

The 2nd Quarter FY2023 Summary of Financial Results

November 10, 2023

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☆Key Points of Financial Results

Orders received increased with orders for large-scale construction projects in Environmental Systems
Net sales and gross profit both increased due to progress in works carried over from the previous year, largely for Industrial HVAC and Facility Systems
Balance carried forward exceeds 220 billion yen, of which approximately 45% is expected to contribute to sales in the second half

<Orders> 125.381 billion yen (118.914 billion yen in the same period of the previous fiscal year)

- In Facilities Construction, orders for Electrical Systems and Facility Systems increased, while in Industrial HVAC, orders were firm for semiconductor and EV battery manufacturing equipment
- In Environmental Systems, orders increased significantly, due mainly to large-scale project orders for waste treatment facilities

<Net sales> 89.459 billion yen (73.510 billion yen in the same period of the previous fiscal year)

- In Facilities Construction, net sales increased due to progress in works carried over from the previous year, largely for Industrial HVAC and Facility Systems
- In Machinery Systems, net sales increased due to progress in works carried over from the previous year, largely in conveyance equipment for manufacturing facilities

<Gross profit> Gross profit amounted to 11.969 billion yen (9.161 billion yen in the same period of the previous fiscal year)

- Gross profit rose in both Facilities Construction, due to higher net sales, and in Environmental Systems, due to an improvement in profitability for water and sewage treatment systems
- Gross profit also increased in Machinery Systems due to higher net sales, but profitability remained low

<FY2023 consolidated results forecasts> (Comparison with initial forecasts)

Orders received: 210 billion yen (+20 billion yen); Net sales: 215 billion yen (+5 billion yen);
Ordinary profit: 10 billion yen (up 2 billion yen)

- Orders are forecast to increase due to the expected continuation of strong construction demand in Industrial HVAC, Facility Systems, and Environmental Systems
- Sales are forecast to increase due to progress on work carried over from the previous year exceeding expectations in Facilities Construction
- Ordinary profit is forecast to increase due to higher net sales and an expected improvement in project profitability

<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 FY2023 (48 thousand shares repurchased as of September 30)
Canceled 1,500 thousand treasury shares on August 18, 2023
- Expected payout ratio: 56.9%, total return ratio: 95.0%

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The 2nd Quarter FY2023 Results

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FY2023 2Q RESULTS

FY2023 2Q Results (Consolidated)

(Millions of yen)

	September FY2021	September FY2022	September FY2023	Year on year	Rate of Change (%)
Orders received	96,506	118,914	125,381	6,466	5.4
Balance carried forward	154,112	196,142	224,348	28,205	14.4
Net sales	84,070	73,510	89,459	15,949	21.7
Completed construction contracts	82,825	72,228	88,172	15,944	22.1
Real estate business and others	1,245	1,281	1,286	4	0.4
Gross profit	11,058	9,161	11,969	2,808	30.6
Completed construction contracts	10,505	8,629	11,442	2,812	32.6
Real estate business and others	552	532	527	(4)	(0.9)
Gross profit margin (%)	13.2	12.5	13.4	0.9 _{pt.}	—
Selling, general and administrative expenses	10,032	10,422	10,688	266	2.6
Operating profit (loss)	1,025	(1,260)	1,281	2,541	—
Non-operating profit and loss	285	509	596	87	17.2
Ordinary profit (loss)	1,310	(751)	1,878	2,629	—
Extraordinary profit and loss(loss)	9	(145)	270	415	—
Profit attributable to owners of parent (loss)	863	(770)	1,409	2,179	—

Quarterly Results (Consolidated)

(Millions of yen)

