



FY2020/3 Financial Results

Japan Elevator Service Holdings

(TSE 1st Section: 6544)



May 15, 2020

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FY2020/3 Financial Results

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(million yen)

	FY2019/3		FY2020/3		YoY (%)	Change (YoY) (%)	Earnings Outlook (Revised)
	Actual	Ratio to sales (%)	Actual	Ratio to sales (%)			
Net sales	17,900	100.0	<u>21,339</u>	100.0	119.2	101.1	21,100
Cost of sales	11,419	63.8	13,523	63.4	118.4		
Gross profit	6,480	36.2	7,816	36.6	120.6		
SG&A	4,446	24.8	5,098	23.9	114.7		
Operating profit	2,034	11.4	<u>2,717</u>	12.7	133.6	104.5	2,600
Non-operating income	22	0.1	29	0.1	133.9		
Non-operating expenses	55	0.3	43	0.2	79.2		
Ordinary profit	2,001	11.2	<u>2,703</u>	12.7	135.1	104.0	2,600
Extraordinary income	8	0.0	0	0.0	5.6		
Extraordinary losses	1	0.0	22	0.1	1,462.4		
Profit before income taxes	2,008	11.2	2,681	12.6	133.6		
Profit attributable to owners of parent	1,265	7.1	<u>1,700</u>	8.0	134.4	109.0	1,560

FY2020/3 Financial Results (Sales by Business)

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(million yen)

	FY2019/3		FY2020/3		YoY (%)
	Amount	Ratio (%)	Actual	Ratio (%)	
Maintenance and Preservation Services	13,536	75.6	15,030	70.4	111.0
Modernization Services	4,309	24.1	5,599	26.2	129.9
Other	54	0.3	709	3.4	1,309.3
Total	17,900	100.0	21,339	100.0	119.2

(million yen)

	FY2019/3		FY2020/3		YoY (%)
	Actual	Ratio (%)	Actual	Ratio (%)	
Current assets	5,568	48.5	6,356	44.5	114.1
Cash and deposits	1,045	9.1	1,145	8.0	109.6
Notes and accounts receivable	2,544	22.2	2,781	19.5	109.3
Property, plant and equipment	4,179	36.4	5,672	39.7	135.7
Intangible assets	574	5.0	1,044	7.3	181.8
Investments and other assets	1,161	10.1	1,223	8.6	105.4
Non-current assets	5,915	51.5	7,940	55.5	134.2
Total assets	11,484	100.0	14,297	100.0	124.5
Current liabilities	5,905	51.4	6,352	44.4	107.6
Non-current liabilities	1,641	14.3	2,767	19.4	168.6
Total liabilities	7,546	65.7	9,120	63.8	120.8
Total net assets	3,937	34.3	5,177	36.2	131.5
Total liabilities and net assets	11,484	100.0	14,297	100.0	124.5

(million yen)

	FY2019/3	FY2020/3	Change from previous period
	Actual	Actual	
Cash and cash equivalents at beginning of period	1,258	1,045	△212
Cash flows from operating activities	1,617	1,963	345
Cash flows from investing activities	△736	△2,454	△1,718
Free cash flow	881	△491	△1,372
Cash flows from financing activities	△1,094	593	1,688
Effect of exchange rate change on cash and cash equivalents	0	△2	△2
Cash and cash equivalents at end of period	1,045	1,145	99

(yen)

		FY2019/3	FY2020/3	Change from previous period
		Actual	Actual	
Annual dividends per share		¥13	¥ 18	+ ¥5
	2nd quarter-end dividend	—	—	—
	Fiscal year-end dividend	¥11	¥ 18	+ ¥ 7
	Commemorative dividend	¥2	—	△ ¥ 2
Total cash dividends (Total)		¥523M	¥729M	+ ¥206M
Dividend payout ratio (consolidated)		41.3%	42.8%	+1.5 p
	Except for Commemorative dividend	34.9%	42.8%	+7.9 p
Ratio of dividends to net assets (consolidated)		15.6%	16.1%	+0.5 p



