

The 2nd Quarter FY2022 Summary of Financial Results

November 11, 2022

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★Key Points of Financial Results

Net sales declined year on year, mainly due to customer revisions to some project schedules, impacted by delays in the delivery of materials and equipment
Orders received increased significantly on the back of large-scale project orders, mainly for industrial HVAC, generating a plentiful balance of work brought forward to the next period

<Orders> 118.914 billion yen (96.506 billion yen in the same period of the previous fiscal year)

- In the Facilities Construction Business, orders for building air conditioning and plumbing, industrial HVAC, and facility systems increased significantly year on year
- In Environmental Systems, orders fell, mainly due to a fallback from orders for large-scale projects received in Q2 FY2021

<Net sales> 73.510 billion yen (84.070 billion yen in the same period of the previous fiscal year)

- In Facilities Construction, net sales declined year on year, mainly due to customer revisions to some project schedules, impacted by delays in the delivery of materials and equipment
- In Machinery Systems, net sales declined, with a fall in orders received due to a decrease in work carried over from the start of the period for Material Handling Systems, as well as delays in the delivery of parts for Conveyance Systems

<Gross profit> Gross profit amounted to 9.161 billion yen (11.058 billion yen in the same period of the previous fiscal year)

- Gross profit declined due to the impact of lower net sales, but is expected to improve going forward, with project progress ensuring sales
- Gross profit margin fell year on year, with the indirect cost ratio for projects rising due to lower net sales; however, project profitability improved

<Balance of work brought forward> 196.142 billion yen (154.112 billion yen in the same period of the previous fiscal year)

- Facilities Construction and Machinery Systems both increased year on year, securing a plentiful volume of work. About half of this is expected to be converted to sales during the second half of the fiscal year, mainly for industrial HVAC

<FY2022 consolidated results forecasts> (Comparison with initial forecasts)

- Orders received: 210 billion yen (+10 billion yen); Net sales: 200 billion yen (unchanged); Ordinary profit: 10 billion yen (unchanged)

<Shareholder returns>

- Conducted shareholder returns according to medium-term management plan “Century 2025” Phase 3 financial and capital policies
- Forecast interim dividend: 35 yen, year-end dividend: 35 yen, annual dividend: 70 yen (no change from initial forecast)
- Share repurchases of 1,500 thousand shares planned by the end of FY2022 (80 thousand shares repurchased as of September 30)Canceled 1,500 thousand treasury shares on August 15, 2022
- Expected payout ratio: 56.7%, total return ratio: 93.6%

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FY2022 2Q RESULTS

FY2022 2Q Results (Consolidated)

(Millions of yen)

	September FY2020	September FY2021	September FY2022	Year on year	Rate of Change (%)
Orders received	103,236	96,506	118,914	22,407	23.2
Balance carried forward	158,534	154,112	196,142	42,029	27.3
Net sales	80,864	84,070	73,510	(10,560)	(12.6)
Completed construction contracts	79,643	82,825	72,228	(10,596)	(12.8)
Real estate business and others	1,221	1,245	1,281	36	2.9
Gross profit	10,757	11,058	9,161	(1,896)	(17.1)
Completed construction contracts	10,277	10,505	8,629	(1,876)	(17.9)
Real estate business and others	479	552	532	(20)	(3.6)
Gross profit margin (%)	13.3	13.2	12.5	(0.7) _{pt.}	—
Selling, general and administrative expenses	10,251	10,032	10,422	389	3.9
Operating profit (loss)	505	1,025	(1,260)	(2,285)	—
Non-operating profit and loss	337	285	509	223	78.3
Ordinary profit (loss)	842	1,310	(751)	(2,061)	—
Extraordinary profit and loss	(325)	9	(145)	(154)	—
Profit attributable to owners of parent (loss)	821	863	(770)	(1,633)	—

Quarterly Results (Consolidated)

(Millions of yen)