	FY2021				FY2022				FY2023	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Orders received	56,023	40,482	49,288	56,456	46,974	71,939	62,749	46,890	52,631	72,749
Net sales	38,737	45,332	51,652	57,466	33,450	40,059	52,203	65,152	40,727	48,732
Gross profit	4,661	6,396	8,901	10,264	3,948	5,213	7,546	10,304	5,231	6,738
Gross profit margin (%)	12.0	14.1	17.2	17.9	11.8	13.0	14.5	15.8	12.8	13.8
Selling, general and administrative expenses	4,940	5,092	4,976	6,101	5,209	5,212	5,193	5,987	5,250	5,437
Operating profit (loss)	(278)	1,303	3,924	4,162	(1,260)	0	2,352	4,316	(18)	1,300
Operating profit margin (%)	(0.7)	2.9	7.6	7.2	(3.8)	0.0	4.5	6.6	(0.0)	2.7
Ordinary profit (loss)	(13)	1,324	4,233	4,272	(860)	109	2,688	4,310	359	1,519
Extraordinary profit and loss(loss)	1	11	(97)	(215)	25	(170)	(18)	852	203	66
Profit attributable to owners of parent (loss)	(35)	899	2,820	2,805	(637)	(132)	1,754	3,766	339	1,070

Orders Received by Segment (Consolidated)

(Millions of yen)

Segment	September FY2021	September FY2022	September FY2023	Year on year	Rate of Change (%)
HVAC and Plumbing for Buildings	26,814	36,361	27,063	(9,297)	(25.6)
Industrial HVAC	21,947	43,334	42,792	(542)	(1.3)
Electrical Systems	15,393	14,578	16,938	2,360	16.2
Facility Systems	5,041	6,618	8,539	1,921	29.0
Total of Facilities Construction Business	69,196	100,893	95,333	(5,559)	(5.5)
Machinery Systems	4,972	5,353	5,028	(324)	(6.1)
Environmental Systems	21,331	11,667	23,856	12,188	104.5
Total of Plants & Machinery Systems Business	26,304	17,021	28,885	11,864	69.7
Sub-total	95,500	117,914	124,219	6,305	5.3
Real Estate Business	1,197	1,235	1,242	6	0.5
Others	275	242	301	58	24.3
Adjustments*	(467)	(477)	(381)	96	—
Total	96,506	118,914	125,381	6,466	5.4

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

Net Sales by Segment (Consolidated)

(Millions of yen)

Segment	September FY2021	September FY2022	September FY2023	Year on year	Rate of Change (%)
HVAC and Plumbing for Buildings	23,159	23,612	22,431	(1,181)	(5.0)
Industrial HVAC	28,559	21,751	34,623	12,872	59.2
Electrical Systems	11,033	9,953	10,035	81	0.8
Facility Systems	4,313	3,890	6,923	3,032	78.0
Total of Facilities Construction Business	67,065	59,208	74,014	14,805	25.0
Machinery Systems	4,952	3,151	4,637	1,485	47.1
Environmental Systems	10,879	9,916	9,556	(360)	(3.6)
Total of Plants & Machinery Systems Business	15,832	13,068	14,193	1,125	8.6
Sub-total	82,897	72,276	88,207	15,930	22.0
Real Estate Business	1,197	1,235	1,242	6	0.5
Others	257	240	283	43	18.1
Adjustments*	(282)	(242)	(274)	(31)	—
Total	84,070	73,510	89,459	15,949	21.7

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

Gross Profit by Segment (Consolidated)

(Millions of yen)

Segment		September FY2021	September FY2022	September FY2023	Year on year	Rate of Change (%)
Gross Profit by segment	HVAC and Plumbing for Buildings/Industrial HVAC/Electrical Systems	8,149	6,514	8,308	1,793	27.5
	Facility Systems	594	623	1,275	651	104.4
	Total of Facilities Construction Business	8,744	7,138	9,583	2,444	34.3
	Machinery Systems	819	244	417	173	71.0
	Environmental Systems	1,059	1,337	1,556	219	16.4
	Total of Plants & Machinery Systems Business	1,878	1,581	1,974	392	24.8
	Sub-total	10,623	8,719	11,557	2,837	32.5
	Real Estate Business	504	491	488	(2)	(0.5)
	Others	18	4	17	12	264.4
	Adjustments	(88)	(53)	(93)	(39)	—
Total	11,058	9,161	11,969	2,808	30.6	



FY2023 2Q
BALANCE SHEET AND STATEMENT OF CASH FLOWS

Balance Sheet (Consolidated)

(Millions of yen)

