November 14, 2022

First Half Results for FY Mar 2023

japan elevator service

jes

Japan Elevator Service Holdings

(TSE Prime Market：6544)

< Caution >
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Summary

【Overview of 1H FY Mar-2023 】

- Elevators under maintenance contract at the end of Sep was 85,400, up 6,400 compared to previous fiscal year end
- Net sales in Maintenance and Preservation Services business was ¥11,184M (+110.6% YoY), Modernization Services business ¥4,287M (+123.1%)
- Record high both in consolidated net sales of ¥15,987M (+115.0% YoY), and operating profit (OP) of ¥2,073M (+113.4%)

【Outlook for 2H FY Mar-2023】

- We anticipate increased need for cost reduction on the back of inflation among corporate customers, driving demand for our high-quality, fairly priced services
- We expect net sales to exceed our original projection as we see better opportunities for renewal business on top of firm growth of maintenance contracts, while we anticipate delayed completions on preservation work owing to global semiconductor shortages should prevail
- We therefore forecast ¥18.0bn sales, and ¥2.6bn OP, both at record high level

【Outlook for FY Mar-2023】

- Based on the above, we revise our forecasts as follows
- Net sales projection is upgraded from ¥32bn to ¥34bn
- Maintains OP level due to uncertainty over when semiconductor shortages will be resolved, but upgrades ordinary profit from ¥4.7bn to ¥4.8bn, net profit from ¥2.95bn to ¥3.0bn respectively
- We expect to pay full-year DPS of ¥15 (+¥1 YoY), continuing annual growth

Summary: Overview for the Quarter

	Overview
Maintenance and Preservation Services:	･End-Sep 2022 elevators under maintenance contracts (Japan): around 85,400 ･1H net increase: around 6,400 ･Recorded highest organic growth against previous year when we made series of acquisitions
One-time modernization:	･1H elevators serviced (Japan): around 640 ･Much higher than 520 serviced in 1H FY Mar-2022 (Japan)
Quick Renewal:	･Completed 16 types of elevator ･Covers all elevators under our maintenance services among those elevators for which manufacturers' parts supply has been stopped
LiftSPOT:	･Machines under contract at end-September 2022: 10,500 (1H net increase: 1,000) ･We promote sales mainly to office buildings and condominiums in the Tokyo metropolitan area and increase the number of units installed to improve advertising value
Multi-story car parks:	･21,000 car park spaces across the Group ･Net increase at 1H: 2,200 spaces
M&A:	･Acquisitions announced in 1H: 2 companies 1: COFRETH(M) SDN. BHD. : Booked on BS in 1Q, PL in 2Q 2: Ikuta Building Maintenance Co., Ltd. : To be booked on BS from 3Q, PL from 4Q
Headcount:	･Total employees at the end of September: 1,764 (including acquired companies) ･1H net increase: 150 ･Maintenance engineers at the end of September: 1,095 (increase of 90 from previous FY end) as we continue aggressive hiring in preparation for national rollout

FY Mar 2023 First Half Results

FY Mar 2023 First Half Results (Summary)

(million yen)

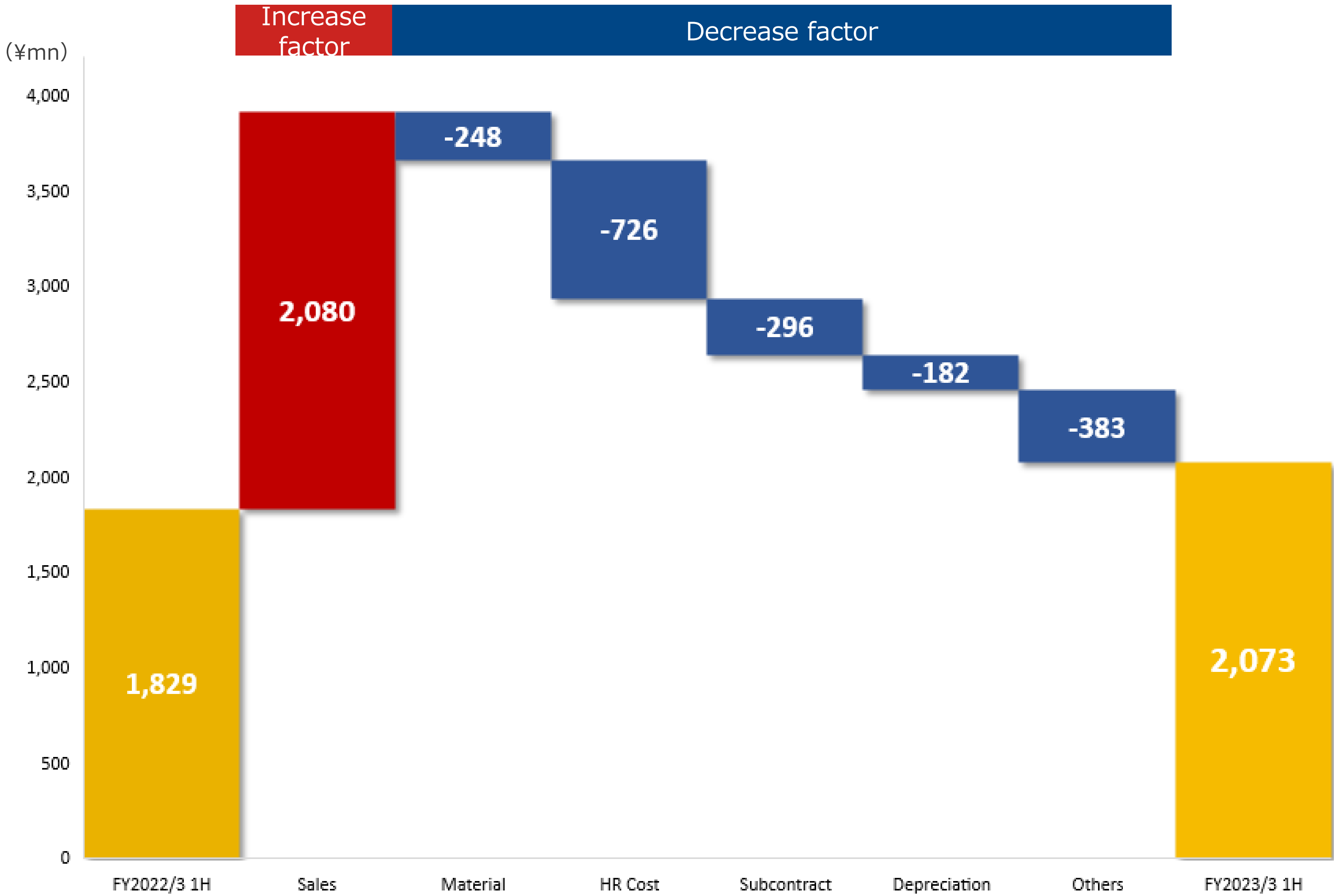
	FY Mar 2022 2Q		FY Mar 2023 2Q		YoY (%)	Forecast (as of May 12, 2022)	Comments
	Actual	Ratio to sales (%)	Actual	Ratio to sales (%)			
Net sales	13,906	100.0	15,987	100.0	115.0	15,500	Maintenance & Preservation Services net sales up ¥1,072mn Modernization Services net sales up ¥804mn
Cost of sales	8,557	61.5	9,906	62.0	115.8		
Gross profit	5,349	38.5	6,080	38.0	113.7		
SG&A	3,520	25.3	4,007	25.1	113.8		
Operating profit	1,828	13.2	2,073	13.0	113.3	2,050	OP up ¥244mn
Non-operating income	115	0.8	133	0.8	115.5		Refund on insurance premium ¥71mn
Non-operating expenses	12	0.1	38	0.2	320.4		Interest paid ¥10mn
Ordinary profit	1,932	13.9	2,168	13.6	112.2	2,050	
Extraordinary income	6	0.0	15	0.1	232.2		Gains on disposal of fixed asset ¥15mn
Extraordinary losses	2	0.0	0	0.0	41.4		
Profit before income taxes	1,937	13.9	2,182	13.7	112.7		
Profit attributable to owners of parent	1,212	8.7	1,401	8.8	115.6	1,300	Increase in net profit attributable to owners of parent ¥188mn

FY Mar 2023 First Half Results (Sales by Business)

(million yen)

	FY Mar 2022 2Q		FY Mar 2023 2Q		YoY (%)	Forecast (as of May 12, 2022)	Comments
	Actual	Ratio (%)	Actual	Ratio (%)			
Maintenance and Preservation Services	10,112	72.7	11,184	70.0	110.6	11,100	Growth in net sales accompanying increase in elevators under maintenance contract
Modernization Services	3,483	25.1	4,287	26.8	123.1	4,100	Growth in net sales accompanying increase in number of elevators serviced
Other	310	2.2	514	3.2	165.6	300	
Total	13,906	100.0	15,987	100.0	115.0	15,500	

Factors Contributing to Changes in Operating Profit (YoY)



FY Mar 2023 Second Quarter Results (B/S)

(million yen)

