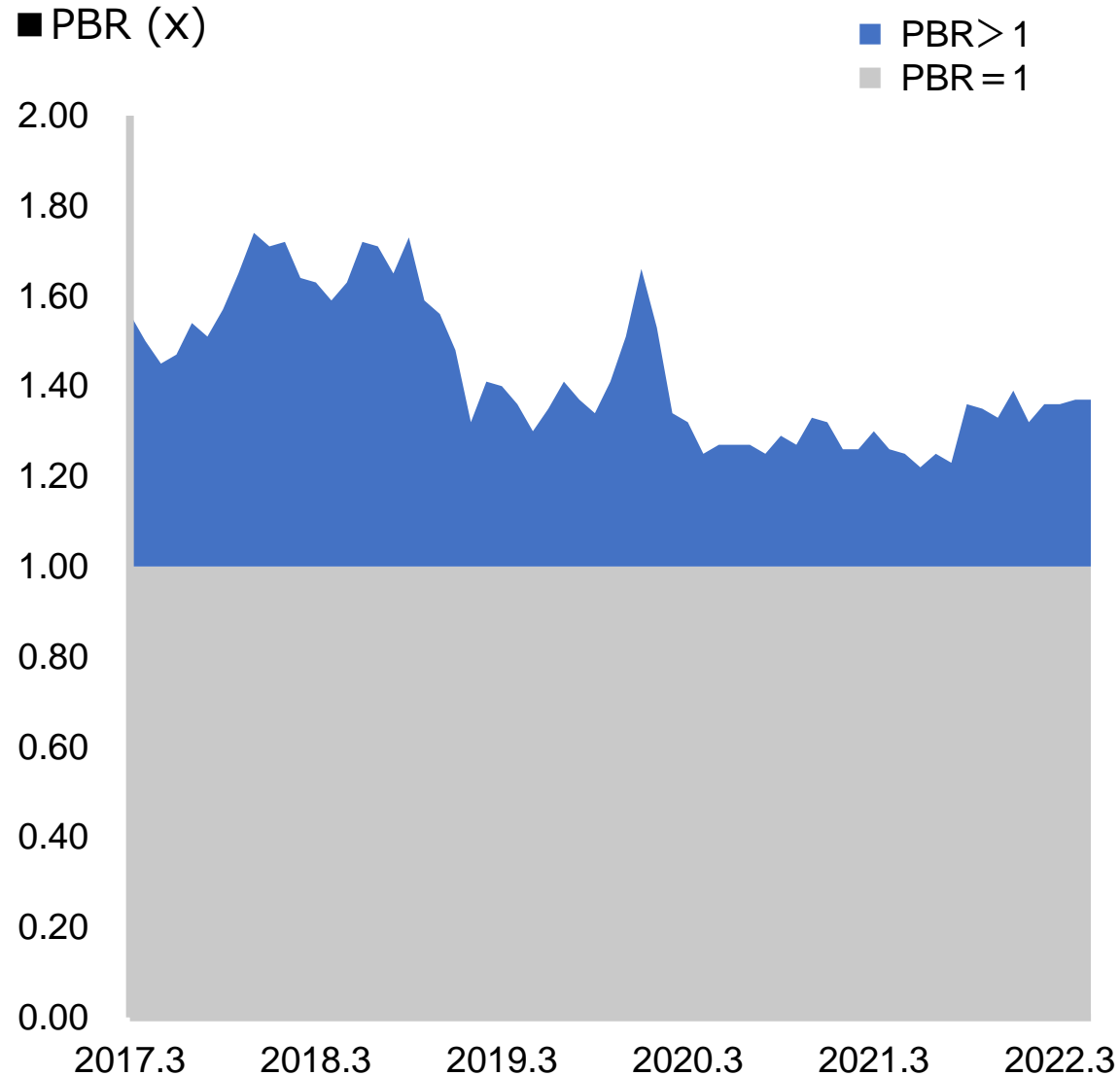
Total amount: up to 500 million yen

Period: November 2021 to July 2022

Method: purchase on the Tokyo Stock Exchange

Status: 553,800 shares

440 million yen (as of end of May, 2022)



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**%)

