

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, 2023

June 2023

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

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Building facilities **maintenance**

Number of technology-related employees: **2,520**

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 3,121	Non-consolidated 2,259
Net sales	Consolidated ¥52.8 billion	Non-consolidated ¥36.4 billion
Number of bases	Domestic 83 bases	Overseas 10 bases

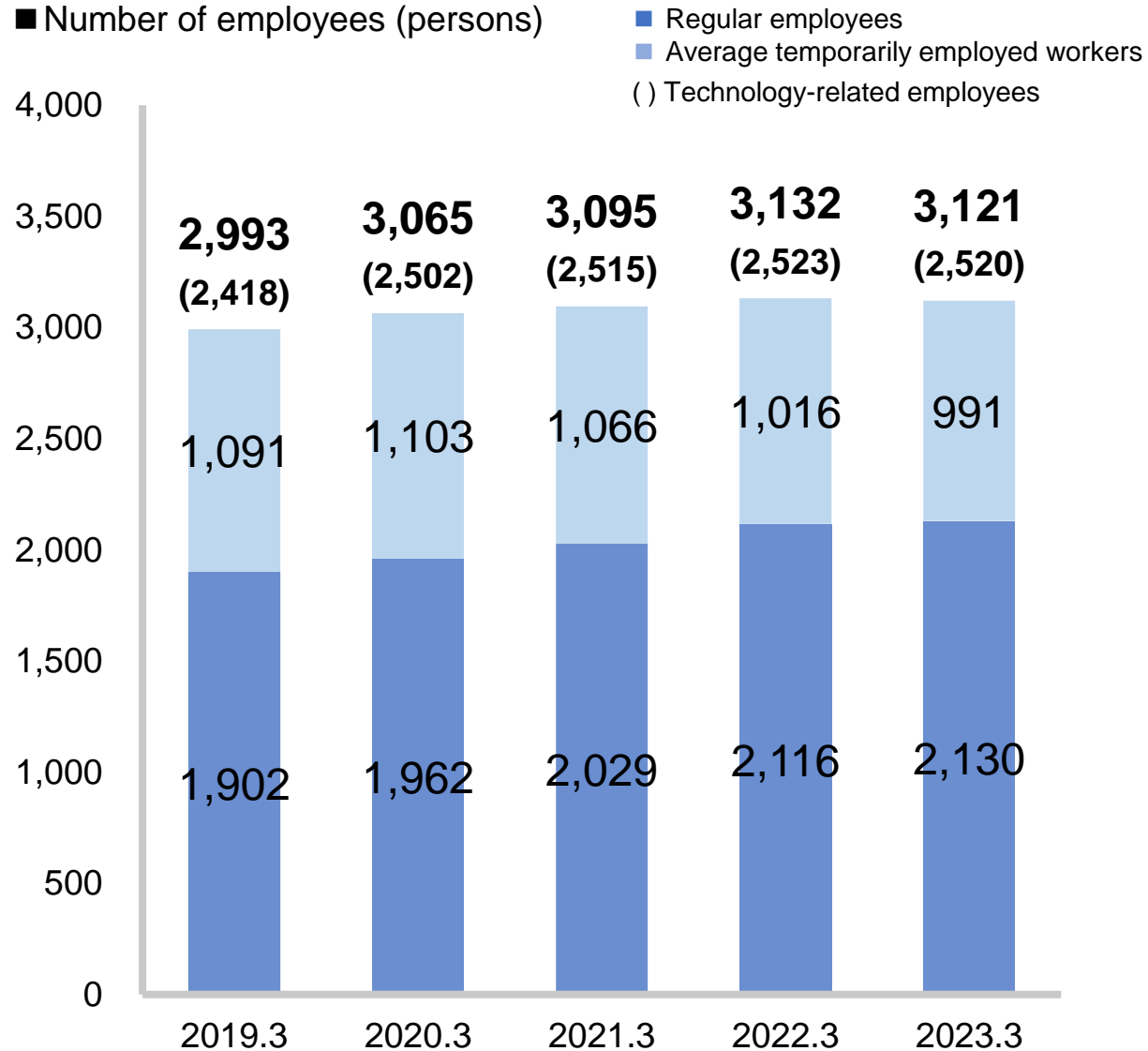
Apr. 1964 The company is established in Higashijukucho, Nakamura-ku Nagoya-shi, Aichi.



* Number of employees is as of the end of March 2023.

* For net sales, the number in the fiscal year ended March 31, 2023 is used.

* Number of bases is as of the end of May 2023 (based on address).



Technology-related employees

account for more than 80%

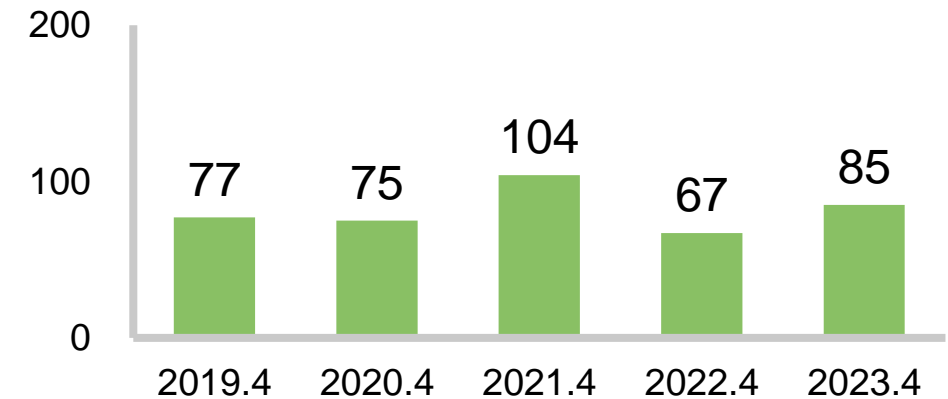
Technology-oriented company



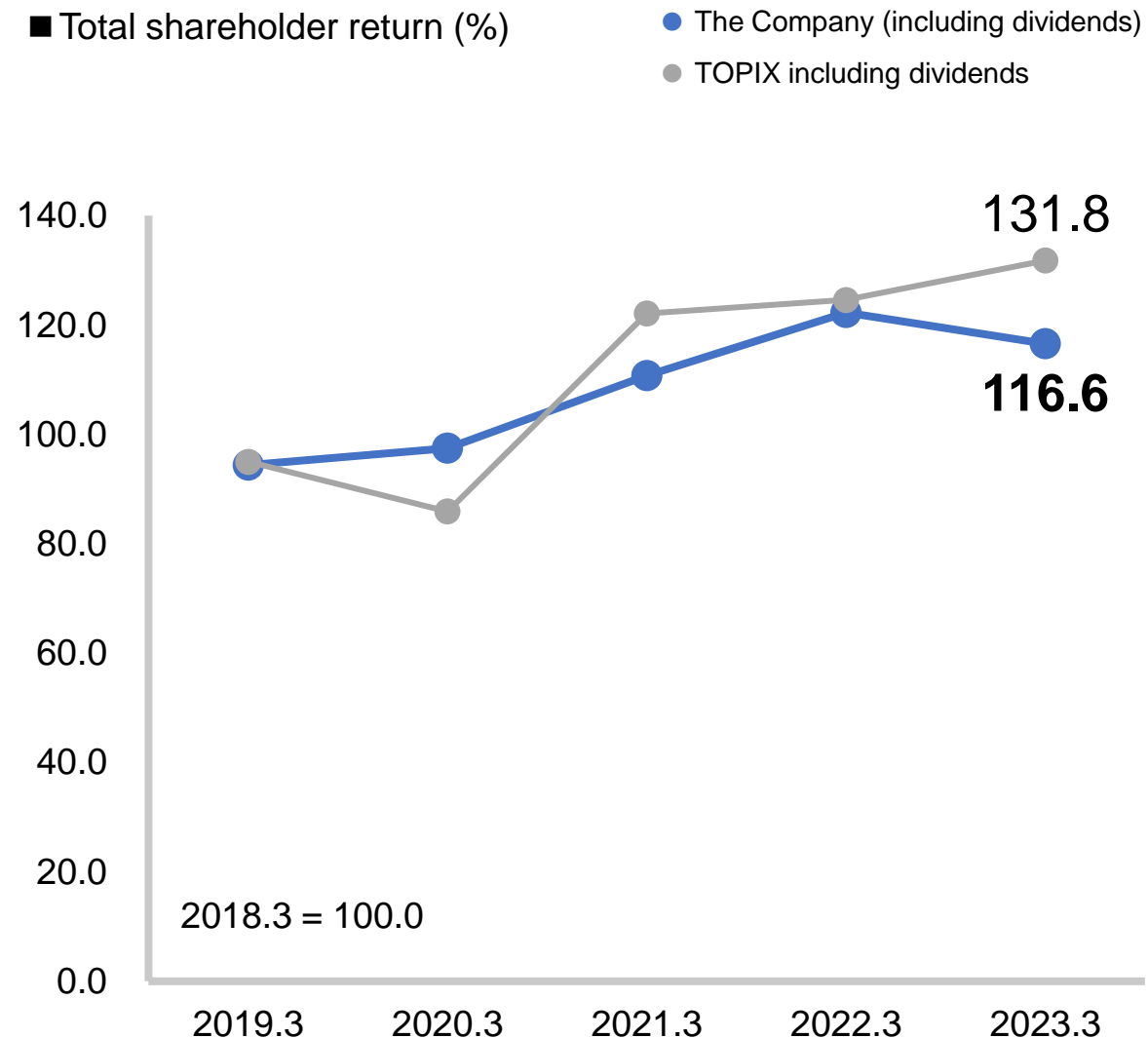
Systems for improving technological capabilities

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

■ Number of new graduates hired (persons)



Stock-related information	
Stock price	¥739
Total market capitalization	¥26.4 billion
Dividends	¥30 per share
Dividend payout ratio	51.4%
Dividend yield	4.06%
Number of shareholders	12,266
PER	12.66x (EPS : ¥58.35)
PBR	1.19x (BPS : ¥622.02)
ROE	9.4%



* For stock price, closing price as of June 6, 2023 is used.

* For dividends and EPS, predicted numbers in the fiscal year ending March 31, 2024 are used.

* For number of shareholder, as of the end of March 2023 is used.

* For BPS and ROE, actual number in the fiscal year ended March 31, 2023 are used.

* Total market capitalization is based on total shares issued and outstanding (including treasury stock) as of March 31, 2023.

To make all our stakeholders happier



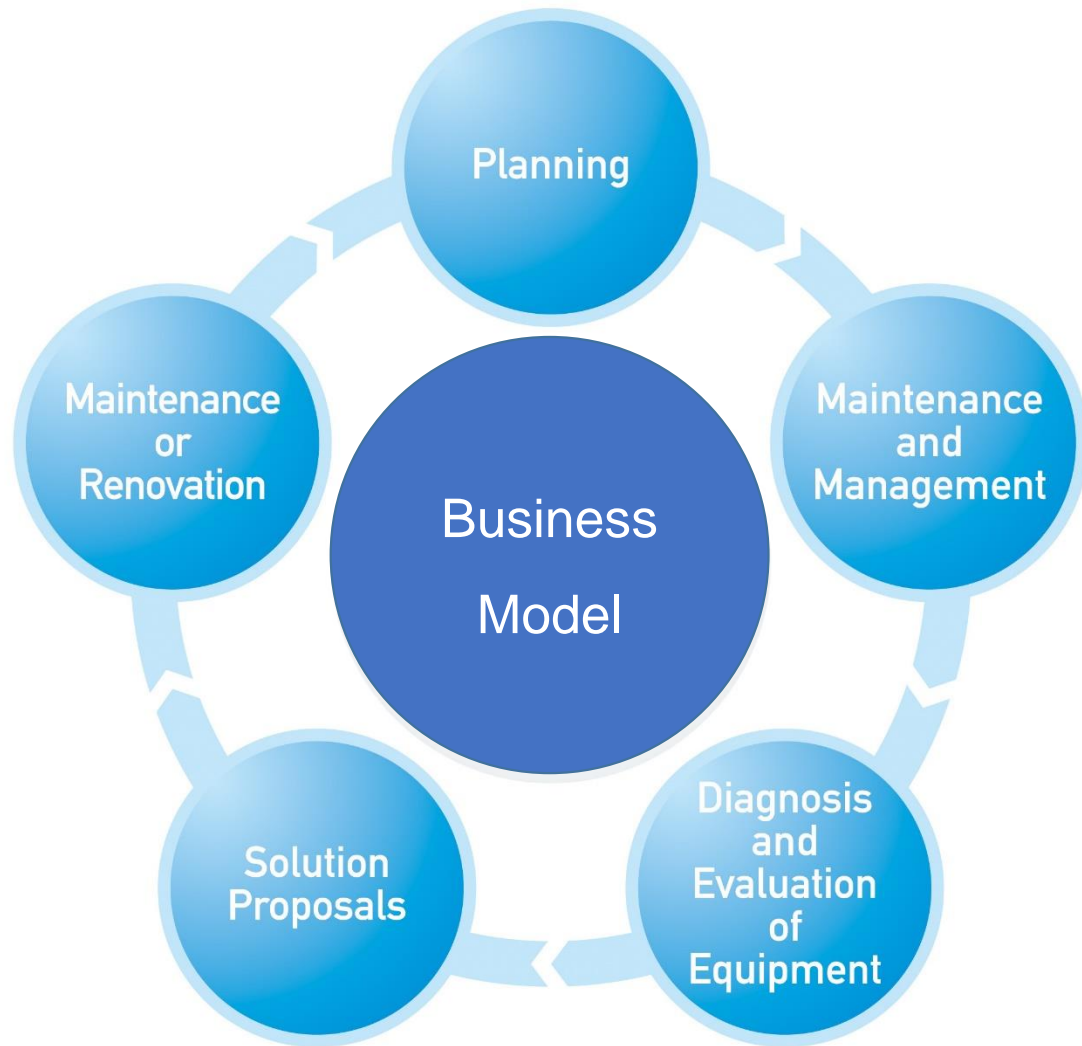
Creation of social value

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





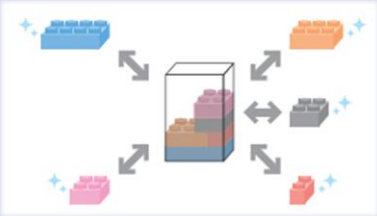
In-house technicians can respond in any phase



Technological capabilities
Solution capabilities
Total support capabilities



What sets us apart from the competition

Business division	Overview	Net sales composition
<p>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>37%</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>29%</p>
<p>RAC Reform and Construction</p>	<ul style="list-style-type: none"> ■ Mainly renovation work of existing equipment. 	<p>34%</p>

* For net sales composition, actual number in the fiscal year ended March 31, 2023 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?”