	FY Mar2022 2Q		FY Mar 2022		FY Mar 2023 2Q		YoY (%)	Comments
	Actual	Ratio (%)	Actual	Ratio (%)	Actual	Ratio (%)		
Current assets	8,639	38.9	9,822	38.8	10,270	38.0	104.6	
Cash and deposits	1,862	8.4	2,179	8.6	2,271	8.4	104.2	
Notes and accounts receivable	3,628	16.4	4,154	16.4	4,198	15.5	101.1	
Property, plant and equipment	8,638	38.9	9,559	37.7	10,555	39.1	110.4	Increase in buildings and structures, tools, furniture & fixtures
Intangible assets	3,390	15.3	4,307	17.0	4,533	16.8	105.2	
Investments and other assets	1,512	6.8	1,648	6.5	1,646	6.1	99.8	
Non-current assets	13,542	61.1	15,515	61.2	16,734	62.0	107.9	
Total assets	22,181	100.0	25,338	100.0	27,005	100.0	106.6	
Current liabilities	9,001	40.6	8,706	34.4	10,889	40.3	125.1	Increase in short-term debt ¥2,372mn
Non-current liabilities	2,486	11.2	4,876	19.2	4,215	15.6	86.4	Decrease in long-term debt ¥706mn
Total liabilities	11,488	51.8	13,582	53.6	15,105	55.9	111.2	
Total net assets	10,693	48.2	11,756	46.4	11,900	44.1	101.2	
Total liabilities and net assets	22,181	100.0	25,338	100.0	27,005	100.0	106.6	

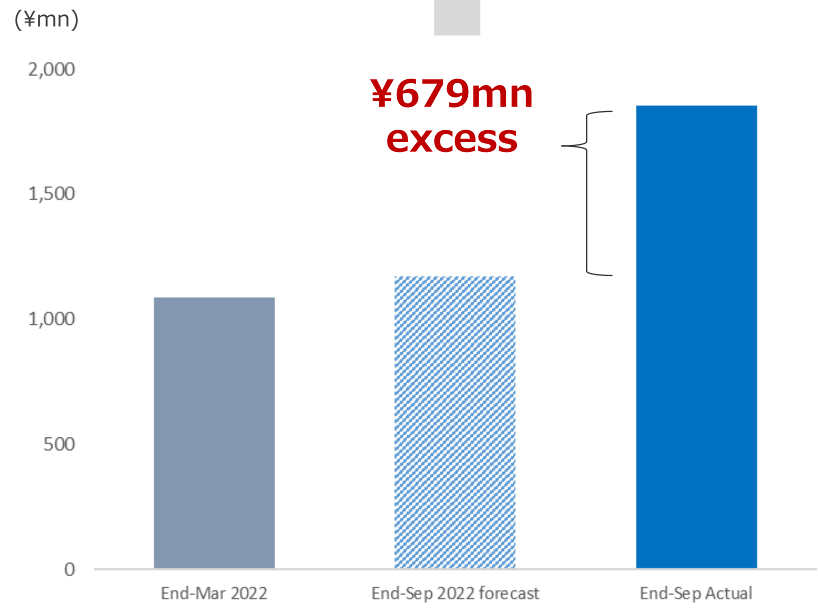
1H: Impact of Delayed Booking of Preservation Work Revenue

- **Global semiconductor shortage** caused delayed completion on preservation projects in 1H
- Shortage in parts supply caused sales of preservation project delayed to 2H or next-year beyond, but client contracts are still firm; project orders-on-hand at end-Sep 2022 was ¥1.85bn, ¥0.68bn above our initial forecast for ¥1.17bn
- If supplies were unaffected, **1H sales could have come in higher by ¥680mn, OP by ¥370mn**

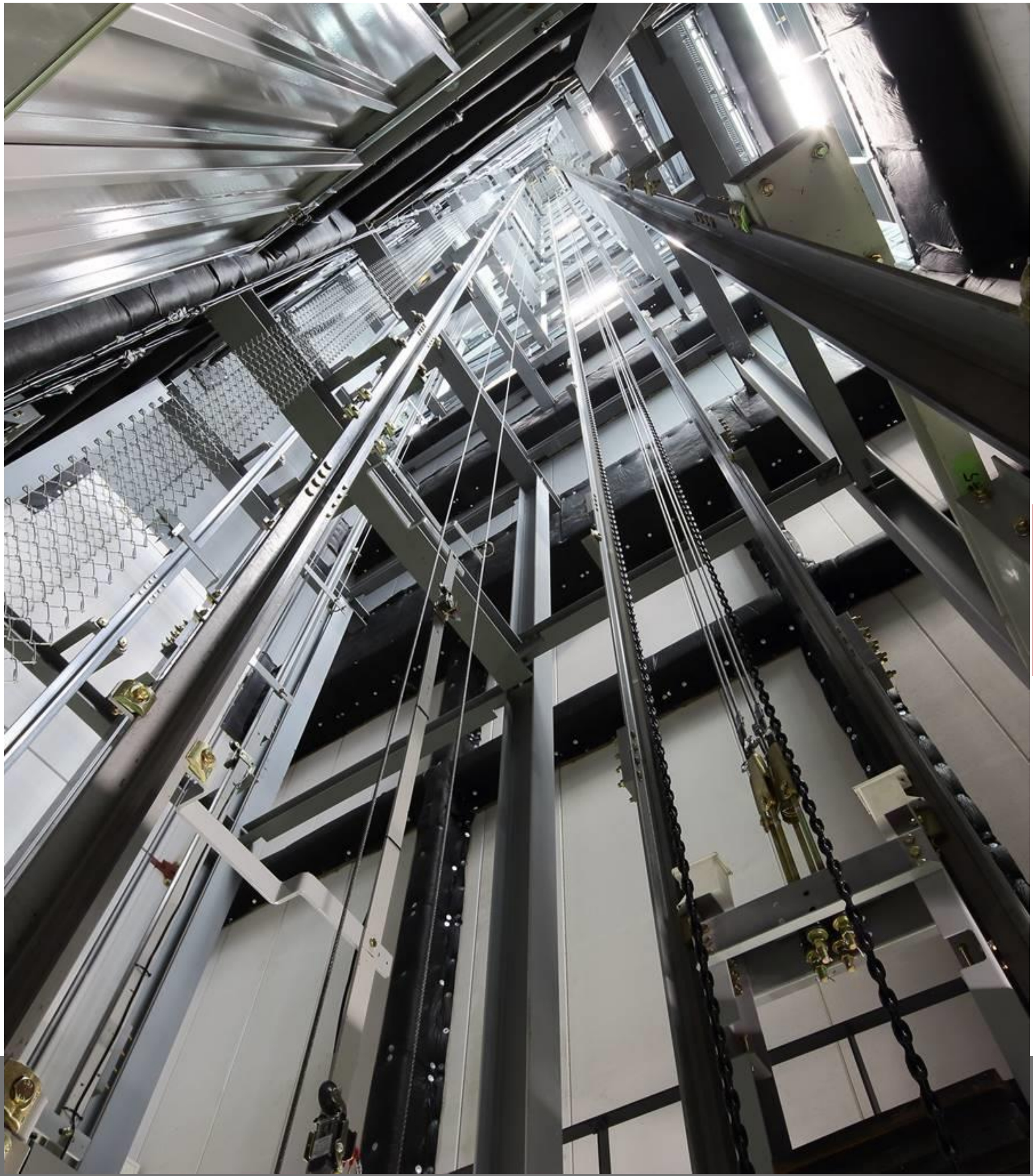
(In above scenario, **1H OP** would have been ¥2.44bn, considerably above our initial forecast for ¥2.05bn. This difference should boost earnings in 2H, next-year or beyond.)

Impact on OP ¥373mn

Preservation project orders on hand (end-1H)



(¥mn)	1H FY Mar 2022 Result	Impact of ordinary conditions	1H FY Mar 2022 Result in ordinary conditions
Net sales	**15,987**	679	**16,666**
Cost of sales	9,906	306	10,212
Gross profit	6,080	373	6,453
SG&A	4,007	-	4,007
OP	**2,073**	**373**	**2,446**
OPM	**13.0%**	-	**14.7%**



FY Mar 2023 Financial Forecasts

FY Mar 2023 Financial Forecasts (Summary)

Unit: million yen; %	1H				2H				Full year			
	FY Mar 2022	FY Mar 2023 Forecast	FY Mar 2023 Result		FY Mar 2022	FY Mar 2023 Forecast (initial)	FY Mar 2023 Forecast		FY Mar 2022	FY Mar 2023 Forecast (initial)	FY Mar 2023 Forecast	
				YoY				YoY				YoY
Net sales	13,906	15,500	15,987	115.0	15,844	16,500	18,013	113.7	29,751	32,000	34,000	114.3
Operating profit	1,828	2,050	2,073	113.3	2,284	2,650	2,627	115.0	4,113	4,700	4,700	114.3
Ordinary profit	1,932	2,050	2,168	112.2	2,293	2,650	2,632	114.8	4,225	4,700	4,800	113.6
Profit attributable to owners of parent	1,212	1,300	1,401	115.6	1,514	1,650	1,599	105.6	2,726	2,950	3,000	110.0
	Ratio to sales	Ratio to sales	Ratio to sales		Ratio to sales	Ratio to sales	Ratio to Sales		Ratio to sales	Ratio to sales	Ratio to Sales	
Gross profit margin	38.5	38.6	38.0		38.0	40.2	39.1		38.6	39.4	38.6	
SG&A expenses ratio	25.3	25.4	25.1		23.3	24.2	24.5		24.8	24.8	24.8	
Operating margin	13.2	13.2	13.0		14.7	16.1	14.6		13.8	14.7	13.8	
Ordinary profit margin	13.9	13.2	13.6		14.8	16.1	14.6		14.2	14.7	14.1	
Profit margin	8.7	8.4	8.8		9.3	10.0	8.9		9.2	9.2	8.8	