	End of FY2022 A	September FY2023 B	Diff. B-A	Rate of change (%)	September FY2022
Current assets	115,512	109,562	(5,950)	(5.2)	102,839
Cash and deposits	24,949	29,939	4,989	20.0	37,239
Securities	4,000	5,999	1,999	50.0	5,999
Notes receivable – trade, electronically recorded monetary claims –operating, accounts receivable from completed construction contracts and other, and contract assets	77,141	62,835	(14,306)	(18.5)	47,636
Non-current assets	56,793	62,030	5,236	9.2	57,101
Investment securities	28,010	33,493	5,482	19.6	29,775
Current liabilities	69,649	63,126	(6,523)	(9.4)	59,764
Electronically recorded obligations - operating	1,667	2,275	608	36.5	1,630
Accounts payable on construction contracts	35,074	31,137	(3,937)	(11.2)	26,816
Non-current liabilities	11,742	13,927	2,185	18.6	9,843
Total net assets	90,913	94,538	3,625	4.0	90,333
Treasury shares	(5,335)	(3,160)	2,175	—	(3,122)
Total liabilities and net assets	172,305	171,592	(713)	(0.4)	159,941
Book-value per share (yen)	1,666.36	1,732.32	65.96	4.0	1,613.62
Equity ratio (%)	52.6	55.0	2.4 _{pt.}	—	56.4
Interest-bearing liabilities (consolidated)	8,074	7,469	(604)	(7.5)	8,511

Statement of Cash Flows (Consolidated)

- The balance of cash and cash equivalents increased from the end of the previous fiscal year
- The increase in cash flow from operating activities was mainly due to progress in recovery of trade receivables
 - The decrease in cash flow from investing activities was mainly due to 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)

	FY2019	FY2020	FY2021	FY2022	September FY2023	September FY2022
Cash flows from operating activities	11,940	(483)	18,529	(10,584)	9,402	(1,201)
Cash flows from investing activities	(303)	(1,423)	(3,384)	(969)	(612)	216
Cash flows from financing activities	(8,955)	(6,974)	(7,518)	(8,327)	(2,930)	(3,668)
Cash and cash equivalents at end of period	45,946	37,087	44,779	24,949	30,939	40,238

Capital investment (including intangible assets)	2,197	2,178	1,620	2,279	744	441
Depreciation and amortization	1,643	1,700	1,587	1,511	930	735

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FY2023 FORECAST

FY2023 Full-Year Forecast (Consolidated)

(Millions of yen)

	FY2020	FY2021	FY2022	FY2023 forecast (Interim forecast from August 10) A	FY2023 forecast (Interim forecast from November 10) B	Increase/ Decrease B-A	Rate of Change (%)
Orders received	195,580	202,250	228,554	190,000	210,000	20,000	10.5
Balance carried forward	141,676	150,737	188,426	168,426	183,426	15,000	8.9
Net sales	190,067	193,189	190,865	210,000	215,000	5,000	2.4
Gross profit	28,754	30,223	27,012	30,000	32,500	2,500	8.3
Gross profit margin (%)	15.1	15.6	14.2	14.3	15.1	0.8 pt.	—
Operating profit	7,498	9,112	5,409	7,500	9,500	2,000	26.7
Ordinary profit	8,196	9,817	6,247	8,000	10,000	2,000	25.0
Profit attributable to owners of parent	5,901	6,489	4,750	5,300	6,700	1,400	26.4

Regular dividends per share (yen)	70	70	70	70	70	—	—
Extra dividends per share (yen)	10	15	5	—	—	—	—
Cash dividends per share (total)(yen)	80	85	75	70	70	—	—

FY2023 Forecast of Orders Received and Net Sales by Segment (Consolidated)

(Millions of yen)

Segment		FY2023 Orders Received Forecast	FY2023 Net sales Forecast
	HVAC and Plumbing for Buildings	43,000	58,000
	Industrial HVAC	82,000	76,000
	Electrical Systems	25,000	27,000
	Facility Systems	14,000	14,000
Total of Facilities Construction Business		164,000	175,000
	Machinery Systems	12,000	12,000
	Environmental Systems	32,000	26,000
Total of Plants & Machinery Systems Business		44,000	38,000
Sub Total		208,000	213,000
Real Estate Business		2,400	2,400
Others		500	500
Adjustments*		△900	△900
Total		210,000	215,000

