

August 10, 2023

Consolidated Financial Results for the Three Months Ended June 30, 2023 <Japanese GAAP>

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 Listed stock exchange: Tokyo
 Securities code: 1961
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Scheduled date to file quarterly securities report: August 10, 2023
 Scheduled date to commence dividend payments: –
 Preparation of explanatory materials for quarterly financial results: Yes
 Holding of a briefing on quarterly financial results: None

(Amounts of less than 1 million yen are truncated)

1. Consolidated Financial Results for the Three Months Ended June 30, 2023 (April 1, 2023 to June 30, 2023)

(1) Consolidated operating results (Cumulative)

(% figures show year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2023	40,727	21.8	(18)	—	359	—	339	—
June 30, 2022	33,450	(13.6)	(1,260)	—	(860)	—	(637)	—

(Note) Comprehensive income: Three months ended June 30, 2023: ¥ 2,698 million [—%]

Three months ended June 30, 2022: ¥ (422 million) [—%]

	Profit per share	Profit per share – diluted
Three months ended	Yen	Yen
June 30, 2023	6.23	6.21
June 30, 2022	(11.42)	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2023	161,938	91,435	56.3
March 31, 2023	172,305	90,913	52.6

(Reference) Shareholders' equity: As of June 30, 2023: ¥91,242 million

As of March 31, 2023: ¥90,714 million

2. Dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	—	35.00	—	40.00	75.00
Fiscal year ending March 31, 2024	—				
Fiscal year ending March 31, 2024 (Forecast)		35.00	—	35.00	70.00

(Note) Amendment to forecasts of dividends recently announced: None

Breakdown of end-FY3/23 dividend: Ordinary dividend ¥35; Extraordinary dividend ¥5

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2024

(April 1, 2023 to March 31, 2024)

(% figures show year-on-year change for the full year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	210,000	10.0	7,500	38.6	8,000	28.1	5,300	11.6	97.27

(Note) Amendment to forecasts of consolidated financial results recently announced: None

*** Notes**

- (1) Changes in significant subsidiaries during the three months ended June 30, 2023 (changes in specified subsidiaries resulting in the change in scope of consolidation): None

New: - (Company name:) Excluded: - (Company name:)

- (2) Application of specific accounting for preparing quarterly consolidated financial statements: None

- (3) Changes in accounting policies and estimates, and retrospective restatements

- (i) Changes in accounting policies in accordance with revision of accounting standards: None
- (ii) Changes in accounting policies other than item (i) above: None
- (iii) Changes in accounting estimates: None
- (iv) Retrospective restatements: None

- (4) Number of shares issued (common stock)

- (i) Number of shares outstanding at the end of the period (including treasury shares)

As of June 30, 2023	58,161,156 shares
As of March 31, 2023	58,161,156 shares

- (ii) Number of treasury shares at the end of the period

As of June 30, 2023	3,716,458 shares
As of March 31, 2023	3,722,458 shares

- (iii) Average number of shares during period

For the three months ended June 30, 2023	54,443,198 shares
For the three months ended June 30, 2022	55,843,198 shares

* Quarterly financial results are not subject to quarterly review by a certified public accountant or audit corporation.

* Proper use of earnings forecasts, and other special matters

There are no changes to our consolidated and non-consolidated earnings forecasts announced on May 12, 2023.

The forward-looking statements such as earnings forecasts contained in these materials are based on the information available at the time they were prepared, and the actual results could differ from forecasts depending on a variety of factors.

Disclaimer: This is a Japanese-English translation of the summary of financial statements of the Company produced for your convenience. Officially, only the Japanese version is assumed to be the summary of financial statements of the Company. This summary does not constitute any guarantee and the Company will not compensate any losses and/or damage stemming from actions taken based on these statements. In the case that there is any discrepancy between the Japanese and English versions, the Japanese version is assumed to be correct.

[Attached Materials]

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1. Qualitative Information on the Quarter under Review

The Group aims to be the “Company of Choice” for even more stakeholders by further enhancing quality and reliability through our long-term vision “Century 2025.” The consolidated fiscal year under review is the second year of the four-year medium-term management plan “Century 2025” Phase 3, which is the final phase of the long-term vision “Century 2025.” Continuing its efforts from FY2022, the Group will strive to remain the enduring company of choice by pushing forward with Phase 1 initiatives focused on improving quality and Phase 2 efforts to enhance reliability, while also implementing new measures, including initiatives to contribute to the sustainability of society, accelerate work-style reforms, and invest toward the next generation. In addition, we will continue building a corporate structure that can flexibly respond to changes in the environment, while developing new technologies, strengthening corporate governance, and achieving sustainable growth and increased corporate value over the medium to long term based on thorough compliance.

The Group’s financial position and operating results for the three months ended June 30, 2023, are as follows.