FY Mar 2023 Financial Forecasts (Sales by Business)

Unit: million yen; %	1H				2H				Full year			
	FY Mar 2022	FY mar 2023 Forecast	FY Mar 2023 Result		FY Mar 2022	FY Mar 2023 Forecast (initial)	FY Mar 2023 Forecast		FY Mar 2022	FY Mar 2023 Forecast (initial)	FY Mar 2023 Forecast	
	Amount	Amount	Amount	YoY	Amount	Amount	Amount	YoY	Amount	Amount	Amount	YoY
Maintenance and Preservation Services	10,112	11,100	11,184	110.6	11,024	11,500	11,616	105.4	21,137	22,600	22,800	107.9
Modernization Services	3,483	4,100	4,287	123.1	4,536	4,700	5,812	128.1	8,020	8,800	10,100	125.9
Other	310	300	514	165.6	283	300	585	206.7	593	600	1,100	185.5
Total	13,906	15,500	15,987	115.0	15,844	16,500	18,013	113.7	29,751	32,000	34,000	114.3

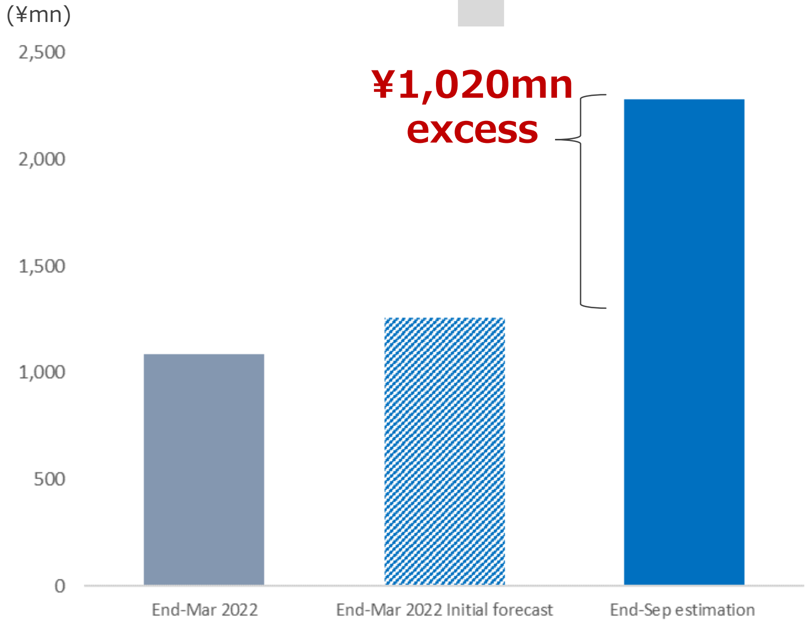
Topic: Impact of Delayed Booking of Maintenance Work Revenue

- Ongoing **global chip shortage** to cause delayed project completions again in 2H
- Meanwhile, solid rise in elevators under management underpinning firm number of contracts for maintenance work; current outlook for end-Mar 2023 orders is ¥2.28bn, ¥1.02bn above initial forecast for ¥1.26bn
- Maintenance revenues from additional orders should emerge in FY2024/3 results

(If parts supply recovers to prior-year levels in 2H, FY2023/3 **OP would rise by approx. ¥0.56bn to ¥5.26bn, with OP margin of around 15.0%**)

Impact on OP ¥560mn

Maintenance project orders on hand (end-FY)



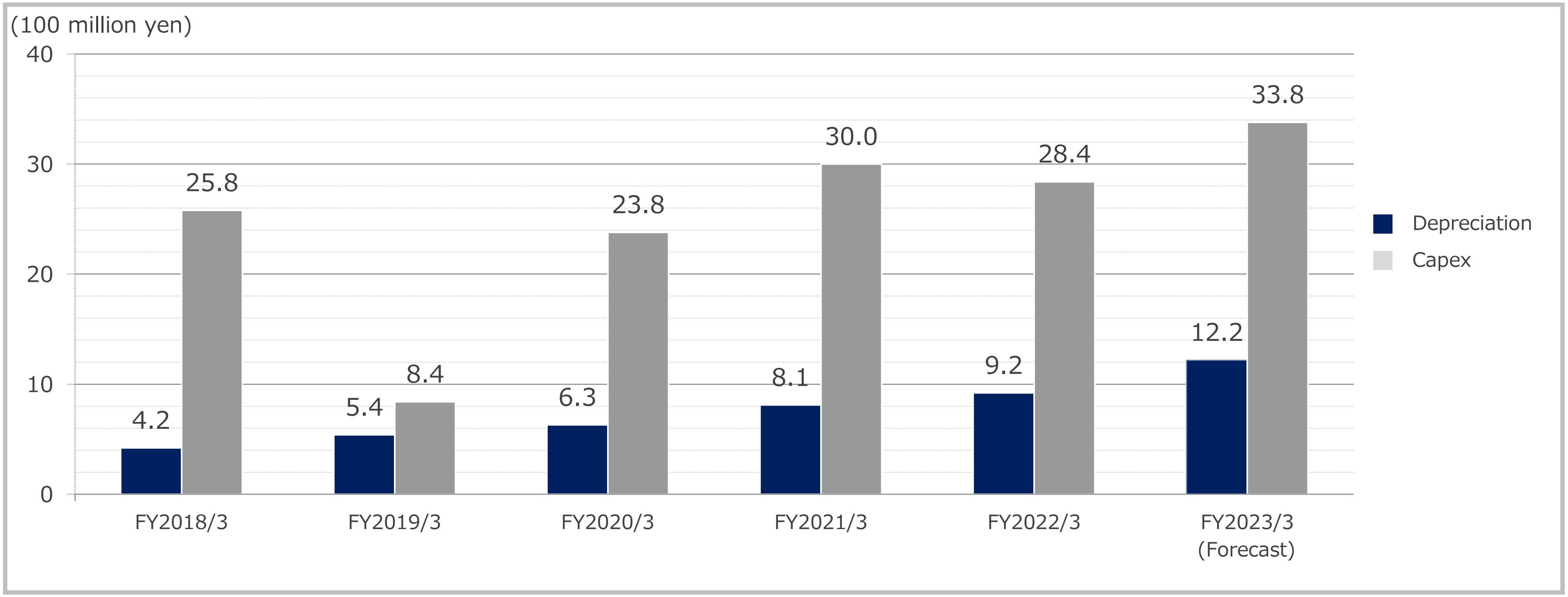
(¥mn)	Current FY2023/3 guidance	Impact if chip shortages resolved	FY2023/3 if chip shortages resolved
Net sales	**34,000**	1,020	**35,020**
Cost of sales	20,950	460	21,410
Gross margin	13,050	560	13,610
SG&A	8,300	-	8,300
OP	**4,700**	**560**	**5,260**
OPM	**13.8%**		**15.0%**

FY Mar 2023 Financial Forecasts (Depreciation, Capex)

(100 million yen)

	FY Mar 2022	FY Mar 2023（Forecast）	Comments
Depreciation	**9.2**	**12.2**	
Capex	**28.4**	**33.8**	Investment in remote inspection service PRIME

Trends in depreciation and capex



	FY2021/3 Actual	FY2022/3 Actual	FY2023/3 Plan	YoY
Annual dividend amount	¥12	¥14	Up ¥15	+¥1
Year-end dividend	¥12	¥14	¥15	+¥1
Total dividend amount	¥1,062million	¥1,242million	¥1,331million	+¥89million
Payout ratio (consolidated)	43.6%	45.6%	YoY 107% 44.4%	△1.2P
DOE (consolidated)	13.4%	11.3%	10.6%	△0.7P

■Basic dividend policy
We view the return of profits to our shareholders as one of the most crucial responsibilities of management. Our basic policy is to maintain stable dividends while ensuring sufficient retained earnings to bolster our operating foundation and support future expansion in response to changes in the operating environment.

Topics

Enhancing Corporate Structures Ahead of National Rollout

- We are increasing locations and headcount in preparation for greater domestic market share
- Added 4 locations in the first half to 128, including offices opened in new areas of Akita, Kumamoto
- Headcount **up 150** from end of March, mainly graduates of 2022, enhancing human capital in line with business growth
- Engineers **up 90** from end of March, all with HR and safety training, reflecting our commitment to quality & safety

Domestic Location

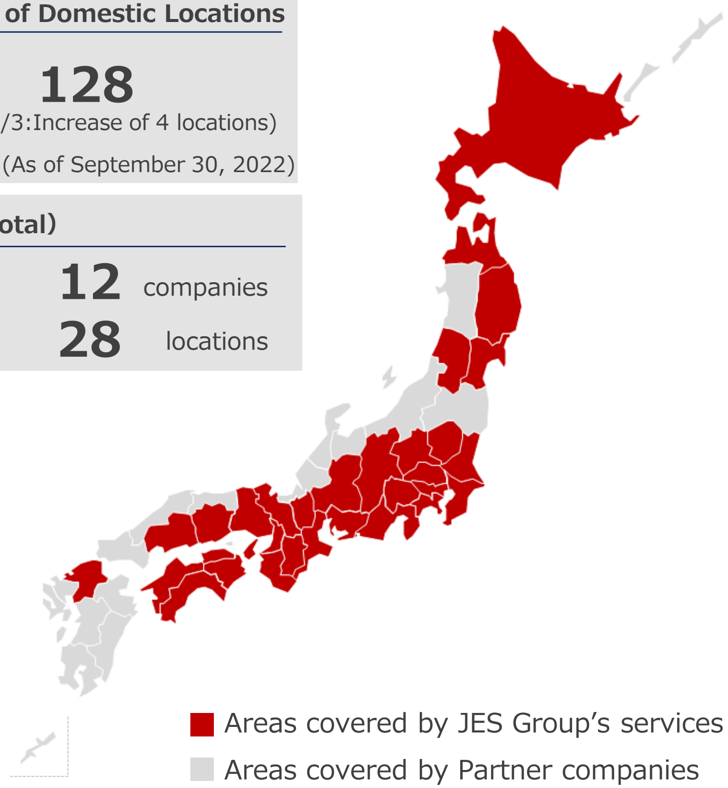
Number of Domestic Locations

128
(FY2023/3:Increase of 4 locations)