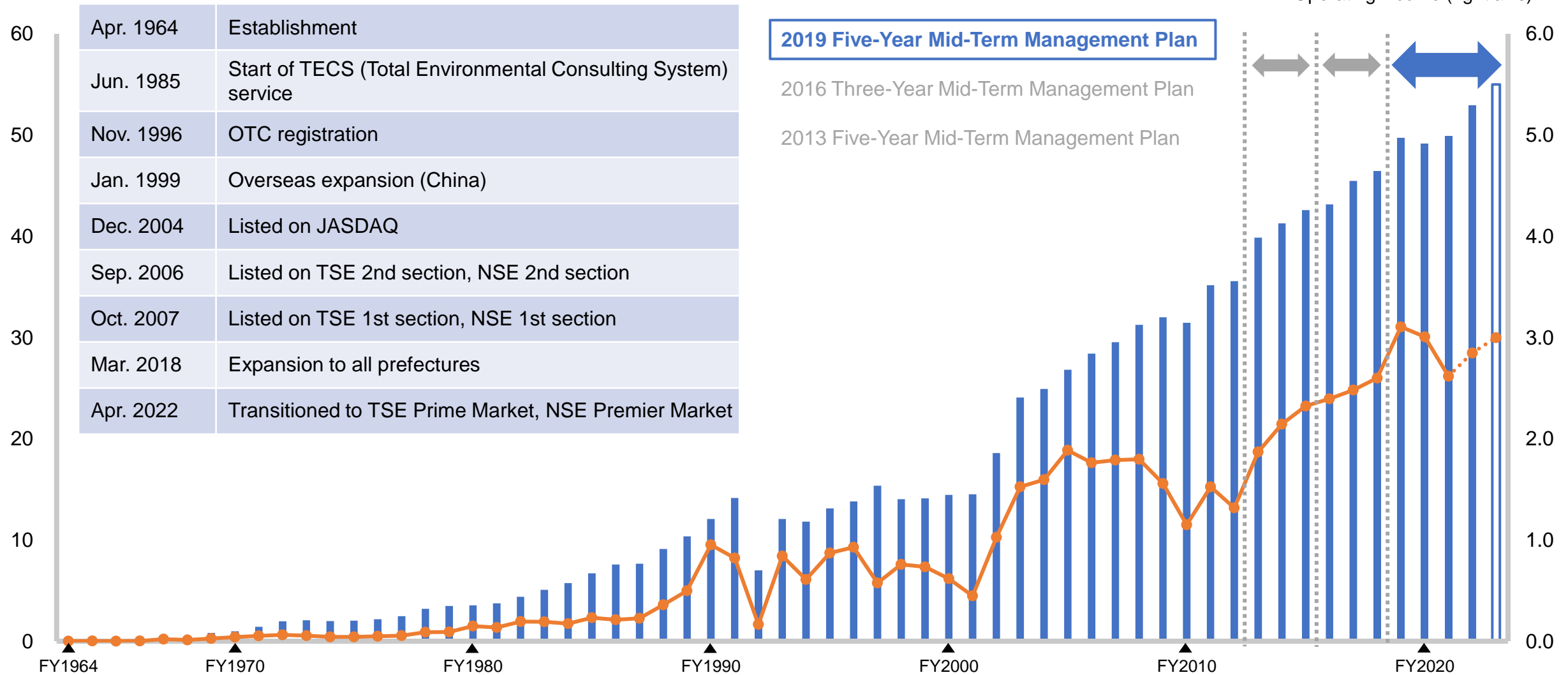


Boosting added value by identifying needs
based on dialogue with customers



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.

* The 2016 Three-Year Mid-Term Management Plan was formulated in FY2016 after achieving the numerical targets of the 2013 Five-Year Mid-Term Management Plan two years ahead of schedule.

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	¥26.4 billion	¥151.8 billion	¥108.8 billion	¥8.1 billion
PER	12.66x	13.98x	16.47x	4.71x
PBR	1.19x	1.50x	1.54x	0.41x
ROE	9.4%	10.5%	9.1%	8.8%
Net sales	¥52.8 billion	¥303.7 billion	¥113.0 billion	¥34.6 Billion
Operating income	¥2.8 billion	¥15.8 billion	¥8.3 billion	¥1.9 billion
Operating income to sales	5.4%	5.2%	7.4%	5.7%
Average annual salary	¥5,960 thousand	¥4,960 thousand	¥3,560 thousand	¥3,630 thousand
Average age	39.4 years old	45.9 years old	53.7 years old	53.4 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 significantly exceeds the average figure for the other three companies.
The average age is also lower.
- (3) Even so, we maintain a comparable income to sales ratio.
- (4) Stock price indicators suggest our shares are undervalued.



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

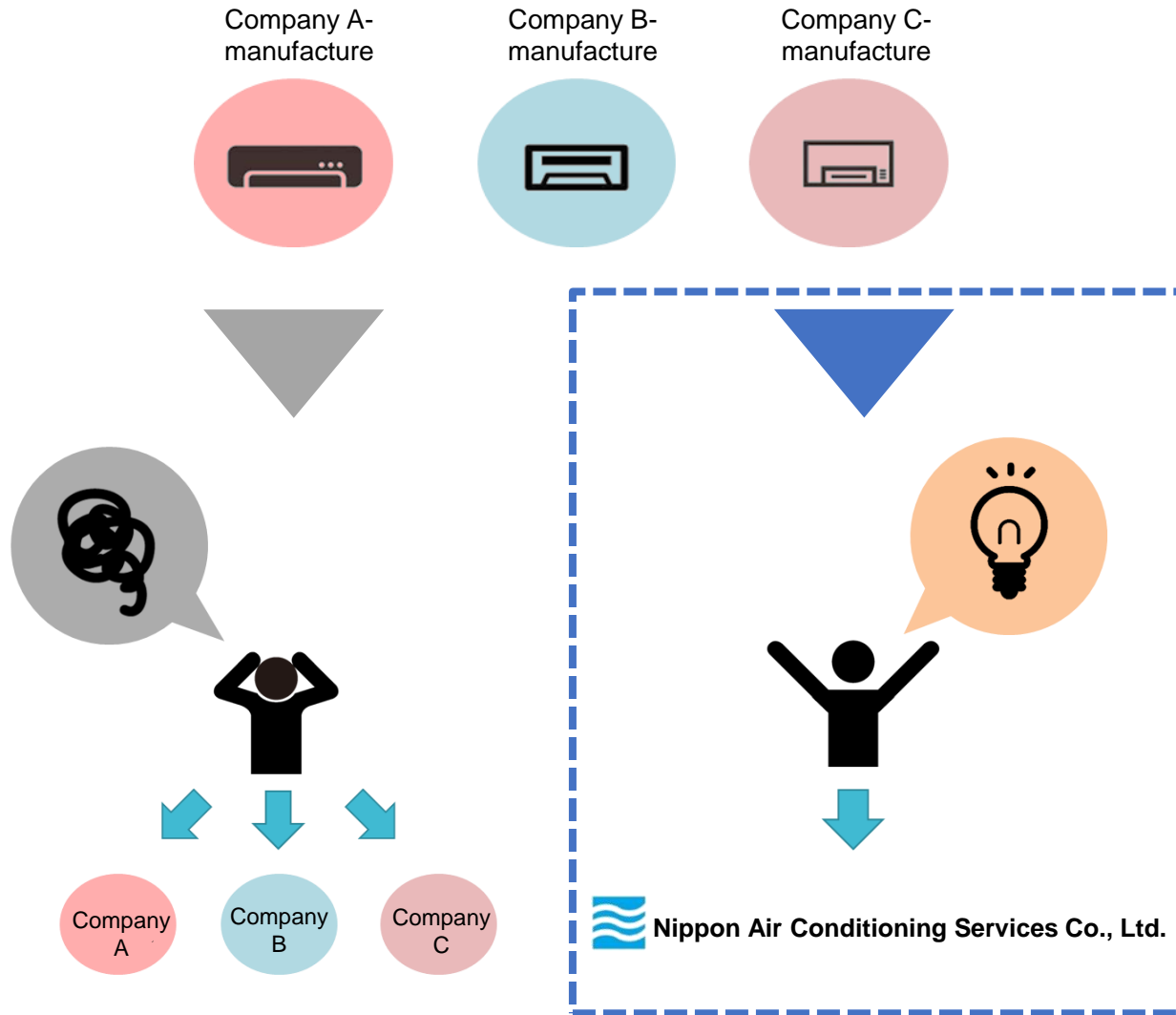
* For total market capitalization of individual companies, closing price as of June 6, 2023 is used.

* 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 the end of FY2022.

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



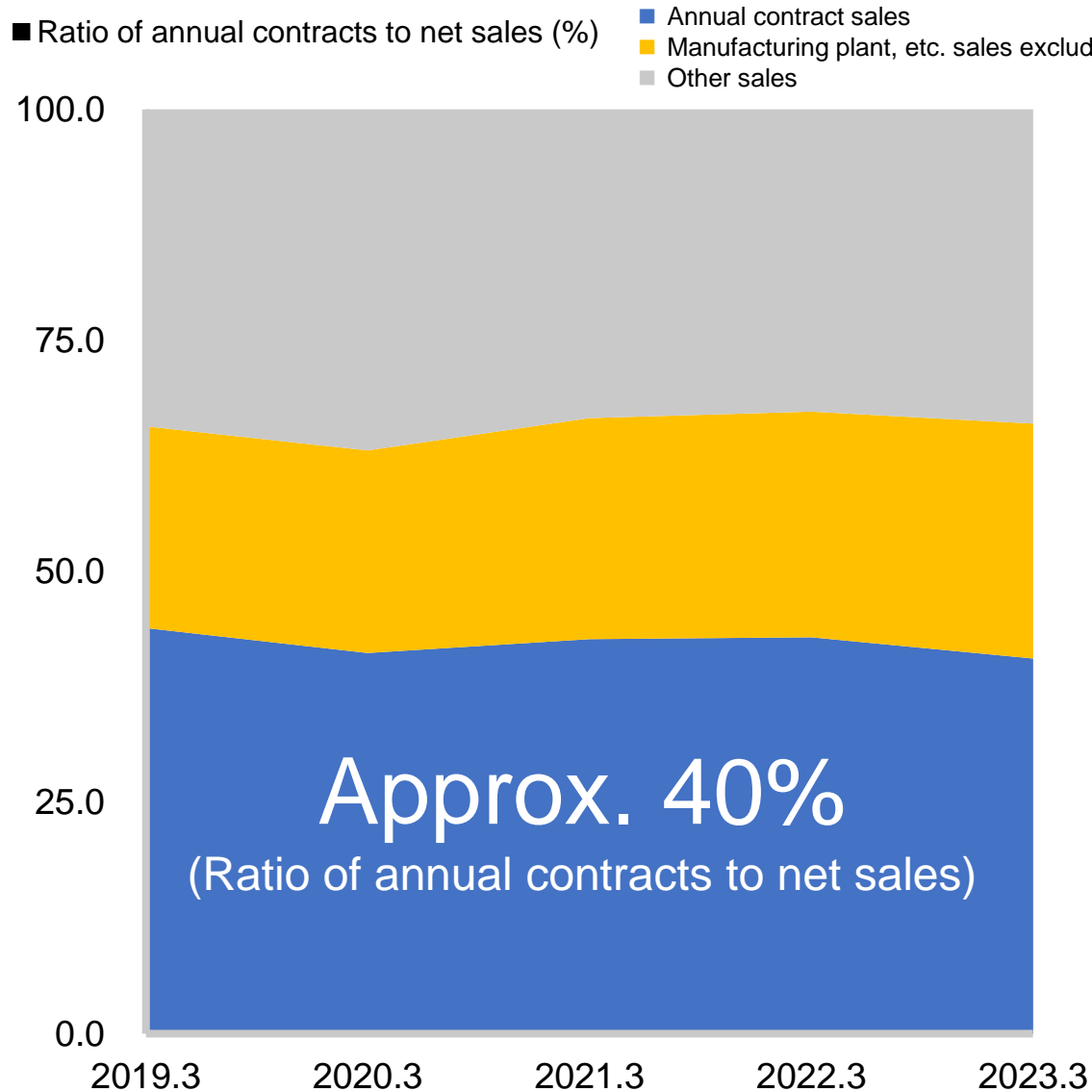
(1) As an independent company, we are not subject to restrictions imposed by manufacturers.