	FY2020				FY2021				FY2022	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Orders received	47,660	55,575	43,211	49,132	56,023	40,482	49,288	56,456	46,974	71,939
Net sales	38,253	42,611	48,351	60,851	38,737	45,332	51,652	57,466	33,450	40,059
Gross profit	5,120	5,637	7,414	10,582	4,661	6,396	8,901	10,264	3,948	5,213
Gross profit margin (%)	13.4	13.2	15.3	17.4	12.0	14.1	17.2	17.9	11.8	13.0
Selling, general and administrative expenses	5,274	4,976	5,064	5,939	4,940	5,092	4,976	6,101	5,209	5,212
Operating profit (loss)	(154)	660	2,350	4,642	(278)	1,303	3,924	4,162	(1,260)	0
Operating profit margin (%)	(0.4)	1.5	4.9	7.6	(0.7)	2.9	7.6	7.2	(3.8)	0.0
Ordinary profit (loss)	66	776	2,527	4,826	(13)	1,324	4,233	4,272	(860)	109
Extraordinary profit and loss	(82)	(243)	(40)	(33)	(1)	11	(97)	(215)	25	(170)
Profit attributable to owners of parent (loss)	11	809	1,647	3,431	(35)	899	2,820	2,805	(637)	(132)

Orders Received by Segment (Consolidated)

(Millions of yen)

Segment	September FY2020	September FY2021	September FY2022	Year on year	Rate of Change (%)
HVAC and Plumbing for Buildings	33,153	26,814	36,361	9,547	35.6
Industrial HVAC	34,553	21,947	43,334	21,387	97.5
Electrical Systems	9,802	15,393	14,578	(815)	(5.3)
Facility Systems	5,393	5,041	6,618	1,576	31.3
Total of Facilities Construction Business	82,902	69,196	100,893	31,696	45.8
Machinery Systems	4,268	4,972	5,353	380	7.7
Environmental Systems	15,049	21,331	11,667	(9,663)	(45.3)
Total of Plants & Machinery Systems Business	19,318	26,304	17,021	(9,283)	(35.3)
Sub-total	102,221	95,500	117,914	22,413	23.5
Real Estate Business	1,179	1,197	1,235	38	3.2
Others	274	275	242	(33)	(12.2)
Adjustments*	(438)	(467)	(477)	(10)	—
Total	103,236	96,506	118,914	22,407	23.2

* Adjustments eliminate inter-segment transactions included in each segment.

Net Sales by Segment (Consolidated)

(Millions of yen)

Segment	September FY2020	September FY2021	September FY2022	Year on year	Rate of Change (%)
HVAC and Plumbing for Buildings	22,614	23,159	23,612	453	2.0
Industrial HVAC	29,355	28,559	21,751	(6,808)	(23.8)
Electrical Systems	11,440	11,033	9,953	(1,080)	(9.8)
Facility Systems	4,397	4,313	3,890	(422)	(9.8)
Total of Facilities Construction Business	67,807	67,065	59,208	(7,857)	(11.7)
Machinery Systems	4,459	4,952	3,151	(1,800)	(36.4)
Environmental Systems	7,610	10,879	9,916	(963)	(8.9)
Total of Plants & Machinery Systems Business	12,069	15,832	13,068	(2,763)	(17.5)
Sub-total	79,876	82,897	72,276	(10,620)	(12.8)
Real Estate Business	1,179	1,197	1,235	38	3.2
Others	366	257	240	(17)	(6.8)
Adjustments*	(557)	(282)	(242)	40	—
Total	80,864	84,070	73,510	(10,560)	(12.6)

* Adjustments eliminate inter-segment transactions included in each segment.

Gross Profit by Segment (Consolidated)

(Millions of yen)

Segment		September FY2020	September FY2021	September FY2022	Year on year	Rate of Change (%)
Gross Profit by segment	HVAC and Plumbing for Buildings/Industrial HVAC /Electrical Systems	8,375	8,149	6,514	(1,635)	(20.1)
	Facility Systems	663	594	623	29	4.9
	Total of Facilities Construction Business	9,039	8,744	7,138	(1,606)	(18.4)
	Machinery Systems	707	819	244	(575)	(70.2)
	Environmental Systems	655	1,059	1,337	277	26.2
	Total of Plants & Machinery Systems Business	1,362	1,878	1,581	(297)	(15.8)
	Sub-total	10,402	10,623	8,719	(1,903)	(17.9)
	Real Estate Business	443	504	491	(13)	(2.7)
	Others	16	18	4	(13)	(74.6)
	Adjustments*	(105)	(88)	(53)	34	—
Total	10,757	11,058	9,161	(1,896)	(17.1)	



FY2022 2Q
BALANCE SHEET AND STATEMENT OF CASH FLOWS

Balance Sheet (Consolidated)

(Millions of yen)

