



# Financial Results for Second Quarter FY2019/3

## Japan Elevator Service Holdings Co., Ltd.

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(TSE 1st Section: 6544)



Nov 14, 2018

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## FY2019/3 Second Quarter Results

**Net sales grew by 15.8% y/y to a historical high**  
**Operating income, ordinary income, and net income attributable to owners of parent**  
**all increased y/y**

(million yen)

	FY2018/3 2Q		FY2019/3 2Q		y/y (%)	Earnings Outlook
	Actual	Ratio to sales (%)	Actual	Ratio to sales (%)		
Net sales	7,083	100.0	8,200	100.0	115.8	7,900
Cost of sales	4,647	65.6	5,284	64.4	113.7	—
Gross profit	2,436	34.4	2,916	35.6	119.7	—
SG&A	1,905	26.9	2,144	26.1	112.5	—
Operating income	531	7.5	772	9.4	145.5	580
Non-operating income	19	0.3	13	0.2	67.1	—
Non-operating expenses	20	0.3	38	0.5	191.3	—
Ordinary income	530	7.5	747	9.1	140.8	600
Extraordinary gain	1	0.0	4	0.1	428.0	—
Extraordinary loss	3	0.1	0	0.0	24.9	—
Net income before taxes	528	7.5	750	9.2	142.1	—
Net income attributable to owners of the parent	344	4.9	450	5.5	130.7	345

**Sales in Maintenance Services grew by 10.9% y/y, with a steady increase in the number of units under contract**

**Sales in Renewal Services grew by 38.3% y/y due to a reinforced sales structure and success in efforts to strengthen proposals related to manufacturer supply outages**

(million yen)

	FY2018/3 2Q		FY2019/3 2Q		y/y (%)
	Amount	Ratio (%)	Actual	Ratio (%)	
Maintenance Services (including Preservation)	5,843	82.5	6,480	79.0	110.9
Modernization Services	1,228	17.3	1,698	20.7	138.3
Other	12	0.2	21	0.3	171.6
Total	7,083	100.0	8,200	100.0	115.8

**Total assets did not significantly change y/y**  
**Net assets increased due a rise in earnings from strong sales**

(million yen)

	FY2018/3 2Q		FY2018/3		FY2019/3 2Q		y/y (%)
	Actual	Ratio (%)	Actual	Ratio (%)	Actual	Ratio (%)	
Current assets	4,193	48.5	4,919	46.3	4,858	45.8	98.7
Cash and deposits	949	11.0	1,295	12.2	1,027	9.7	79.3
Notes and accounts receivable	1,760	20.4	1,993	18.8	1,990	18.7	99.9
Property, plant and equipment	3,152	36.4	4,189	39.4	4,158	39.2	99.3
Intangible assets	219	2.5	339	3.2	411	4.2	129.8
Investments and other assets	1,084	12.5	1,175	11.1	1,157	10.9	98.5
Fixed assets	4,456	51.5	5,704	53.7	5,757	54.2	100.9
Total assets	8,650	100.0	10,624	100.0	10,615	100.0	99.9
Current liabilities	5,275	61.0	6,002	56.5	5,661	53.3	94.3
Long-term liabilities	1,019	11.8	1,751	16.5	1,846	17.4	105.4
Total liabilities	6,294	72.8	7,754	73.0	7,507	70.7	96.8
Net assets	2,355	27.2	2,870	27.0	3,107	29.3	108.2
Total liabilities and net assets	8,650	100.0	10,624	100.0	10,615	100.0	99.9





## FY2019/3 Financial Forecasts

We forecast record high net sales, operating income, ordinary income, and net income attributable to owners of parents

Unit: million yen; %	1H				2H			Full year		
	FY 2018/3	FY2019/3 Forecast	FY2019/3 Result		FY 2018/3	FY2019/3 Forecast		FY 2018/3	FY2019/3 Forecast	
	Amount	Amount	Amount	y/y	Amount	Amount	y/y	Amount	Amount	y/y
Net sales	7,083	7,900	8,200	115.8	8,243	9,100	110.4	15,326	17,300	112.9
Operating income	531	580	772	145.5	820	1,078	131.3	1,351	1,850	136.8
Ordinary income	530	600	747	140.8	809	1,103	136.4	1,339	1,850	138.2
Net income attributable to owners of the parent	344	345	450	130.7	504	650	129.0	848	1,100	129.7
	Ratio to sales	Ratio to sales	Ratio to sales		Ratio to sales	Ratio to sales		Ratio to sales	Ratio to sales	
Gross profit margin	34.4	34.8	35.6		34.9	36.6		34.7	36.1	
SG&A expenses ratio	26.9	27.5	26.1		25.0	24.8		25.9	25.4	
Operating margin	7.5	7.3	9.4		10.0	11.8		8.8	10.7	
Ordinary income margin	7.5	7.6	9.1		9.8	12.1		8.7	10.7	
Net income margin	4.9	4.4	5.5		6.1	7.1		5.5	6.4	



**Sales in Maintenance Services are expected to grow by 10.1% y/y**  
**Sales in Renewal Services are expected to grow by 23.1% y/y due to solid demand**