(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

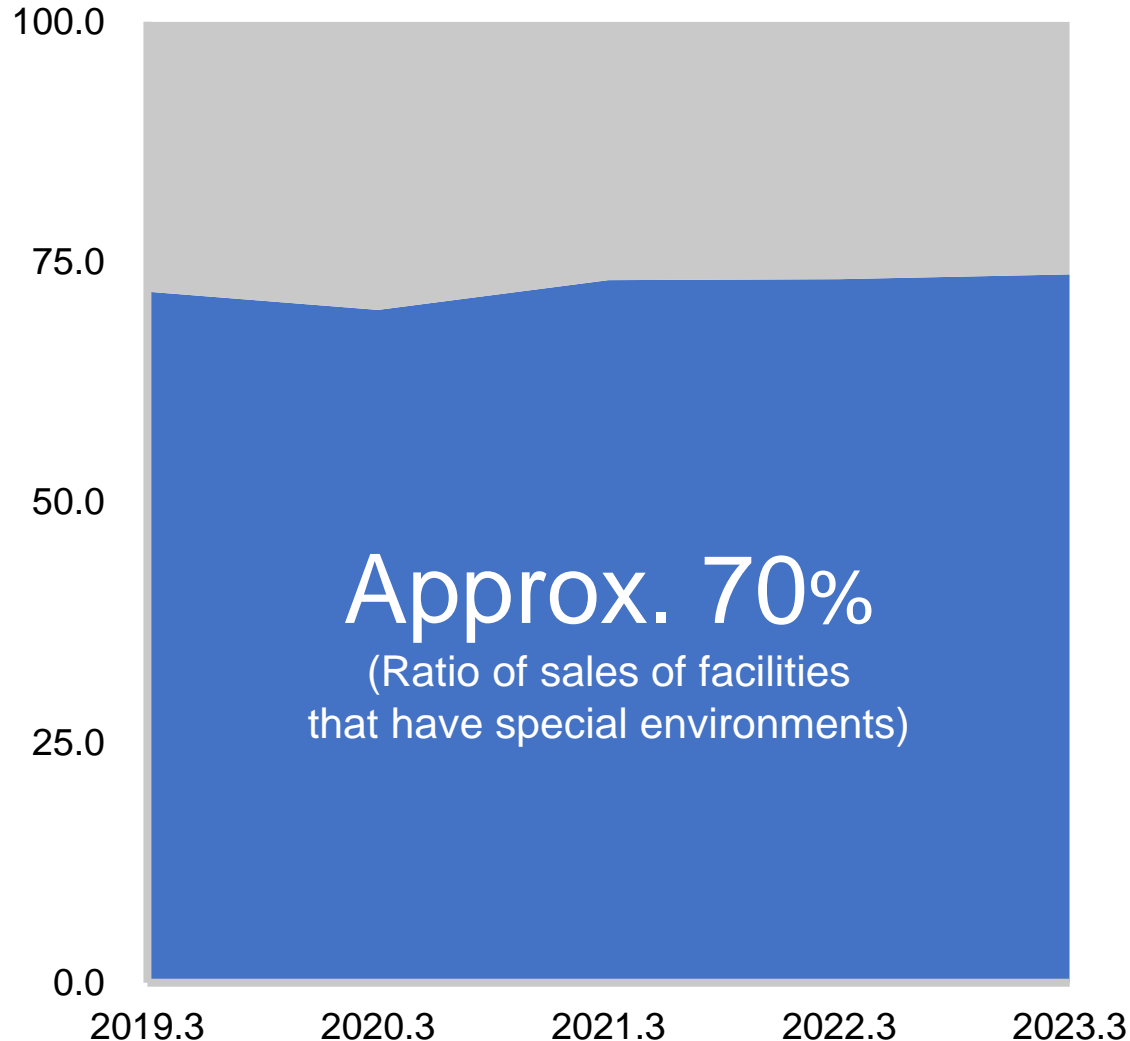
▼

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.

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



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

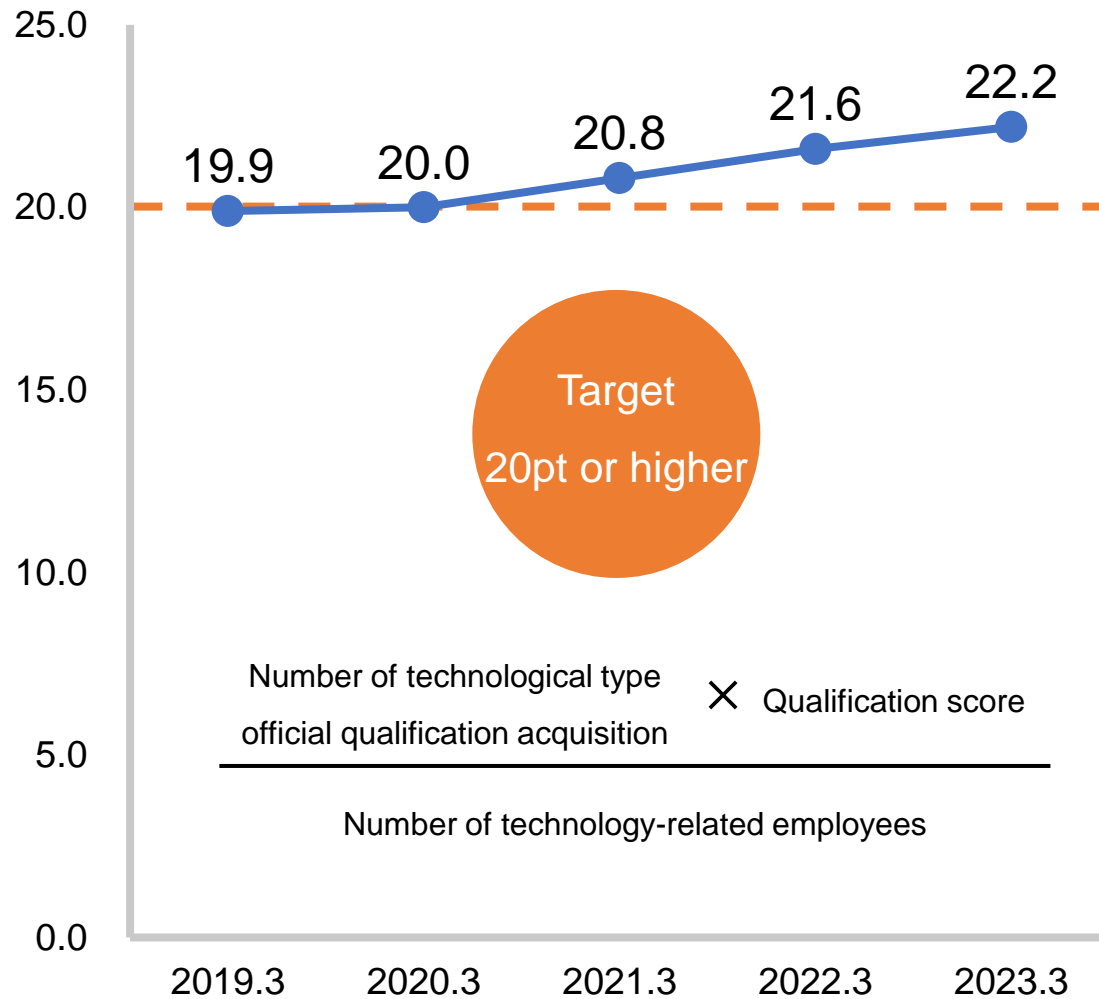


Examples of the **technological capabilities** required are shown below.



* 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

10,017

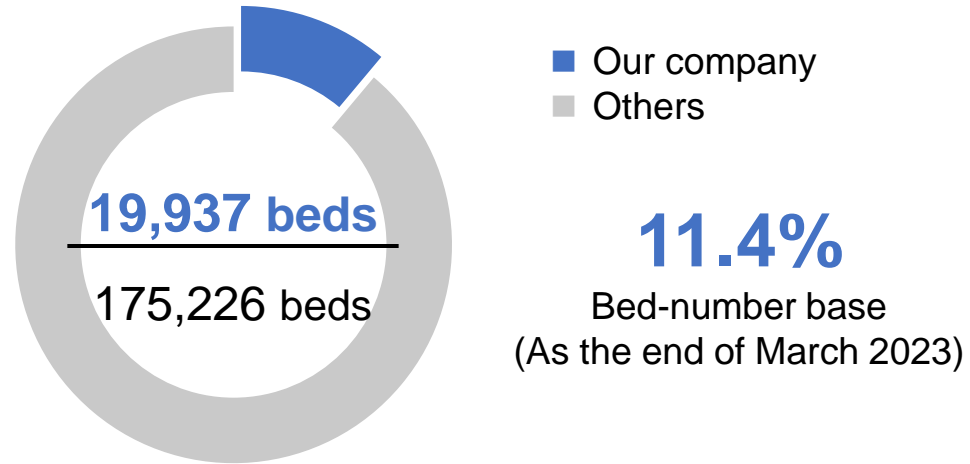
(Increase of 144 from previous fiscal year)



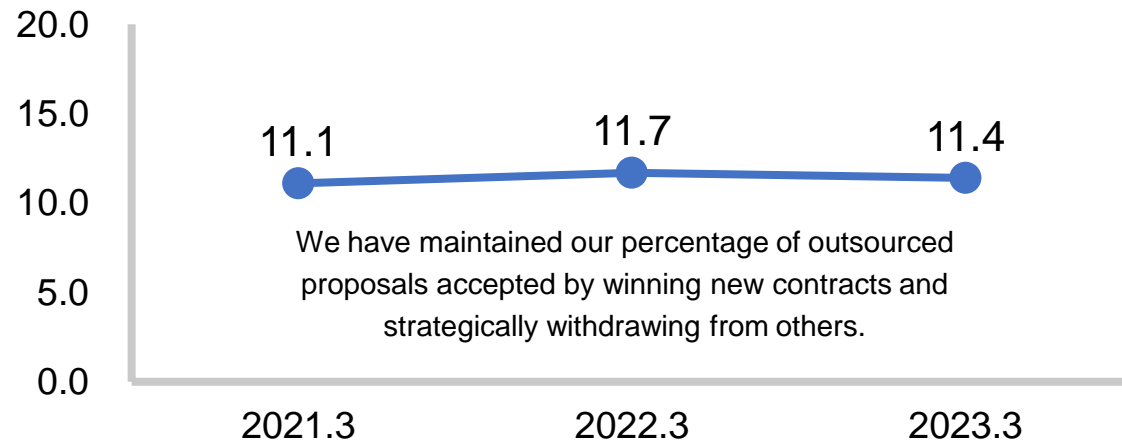
While technological capabilities cannot be measured by the number of qualifications alone, this remains an important index for linking **our technological capability base to human capital.**

* The number of official qualification acquisition 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 2023. All numbers are on a non-consolidated basis.

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



- Our percentage of outsourced proposals accepted (%)



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



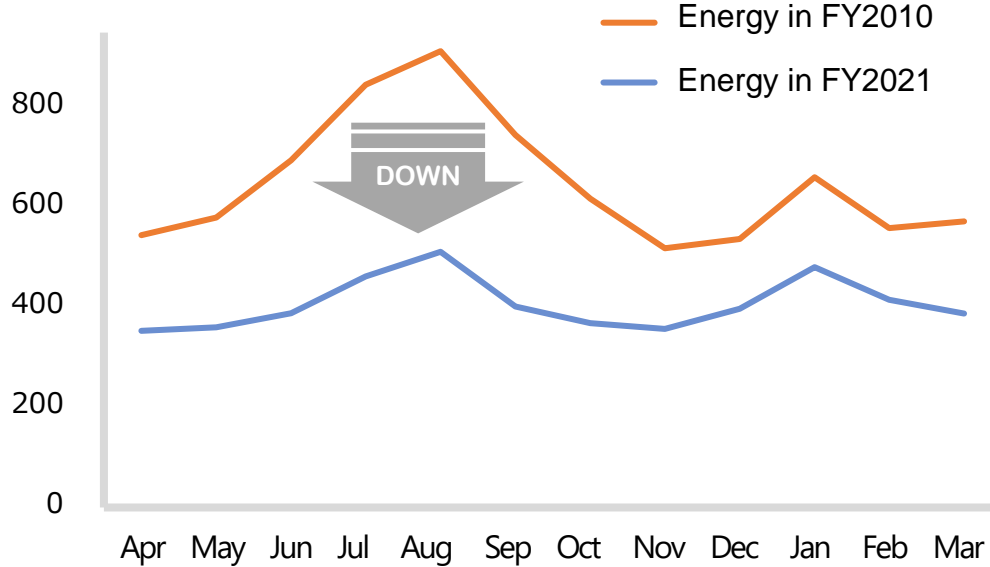
Integrated management

Maintenance of environmental performance

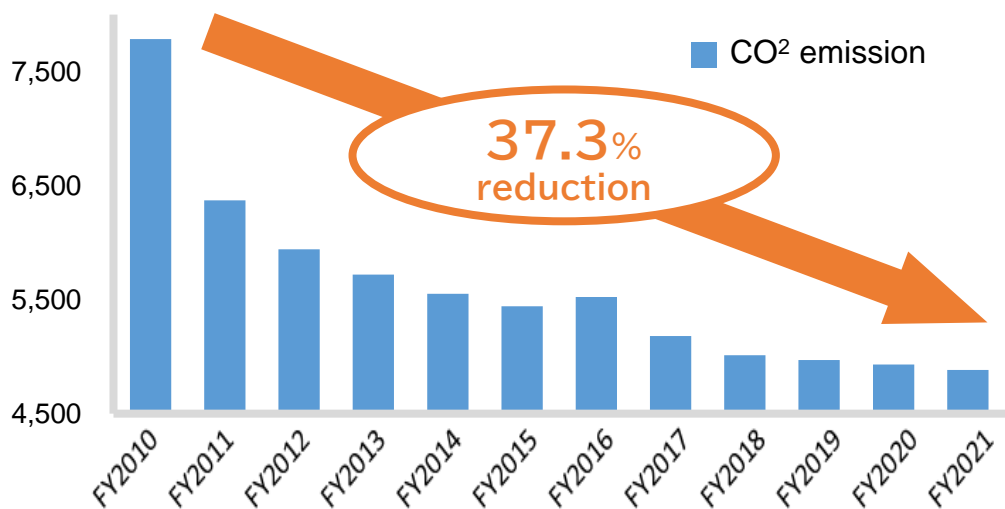


We optimize facility operations for both stable operations and energy savings.

■ Energy transition graph (t-CO₂)



■ Energy transition graph by fiscal year (t-CO₂)



Midsized Tokyo hospital
Total floor area approx. 48,000 sqm

Succeeded in saving a significant amount of energy by maintaining a thorough site understanding and continued careful operations management.

As maintaining the hospital environment is such a high priority, It is difficult to save energy in hospitals.



From the viewpoint of facility management, however, there are many opportunities to save energy with no compromises made with regard to safety.

Energy savings can be achieved as only a facility management company can, by understanding the "excess" energy in a facility and approaching the excess energy.