	End of FY2021 A	September FY2022 B	Diff. B-A	Rate of change (%)	September FY2021
Current assets	125,742	102,839	(22,903)	(18.2)	107,859
Cash and deposits	42,779	37,239	(5,540)	(13.0)	32,742
Securities	5,999	5,999	(0)	(0.0)	3,999
Notes receivable – trade, electronically recorded monetary claims –operating, accounts receivable from completed construction contracts and other, and contract assets	66,761	47,636	(19,125)	(28.6)	59,784
Non-current assets	57,866	57,101	(764)	(1.3)	56,258
Investment securities	30,447	29,775	(671)	(2.2)	29,653
Current liabilities	79,210	59,764	(19,446)	(24.5)	61,312
Electronically recorded obligations - operating	2,588	1,630	(957)	(37.0)	788
Accounts payable on construction contracts	37,932	26,816	(11,115)	(29.3)	33,178
Non-current liabilities	10,121	9,843	(277)	(2.7)	12,004
Total net assets	94,278	90,333	(3,944)	(4.2)	90,800
Treasury shares	(5,243)	(3,122)	2,121	—	(3,876)
Total liabilities and net assets	183,609	159,941	(23,668)	(12.9)	164,118
Book-value per share (yen)	1,685.20	1,613.62	(71.58)	(4.2)	1,595.55
Equity ratio (%)	51.2	56.4	5.2 _{pt}	—	55.1
Interest-bearing liabilities (consolidated)	9,205	8,511	(694)	(7.5)	9,899

Statement of Cash Flows (Consolidated)

- The balance of cash and cash equivalents decreased from the end of the previous fiscal year
 - The decrease in cash flow from operating activities was mainly due to the payment of trade payables and income taxes, despite progress in collecting trade receivables
 - The increase in cash flow from investing activities was due to the proceeds from redemption of securities, which more than offset purchases of property, plant and equipment and intangible assets
 - The decrease in cash flow from financing activities was mainly due to the repayment of borrowings and the payment of dividends

(Millions of yen)

	FY2018	FY2019	FY2020	FY2021	September FY2022	September FY2021
Cash flows from operating activities	6,786	11,940	(483)	18,529	(1,201)	1,852
Cash flows from investing activities	(3,775)	(303)	(1,423)	(3,384)	216	(1,832)
Cash flows from financing activities	(5,215)	(8,955)	(6,974)	(7,518)	(3,668)	(3,421)
Cash and cash equivalents at end of period	42,612	45,946	37,087	44,779	40,238	33,742

Capital investment (including intangible assets)	6,110	2,197	2,178	1,620	441	740
Depreciation and amortization	1,340	1,643	1,700	1,587	735	796



FY2022 FORECAST

FY2022 Full-Year Forecast (Consolidated)

(Millions of yen)

	FY2019	FY2020	FY2021	FY2022 forecast (Interim forecast from August 5) A	FY2022 forecast (Interim forecast from November 11) B	Increase/ Decrease B-A	Rate of Change (%)
Orders received	194,018	195,580	202,250	200,000	210,000	10,000	5.0
Balance carried forward	136,163	141,676	150,737	150,737	160,737	10,000	6.6
Net sales	207,684	190,067	193,189	200,000	200,000	—	—
Gross profit	32,110	28,754	30,223	31,500	31,500	—	—
Gross profit margin (%)	15.5	15.1	15.6	15.8	15.8	—	—
Operating profit	10,674	7,498	9,112	9,500	9,500	—	—
Ordinary profit	11,224	8,196	9,817	10,000	10,000	—	—
Profit attributable to owners of parent	7,576	5,901	6,489	6,900	6,900	—	—
Regular dividends per share (yen)	70	70	70	70	70	—	—
Extra dividends per share (yen)	25	10	15	—	—	—	—
Cash dividends per share (total)(yen)	95	80	85	70	70	—	—

FY2022 Forecast of Orders Received and Net Sales by Segment (Consolidated)

(Millions of yen)

Segment		FY2022 Orders Received Forecast	FY2022 Net sales Forecast
	HVAC and Plumbing for Buildings	64,000	58,000
	Industrial HVAC	72,000	65,000
	Electrical Systems	26,000	26,000
	Facility Systems	13,000	13,000
Total of Facilities Construction Business		175,000	162,000
	Machinery Systems	13,000	10,000
	Environmental Systems	20,000	26,000
Total of Plants & Machinery Systems Business		33,000	36,000
Sub Total		208,000	198,000
Real Estate Business		2,400	2,400
Others		500	500
Adjustments*		(900)	(900)
Total		210,000	200,000

* Adjustments eliminate inter-segment transactions included in each segment.