FY2021/3 Financial Forecasts

Unit: million yen; %	1H			2H			Full year		
	FY 2020/3	FY2021/3 Forecast		FY 2020/3	FY2021/3 Forecast		FY 2020/3	FY2021/3 Forecast	
	Amount	Amount	YoY	Amount	Amount	YoY	Amount	Amount	YoY
Net sales	10,370	11,000	106.1	10,968	12,000	109.4	21,339	23,000	107.8
Operating profit	1,210	1,350	111.5	1,507	1,750	116.1	2,717	3,100	114.1
Ordinary profit	1,205	1,350	112.0	1,498	1,750	116.8	2,703	3,100	114.7
Net income attributable to owners of the parent	728	800	109.8	971	1,100	113.2	1,700	1,900	111.7
	Ratio to sales	Ratio to sales		Ratio to sales	Ratio to sales		Ratio to sales	Ratio to sales	
Gross profit margin	36.3	37.1		37.0	37.8		36.6	37.5	
SG&A expenses ratio	24.6	24.8		23.2	23.3		23.9	24.0	
Operating margin	11.7	12.3		13.7	14.6		12.7	13.5	
Ordinary profit margin	11.6	12.3		13.7	14.6		12.7	13.5	
Profit margin	7.0	7.3		8.9	9.2		8.0	8.3	

Unit: million yen; %	1H			2H			Full year		
	FY2020/3	FY2021/3 Forecast		FY2020/3	FY2021/3 Forecast		FY2020/3	FY2021/3 Forecast	
	Amount	Amount	YoY	Amount	Amount	YoY	Amount	Amount	YoY
Maintenance and Preservation Services	7,320	7,850	107.2	7,710	<u>8,550</u>	110.9	15,030	<u>16,400</u>	109.1
Modernization Services	2,710	2,750	101.5	2,889	<u>3,050</u>	105.6	5,599	<u>5,800</u>	103.6
Other	340	400	117.6	368	400	108.4	709	800	112.8
Total	<u>10,370</u>	<u>11,000</u>	106.1	10,968	<u>12,000</u>	109.4	21,339	<u>23,000</u>	107.8



Priority Issues for the Current Fiscal Year

Under the impact of the novel coronavirus pandemic, expected to cause global economic slowdown at least for the next few years, corporate needs for cost reduction will grow even more significantly



Emphasize our “competitive cost advantage over other manufacturers” more than ever and push forward sales efforts harder

1、 Aggressively promote maintenance contracts

In addition to the sales structure already in place, reinforce a new approach led by the newly established “strategic sales team”

- ① Boost large-scale corporate contracts
- ② Reinforce bidding capabilities
 - ⇒Enhance the approach system to local governments, independent administrative agencies, etc. (Sign a package contract for certain national university project)

2、 Reinforce the search for additional modernization and preservation projects

The completion of JIC II construction is scheduled in October

- ① Reinforce capability of the conventional One-time Modernization
- ② Promote cost-effective Quick Renewal
 - ⇒After the completion of additional test tower of JIC II, the number of QR-compatible models will increase dramatically from the current 8 models

Note that more modernization projects (including preservation) are likely to be postponed under the recession



Illustration of the new JIC building
(Completion planned for October 2020)

Purpose

- 1. Accelerated Quick Renewal development ⇒**Boosted sales and operating margin**
- 2. Enhanced inspection capability for parts procured overseas ⇒**Boosted operating margin**
- 3. Further enhancement of parts centers
 - (1) Enhanced capability to respond to failures ⇒**Boosted service capability**
 - (2) Support for cooperating companies ⇒**Boosted sales**

	Site area (m ²)	Total floor area (m ²)	Scale
JIC II	2,673.64	3,525.78	<ul style="list-style-type: none"> • Three floors • One test tower with a height of nearly 33 meters • Six test elevators

