

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2022 (Based on Japanese GAAP)

November 10, 2022

Company name: Japan Elevator Service Holdings Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 6544 URL <https://www.jes24.co.jp>
 Representative: Katsushi Ishida Representative Director CEO
 Director Deputy President and Executive
 Officer CFO TEL +81-3-6262-1625
 Inquiries: Kimihiko Imamura
 Scheduled date to file Quarterly Securities Report: November 11, 2022
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2022	15,987	15.0	2,073	13.4	2,168	12.2	1,401	15.6
Six months ended September 30, 2021	13,906	26.8	1,828	13.1	1,932	13.5	1,212	9.6

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2022	15.79	15.68
Six months ended September 30, 2021	13.66	13.57

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2022	27,005	11,900	43.5
As of March 31, 2022	25,338	11,756	46.0

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2022	–	–	–	14.00	14.00
Year ending March 31, 2023	–	–	–	–	–
Year ending March 31, 2023 (Forecast)	–	–	–	15.00	15.00

3. Forecast of consolidated financial results for the year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	34,000	14.3	4,700	14.3	4,800	13.6	3,000	10.0	33.81

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2022
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2022	88,753,600 shares	As of March 31, 2022	88,753,600 shares
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Number of treasury shares at the end of the period

As of September 30, 2022	8,538 shares	As of March 31, 2022	18,815 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2022	88,741,829 shares	Six months ended September 30, 2021	88,728,472 shares
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1. Qualitative Information on Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2023

(1) Explanation of Business Results

During the first half of the current fiscal year, the Japanese economy showed signs of recovery due to measures against new coronavirus infection and the effects of various policies, but the outlook remains uncertain due to the prolonged situation in Ukraine and price hikes caused by the rapid depreciation of the yen. However, the future of the economy remains uncertain due to the prolonged situation in Ukraine and rising prices associated with the rapid depreciation of the yen, which is expected to increase corporate demand for cost reductions.

In the elevator maintenance industry, the number of condominium units in stock continues to increase steadily, and the market is on a gradual expansion trend due to the increased supply of office buildings.

In this market environment, the Group has been expanding its workforce and strengthening its sales structure to meet the cost reduction needs of companies by switching contracts to independent maintenance companies, strengthening its structure in newly entering areas, and increasing its market share through acquisition of other companies in the same industry. In addition, the JES Innovation Center (JIC) and JES Innovation Center Lab (JIL) have strengthened parts supply capacity by expanding parts centers, accelerated R&D by consolidating development-related departments, and provided actual equipment for engineer education using a total of 10 test towers. The effects of the center as an important base for the Group's growth, such as training programs, are becoming evident.

In maintenance and preservation services, the number of maintenance contracts remained steady, and sales of maintenance and preservation services in the first half of the current fiscal year amounted to 11,184 million yen (up 10.6% from the same period of the previous year). In the renewal business, sales for the first half of the current fiscal year were 4,287 million yen (up 23.1% from the same period of the previous year) as a result of strengthening the sales structure in preparation for business expansion and proposals for properties for which parts supply had been suspended.

As a result of the above, the Company reported net sales of 15,987 million yen (up 15.0% year-on-year), operating income of 2,073 million yen (up 13.4% year-on-year), ordinary income of 2,168 million yen (up 12.2% year-on-year), and net income attributable to owners of the parent was 1,401 million yen (up 15.6% year on year).

(2) Explanation of Financial Condition

(i) Assets, Liabilities and Net Assets

(Assets)

Total assets increased 1,666 million yen from the end of the previous consolidated fiscal year to 27,005 million yen at the end of the second quarter of the current consolidated fiscal year. This was mainly due to increases of 396 million yen in raw materials and supplies, 996 million yen in property, plant and equipment, and 225 million yen in intangible assets.

(Liabilities)

Total liabilities as of September 30, 2012 were 15,105 million yen, up 1,522 million yen from the end of the previous fiscal year. This was mainly due to an increase of 2,372 million yen in short-term borrowings and a decrease of 706 million yen in long-term borrowings.