* 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 FY2023 (48 thousand shares repurchased as of September 30)
Canceled 1,500 thousand treasury shares on August 18, 2023
- Expected payout ratio: 56.9%, total shareholder return 95.0%

	FY2020	FY2021	FY2022
Profit per share (yen)	103.12	115.13	85.80
Cash dividends per share: regular dividends (yen)	70	70	70
Cash dividends per share: extra dividends (yen)	10	15	5
Cash dividends per share (yen)	80	85	75
Payout ratio (consolidated) (%)	77.6	73.8	87.4
Total return ratio (%)	97.3	95.7	136.4
Number of shareholders at end of FY	14,861	14,524	13,675
Share price at end of FY (yen)	1,453	1,398	1,464
Purchase of treasury shares (thousand shares)	1,000	1,000	1,500
Cancellation of treasury shares (thousand shares)	1,000	—	1,500

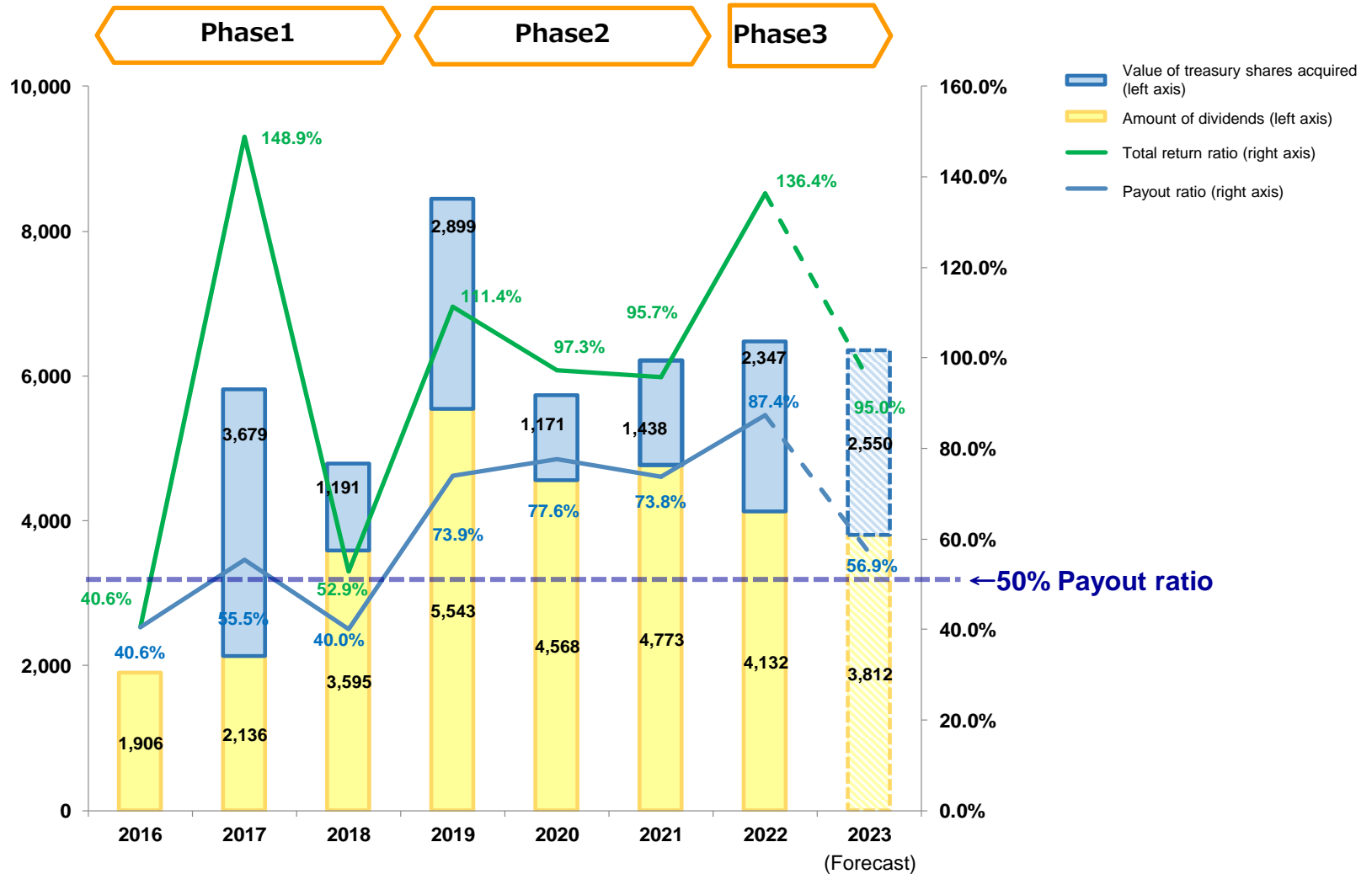
September FY2023	FY2023 (Forecast)
25.87	123.02
35	70
—	—
35	70
	56.9
	95.0
13,466	—
1,623	—
48	1,500
1,500	1,500