SHAREHOLDER RETURNS

Dividends and Others

- Conducted shareholder returns according to medium-term management plan “Century 2025” Phase 3 financial and capital policies
- Forecast interim dividend: 35 yen, year-end dividend: 35 yen, annual dividend: 70 yen (no change from initial forecast)
- Share repurchases of 1,500 thousand shares planned by the end of FY2022 (80 thousand shares repurchased as of September 30)
Canceled 1,500 thousand treasury shares on August 15, 2022
- Expected payout ratio: 56.7%, total return ratio: 93.6%

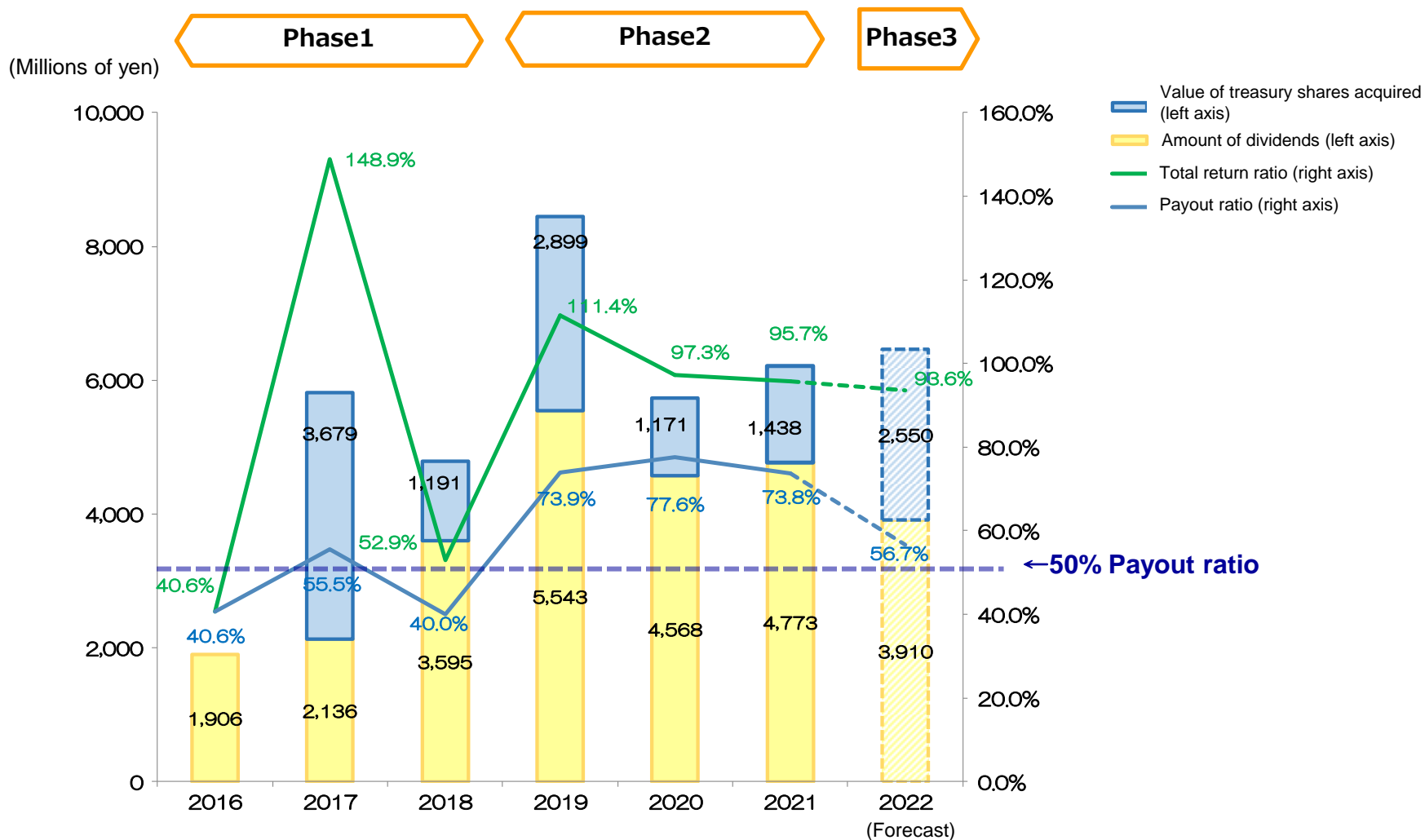
	FY2019	FY2020	FY2021
Earnings per share (yen)	128.51	103.12	115.13
Cash dividends per share: regular dividends (yen)	70	70	70
Cash dividends per share: extra dividends (yen)	25	10	15
Cash dividends per share (yen)	95	80	85
Payout ratio (consolidated) (%)	73.9	77.6	73.8
Total return ratio (%)	111.4	97.3	95.7
Number of shareholders at end of FY	4,216	14,861	14,524
Share price at end of FY (yen)	1,211	1,453	1,398
Purchase of treasury shares (thousand shares)	1,958	1,000	1,000
Cancellation of treasury shares (thousand shares)	2,000	1,000	—