1 Increase in Maintenance Contracts

**2 Further Enhancement of
the Modernization Business**

**3 Further Enhancement of
the LiftSPOT Business**

4 Boost in Operating Margin

End of March 2020

Elevators under
maintenance contracts
in Japan
Approx. **54,900**

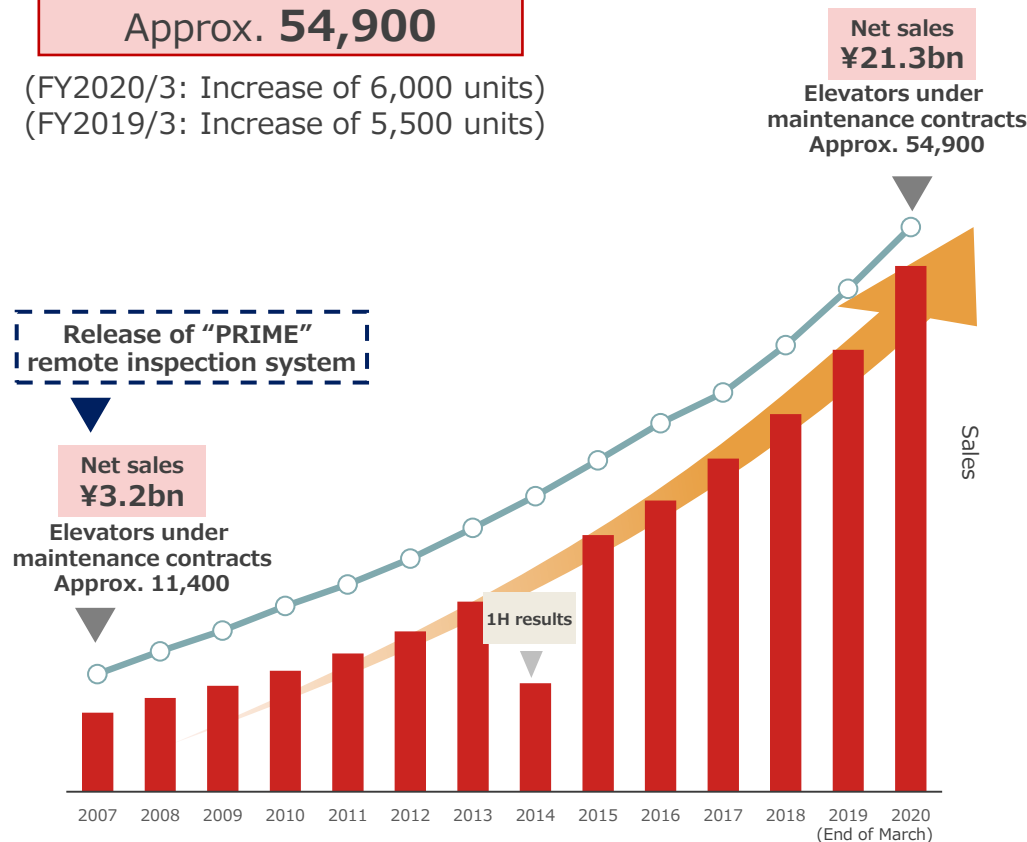
(FY2020/3: Increase of 6,000 units)
(FY2019/3: Increase of 5,500 units)

Net sales
¥21.3bn
Elevators under
maintenance contracts:
Approx. 54,900

Release of "PRIME"
remote inspection system

Net sales
¥3.2bn

Elevators under
maintenance contracts
Approx. 11,400



Note 1: FY2014 is a 6-month period due to the fiscal year-end being adjusted

Note 2: Results are on a consolidated basis for FY2015 and onward

Net increase in maintenance contracts

- Focus on the Kansai, Tokai, and Kyushu regions same as the previous fiscal year (FY2020/3)
- Seek to further boost productivity by increasing market share in the Tokyo metropolitan area

New locations in FY2021/3

April Kasugai Service Office (JES Tokai)
Shiga Service Office (JES Kansai)

Independent M&A completed in FY2021/3

April Seiko Elevator Co., Ltd.

Reference:

New locations in FY2020/3 : 7 offices

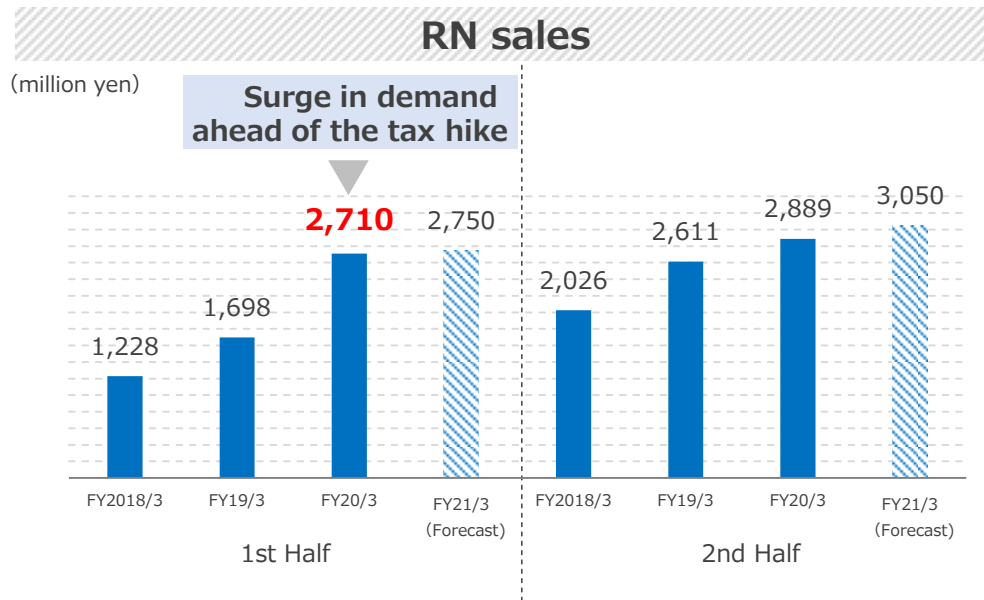
April Kyoto Service Office (JES Kansai)
Yokkaichi Service Office (JES Tokai)
Establishment of JES Kyushu Co., Ltd.