■ 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 : ¥**52.8** billion [+6.0%]

Operating income : ¥**2.8** billion [+8.8%]

Profit attributable : ¥**1.9** billion [-31.2%]
to owners of parent

(billion yen, %)

Consolidated (cumulative period)	FY03/2021			FY03/2022			FY03/2023		
	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	52.8	100.0	+6.0
Maintenance service sales	32.8	66.7	+1.7	33.7	67.7	+2.9	34.6	65.6	+2.7
Net sales of completed construction contracts	16.3	33.3	-6.1	16.1	32.3	-1.4	18.2	34.4	+12.9
Gross profit on sales	9.1	18.5	-2.7	8.8	17.7	-3.4	9.3	17.6	+5.9
Gross profit on maintenance sales	6.4	19.8	-4.1	6.4	19.2	-0.1	6.7	19.4	+3.5
Gross profit on completed construction contracts	2.6	16.0	+0.8	2.3	14.4	-11.6	2.6	14.4	+12.7
Selling, general and administrative expenses	6.1	12.4	-2.5	6.1	12.4	+1.3	6.4	12.3	+4.7
Operating income	3.0	6.1	-3.2	2.6	5.2	-13.0	2.8	5.4	+8.8
Ordinary income	3.1	6.4	-2.3	2.8	5.6	-10.8	3.0	5.8	+8.9
Profit before income taxes	3.1	6.4	+1.9	4.1	8.4	+33.1	2.9	5.6	-28.8
Profit attributable to owners of parent	1.9	4.1	+5.2	2.8	5.7	+41.2	1.9	3.7	-31.2
Earnings per share	56.75	-	+5.1	81.35	-	+43.4	56.67	-	-30.3

* In the fiscal year ending March 31, 2022, the Company recorded a gain on sales of investment securities (1.3 billion yen) due to a reduction in cross-shareholdings.

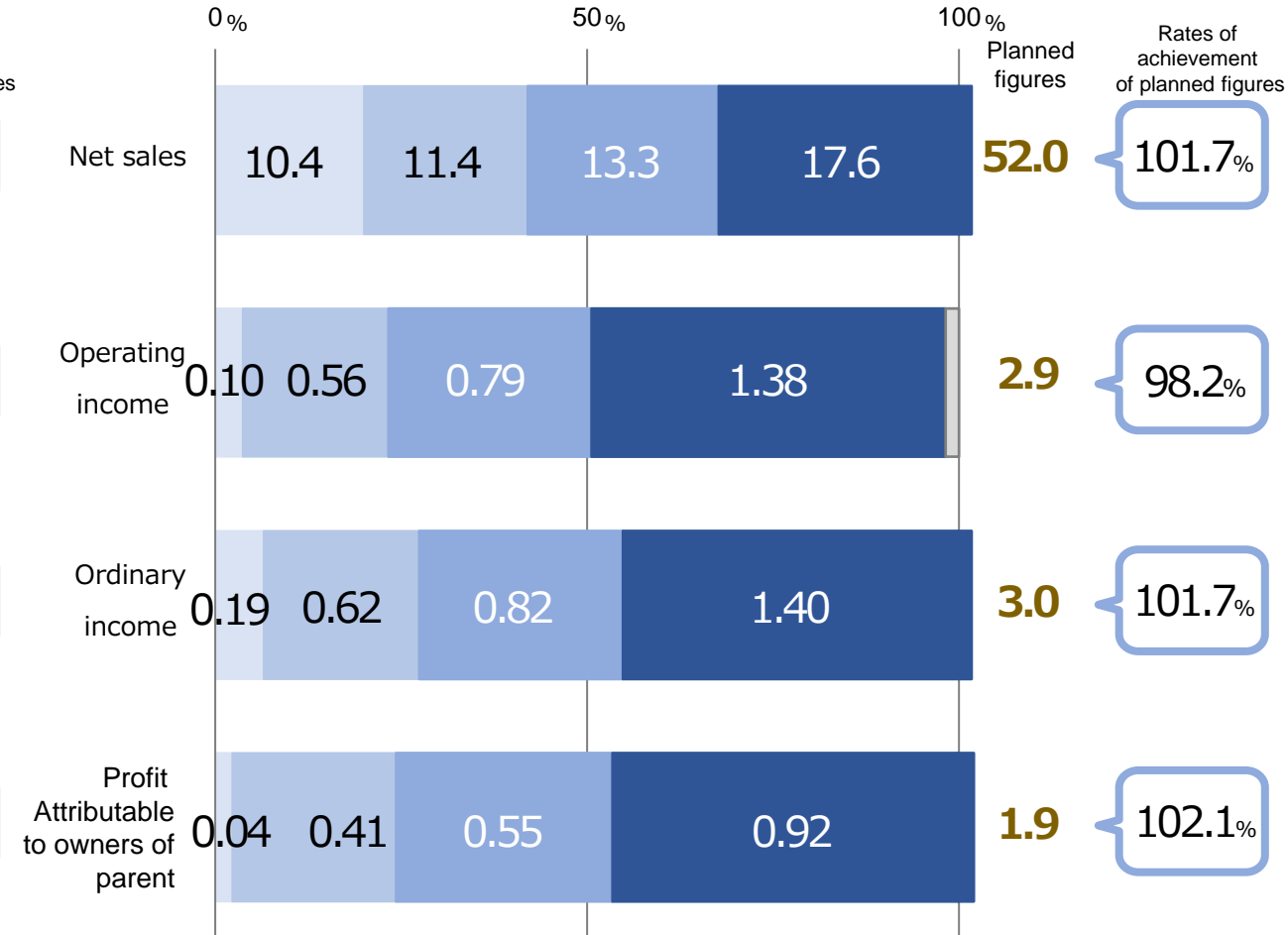
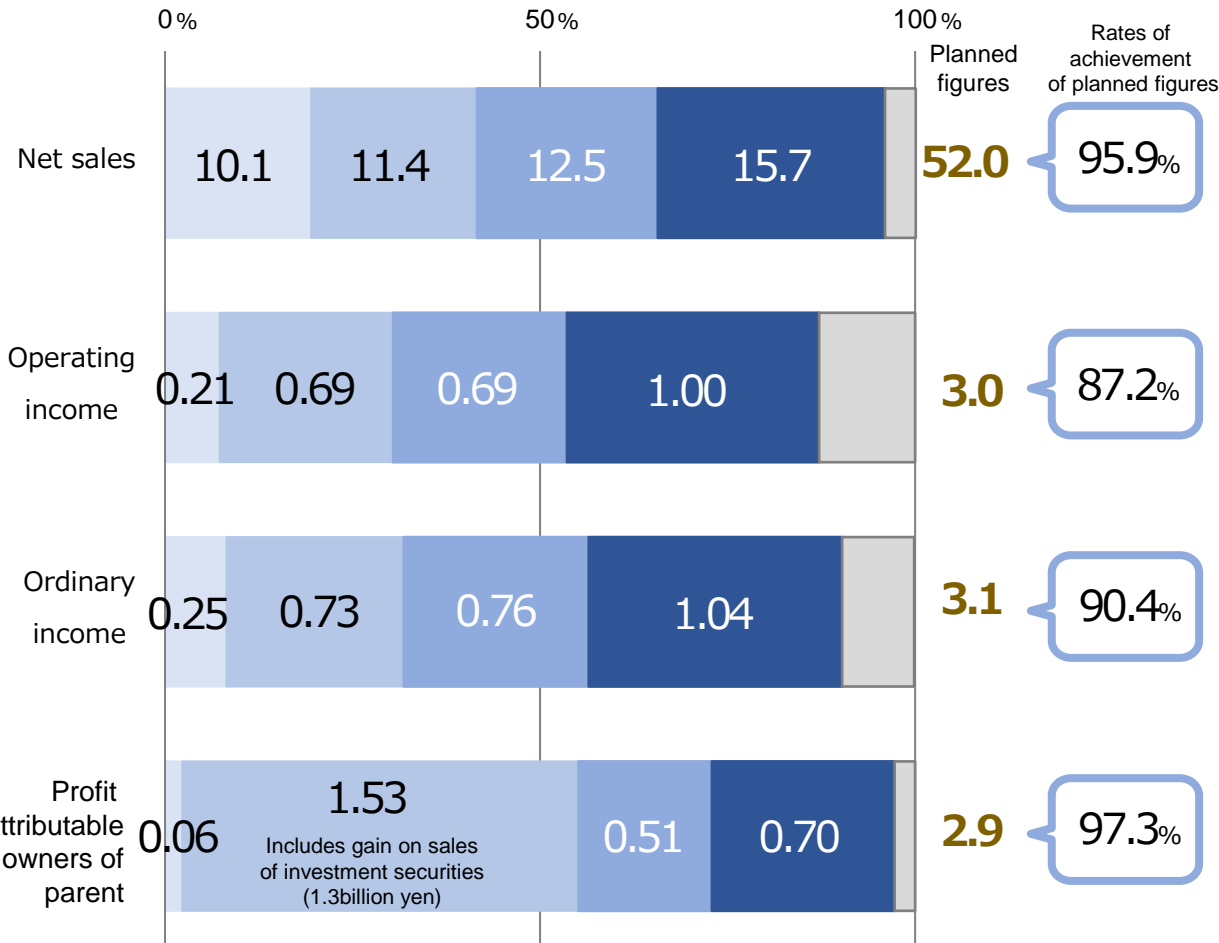
While 4Q performance stalled in the previous year for various reasons, including COVID-19 and supply issues, Renovation work construction work volume in the 4Q increased sharply, due in large part to the responses implemented since then, including responses to the supply issues.

■ Rates of achievement of planned figures in FY03/2022 (billion yen)

■ Rates of achievement of planned figures in FY03/2023 (billion yen)