September FY2022	FY2021 (Forecast)
(13.79)	123.51
35	70
—	—
35	70
	56.7
	93.6
13,154	—
1,585	—
80	1,500
1,500	1,500

ROE (%)	8.6	6.6	7.0
ROA (%)	6.0	4.7	5.5

	7.3
	5.7

【Shareholder Returns】





SUPPLEMENTARY MATERIALS

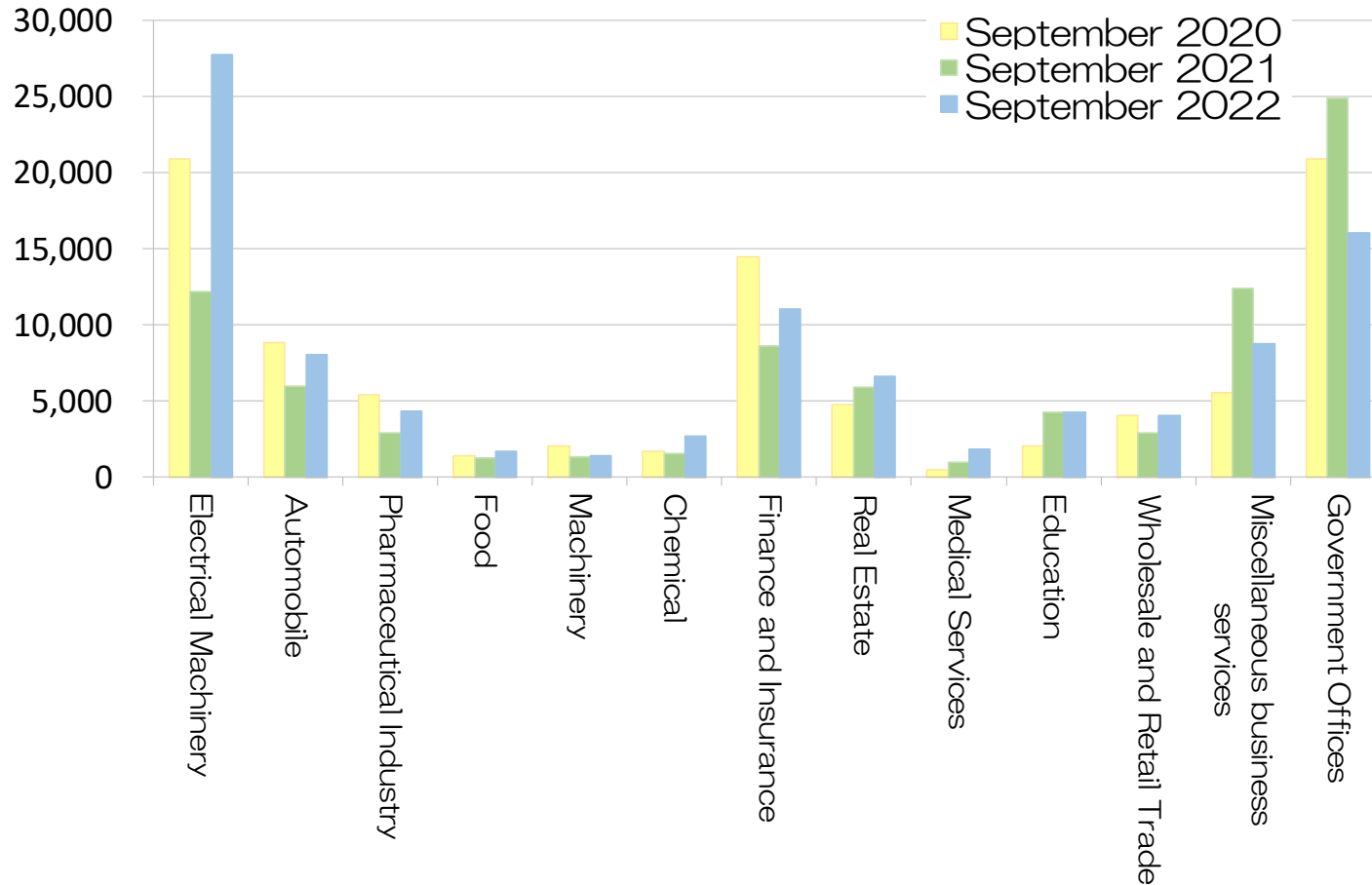
Orders Received by Type

(Millions of yen)

	FY2019 Full-year	FY2020 Full-year	FY2021 Full-year	September FY2021 A	September FY2022 B	Diff. B-A
Orders received (Non-consolidated: Facilities Construction Business)	147,191	149,278	151,747	65,501	97,112	31,610
Orders received from general contractors (Non-consolidated: Facilities Construction Business)	48,238	63,544	62,299	22,026	44,834	22,807
Rate of orders received from general contractors (Non-consolidated: Facilities Construction Business) (%)	32.8	42.6	41.1	33.6	46.2	12.6 pt.
Orders received (Consolidated)	194,018	195,580	202,250	96,506	118,914	22,407
Orders received from overseas projects (Consolidated)	3,143	2,789	4,283	1,796	1,439	(357)
Rate of orders received from overseas projects (Consolidated) (%)	1.6	1.4	2.1	1.9	1.2	(0.7) pt.
Orders received for renewal construction (Consolidated)	112,909	109,585	108,561	49,623	61,906	12,283
Rate of orders received for renewal construction (Consolidated) (%)	58.2	56.0	53.7	51.4	52.1	0.7 pt.
<Ref.> Net sales for renewal construction (Consolidated)	114,208	101,147	107,855	45,802	42,280	(3,521)

Orders Received by Industry (Consolidated)

(Millions of yen)



Main Large-Scale Projects Received and Large-Scale Completed Construction Projects

○Main Large-Scale Projects Received

Property name	Item of construction	Type of construction	Location