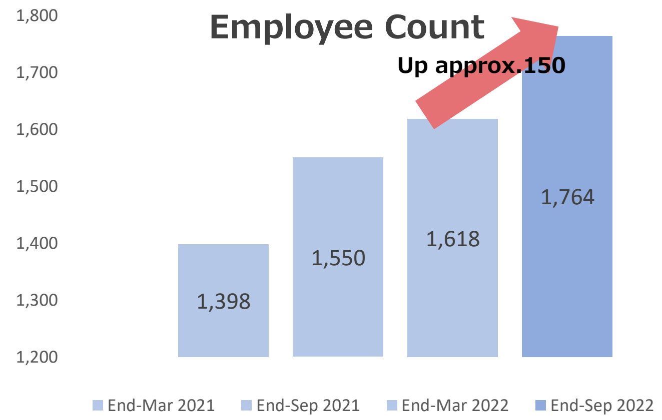
(As of September 30, 2022)

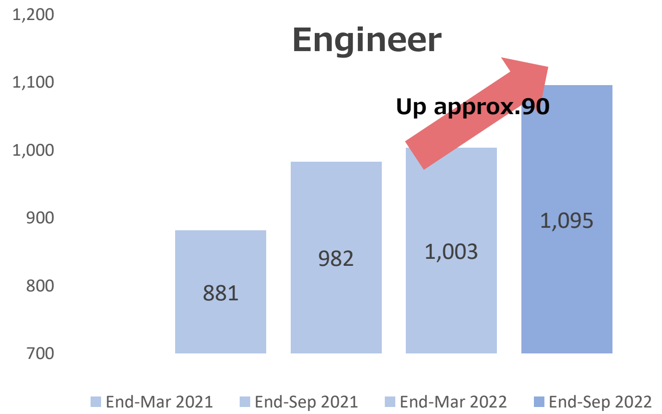
M&A（Total）

12 companies
28 locations



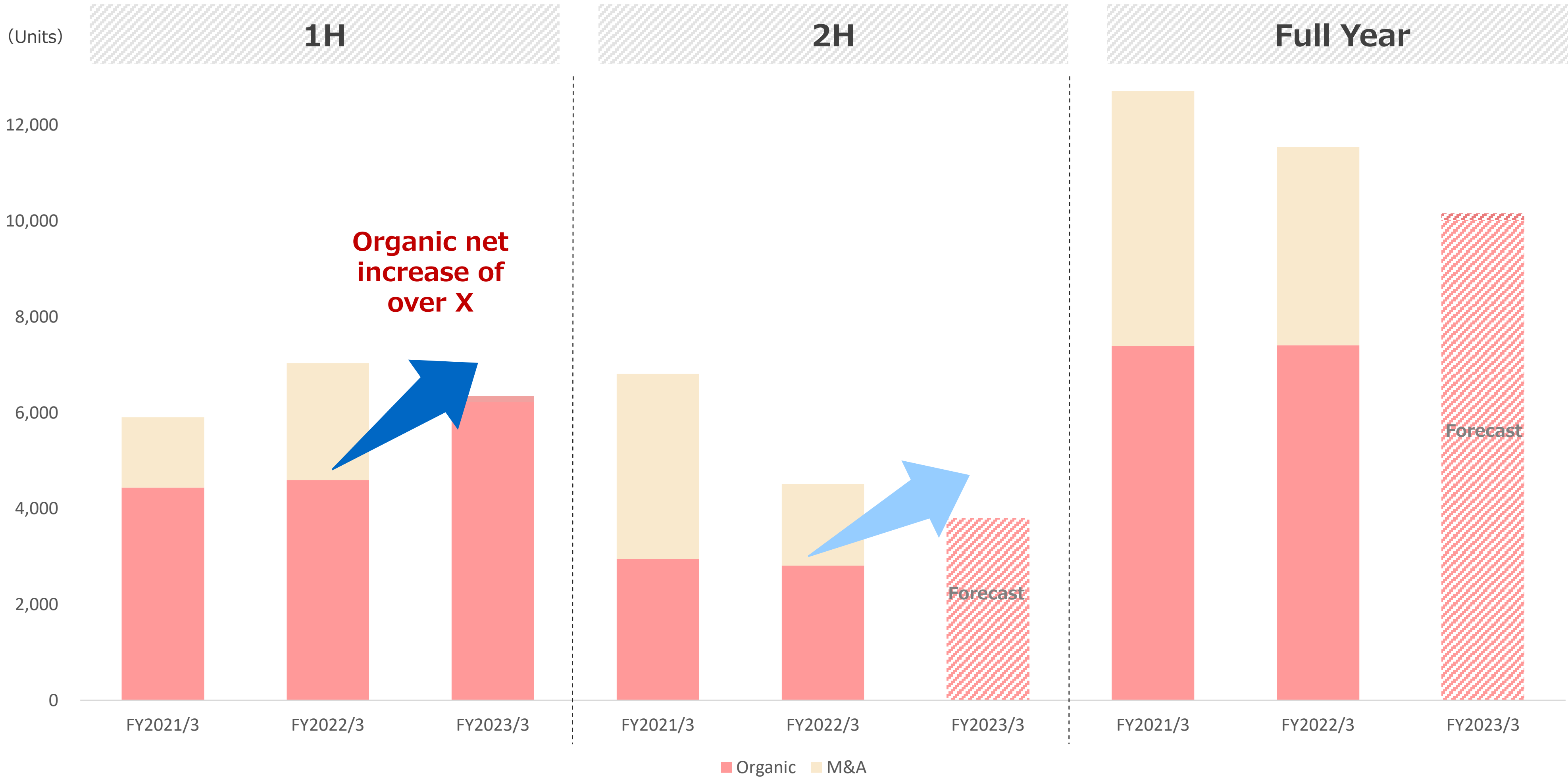
Group Headcount





Net Increase in Maintenance Contracts

- Net increase by end-Sep 2022 of approx. 6,400, **maintenance contracts** at a solid **85,400** approx.
- Group cumulative net increase in 1H down YoY owing to high M&A-driven net growth in prior year. However, organic net growth (excl. M&A) considerably above prior-year 1H figure of approx. 4,600
- Still enhancing organizational structures, conducting sales activity to reach full-year net increase of 10,000+



Refurbished products are products collected during parts replacement, then repaired and refurbished.
Components that pass our QA testing are certified as JES Authorized Refurbished Parts.
JES Group is focusing on obtaining recycled parts and promoting growth in the Refurbishment business to ensure stable parts supply and address environmental issues.

1. Greenhouse Gas Reduction

Refurbished products can reduce the production and manufacture of components, helping lower industrial waste.
JES can create products that are in terms of quality, and using these can help reduce GHG emissions.

FY2022/3 reduction in GHG from use of recycled/refurbished products: 274t

2. Resolving social issue of parts shortages

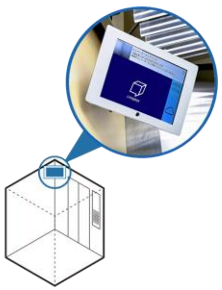
The current **global semiconductor shortage** is causing delays in the delivery of parts from manufacturers.
The use of refurbished products can help in the following ways:

- Rapid response for customers who want elevators back in working order quickly
- Mitigates business risk of delayed supply of JES parts

New Domains (LiftSPOT)

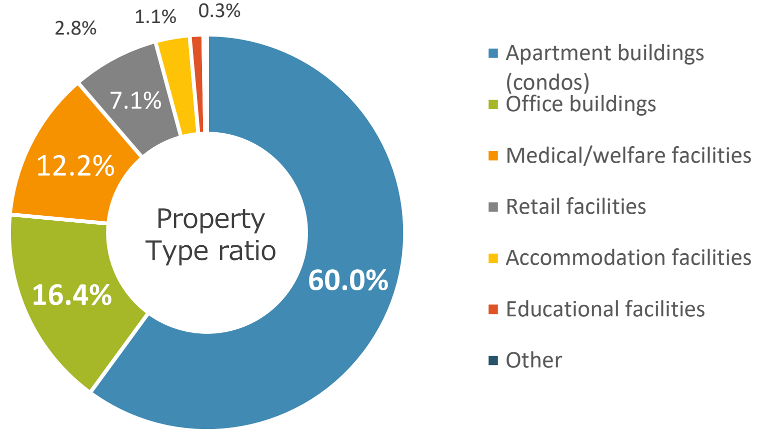
LiftSPOT

- LiftSPOT is a service that combines digital signage with security cameras, helping prevent crime in elevators while providing a display for advertising and other content (patent acquired for security camera with ad display function).
- Audio-enabled digital signage media for elevators, has grown to largest business of its kind in Japan by number of installations (around 10,000 units).
- We aim to increase installation, mainly in **Tokyo area office buildings and condos**, thereby lift media value and boost advertising revenue.