(1) Qualitative information on consolidated operating results

(Millions of yen)

	Q1 FY2022	Q1 FY2023	YoY change	YoY change (%)	Main factors behind YoY change
Orders received	46,974	52,631	5,656	12.0%	As stated in the next section, “Operating results of major segments”
Balance carried forward	164,262	200,330	36,068	22.0%	
Net sales	33,450	40,727	7,276	21.8%	
Gross profit	3,948	5,231	1,283	32.5%	
Margin (%)	11.8%	12.8%	1.0%		
Operating loss	(1,260)	(18)	1,241	—	
Margin (%)	(3.8%)	(0.0%)	3.8%		
Ordinary profit (loss)	(860)	359	1,219	—	
Margin (%)	(2.6%)	0.9%	3.5%		
Profit (loss) attributable to owners of parent	(637)	339	976	—	
Margin (%)	(1.9%)	0.8%	2.7%		

(Note) Profit or loss margins are the rate of return on net sales.

<Operating results of major segments>

○Facilities Construction Business

This business includes HVAC and Plumbing for Buildings, Industrial HVAC (centered on air-conditioning systems for factories), Electrical Systems and Facility Systems businesses, etc.

While orders received were flat year on year, increases were recorded in both net sales and profit due largely to progress in the projects that were carried forward from FY2022.

(Millions of yen)

	Q1 FY2022	Q1 FY2023	YoY change	YoY change (%)
Orders received	38,867	38,983	116	0.3%
Net sales	26,516	34,098	7,582	28.6%
Segment profit (loss)	(893)	360	1,253	—

○Machinery Systems Business

This business mainly includes conveyance systems and manufacturing and sales business related to transportation equipment.

Orders received grew on the back of orders received for large-scale conveyance equipment. While net sales increased, segment loss deteriorated.

(Millions of yen)

	Q1 FY2022	Q1 FY2023	YoY change	YoY change (%)
Orders received	2,445	3,508	1,062	43.4%
Net sales	1,498	1,788	290	19.4%
Segment profit (loss)	(285)	(297)	(12)	—

○Environmental Systems Business

This business mainly includes operations related to water and sewage facilities and waste treatment facilities ordered by government agencies.

Orders received increased with orders received for improvement work on large-scale waste treatment facilities. Although net sales declined, segment loss improved mainly due to an overall improvement in the profitability of projects.

(Millions of yen)

	Q1 FY2022	Q1 FY2023	YoY change	YoY change (%)
Orders received	5,136	9,572	4,435	86.3%
Net sales	4,815	4,226	(589)	(12.2%)
Segment profit (loss)	(274)	(224)	50	—

○Real Estate Business

This business mainly includes leasing operations for real estate holdings and building management.

Tenant rental income increased, resulting in higher sales.

(Millions of yen)

	Q1 FY2022	Q1 FY2023	YoY change	YoY change (%)
Orders received	614	618	4	0.7%
Net sales	614	618	4	0.7%
Segment profit	245	243	(2)	(0.9%)

(2) Qualitative information on consolidated financial position

(Millions of yen)

	End-FY2022	End-Q1 FY2023	YoY change	YoY change (%)	Main factors behind YoY change
Current assets	115,512	102,052	(13,459)	(11.7%)	Accounts receivable from completed construction contracts and other declined from the end of FY2022 due to seasonal factors.
Non-current assets	56,793	59,885	3,092	5.4%	
Total assets	172,305	161,938	(10,367)	(6.0%)	
Current liabilities	69,649	57,505	(12,144)	(17.4%)	Accounts payable for construction contracts declined from the end of FY2022 due to seasonal factors.
Non-current liabilities	11,742	12,998	1,255	10.7%	
Total liabilities	81,392	70,503	(10,888)	(13.4%)	
Total net assets	90,913	91,435	521	0.6%	Valuation difference on available-for-sale securities increased.

(3) Qualitative information on consolidated earnings forecasts

There are no changes to our consolidated and non-consolidated earnings forecasts announced on May 12, 2023.