Nihombashi 1-Chome Central Type 1 Urban Redevelopment	Plumbing systems	New construction work	Tokyo
NEC Fuchu Workplace New Building Construction (tentative name)	HVAC and plumbing systems	New construction work	Tokyo
Panasonic Corporation Suehirocho Building Project (tentative name)	HVAC and plumbing systems	New construction work	Osaka
Shimoyama Phase IV Facilities Construction Project – Building 3	HVAC and plumbing systems	New construction work	Aichi
Kasugai Water Purification Plant Activated Carbon Injection Equipment Project	Water and sewage treatment systems	New construction work	Aichi

8 other projects

○Main Large-Scale Completed Construction Projects

Property name	Item of construction	Type of construction	Location
Nidec Corporation Mukomachi Project C Building Construction and Other Works	HVAC and plumbing systems	New construction work	Kyoto
Kawanishi City Medical Center	Plumbing systems	New construction work	Hyogo
Ochi Clean Center New Combustible Waste Joint Processing Facility Construction Project	Waste treatment facility	New construction work	Shimane
Nippon Life Yodoyabashi Building New Construction Project	HVAC, plumbing, and electrical systems	New construction work	Osaka
Biofermin Pharmaceutical New Factory Construction Project	HVAC systems	New construction work	Hyogo
Toyota Technical Center Shimoyama Plumbing and Electrical Systems Project	Plumbing and electrical systems	New construction work	Aichi

* The property name is the name being used by the Company. This may differ from the name used on the construction contract.