ROE (%)	6.6	7.0	5.1
ROA (%)	4.7	5.5	3.5

	7.1
	5.8

【Shareholder Returns】

(Millions of yen)





SUPPLEMENTARY MATERIALS

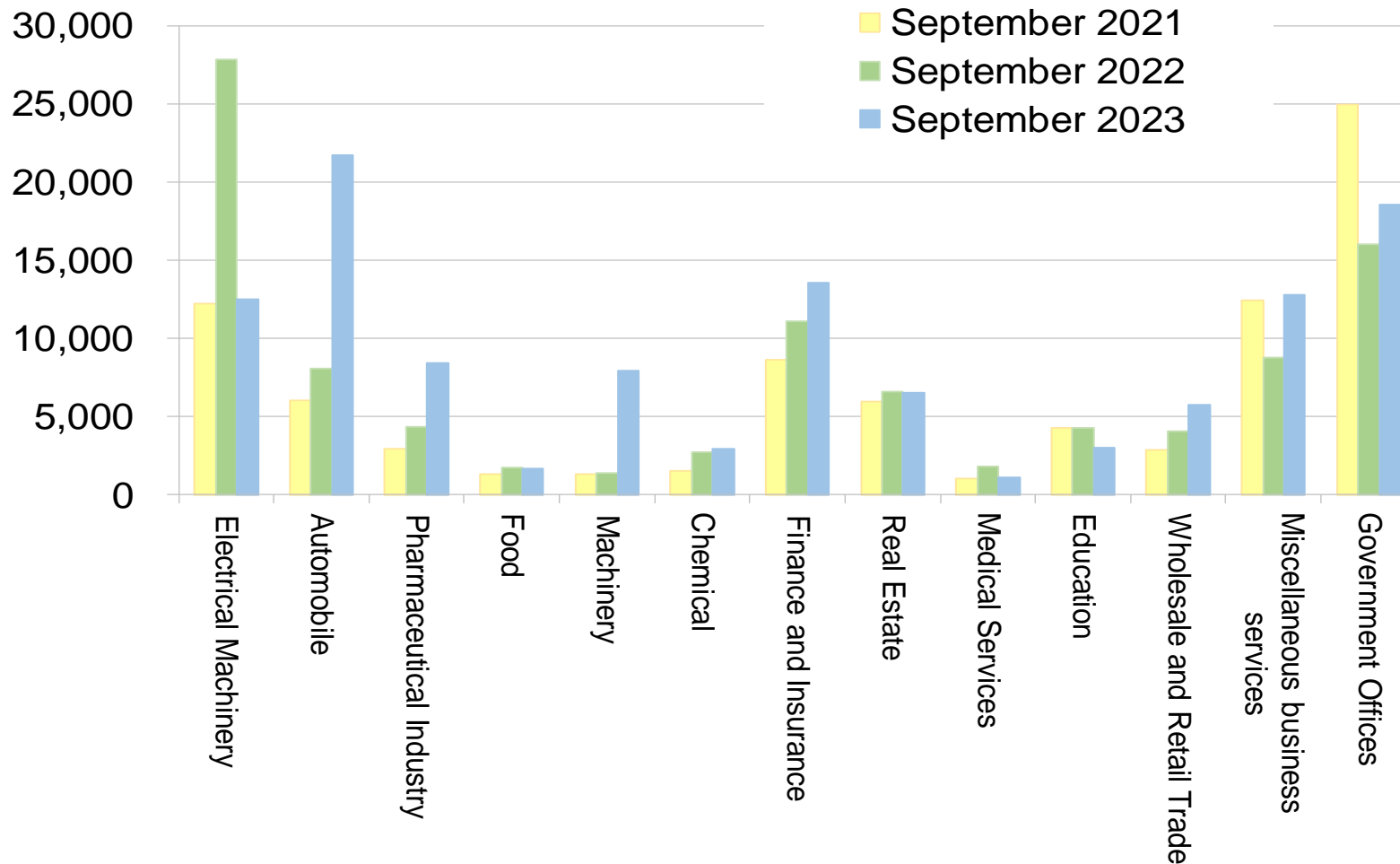
Orders Received by Type

(Millions of yen)

	FY2020	FY2021	FY2022	September FY2022 A	September FY2023 B	Diff. B-A
Orders received (Non-consolidated: Facilities Construction Business)	149,278	151,747	186,466	97,112	90,539	(6,572)
Orders received from general contractors (Non-consolidated: Facilities Construction Business)	63,544	62,299	89,922	44,834	41,630	(3,203)
Rate of orders received from general contractors (Non-consolidated: Facilities Construction Business) (%)	42.6	41.1	48.2	46.2	46.0	(0.2) pt.
Orders received (Consolidated)	195,580	202,250	228,554	118,914	125,381	6,466
Orders received from overseas projects (Consolidated)	2,789	4,283	3,021	1,439	1,552	113
Rate of orders received from overseas projects (Consolidated) (%)	1.4	2.1	1.3	1.2	1.2	— pt.
Orders received for renewal construction (Consolidated)	109,585	108,561	126,147	61,906	68,229	6,322
Rate of orders received for renewal construction (Consolidated) (%)	56.0	53.7	55.2	52.1	54.4	2.3 pt.
<Ref.> Net sales for renewal construction (Consolidated)	101,147	107,855	112,556	42,280	49,742	7,462

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
New Construction of Yoshindo Third Formulation Plant	HVAC and plumbing systems	New construction work	Toyama