LiftSPOT features

1. New medium, not relegated to background
2. Audio-enabled ads means high impact
3. Medium aligns naturally with daily activity



Advertising plans/main client industries

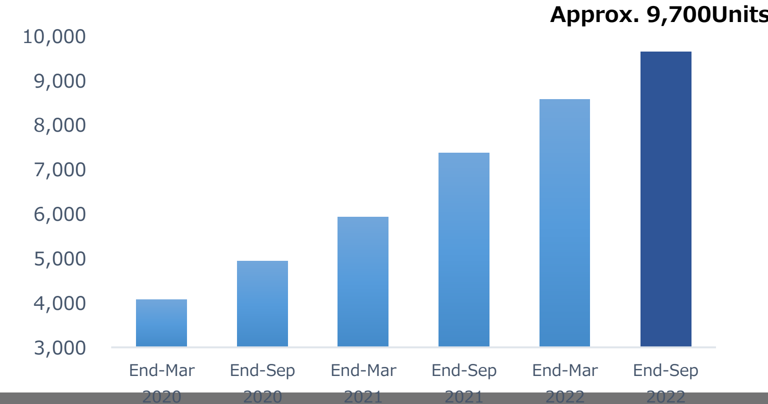
1. BtoC Residential condo plan

Banks, securities brokerages, retail, restaurants/bars, cram schools, general consumer goods

2. BtoB Office building plan

Marketing/sales support, HR solutions accounting/management, security, employee benefits

Units installed



ESG Initiatives

We started disclosing ESG initiatives at the results briefing in May 2022.
It is crucial to enhance governance structures, strengthen human capital, and give due consideration to climate change and other environmental issues, so as to achieve sustainable growth as well as raise economic value.
To this end, we are working to enhance sustainability-based management, and have established a sustainability committee directly under the board of directors to analyze business opportunities and risks.
ESG initiatives carried out in 1H FY2023/3 were as follows.

E Environment

Started sales of JES certified refurbished products
We started sales of JES Authorized Refurbished Parts to reduce GHG emissions from elevator maintenance operations.
This involves collecting, repairing, and refurbishing recycled products.

Endorsement of TCFD
In November 2022, we decided to endorse the TCFD.

S Social

Building of company housing
In June 2022, construction of company housing was completed in Wako, where JIC/JIL is situated.
On top of the benefit to employees, the housing raises our emergency response by improving access to the control center.

Regional regeneration through LiftSPOT
We launched a project that promotes the Japanese regions (tourism, hometown tax payment) via advertising displayed on in-elevator devices.

G Governance

Established Appointments & Remuneration Committee
We established an Appointments & Remuneration Committee to act as an advisory body for policy and decisions related to the appointment and remuneration of company officers.
This has improved the fairness, transparency, and objectivity of procedures related to appointment and pay.

References

Basic Strategy

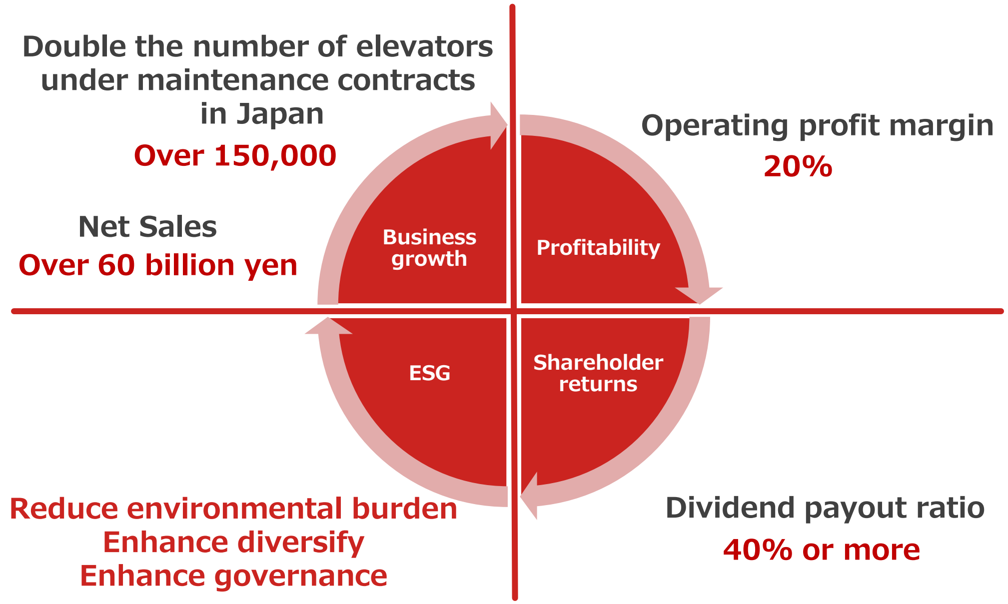
- Aim to accelerate growth and double the number of elevators under contract to more than 150,000 over five years from now on
- As befits our TSE Prime market designation, aim to address social and environmental issues, respond to social change, and achieve sustainable growth in operations and corporate value

Growth Strategy

- Growth in Maintenance and Preservation Services sales driven by expanded domestic market share (organic & M&A)
- Tap demand for modernization through increase in number of elevators under contract
- Raise profitability by improving business productivity and efficiency through staff training, digitalization

Key Indicators

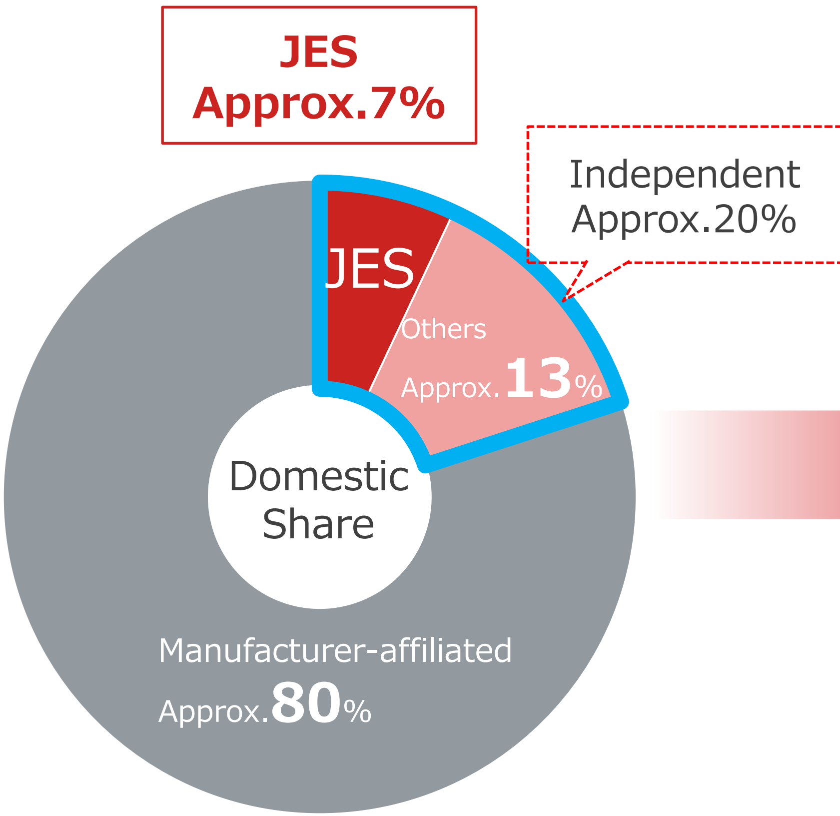
Raise corporate value through growth, prosper together with all stakeholders

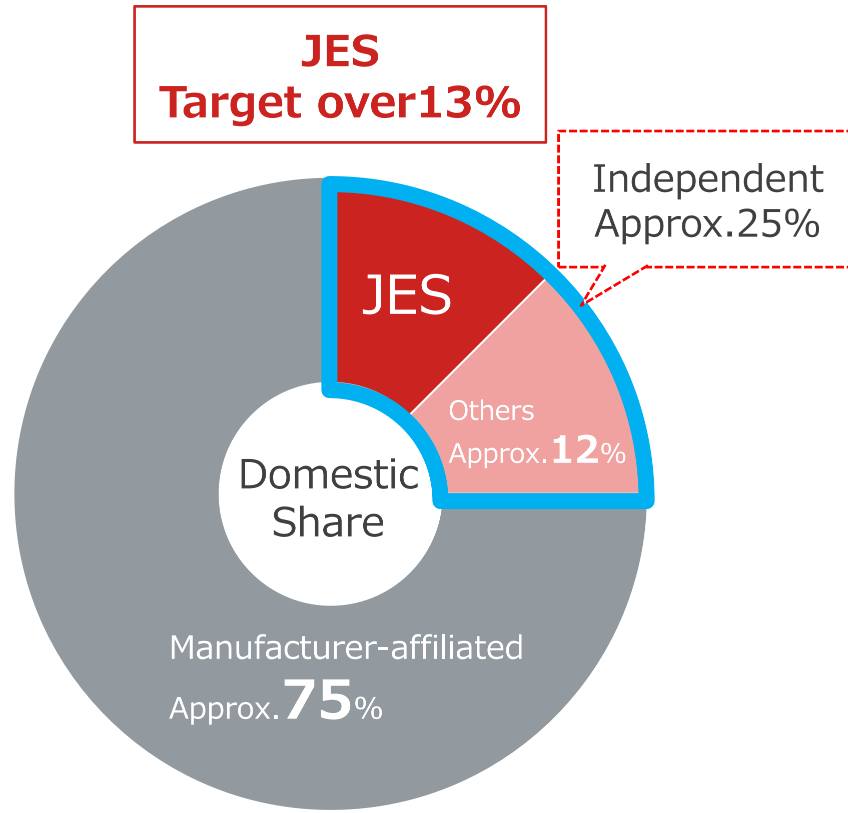


- Growth and profitability metrics to be met by FY Mar 2027
- Since we actively explore M&A opportunities, operating margins excludes goodwill amortization