(Net assets)

Net assets as of September 30, 2012 totaled 11,900 million yen, up 143 million yen from the end of the previous fiscal year. This was mainly due to a 1,242 million yen decrease from dividend payments, while retained earnings increased due to the recording of 1,401 million yen in net income attributable to parent company shareholders.

(ii) Cash Flows

Cash and cash equivalents (hereinafter referred to as "cash") during the second quarter of the current consolidated cumulative period increased 407 million yen from the second quarter of the previous consolidated cumulative period to 2,253 million yen.

The status of each cash flow and their factors during the first half of the current fiscal year are as follows

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 1,726 million yen (1,320 million yen in the same period of the previous year). This was mainly due to positive factors such as profit before income taxes of 2,182 million yen and depreciation of 561 million yen, while negative factors such as an increase in inventories of 407 million yen and income taxes paid of 777 million yen.

(Net cash provided by (used in) investing activities)

Net cash used in investing activities amounted to 1,710 million yen (1,092 million yen used in the same period of the previous year) in the first half of the current fiscal year. This was mainly due to negative factors such as purchase of property, plant and equipment of 1,377 million yen and purchase of intangible assets of 419 million yen.

(Net cash provided by (used in) financing activities)

Net cash provided by financing activities amounted to 55 million yen (48 million yen used in the same period of the previous year). This was mainly due to a net increase in short-term loans payable of 2,372 million yen, which was more than offset by such negative factors as repayment of long-term loans payable of 947 million yen and cash dividends paid of 1,242 million yen.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements

The Company has revised its consolidated earnings forecast for the fiscal year ending March 31, 2023, which was announced on May 12, 2022. For details, please refer to the "Notice on Revision to Forecasts for Full-year Results (Consolidated)" released on November 10, 2022. The forecasts are based on currently available information, but actual figures may differ from the forecasts due to various factors in the future.

Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	2,179,838	2,271,338
Notes and accounts receivable - trade, and contract assets	4,154,618	4,198,725
Raw materials and supplies	2,434,260	2,830,635
Other	1,061,443	976,949
Allowance for doubtful accounts	(7,192)	(7,367)
Total current assets	9,822,968	10,270,282
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,687,378	5,416,904
Tools, furniture and fixtures, net	3,060,199	3,524,595
Other, net	1,811,805	1,614,138
Total property, plant and equipment	9,559,384	10,555,639
Intangible assets		
Goodwill	2,547,248	2,495,109
Other	1,760,461	2,038,000
Total intangible assets	4,307,710	4,533,110
Investments and other assets		
Other	1,698,955	1,689,746
Allowance for doubtful accounts	(50,222)	(43,695)
Total investments and other assets	1,648,733	1,646,051
Total non-current assets	15,515,828	16,734,800
Total assets	25,338,796	27,005,083
Liabilities		
Current liabilities		
Accounts payable - trade	1,001,125	1,013,772
Short-term borrowings	2,198,784	4,571,502
Income taxes payable	821,764	765,279
Provision for bonuses	687,900	750,765
Other	3,996,592	3,788,359
Total current liabilities	8,706,167	10,889,679
Non-current liabilities		
Long-term borrowings	3,288,183	2,582,010
Retirement benefit liability	1,096,189	1,137,716
Asset retirement obligations	416,033	422,683
Other	76,123	72,978
Total non-current liabilities	4,876,530	4,215,390
Total liabilities	13,582,697	15,105,069

	(Thousands of yen)	
	As of March 31, 2022	As of September 30, 2022
Net assets		
Shareholders' equity		
Share capital	2,480,044	2,480,044
Capital surplus	2,657,803	2,563,816
Retained earnings	6,678,340	6,836,941
Treasury shares	(30,303)	(13,542)
Total shareholders' equity	11,785,885	11,867,259
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	623	361
Foreign currency translation adjustment	(71,697)	(64,927)
Remeasurements of defined benefit plans	(53,015)	(49,029)
Total accumulated other comprehensive income	(124,088)	(113,594)
Non-controlling interests	94,302	146,348
Total net assets	11,756,098	11,900,013
Total liabilities and net assets	25,338,796	27,005,083