Osaki Wide-Area Tobu Clean Center	Waste treatment facility	Renovation	Miyagi
Construction of Toyota Motor Corporation Myochi 1C Battery Plant	HVAC, plumbing, and electrical systems	New construction work	Aichi
Nayoro District General Waste Intermediate Processing Facility Construction Project (tentative name)	Waste treatment facility	New construction work	Hokkaido
Asakawa Water Reclamation Center Sludge Incineration Equipment Reconstruction Project	Water and sewage treatment systems	Renewal	Tokyo

5 other projects

○Main Large-Scale Completed Construction Projects

Property name	Item of construction	Type of construction	Location
Construction of New Optical Equipment Cleanroom in Utsunomiya Plant Building B	HVAC systems	Renovation	Tochigi
New Construction of Toyota Industries Corporation Ishihama Plant E02 Plant	HVAC systems	New construction work	Aichi
SUMCO TECHXIV Nagasaki Factory N6 Building Extension, 6F Installation Project	HVAC and electrical systems	Renovation	Nagasaki
Construction of New Head Office Building for Docon Co., Ltd.	HVAC and plumbing systems	New construction work	Hokkaido
020 Overhaul No. 667 Okubo Water Purification Plant West 3B Scraper Renovation	Water and sewage treatment systems	Renewal	Saitama
020 Overhaul No. 668 Okubo Water Purification Plant West 3B Flocculator Renovation	Water and sewage treatment systems	Renewal	Saitama