June Ibaraki Service Office (JES Kansai)
West Japan Parts Center(JEP)

November Matsudo Service Office (JES Jyonan)
January Ichikawa Service Office (JES Jyonan)

One-time Modernization

- Achieved record-high RN sales in FY2020/3, partly due to a surge in demand in the first half, ahead of the consumption tax hike
- ⇒Business typically concentrated toward the second half of the fiscal year has shifted toward the first half, owing to the consumption tax hike as an extraordinary factor
- Aim to achieve the same level of sales as the previous term, although more projects are expected to be postponed due to the impact of the novel coronavirus



Quick Renewal

- The development of Quick Renewal compatible models is on schedule, and the completion of JIC II scheduled in October 2020 will further accelerate the development
- JES will seek to increase the target models for Quick Renewal and capture the coming large demand for modernization
 - Developed models at the end of March 2020:8models
 - Developed models at the end of March 2021 (scheduled): 4 models

Market size for developed models

Release timing	Number of models	Estimated Japan-wide (units)
FY2020/3	8	90,000
Scheduled for FY2021/3	4	23,000
Total	12	113,000

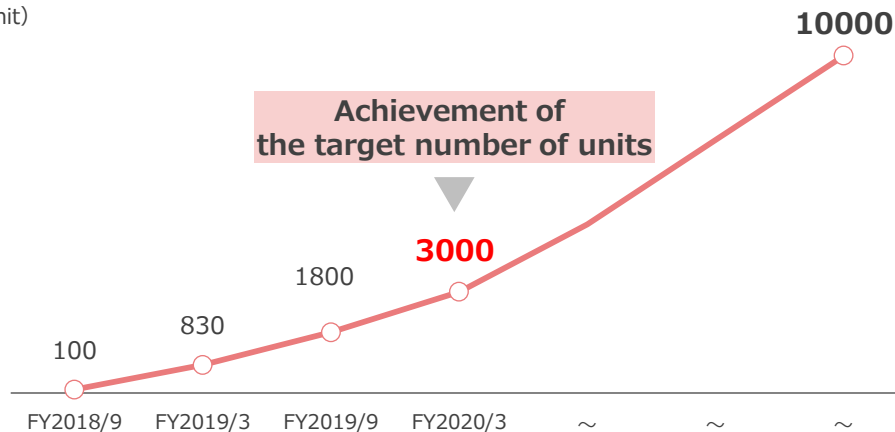
*Estimated from the total number of units for which JES has close maintenance contracts as of the end of August 2019

Increase in equipped units

- Launch a Media business for the purpose of providing added value to maintenance business and cultivating a new source of revenue
- Aim to increase the number of equipped units as an effective approach to advertisers
 - ⇒ Aim for 10,000 equipped units at the earliest possible time
- Achieved the target number of 3,000 equipped units as of the end of March 2020
 - ⇒ Contracted elevators as of the end of March 2020: about 3,600 units

Changes in the number of installed units

(unit)