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	13,906,860	15,987,324
Cost of sales	8,557,480	9,906,664
Gross profit	5,349,380	6,080,659
Selling, general and administrative expenses	3,520,478	4,007,569
Operating profit	1,828,902	2,073,090
Non-operating income		
Surrender value of insurance policies	103,262	71,517
Commission income	1,592	40,820
Other	10,987	21,506
Total non-operating income	115,842	133,844
Non-operating expenses		
Interest expenses	7,127	10,266
Commission expenses	1,812	8,698
Other	3,111	19,649
Total non-operating expenses	12,052	38,614
Ordinary profit	1,932,691	2,168,320
Extraordinary income		
Gain on sale of non-current assets	6,650	15,444
Total extraordinary income	6,650	15,444
Extraordinary losses		
Loss on retirement of non-current assets	2,083	324
Other	226	631
Total extraordinary losses	2,309	955
Profit before income taxes	1,937,033	2,182,809
Income taxes - current	706,265	790,431
Income taxes - deferred	(19,120)	(22,634)
Total income taxes	687,144	767,797
Profit	1,249,888	1,415,012
Profit attributable to non-controlling interests	37,573	13,861
Profit attributable to owners of parent	1,212,315	1,401,151

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	1,249,888	1,415,012
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,537)	(261)
Foreign currency translation adjustment	(6,035)	11,131
Remeasurements of defined benefit plans, net of tax	2,809	3,985
Total other comprehensive income	(4,763)	14,855
Comprehensive income	1,245,124	1,429,867
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,206,554	1,411,644
Comprehensive income attributable to non-controlling interests	38,569	18,222

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	1,937,033	2,182,809
Depreciation	426,390	561,695
Amortization of goodwill	85,030	131,975
Increase (decrease) in allowance for doubtful accounts	(5,044)	(6,352)
Increase (decrease) in provision for bonuses	61,018	40,395
Increase (decrease) in retirement benefit liability	15,073	47,272
Interest expenses	7,127	10,266
Gain on sale of non-current assets	(6,650)	(15,444)
Loss on retirement of non-current assets	2,083	324
Surrender value of insurance policies	(103,262)	(71,517)
Decrease (increase) in trade receivables	55,236	66,524
Decrease (increase) in inventories	(249,269)	(407,666)
Decrease (increase) in accounts receivable - other	170,075	224,920
Increase (decrease) in trade payables	(55,036)	(59,062)
Increase (decrease) in accrued consumption taxes	(57,636)	(228,658)
Other, net	(53,998)	12,850
Subtotal	2,228,169	2,490,331
Interest and dividends received	559	1,577
Interest paid	(10,753)	(7,866)
Subsidies received	3,381	19,899
Income taxes paid	(901,218)	(777,676)
Net cash provided by (used in) operating activities	1,320,138	1,726,266
Cash flows from investing activities		
Purchase of property, plant and equipment	(628,387)	(1,377,645)
Purchase of intangible assets	(355,277)	(419,428)
Proceeds from cancellation of insurance funds	239,163	127,722
Payments of leasehold and guarantee deposits	(26,551)	(18,399)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(327,432)	(57,527)
Other, net	5,663	34,331
Net cash provided by (used in) investing activities	(1,092,822)	(1,710,946)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,297,170	2,372,717
Proceeds from long-term borrowings	1,100,000	–
Repayments of long-term borrowings	(1,397,522)	(947,516)
Purchase of treasury shares	(110)	(39)
Dividends paid	(1,062,885)	(1,242,286)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	14,076	–
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(117,333)
Other, net	644	(9,958)
Net cash provided by (used in) financing activities	(48,625)	55,582
Effect of exchange rate change on cash and cash equivalents	6,201	20,209
Net increase (decrease) in cash and cash equivalents	184,892	91,111
Cash and cash equivalents at beginning of period	1,660,207	2,161,938
Cash and cash equivalents at end of period	1,845,100	2,253,049