Aiming to double the domestic market share

FY Mar 2022	VISION2027





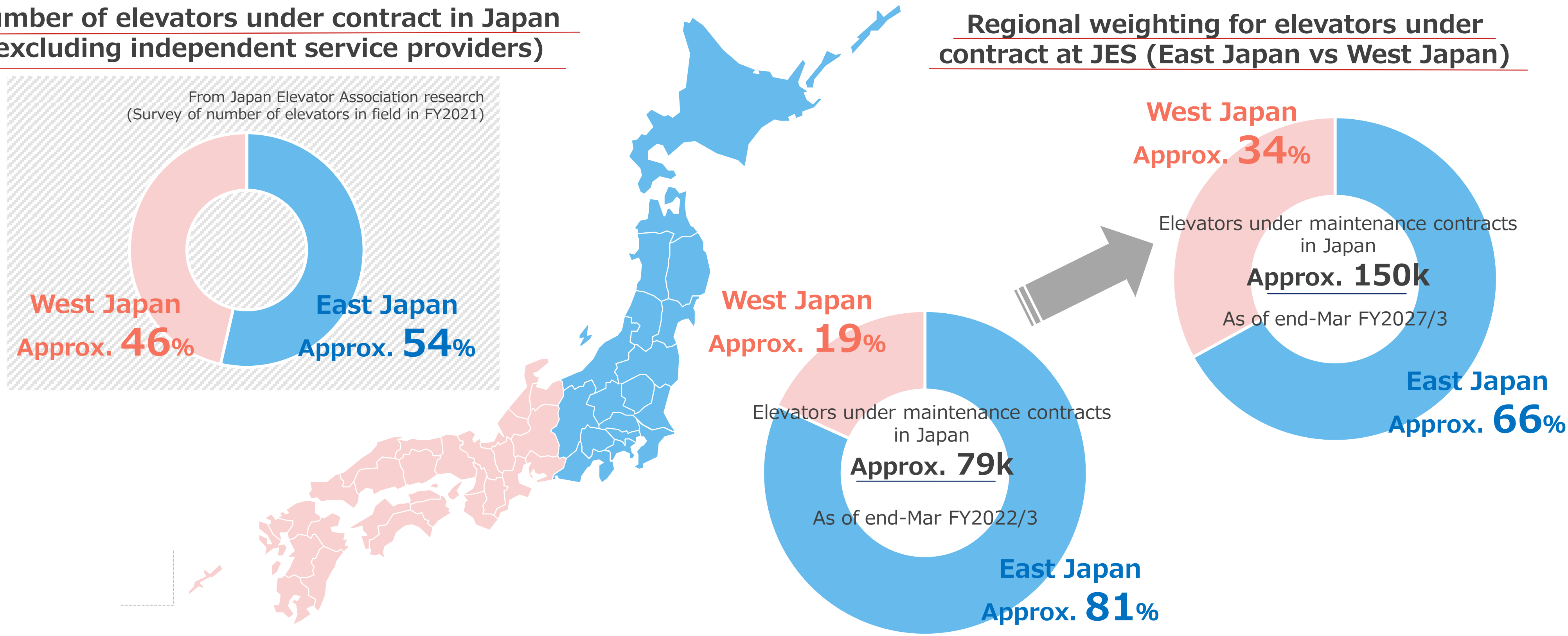
Source: Mitsubishi UFJ Research & Consulting

VISION2027 : Growth Targets: Share Growth in Japan

- **Carried out upfront investment, focused especially on recruitment, to acquire share in West Japan and other new regions**
- **Kansai JIC (tentative name) completion slated for March 2024, should drive growth in sales, margins, service capacity**
- **Operating framework has been put in place to enable full-scale nationwide expansion from historical base of Tokyo, Saitama, Chiba, Kanagawa. Aim to double number of elevators under contract to 150,000 over the next five years**

Number of elevators under contract in Japan (excluding independent service providers)

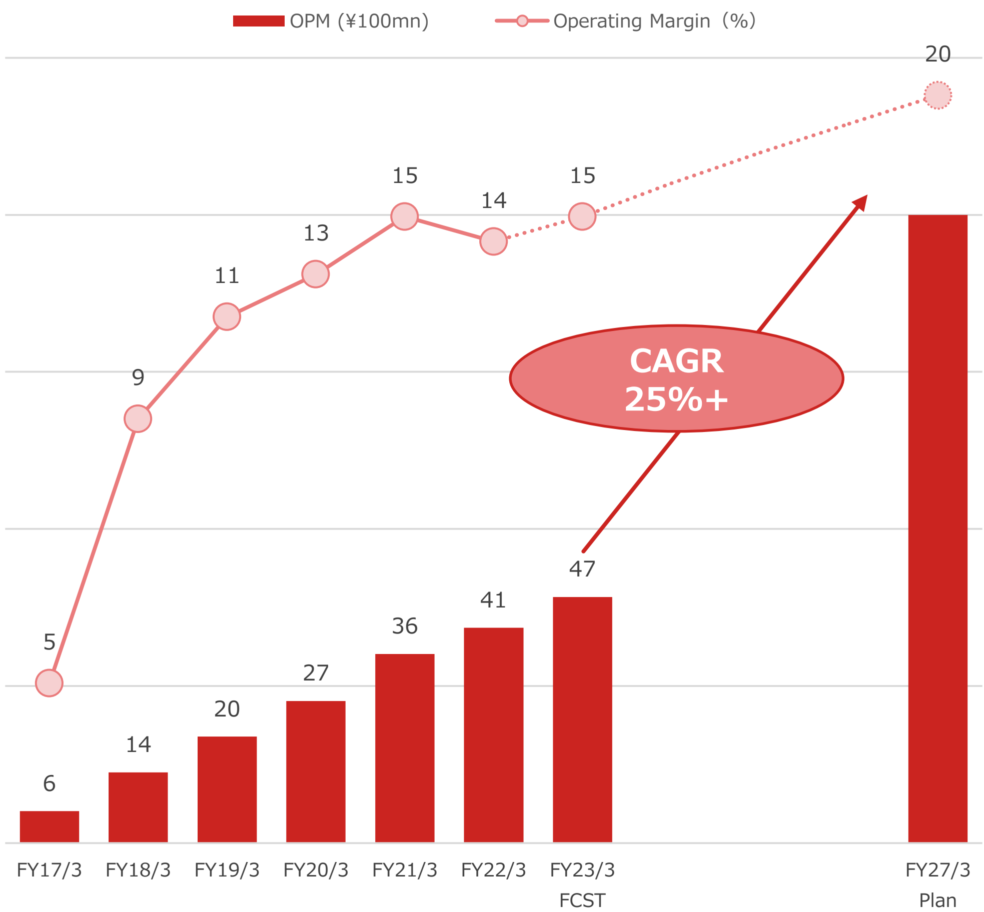
Regional weighting for elevators under contract at JES (East Japan vs West Japan)



VISION2027: Profitability Targets (Operating Profit Margin)

Productivity-driven profitability improvements through increase in elevators under contract, staff training, digitalization

OPM (%) Trends



1. **Sales growth through increase in elevators under contract**
   - Win contracts on 100,000 elevators, chiefly in East Japan area
   - Obtain market share of 10%, chiefly in West Japan area
   - Potential for growth in Modernization revenue in proportion with growth in elevators under contract
2. **Raise productivity, service capacity**
   - Increase in number of elevators per employee on increase in number of elevators under contract
   - Improve service capacity through staff training using internal training systems
   - Higher productivity, service capacity on completion of Kansai JIC (tentative name)
3. **Cost reductions**
   - Use recycled or refurbished products to contribute to ESG
   - Reduce indirect fixed costs, procurement costs as increase in elevators under contract boosts economies of scale

Improved profitability in parallel with number of elevators under contract

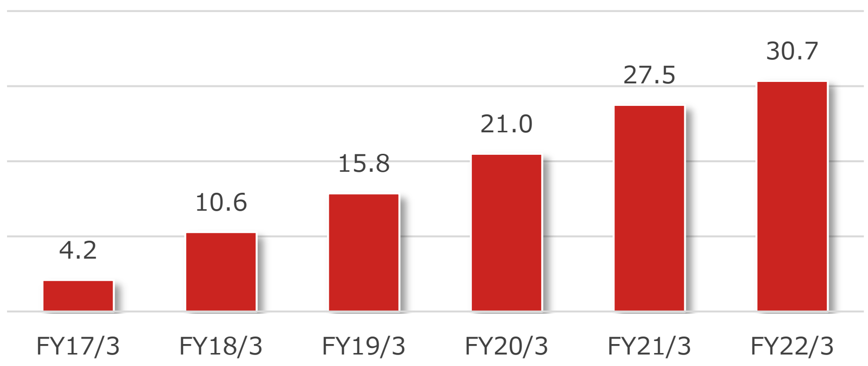
OP Margin: 20%

(When elevators under contract reaches 150,000; ex. goodwill amortization)