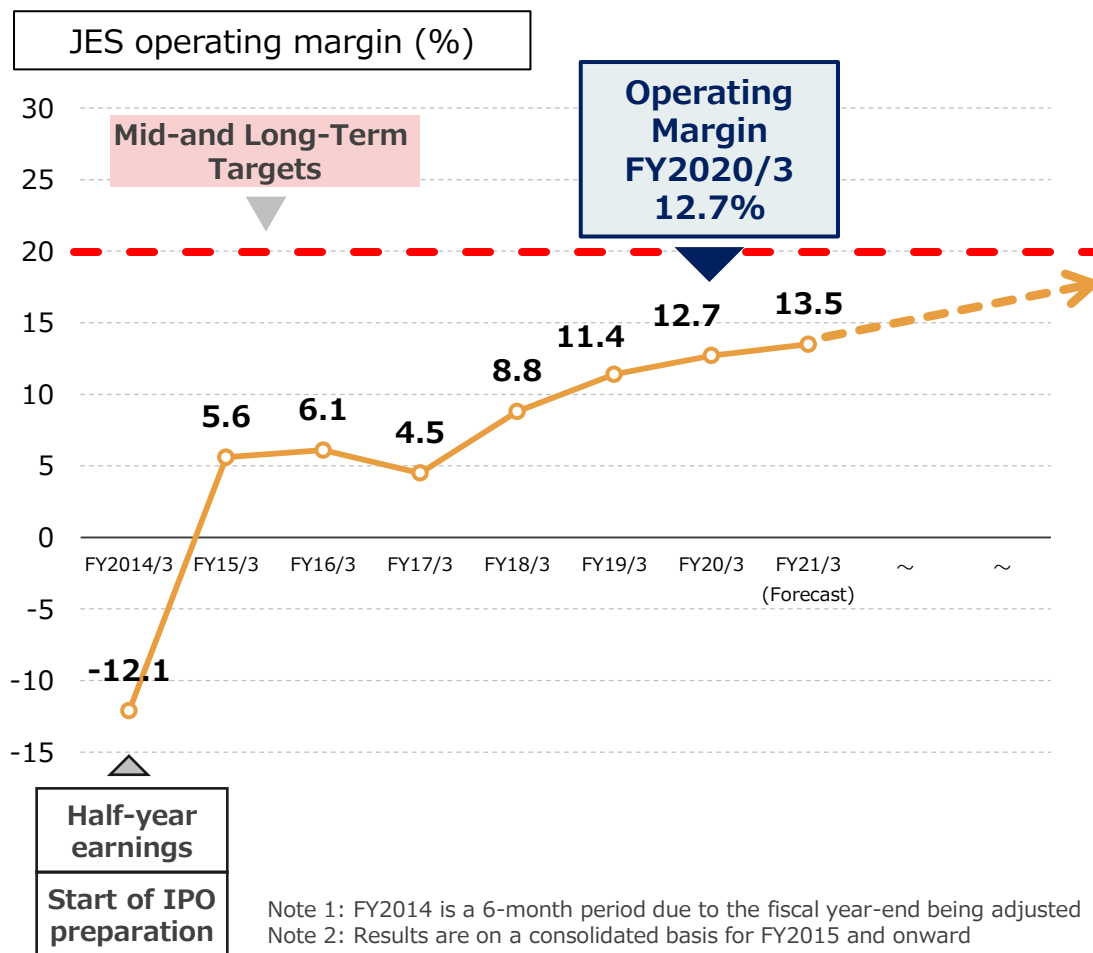
Example of equipped LiftSPOT screen

Operating Margin

- Achieved 12.7% in FY2020/3
 - ⇒ Target for FY2021/3 is 13.5%
 - ⇒ Aim to achieve 20% in the medium term

Initiatives to Boost Margin

1. Enhancement of overseas procurement of parts
 - (1) Thorough verification with JIC
 - (2) Discovery of and relationship-building with superior parts manufacturers
2. Proactive use of repair parts
3. Reduction of costs and outsourcing costs for renewal construction through the enhancement of Quick Renewal
4. Boost in productivity
5. Reduction of failure rates
6. Striving for profitability in maintenance contracts