1Q 2Q 3Q 4Q

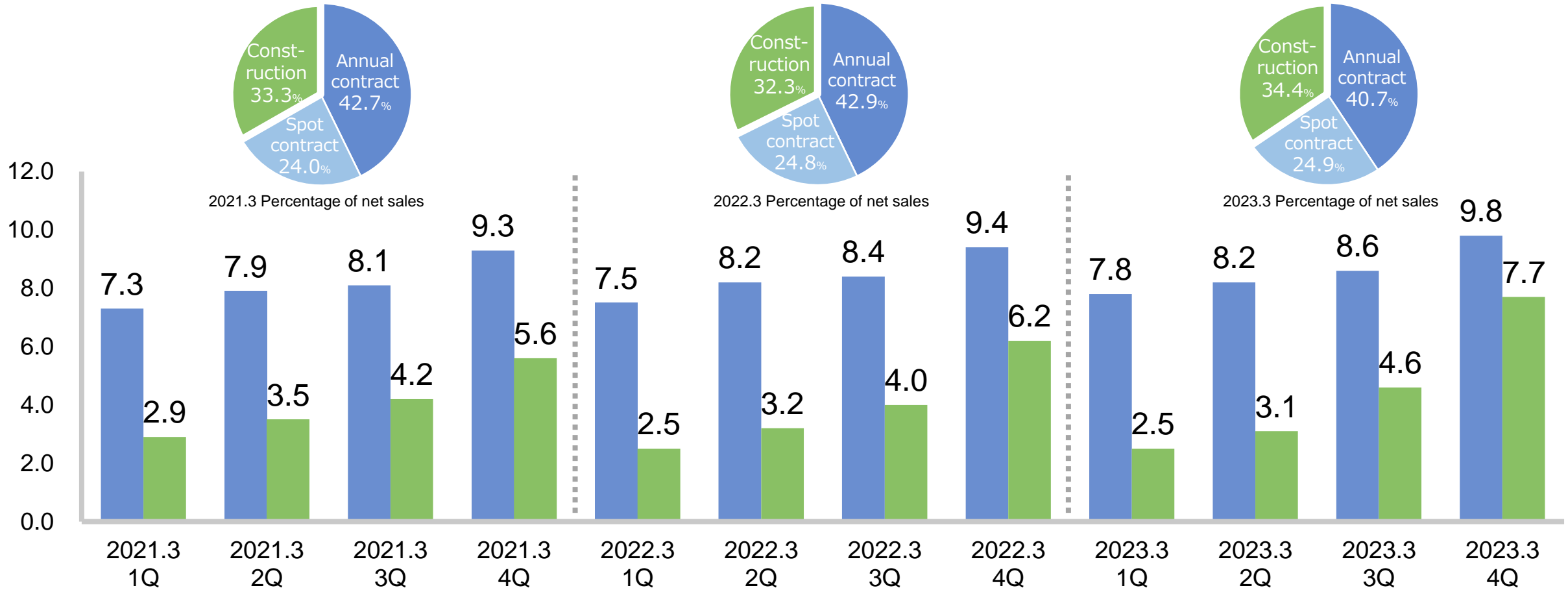
1Q 2Q 3Q 4Q



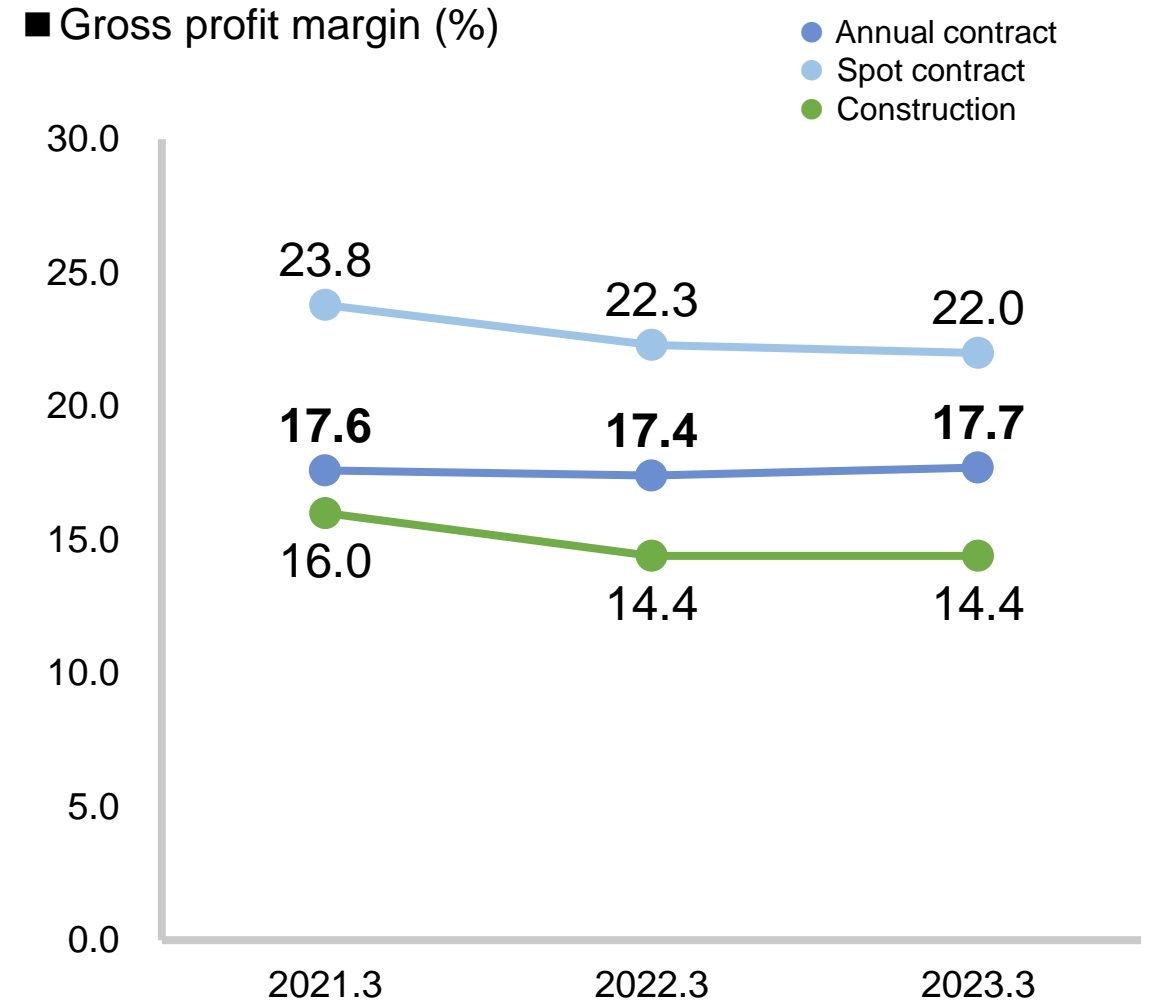
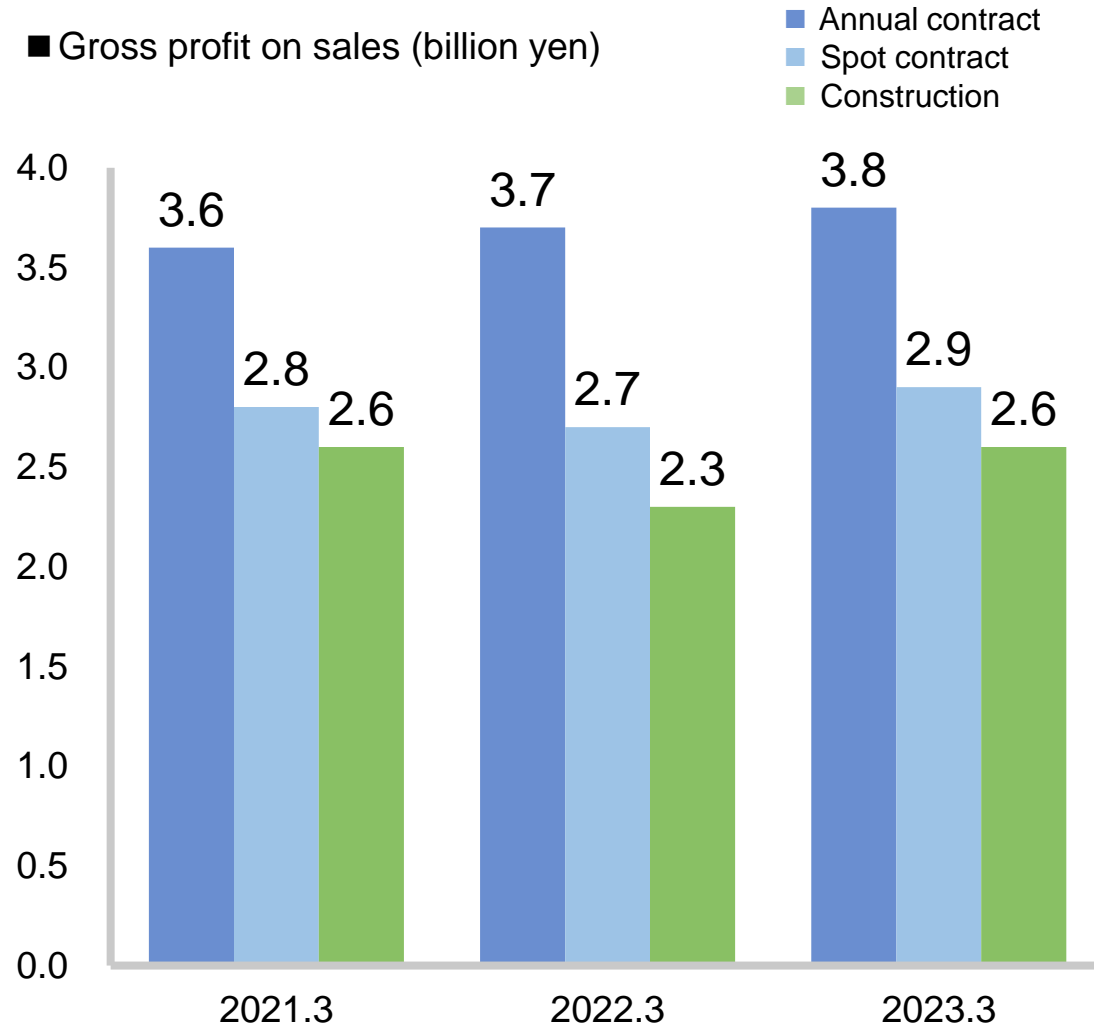
Net sales reached record highs for the second year in succession. The main business of maintenance services set a new record high for the 12th year in a row, thanks mainly to growth in spot maintenance for manufacturing plants and other facilities. Renovation work set record highs, with efforts to respond to supply issues accelerating work and leading to early project completion.

■ Net sales by quarter (billion yen)

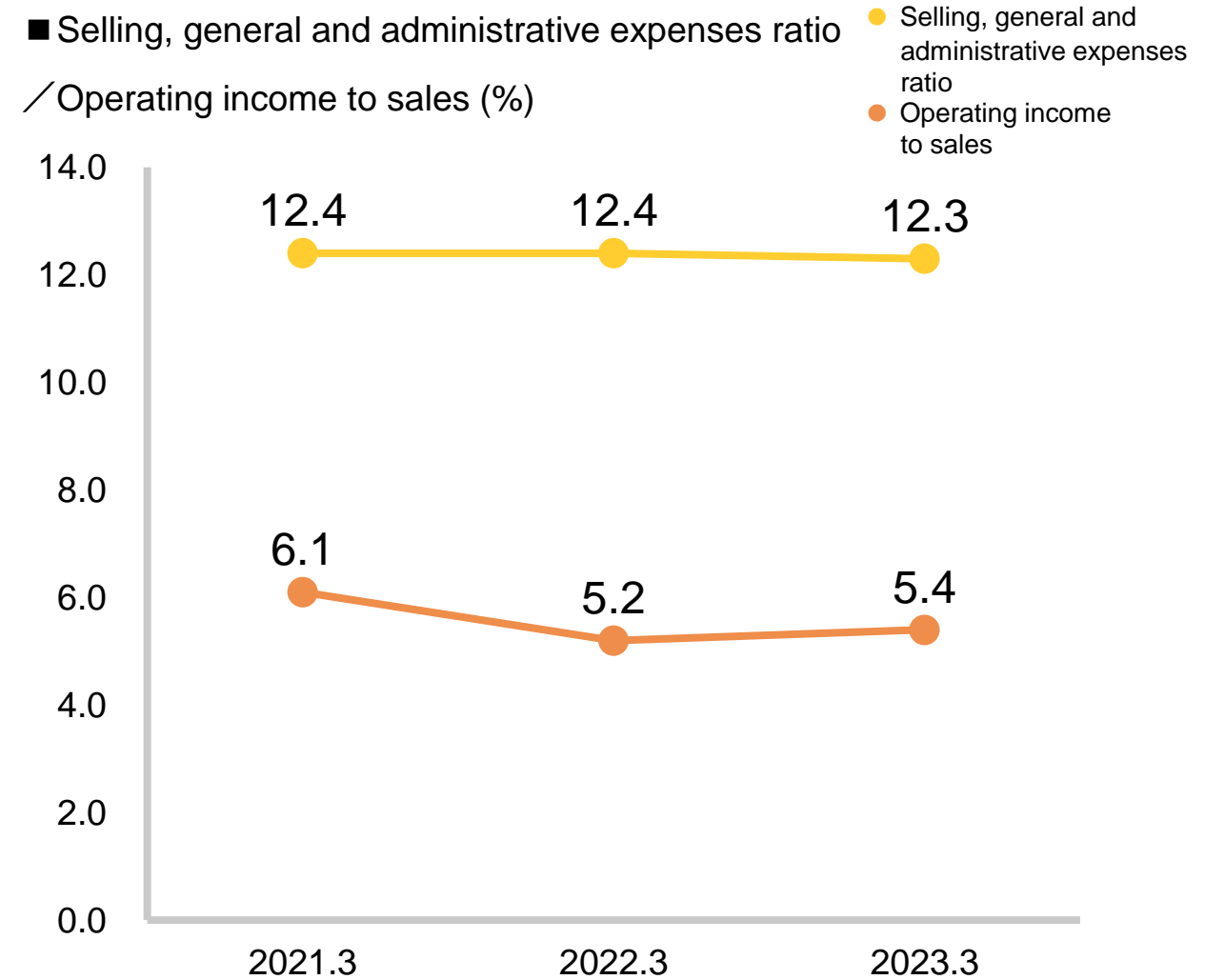
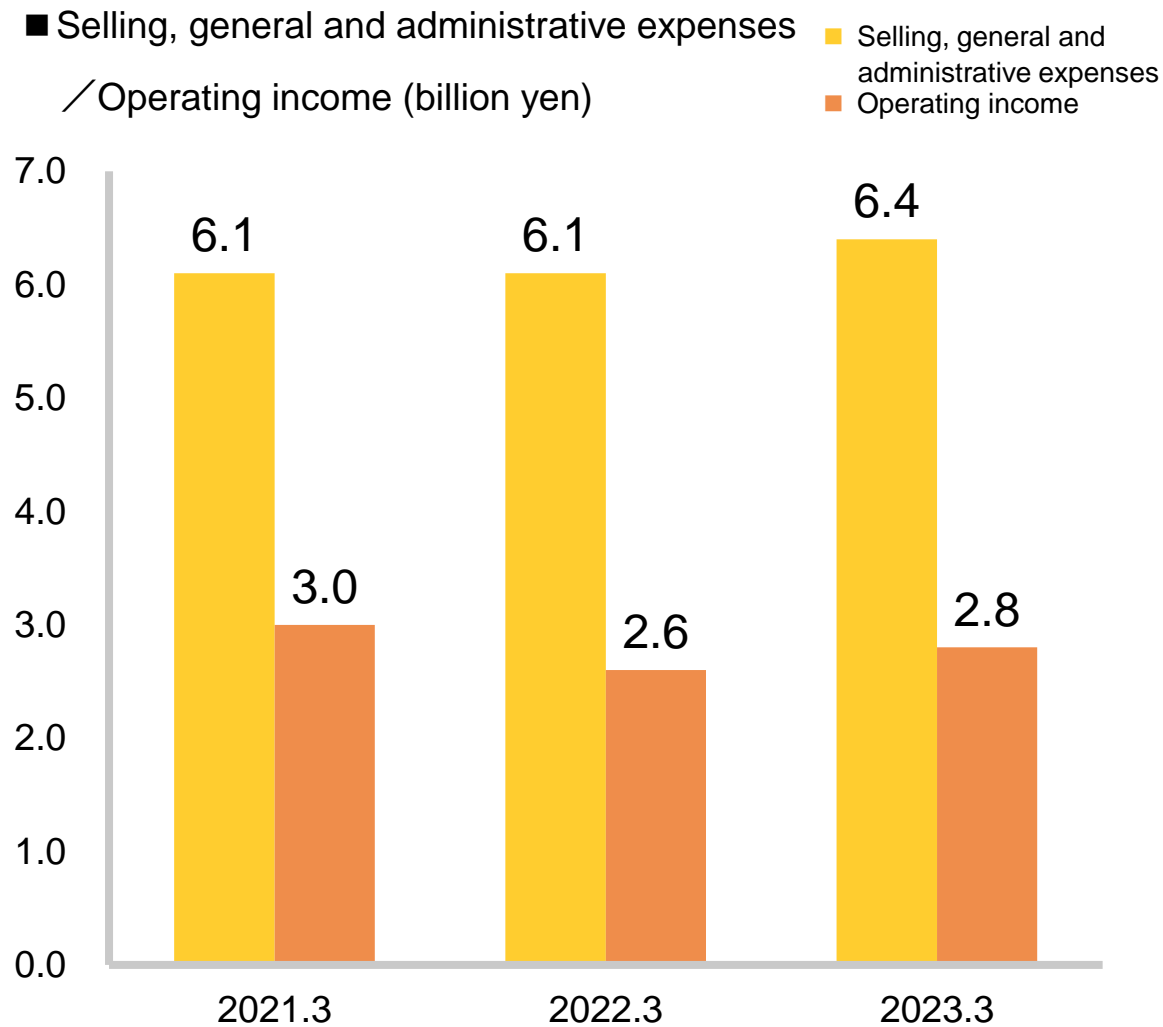
■ Maintenance services net sales
■ Renovation work construction work volume



Profit remained largely unchanged from last year, despite rising costs of procurement of materials and supplies and rising labor costs. However, results were lower than prior to COVID-19 due to factors including pressure exerted on the completion structure due to the concentration of projects toward the end of the fiscal year.