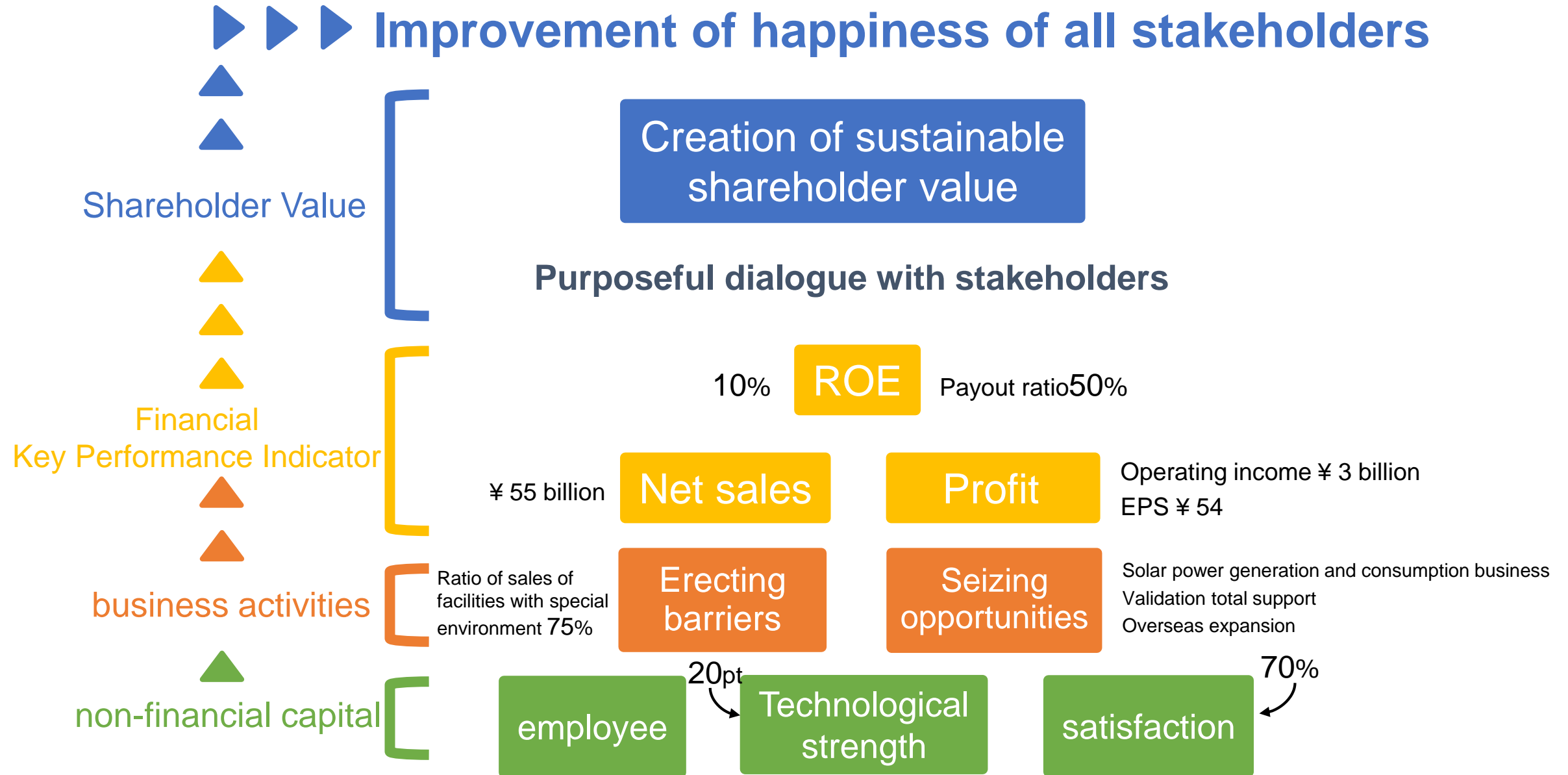
Profit attributable to owners of parent : ¥**1.9** billion

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 31, 2024.

\* Final income indicates profit attributable to owners of parent.



\* Each figure is the target for the final year (fiscal year ending March, 2024) of the "2019 Mid-Term Five-Year Management Plan."

\* Technical capabilities are evaluated by the Technological capabilities index (p.20), and satisfaction is evaluated by Employee satisfaction levels(p.41).

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