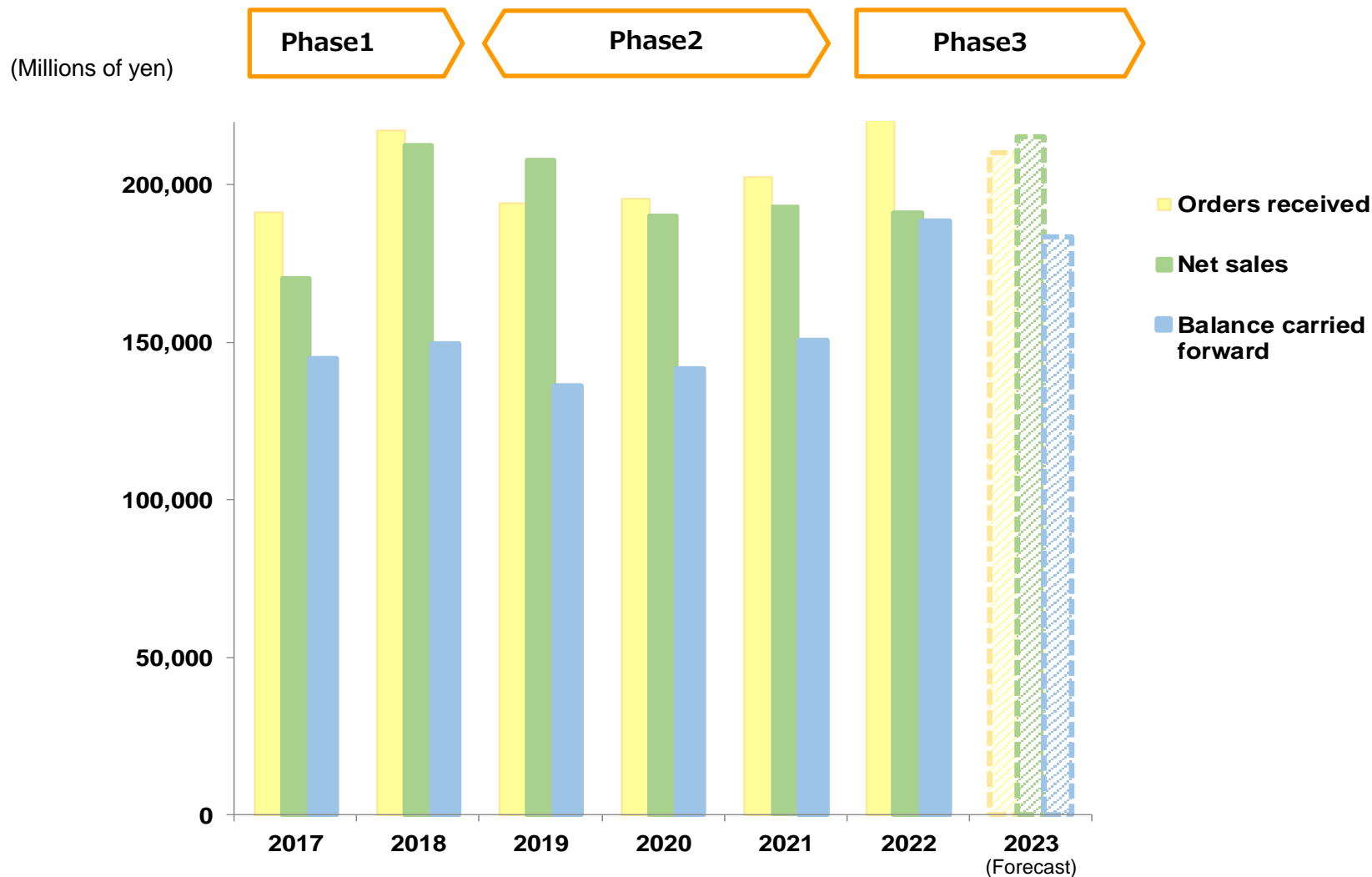
1 other project

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

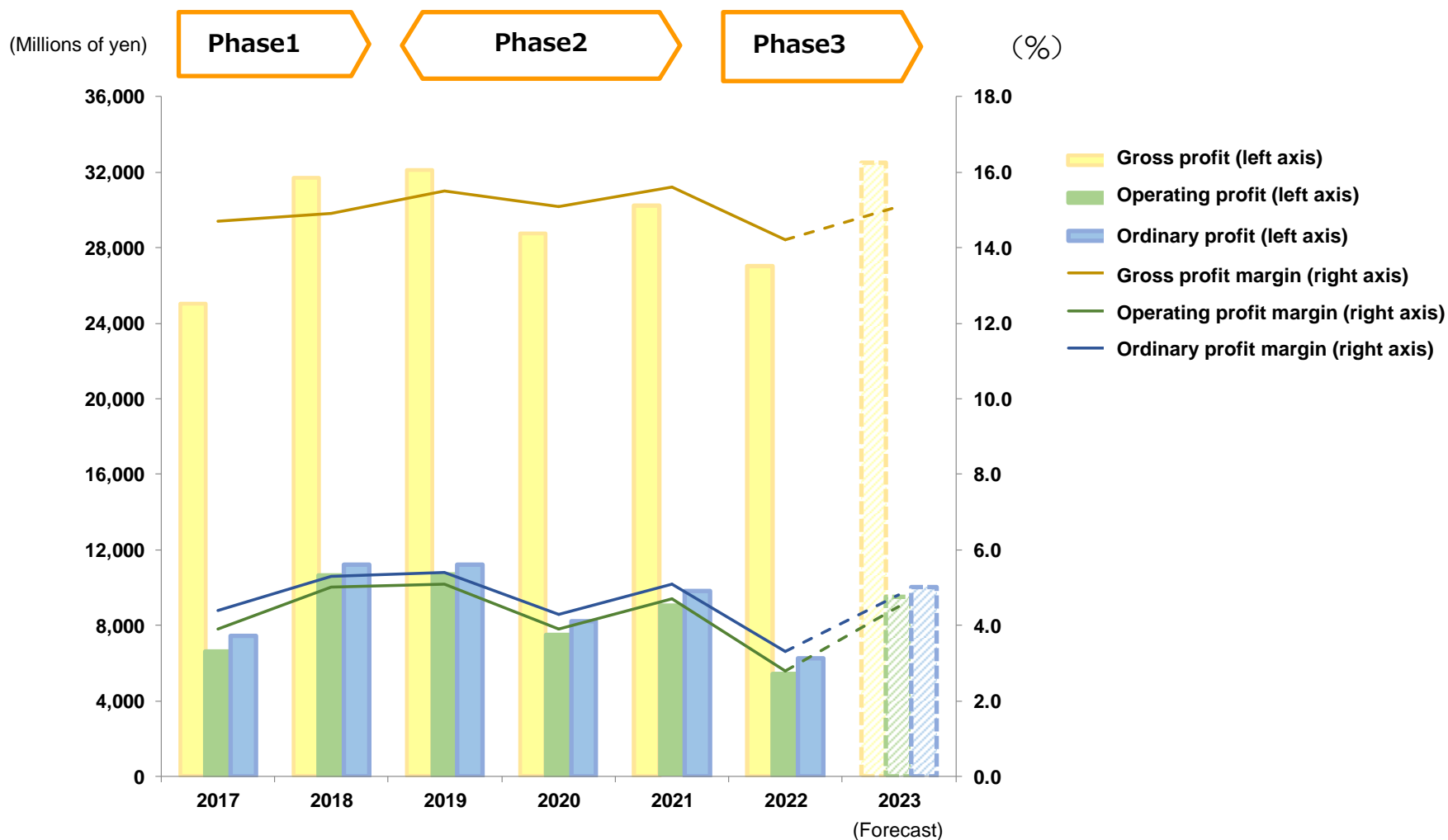
Main Large-Scale Projects Received over 1 Billion Yen (by Building Use)

	September FY2021		September FY2022		September FY2023	
Office	—	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	—	10 Projects (41,415 million yen) *Orders received from customers: 4 projects *Orders received from general contractors: 6 projects
Factory	—		4		7	
Research institute	—		1		—	
Hospital / clinic	1		1		—	
Other building interiors	2		1		—	
School building / auditorium	—		1		—	
Complex building	—		1		—	
Waste processing facility	2		—		2	
Water treatment plant / sewage plant	2		1		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 10. Actual results may differ from the figures contained herein due to a number of factors.

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