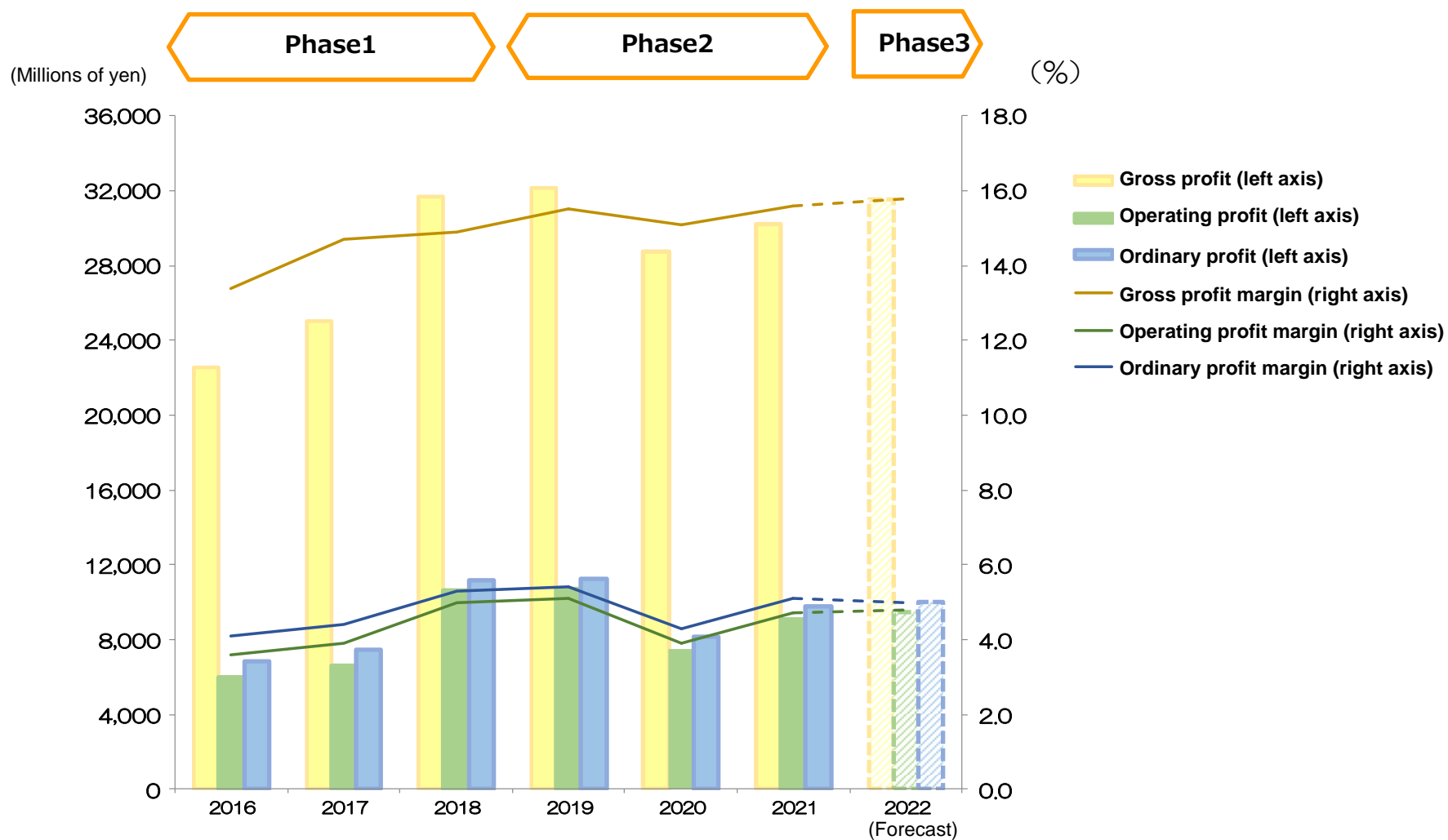
Main Large-Scale Projects Received over 1 Billion Yen (by Building Use)

	September FY2020		September FY2021		September FY2022	
Office	3	14 Projects (26,427 million yen) * Orders received from customers: 5 projects * Orders received from general contractors: 9 projects	—	7 Projects (19,863 million yen) * Orders received from customers: 6 projects * Orders received from general contractors: 1 project	3	13 Projects (35,409 million yen) * Orders received from customers: 5 projects * Orders received from general contractors: 8 projects
Factory	3		—		4	
Research institute	3		—		1	
Hospital / clinic	1		1		1	
Other building interiors	1		2		1	
Railway / airport	1		—		—	
School building / auditorium	—		—		1	
Complex building	—		—		1	
Waste processing facility	1		2		—	
Water treatment plant / sewage plant	1		2		1	

Century 2025 Results (Consolidated) <Orders Received and Net Sales>



Century 2025 Results (Consolidated) <Profit>



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Statements about the future, such as results forecasts included in these materials, are based on judgments made according to the information available to the Company as of November 11. Actual results may differ from the figures contained herein due to a number of factors.

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