2. Consolidated Financial Statements and Related Notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	24,949	27,310
Notes receivable - trade	407	486
Electronically recorded monetary claims - operating	4,603	5,025
Accounts receivable from completed construction contracts and other	48,286	29,936
Contract assets	23,843	25,557
Securities	4,000	4,000
Costs on construction contracts in progress	2,801	3,982
Raw materials and supplies	711	817
Other	5,908	4,937
Total current assets	115,512	102,052
Non-current assets		
Property, plant and equipment		
Buildings and structures	43,955	44,074
Accumulated depreciation	(34,672)	(34,903)
Buildings and structures, net	9,283	9,171
Machinery, vehicles, tools, furniture and fixtures	2,111	2,142
Accumulated depreciation	(1,687)	(1,711)
Machinery, vehicles, tools, furniture and fixtures, net	424	431
Land	3,035	3,035
Leased assets	538	567
Accumulated depreciation	(266)	(288)
Leased assets, net	271	279
Construction in progress	22	27
Total property, plant and equipment	13,037	12,945
Intangible assets		
Other	2,302	2,282
Total intangible assets	2,302	2,282
Investments and other assets		
Investment securities	28,010	31,165
Long-term loans receivable	64	62
Retirement benefit asset	7,190	7,241
Leasehold and guarantee deposits	1,636	1,642
Insurance funds	1,011	999
Deferred tax assets	849	856
Other	3,026	3,029
Allowance for doubtful accounts	(337)	(340)
Total investments and other assets	41,453	44,657
Total non-current assets	56,793	59,885
Total assets	172,305	161,938

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Electronically recorded obligations - operating	1,667	1,262
Accounts payable for construction contracts	35,074	24,847
Short-term borrowings	6,674	5,693
Lease liabilities	97	97
Income taxes payable	839	165
Contract liabilities	15,027	18,121
Provision for bonuses	4,101	1,647
Provision for directors' bonuses	224	57
Provision for warranties for completed construction	1,405	1,397
Provision for loss on construction contracts	32	21
Other	4,505	4,192
Total current liabilities	69,649	57,505
Non-current liabilities		
Long-term borrowings	1,400	1,312
Lease liabilities	300	301
Retirement benefit liability	3,861	4,030
Provision for loss on business of subsidiaries and associates	440	288
Deferred tax liabilities	64	1,292
Other	5,675	5,773
Total non-current liabilities	11,742	12,998
Total liabilities	81,392	70,503
Net assets		
Shareholders' equity		
Share capital	8,105	8,105
Capital surplus	4,189	4,187
Retained earnings	73,051	71,213
Treasury shares	(5,335)	(5,326)
Total shareholders' equity	80,011	78,179
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,583	12,861
Foreign currency translation adjustment	101	156
Remeasurements of defined benefit plans	17	44
Total accumulated other comprehensive income	10,702	13,062
Share acquisition rights	199	192
Total net assets	90,913	91,435
Total liabilities and net assets	172,305	161,938

(2) Quarterly consolidated statements of income and comprehensive income

First quarter of consolidated fiscal year

(Millions of yen)

	For the three months ended June 31, 2022	For the three months ended June 30, 2023
Net sales		
Net sales of completed construction contracts	32,814	40,089
Net sales in real estate business and other	635	637
Total net sales	33,450	40,727
Cost of sales		
Cost of sales of completed construction contracts	29,143	35,123
Cost of sales in real estate business and other	358	371
Total cost of sales	29,502	35,495
Gross profit		
Gross profit on completed construction contracts	3,670	4,966
Gross profit on real estate business and other	277	265
Total gross profit	3,948	5,231
Selling, general and administrative expenses	5,209	5,250
Operating loss	(1,260)	(18)
Non-operating income		
Interest income	3	3
Dividend income	306	357
Other	149	80
Total non-operating income	459	440
Non-operating expenses		
Interest expenses	25	26
Construction repair expenses	—	22
Other	34	13
Total non-operating expenses	59	62
Ordinary profit (loss)	(860)	359
Extraordinary income		
Gain on sale of investment securities	25	271
Total extraordinary income	25	271
Extraordinary losses		
Loss on retirement of non-current assets	—	14
Loss on valuation of investment securities	—	52
Total extraordinary losses	—	67
Profit (loss) before income taxes	(835)	562
Income taxes – current	111	22
Income taxes – deferred	(308)	201
Total income taxes	(197)	223
Profit (loss)	(637)	339
(Breakdown)		
Profit (loss) attributable to owners of parent	(637)	339
Profit attributable to non-controlling interests	—	—
Other comprehensive income		
Valuation difference on available-for-sale securities	97	2,278
Deferred gains or losses on hedges	(8)	—
Foreign currency translation adjustment	85	55
Remeasurements of defined benefit plans	41	26
Total other comprehensive income	215	2,359
Comprehensive income	(422)	2,698
(Breakdown)		
Comprehensive income attributable to owners of parent	(422)	2,698
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Cash flows from operating activities		
Profit (loss) before income taxes	(835)	562
Depreciation	366	420
Loss on retirement of non-current assets	7	14
Increase (decrease) in provision for loss on business of subsidiaries and associates	—	(152)
Increase (decrease) in allowance for doubtful accounts	2	2
Increase (decrease) in provision for bonuses	(2,521)	(2,453)
Increase (decrease) in retirement benefit liability	277	154
Increase (decrease) in provision for loss on construction contracts	(9)	(11)
Interest and dividend income	(309)	(360)
Interest expenses	25	26
Loss (gain) on sale of investment securities	(25)	(271)
Loss on valuation of investment securities	—	52
Decrease (increase) in trade receivables and contract assets	19,979	16,165
Decrease (increase) in costs on construction contracts in progress	(886)	(1,174)
Increase (decrease) in trade payables	(10,890)	(10,642)
Increase (decrease) in contract liabilities	2,338	3,087
Increase (decrease) in other current liabilities	(1,721)	(160)
Other	251	941
Subtotal	6,049	6,203
Interest and dividends received	311	362
Interest paid	(21)	(22)
Income taxes paid	(2,757)	(943)
Income taxes refund	4	0
Cash flows from operating activities	3,585	5,599
Cash flows from investing activities		
Purchase of securities	(5,000)	(6,000)
Proceeds from redemption of securities	5,000	6,000
Purchase of property, plant and equipment	(92)	(328)
Payments for retirement of property, plant and equipment	(6)	(17)
Purchase of investment securities	(4)	(2)
Proceeds from sale of investment securities	109	350
Proceeds from collection of loans receivable	3	18
Purchase of intangible assets	(162)	(124)
Proceeds from maturity of insurance funds	50	18
Other	77	91
Cash flows from investing activities	(24)	6
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(770)	(901)
Repayments of long-term borrowings	(347)	(172)
Proceeds from exercise of share options	0	0
Repayments of lease liabilities	(24)	(27)
Dividends paid	(2,788)	(2,177)
Cash flows from financing activities	(3,931)	(3,278)
Effect of exchange rate changes on cash and cash equivalents	56	32
Net increase (decrease) in cash and cash equivalents	(313)	2,360
Cash and cash equivalents at beginning of period	44,779	24,949
Cash and cash equivalents at end of period	44,465	27,310