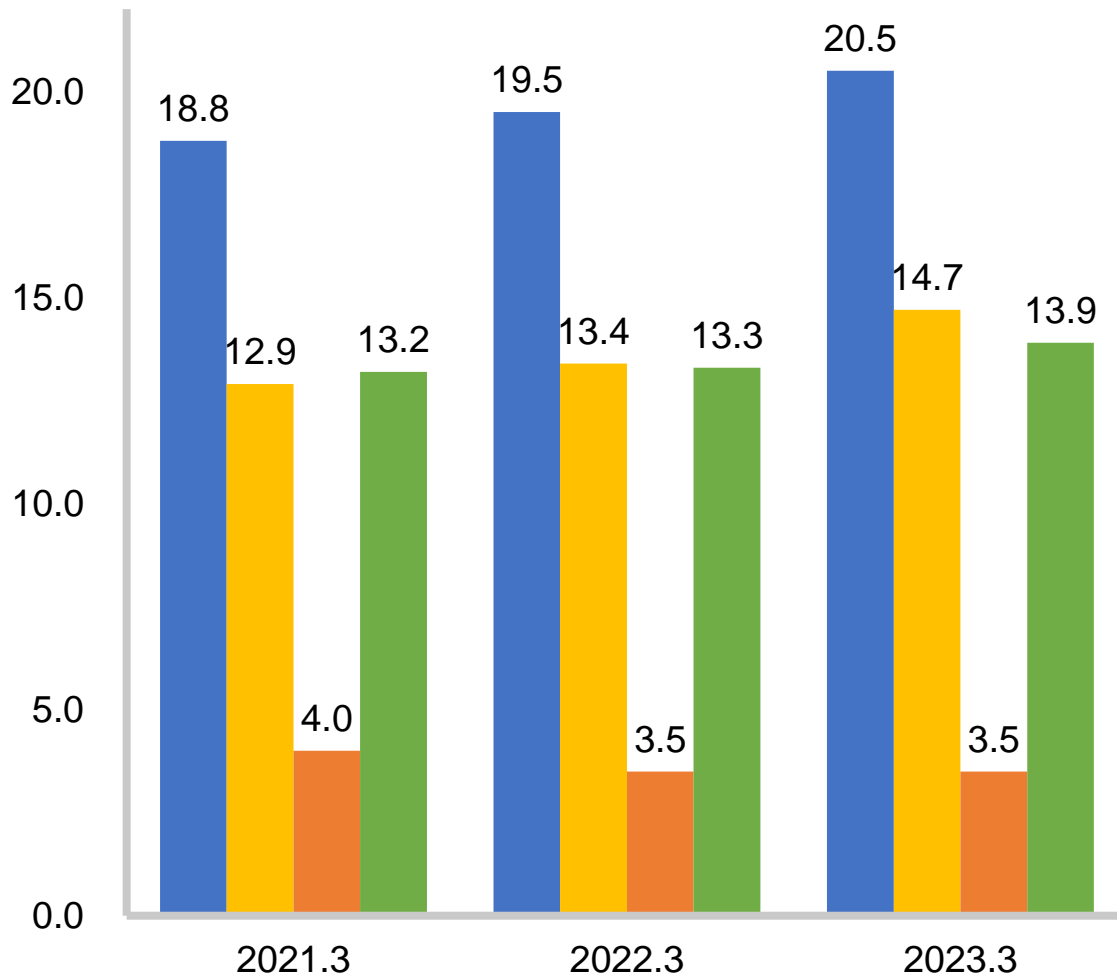
SGA rose due to the lifting of COVID-19 restrictions and other factors, but growth in net sales outpaced this increase, resulting in a higher YoY operating profit both by amount and as a percentage of sales.



■ 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

- Both maintenance services and construction work increased. Major contributing factors included growth in mechanical upgrades, expansion, and repair work.

② Manufacturing plants, etc.

- Both maintenance services and construction work increased. Contributing factors included growth in solar power projects for in-house consumption and mechanical upgrades, and expansion.

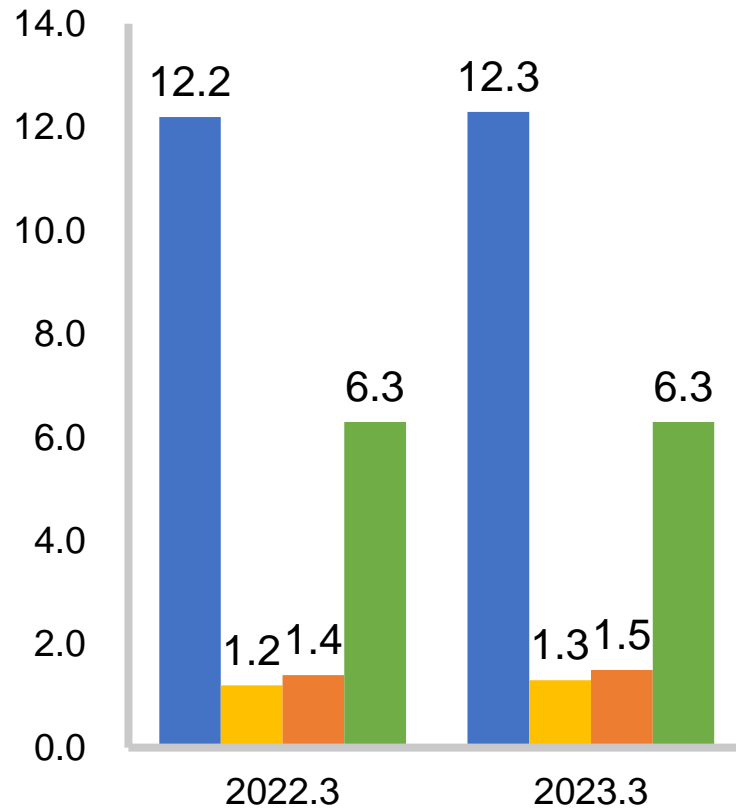
③ Other special facilities

- Figures for solar power facilities remained largely unchanged due to a shift toward solar power projects for in-house consumption, chiefly at manufacturing plants and similar properties.

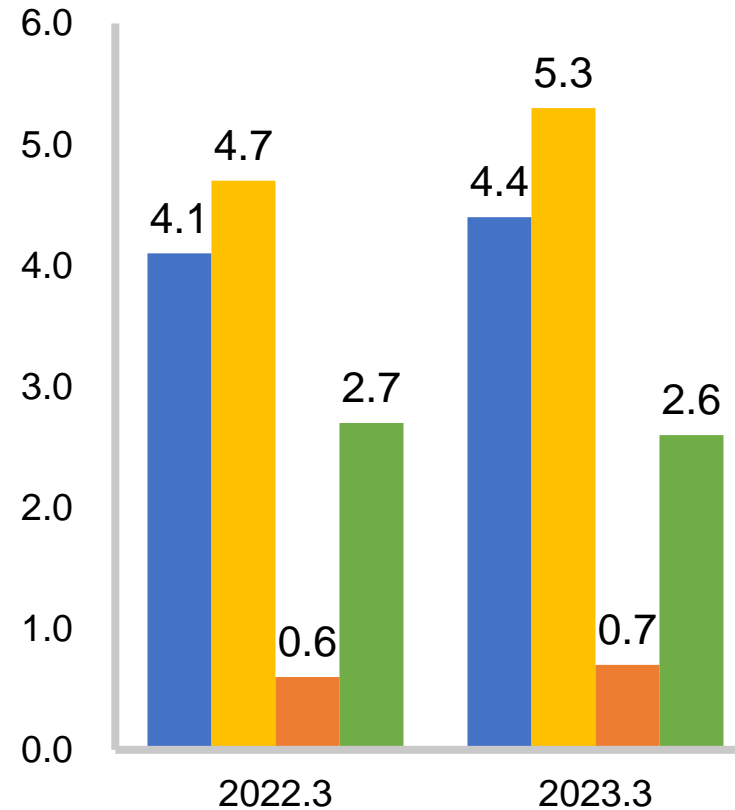
④ Office buildings, etc.

- Orders for facilities projects for office buildings and similar properties increased.

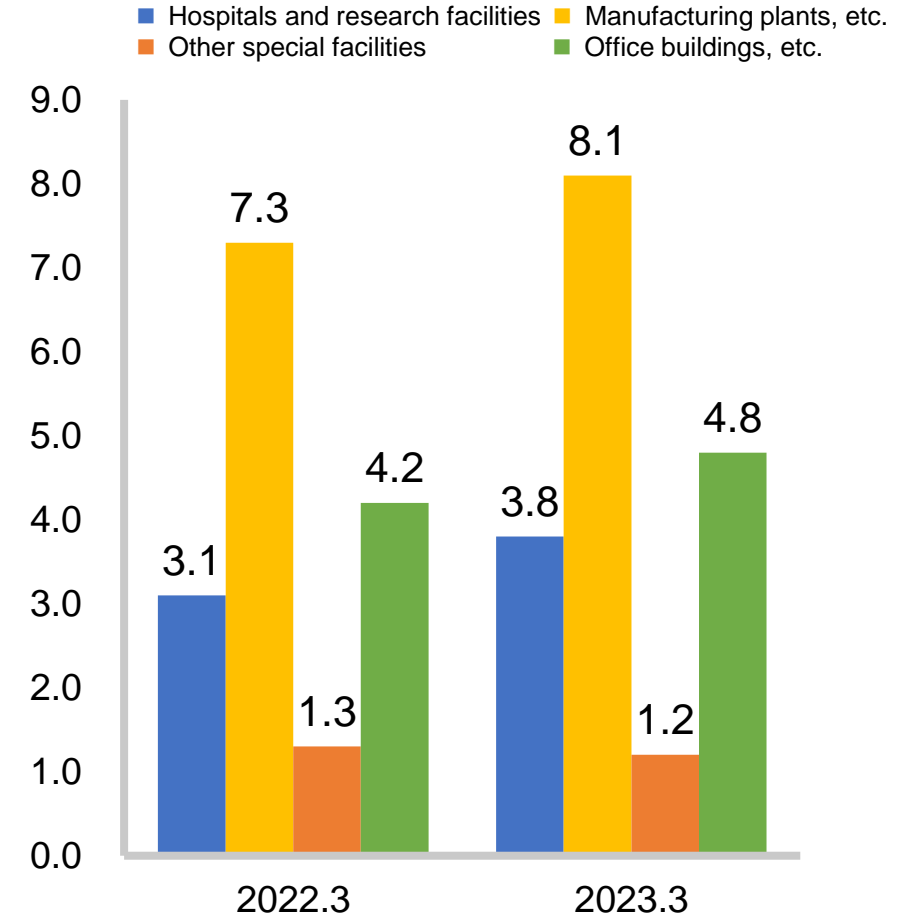
■ Annual contract sales (billion yen)



■ Maintenance services net sales (billion yen)



■ Renovation work construction work volume (billion yen)

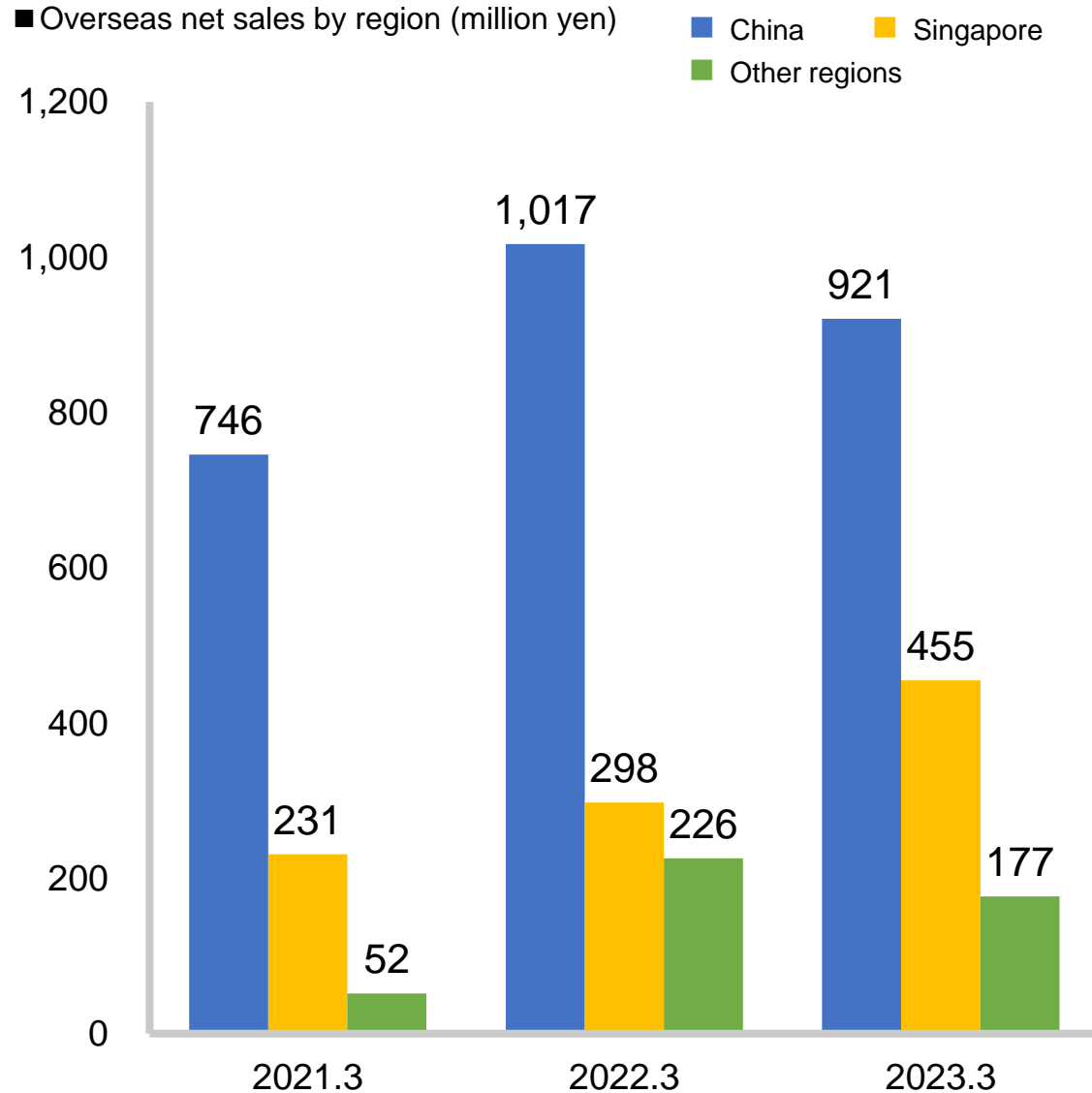


number of cases : 2,998 cases 3,003 cases
 average unit price : ¥7,006 thousand ¥7,011 thousand

number of cases : 35,197 cases 35,934 cases
 average unit price : ¥340 thousand ¥356 thousand

number of cases : 4,053 cases 4,465 cases
 average unit price : ¥3,790 thousand ¥3,909 thousand

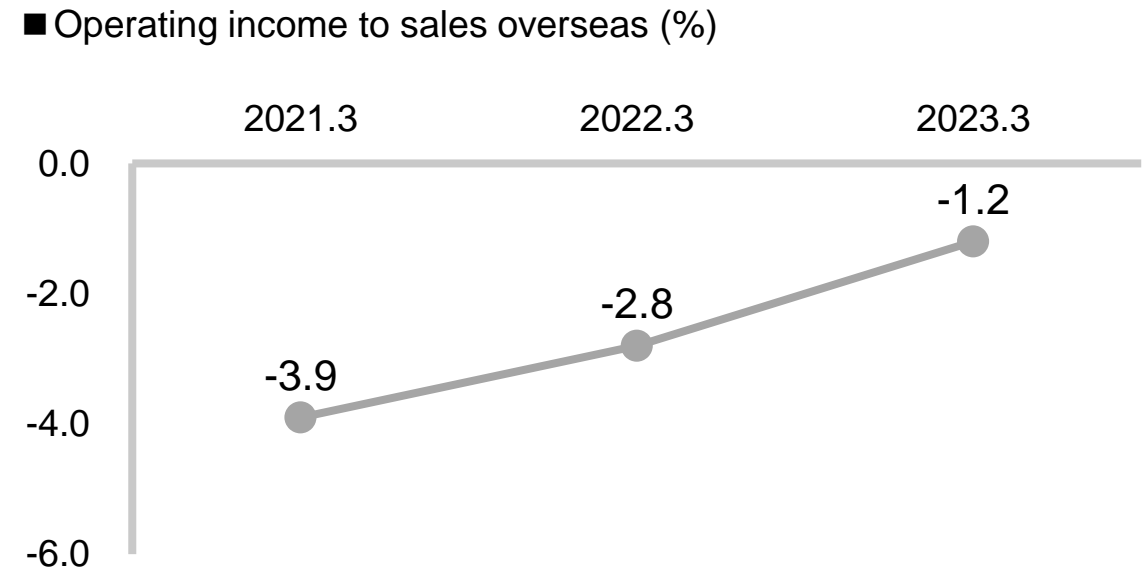
* Number of cases and average unit price only count domestic ones.