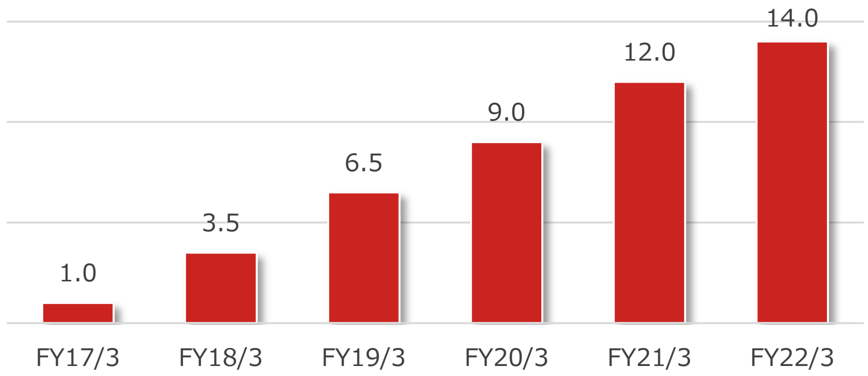
VISION2027: Shareholder Return Targets

Stable increase in EPS and DPS; dividend payout ratio of 40% or more

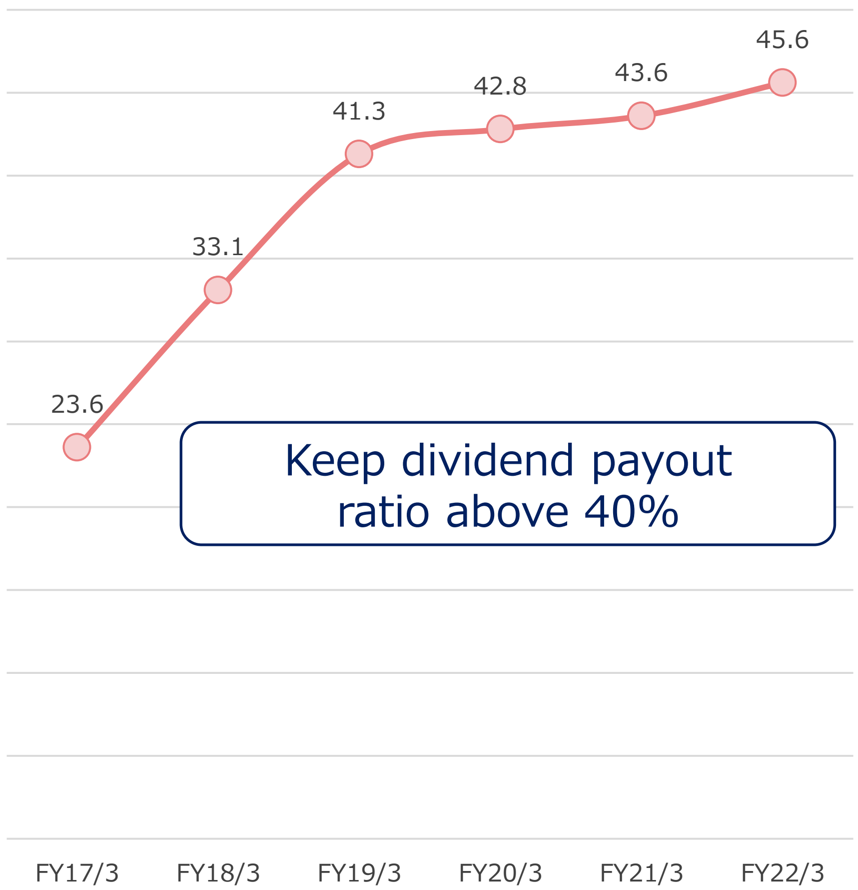
Adjusted EPS (¥)



Adjusted DPS (¥)



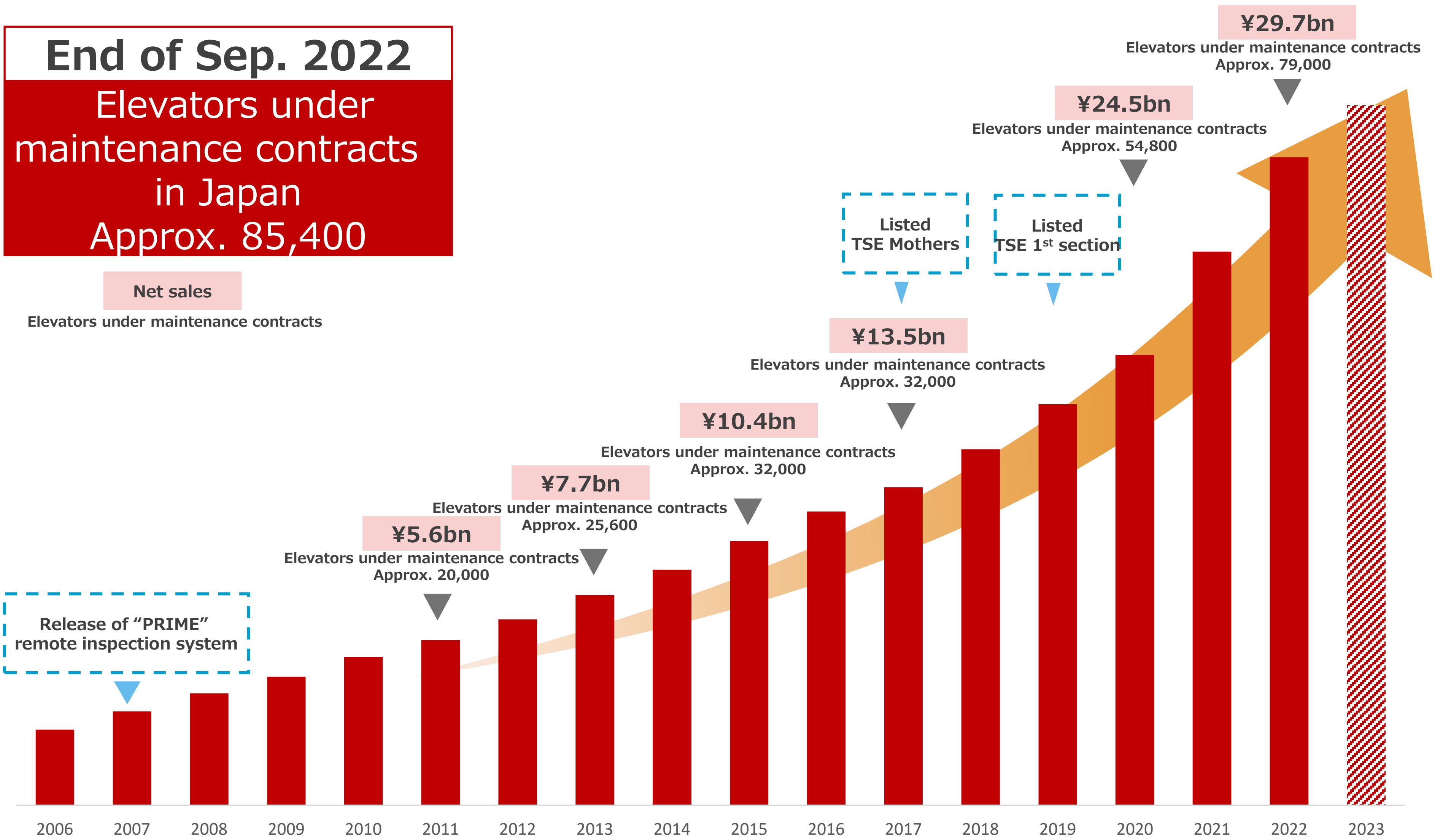
Dividend Payout Ratio (%)



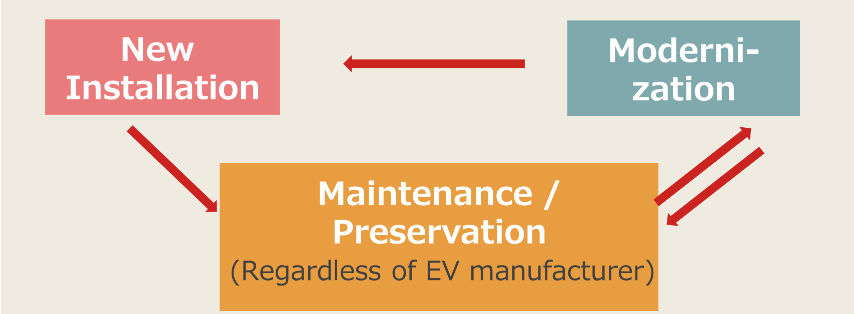
Reference: Our Growth

End of Sep. 2022

Elevators under maintenance contracts in Japan
Approx. 85,400

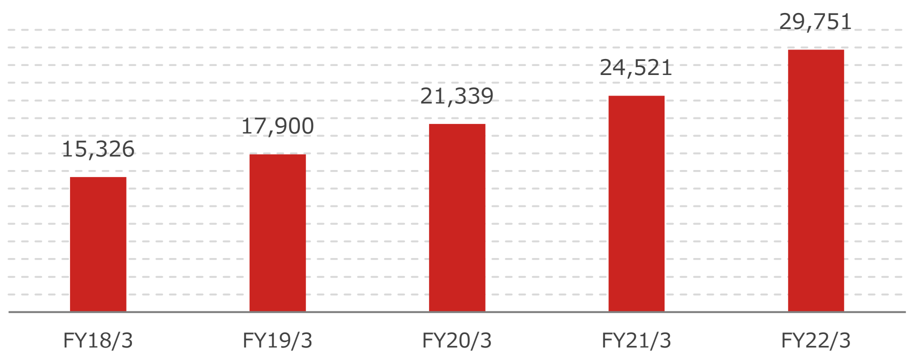


Reference: Future Business Development (Aiming to Build Up Global Standard Business)