(4) Notes on premise of going concern

Not applicable

(5) Segment information, etc.**I. First quarter of fiscal year 2022 (April 1, 2022 to June 30, 2022)****1. Information on net sales and profit (loss) by reportable segment**

(Millions of yen)

	Reportable segments					Other (Notes) 1	Total	Adjust- ments (Notes) 2	Quarterly consolidated profit/loss and comprehensive income posted (Notes) 3
	Facilities Construc- tion Busi- ness	Machinery Systems Business	Environ- mental Sys- tems Busi- ness	Real Estate Business	Total				
Net sales									
Net sales to external customers	26,497	1,497	4,811	613	33,420	30	33,450	—	33,450
Intersegment sales or transfers	18	0	4	0	24	84	108	(108)	—
Total	26,516	1,498	4,815	614	33,444	114	33,559	(108)	33,450
Segment profit (loss)	(893)	(285)	(274)	245	(1,208)	(15)	(1,224)	363	(860)

(Notes) 1. The “Other” category is a business segment that is not included in reportable segments and includes the leasing business and insurance agency business, etc.

2. The adjustment amount of ¥363 million to segment profit/loss includes company-wide profit not allocated to each reportable segment of ¥303 million and the reversal amount of the interest burden allocated to each segment within the company of ¥60 million. Differences in allocation of company-wide expenses, etc., are the main source of company-wide profit.

3. Segment profit or loss is adjusted with ordinary loss in the quarterly consolidated statements of income and comprehensive income.

II. First quarter of fiscal year 2023 (April 1, 2023 to June 30, 2023)**1. Information on net sales and profit (loss) by reportable segment**

(Millions of yen)

	Reportable segments					Other (Notes) 1	Total	Adjust- ments (Notes) 2	Quarterly consolidated profit/loss and comprehensive income posted (Notes) 3
	Facilities Construc- tion Busi- ness	Machinery Systems Business	Environ- mental Sys- tems Busi- ness	Real Estate Business	Total				
Net sales									
Net sales to external customers	34,077	1,788	4,223	618	40,706	20	40,727	—	40,727
Intersegment sales or transfers	21	0	2	0	25	110	136	(136)	—
Total	34,098	1,788	4,226	618	40,732	131	40,863	(136)	40,727
Segment profit (loss)	360	(297)	(224)	243	81	(14)	66	292	359

(Notes) 1. The “Other” category is a business segment that is not included in reportable segments and includes the leasing business and insurance agency business, etc.

2. The adjustment amount of ¥292 million to segment profit/loss includes company-wide profit not allocated to each reportable segment of ¥176 million, the reversal amount of the interest burden allocated to each segment within the company of ¥101 million, and an adjustment amount of ¥14 million due to the recording of loss on retirement of non-current assets attributable to each segment as an extraordinary loss. Differences in allocation of company-wide expenses, etc., are the main source of company-wide profit.

3. Segment profit or loss is adjusted with ordinary profit in the quarterly consolidated statements of income and comprehensive income.

(6) Notes regarding significant changes in shareholders' equity [if any]

Not applicable