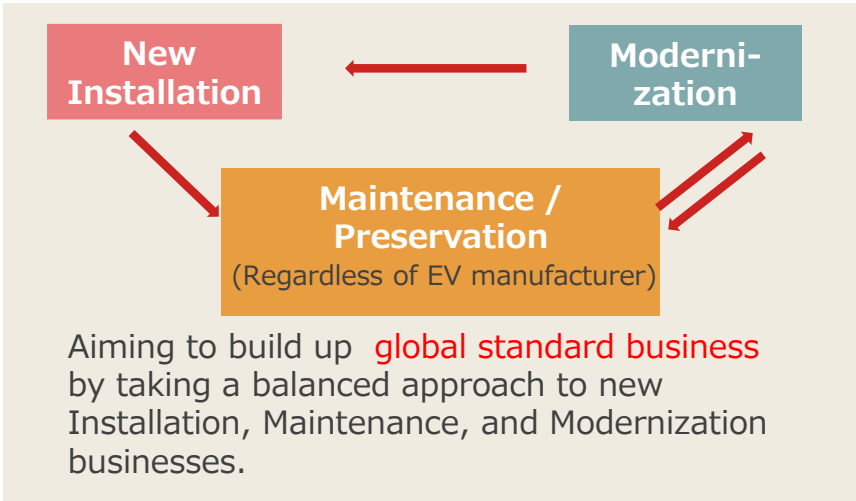




Future Business Development

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

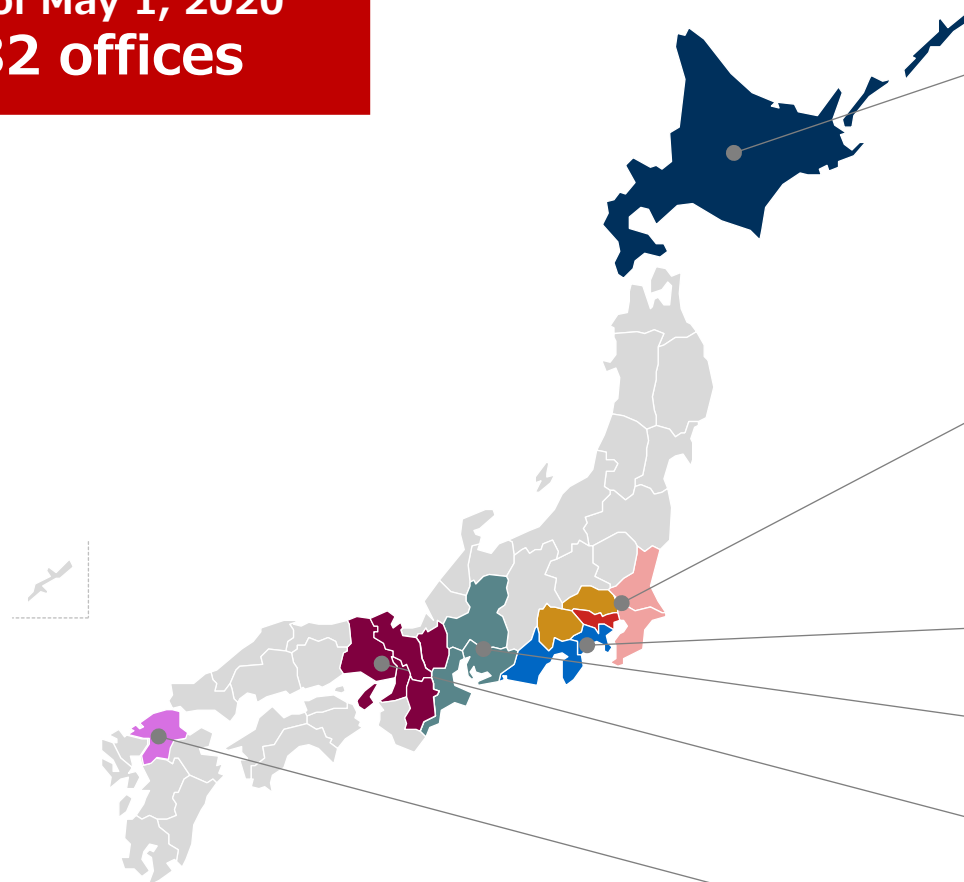
20

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
Modernization	<p>One-time Modernization: Reinforced sales to clients and others</p> <p>Quick Renewal: Increasing number of new control cabinets</p>	Provide quality modernization services to meet customer needs	 <p>Aiming to build up global standard business by taking a balanced approach to new Installation, Maintenance, and Modernization businesses.</p>
New Installation	No plan at present (However, substantial new installation of JES EV in Modernization business)		
New Business (Media Business)	<p>Launch Media businesses to capture business opportunities in EV and to add value to maintenance business</p> <p>There are plans to promptly introduce a facial recognition system to add marketing support functionality</p>		Developing Media businesses in overseas markets

Financial Supplement



As of May 1, 2020
82 offices



JES Hokkaido
9 offices

JES HD
2 offices

JES Jyonan
16 offices (+2)

JES Jyosai
14 offices

Japan Elevator Parts
8 offices (+1)

JES Kanagawa
16 offices

JES Tokai
7 offices (+2)

JES Kansai
7 offices (+3)