Net sales in six countries outside Japan: ¥ 1.5 billion

Operating income to sales overseas : - 1.2%

Despite higher sales and profit due to an improved environment for receiving orders due to the lifting of COVID-19 restrictions, progress was not quite sufficient to push us into the black.



* "Other regions" of net sales overseas by region are Bangladesh, Thailand, 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)	FY03/2022		FY03/2023	
	Amount (billion yen)	Year-on-year change (billion yen)	Amount (billion yen)	Year-on-year change (billion yen)
Cash flows from operating activities	1.7	-0.9	0.9	-0.8
Cash flows from investing activities	0.9	+1.2	-0.6	-1.6
Cash flows from financing activities	-2.3	-0.5	-1.0	+1.3
Cash and cash equivalent growth	0.4	-0.1	-0.7	-1.1
Balance of cash and cash equivalent at beginning of the period	6.2	+0.6	6.6	+0.4
Balance of cash and cash equivalent at end of the period	6.6	+0.4	5.8	-0.7

Cash flows from operating activities

decreased



Accounts receivable increased this period (FY03/2023), as the completion of construction and other projects concentrated toward the end of the year.

Cash flows from investing activities fell into

negative territory



We recorded gains on sales of investment securities in the previous period (FY03/2022).

Consolidated (as of the end of period)	FY03/2022		FY03/2023	
	Amount (billion yen)	Year-on-year growth ratio (%)	Amount (billion yen)	Year-on-year growth ratio (%)
Current assets	21.6	+7.4	23.4	+8.3
Fixed assets	13.4	-8.6	14.1	+4.7
Total assets	35.1	+0.7	37.5	+6.9
Interest-bearing debts	0.8	-26.4	1.0	+15.1
Other liabilities	13.7	+3.4	14.8	+7.7
Total liabilities	14.6	+0.9	15.8	+8.2
Total net assets	20.4	+0.5	21.7	+6.0
Total liabilities and net assets	35.1	+0.7	37.5	+6.9

Total assets:

Up from 35.1 to 37.5 billion yen



Figures on the Balance Sheet increased, as completion of construction and other projects concentrated toward the end of the year. Both claims and obligations increased as well.

Forecast for the fiscal year ending March 31, 2024

Despite progress in striking a balance between measures to stop the spread of COVID-19 and steps to resume economic and social activity, international instability, inflation, and supply limitations are expected to persist. We will seek to expand sales and profit by identifying potential demand in areas such as energy and cost savings.

We must boost sales and profit to secure the funding needed to raise salaries and to invest in human capital.

(billion yen 、 %)

Consolidated (cumulative period)	FY03/2023 (results)			FY03/2023 (forecast)			Target for the final year (fiscal year ending March, 2024) of the "2019 Mid-Term Five-Year Management Plan"		
	Amount	Ratio to sales	Year-on-year growth ratio	Amount	Ratio to sales	Year-on-year growth ratio	Amount	Ratio to sales	Rate of achievement as of FY03/2023
Net sales	52.8	100.0	+6.0	56.0	100.0	+5.9	55.0	100.0	96.2
Maintenance service sales	34.6	65.6	+2.7	36.5	65.2	+5.2	37.5	68.2	92.5
Renovation work construction work volume	18.2	34.4	+12.9	19.5	34.8	+7.1	17.5	31.8	104.0
Gross profit on sales	9.3	17.6	+5.9	10.0	17.9	+7.2	9.5	17.3	98.2
Selling, general and administrative expenses	6.4	12.3	+4.7	7.0	12.5	+8.0	6.5	11.8	99.7
Operating income	2.8	5.4	+8.8	3.0	5.4	+5.4	3.0	5.5	94.9
Ordinary income	3.0	5.8	+8.9	3.1	5.5	+1.6	3.1	5.6	98.4
Profit attributable to owners of parent	1.9	3.7	▲31.2	2.0	3.6	+3.1	1.9	3.5	102.1

* Salary levels for permanent employees rose (by 6.8% on average) starting in April 2023.

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Improvement of happiness of all stakeholders



Creation of sustainable shareholder value



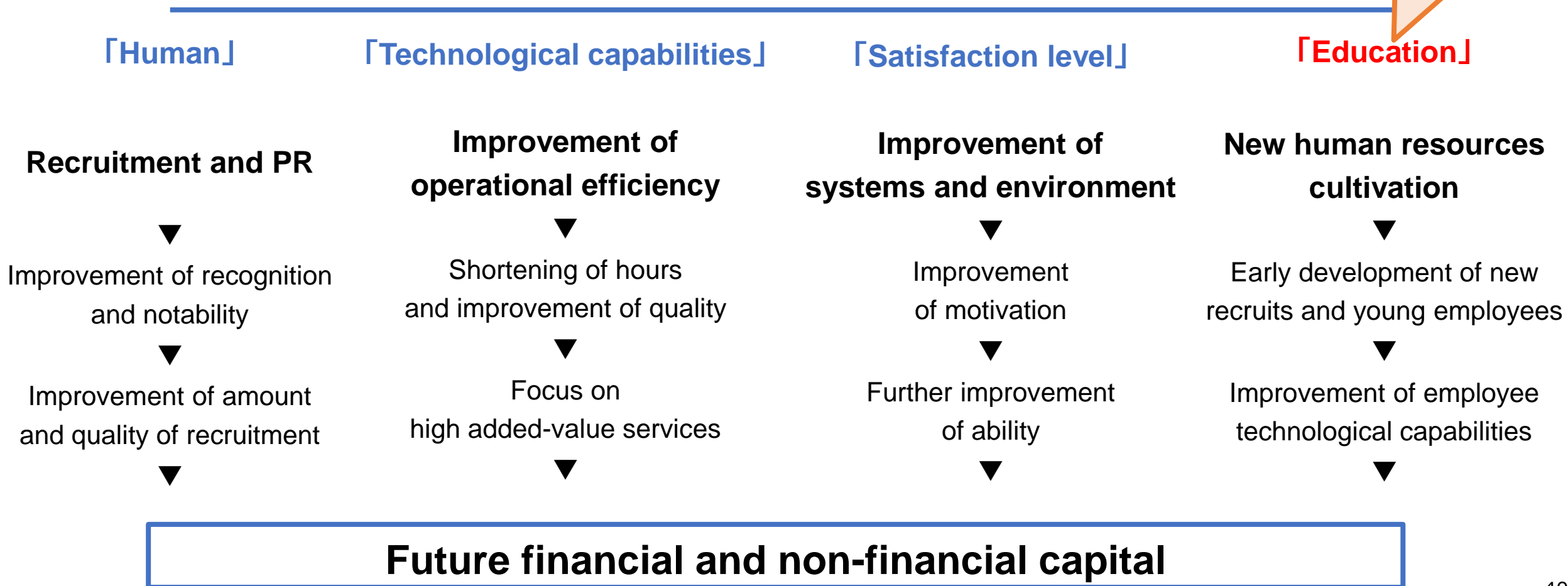
Capital productivity improvement



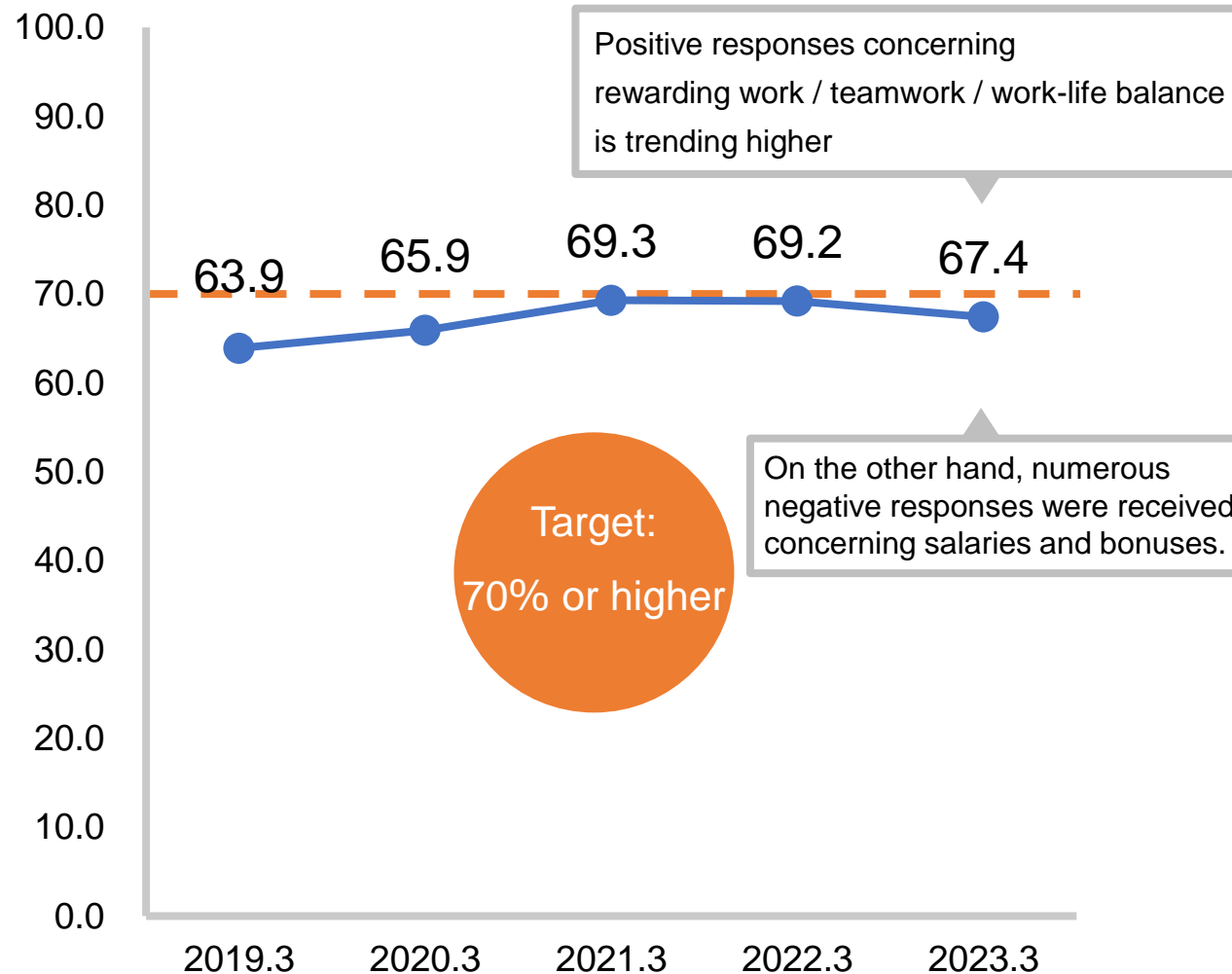
Enhanced human resources value

Promote four projects aiming at enhancing human resources value

Plans are underway to build a new Training Center. The facility will strengthen employee skills overall and help new and young employees make rapid contributions.



■ Employee satisfaction levels (%)



Employee satisfaction levels: 67.4%

We will strive to deliver improvements through initiatives with each project (raise salary levels, etc.) and improvements in internal communication.