Business	Domestic		Overseas (mainly Southeast Asia)
	Now	Onwards	Now and Onwards
Maintenance and Preservation	Steady increase in number of maintenance contracts in areas where we have a presence	Aiming to reach a business scale on par with EV manufacturer-affiliated companies	Conduct research for local needs and market assessments, etc. to explore possibilities including alliance with overseas manufacturers  Aiming to build up global standard business by taking a balanced approach to new Installation, Maintenance, and Modernization businesses
Modernization	One-time Modernization: Reinforced sales to clients and others Quick Renewal: Increasing number of new control cabinets	Provide quality modernization services to meet customer needs	
New Installation	No plan at present (However, substantial new installation of JES EV in Modernization business)		
New Business (Media Business)	Launch Media businesses to capture business opportunities in EV and to add value to maintenance business There are plans to promptly introduce a facial recognition system to add marketing support functionality		Developing Media businesses in overseas markets

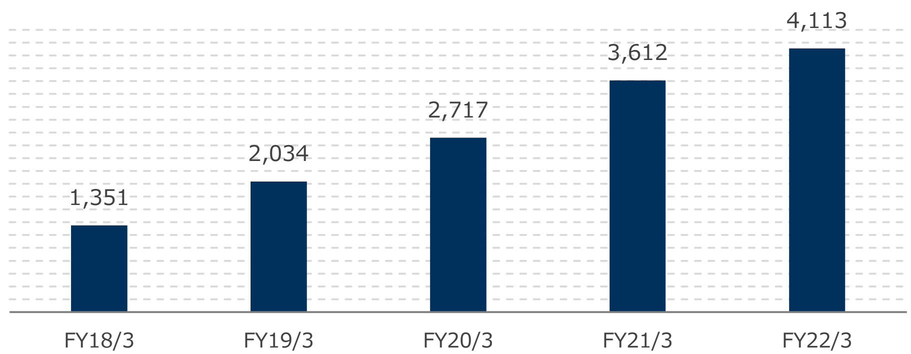
Net sales

(Million yen)



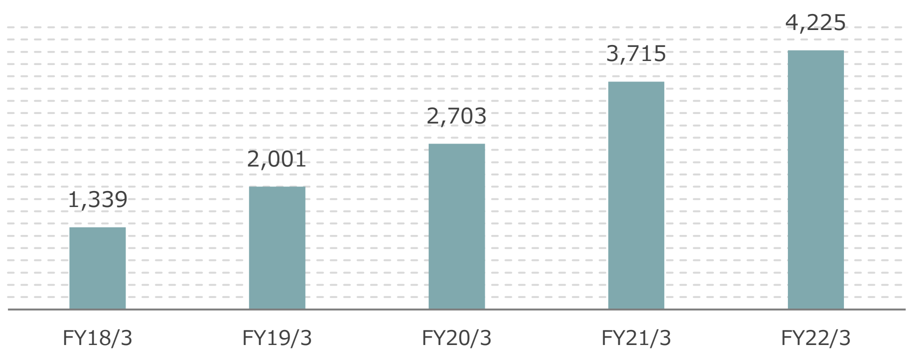
Operating profit

(Million yen)



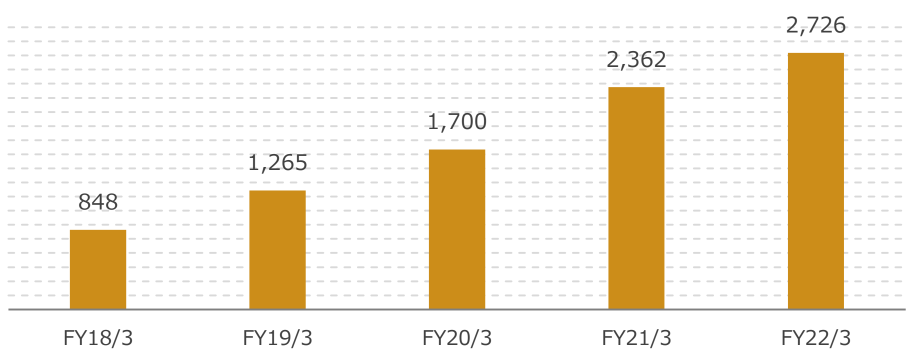
Ordinary profit

(Million yen)



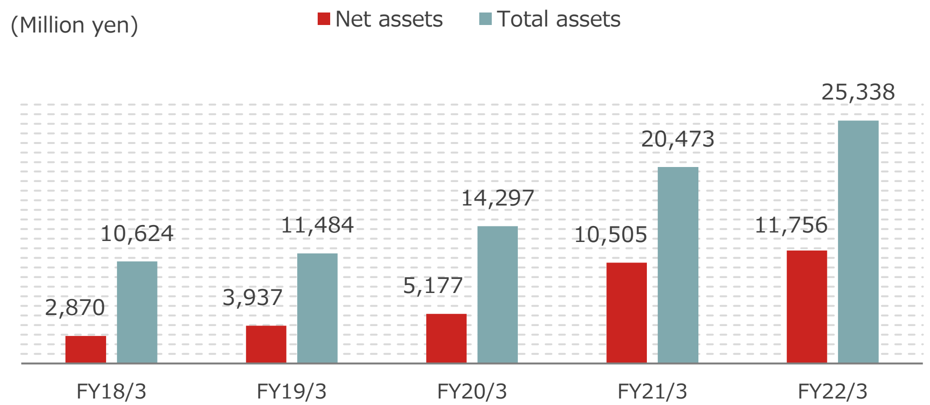
Profit attributable to owners of parent

(Million yen)

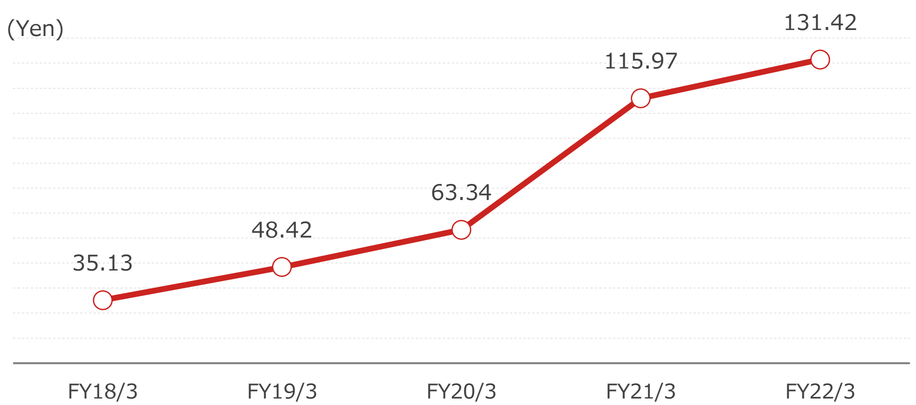


Reference: Financial Highlights (2)

Net assets / total assets

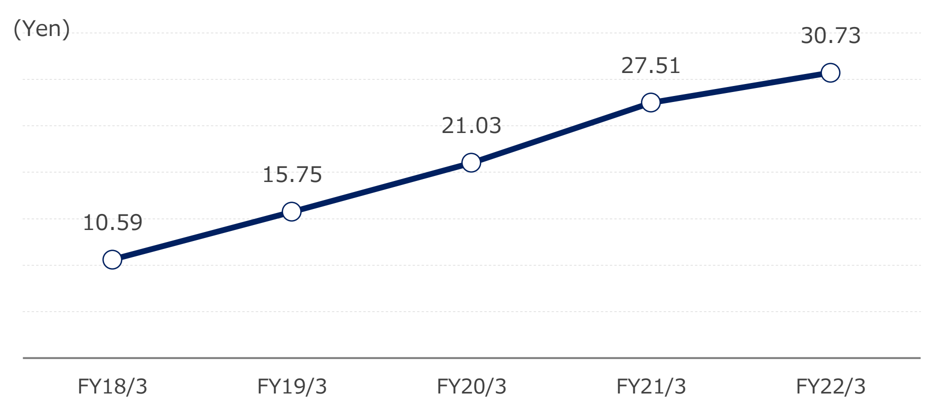


Net assets per share



Note 1: Two-for-one stock split of its common shares was conducted on Jan.1,2021.Figures are considered this stock split.

Net income per share



Note 1: Two-for-one stock split of its common shares was conducted on Jan.1,2021.Figures are considered this stock split.

Disclaimer and Caution Concerning Forward-looking Statements

Disclaimer

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- While these materials have been prepared based on generally-known economic and social conditions and certain assumptions that we have determined to be reasonable, the information contained herein is subject to change without prior notice for reasons such as changes in the business environment

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- The Company has no obligation to revise the forward-looking statements contained in this presentation at a later date, even if new information and/or future events emerge