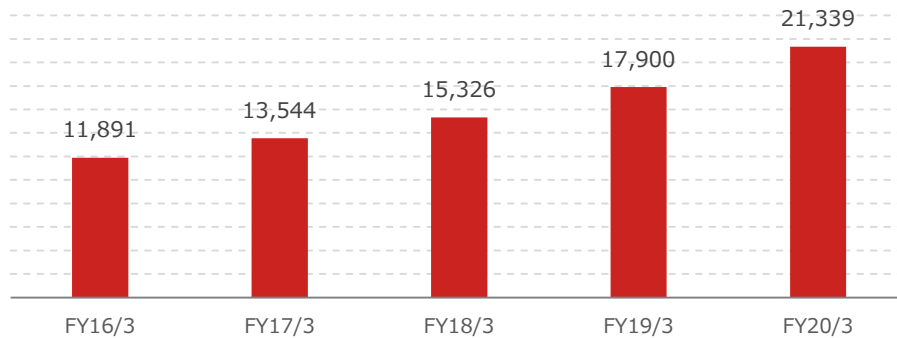
JES Kyusyu
1 office (+1)

【M&A】
SEIKO ELEVATOR co.,ltd
1 office (+1)

() Number of changes from the end of March 2019

Net sales

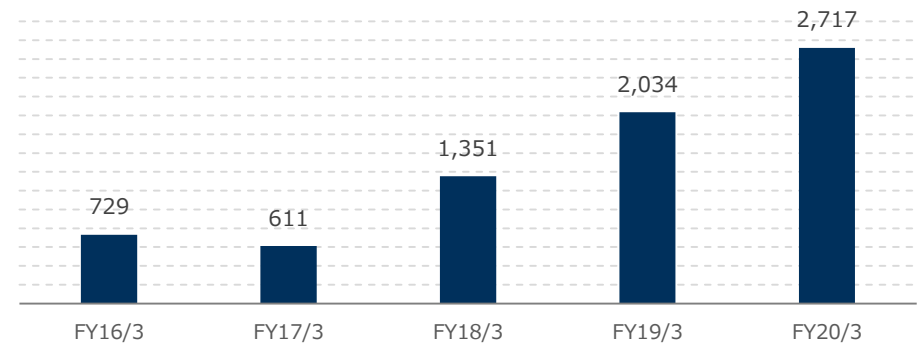
(Million yen)



Note 1: Results are on a consolidated basis for FY2015 and onward

Operating profit

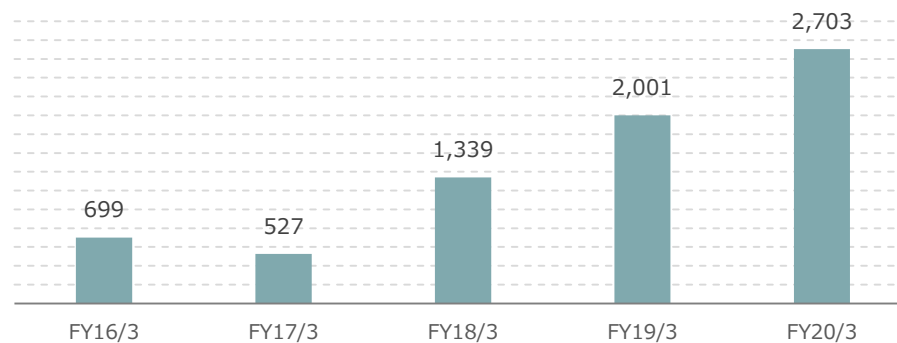
(Million yen)



Note 1: Results are on a consolidated basis for FY2015 and onward

Ordinary profit

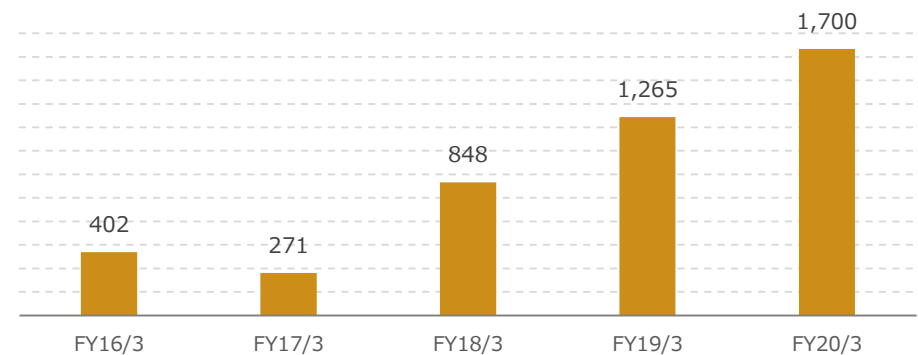
(Million yen)