Basis of customer satisfaction

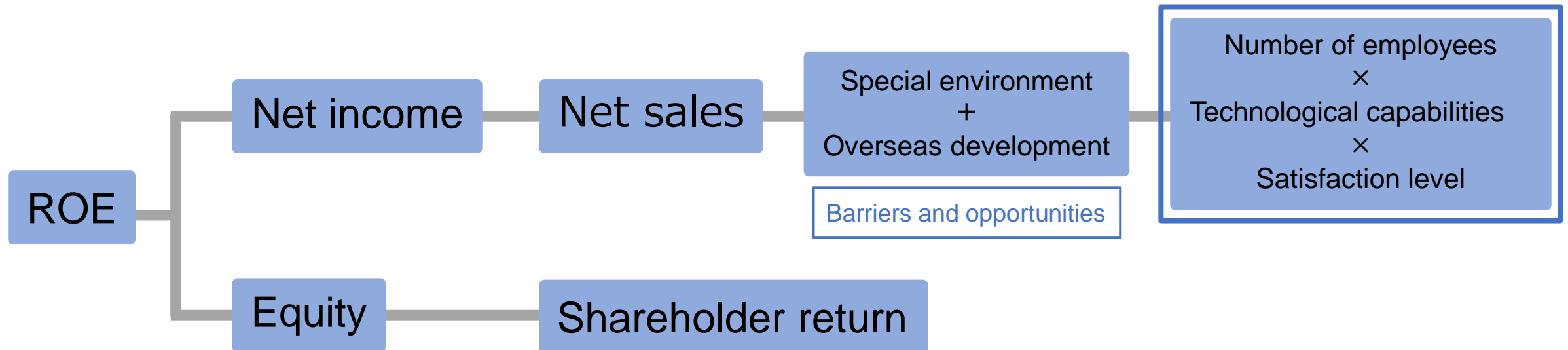
“Foundation of corporate value”

Linked to human resources

Most important factor for improving the capital productivity

「enhancement of human resources value」

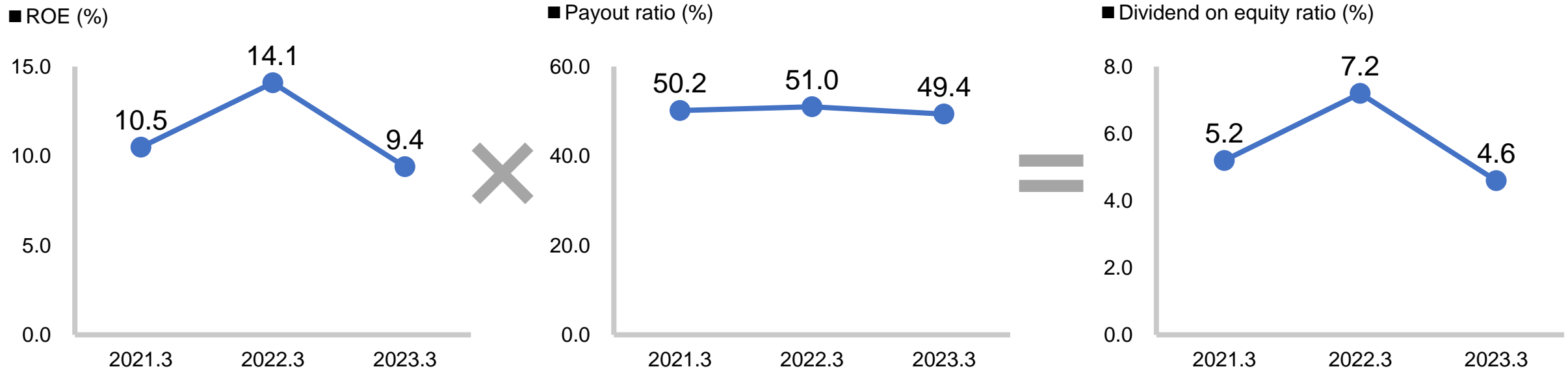
Linked to ESG(Social)

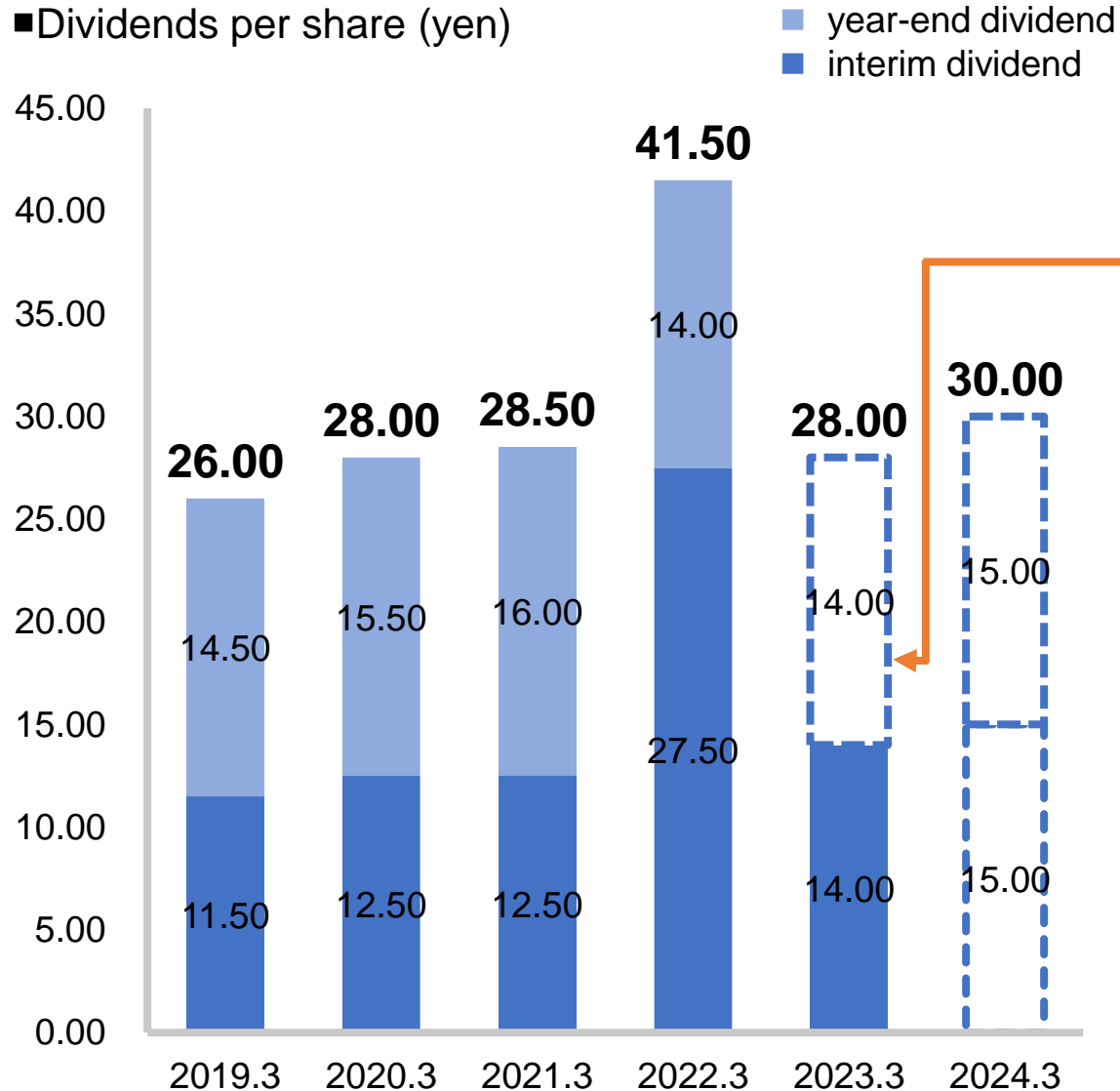


Maintain dividend payout ratio of 50%
by enhancing capital productivity



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

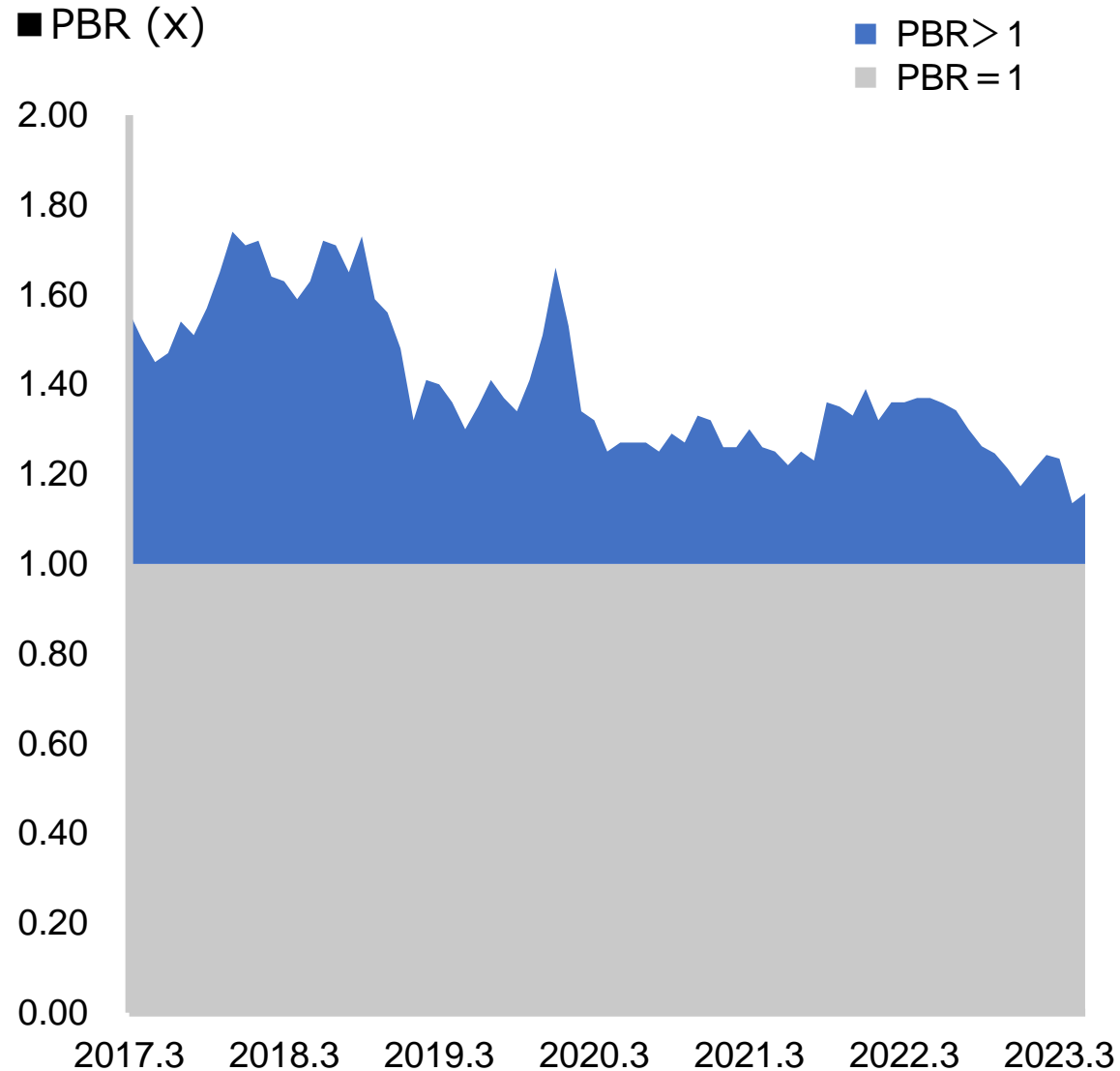




Returning 50% of extraordinary gains from cross-shareholdings sales as a special dividend

Dividend per share 13.50 yen

The 2019 Five-Year Mid-Term Management Plan targeted an annual dividend of 27 yen/share, corresponding to 50% of the EPS target of 54 yen. We expect to pay a dividend of 30 yen/share, which exceeds this target.



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

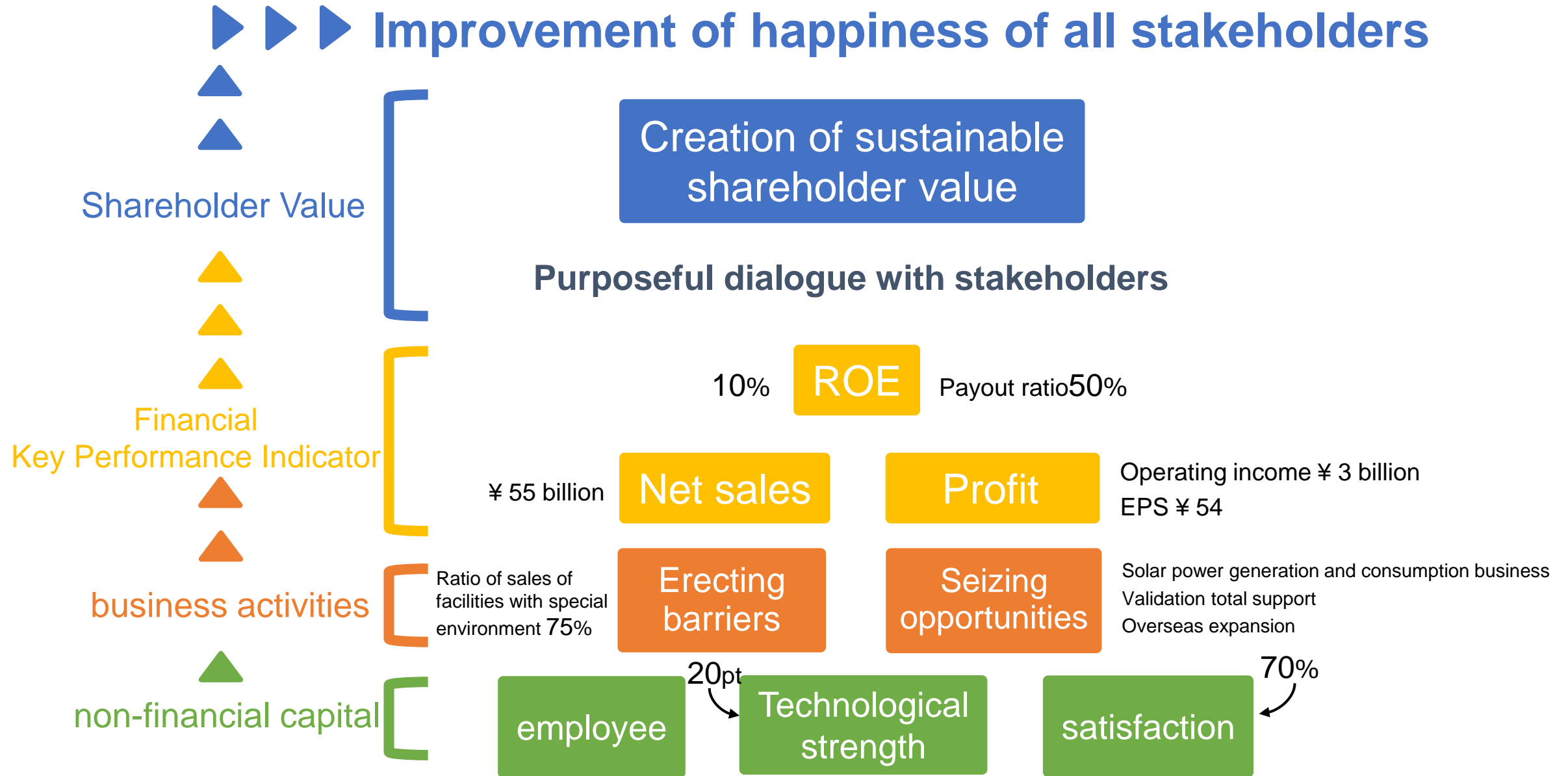
Net sales : **¥55 billion** (Ratio of sales of facilities with special environment **75%**)

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%**



* 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.21), and satisfaction is evaluated by Employee satisfaction levels(p.41).

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