Note 1: Results are on a consolidated basis for FY2015 and onward

Profit attributable to owners of parent

(Million yen)

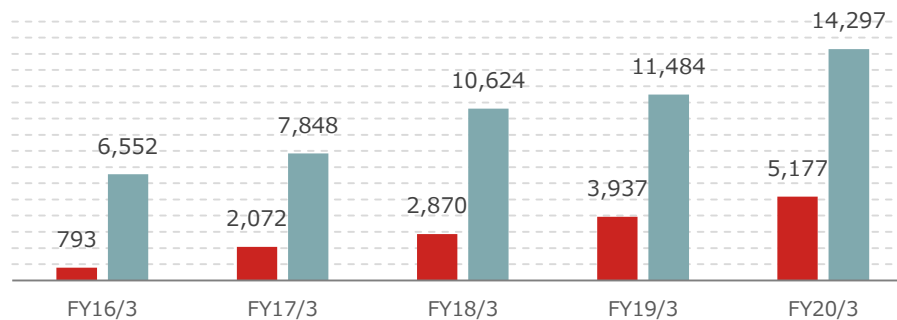


Note 1: Results are on a consolidated basis for FY2015 and onward

Net assets / total assets

(Million yen)

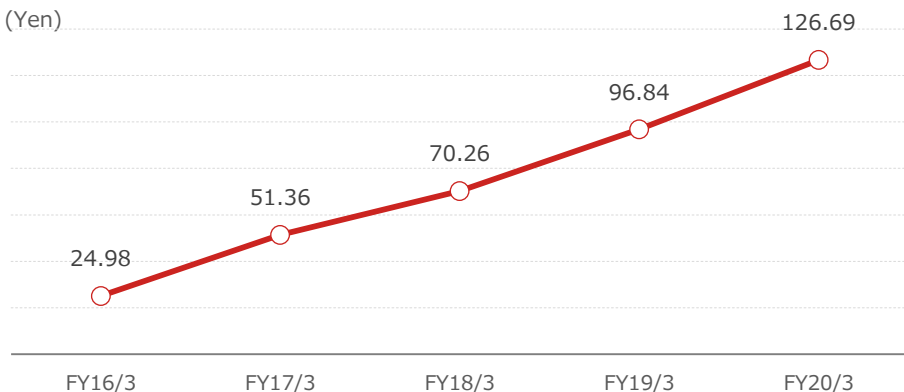
■ Net assets ■ Total assets



Note 1: Results are on a consolidated basis for FY2015 and onward

Net assets per share

(Yen)

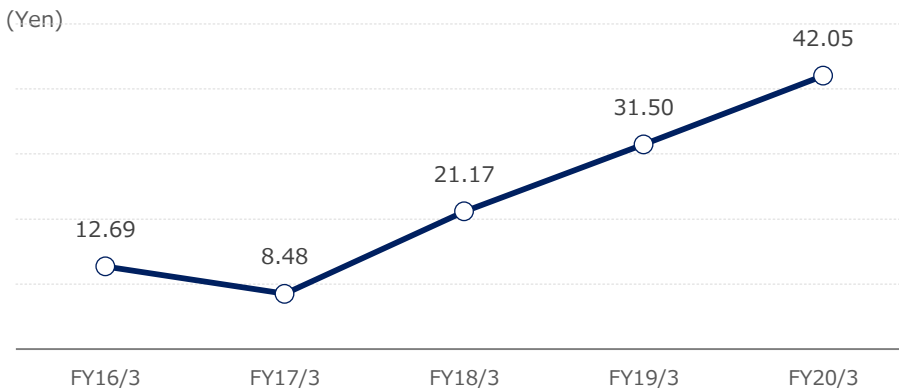


Note 1: Results are on a consolidated basis for FY2015 and onward

Note 2: Two-for-one stock split of its common shares was conducted on Oct.1,2018.Figures are considered this stock split.

Net income per share

(Yen)



Note 1: Results are on a consolidated basis for FY2015 and onward

Note 2: Two-for-one stock split of its common shares was conducted on Oct.1,2018.Figures are considered this stock split.

Disclaimer

- Japan Elevator Service Holdings (the “Company”) has prepared these materials for your reference, so that you may understand the current status of the Company
- 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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