Unit: million yen; %	1H			2H			Full year		
	FY2018/3	FY2019/3 Result		FY2018/3	FY2019/3 Forecast		FY2018/3	FY2019/3 Forecast	
	Amount	Amount	y/y	Amount	Amount	y/y	Amount	Amount	y/y
Maintenance Services (including Preservation)	5,843	6,480	110.9	6,192	6,773	109.4	12,035	13,253	110.1
Modernization Services	1,228	1,698	138.3	2,026	2,306	113.8	3,254	4,005	123.1
Other	12	21	171.6	23	20	84.5	36	42	115.0
<b>Total</b>	<b>7,083</b>	<b>8,200</b>	<b>115.8</b>	<b>8,243</b>	<b>9,100</b>	<b>110.4</b>	<b>15,326</b>	<b>17,300</b>	<b>112.9</b>

The year-end payout ratio for is scheduled to be 36%, an increase of over 40% y/y. In addition, total dividends will grow by 72% y/y as a result of a ¥4.00 (¥2.00 after the two-for-one share split) commemorative dividend marking JES's transfer to the first section of the TSE.

		FY2017/3	FY2018/3	FY2019/3	Change from previous period
		Actual	Actual	Plan	
Annual dividend amount		¥8	¥14	¥24 [¥12]	+¥10
	Year-end dividend	¥8	¥14	¥20 [¥10]	+¥6
	Commemorative dividend	—	—	¥4 [¥2]	+¥4
Total dividend amount		¥80m	¥280m	¥483m	+¥203m
Payout ratio (consolidated)		23.6 %	33.1 %	43.8%	+10.7p
	Except for Commemorative dividend	23.6 %	33.1 %	36.5%	+3.4p
DOE (consolidated)		5.2 %	11.5 %	14.7%	+3.2p

\*We conducted a two-for-one share split of its common shares on October 1, 2018.

\*The amounts of dividends per share are the amounts before the share split, with the amounts after the share split shown in brackets ("[ ]").

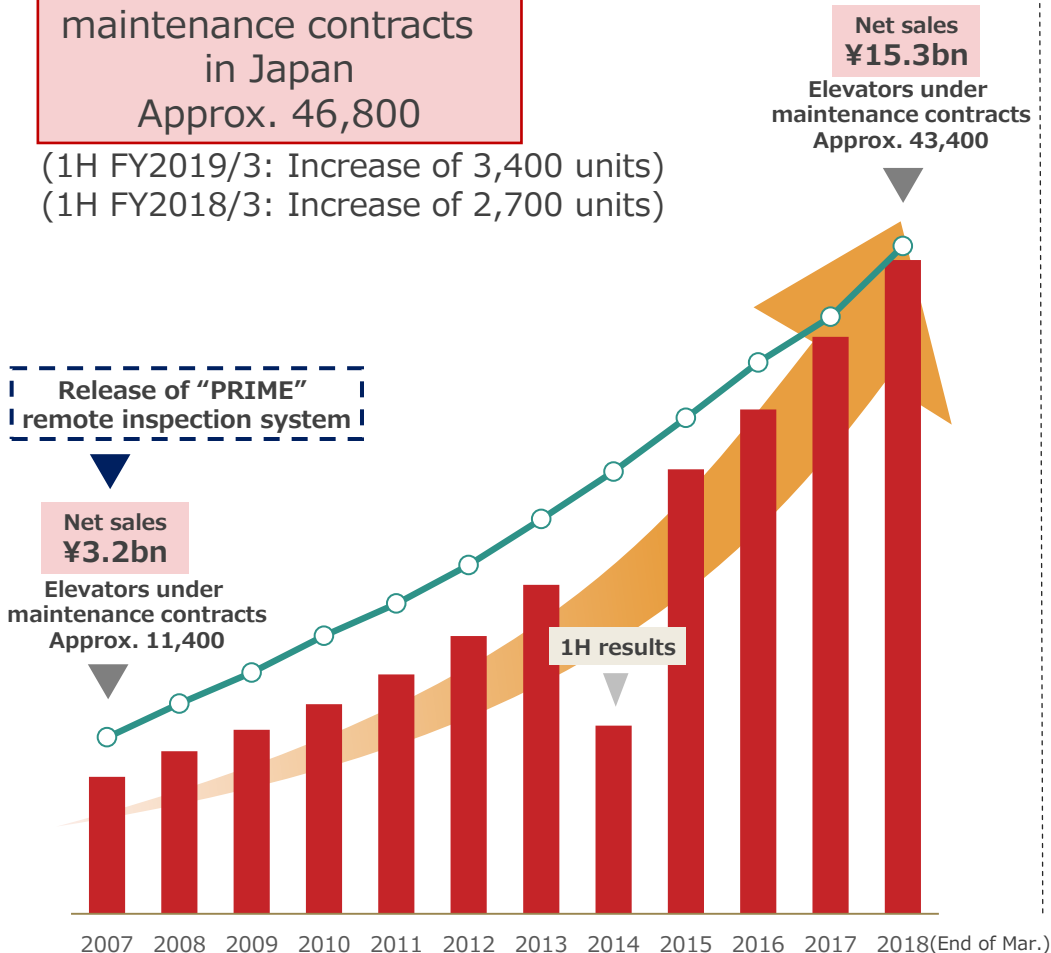


## First Half Financial Highlights

## End of Sept. 2018

Elevators under  
maintenance contracts  
in Japan  
Approx. 46,800

(1H FY2019/3: Increase of 3,400 units)  
(1H FY2018/3: Increase of 2,700 units)



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

## 1. Net increase in maintenance contract

○The number of business inquiries continued to grow into the second quarter as a result of our listing

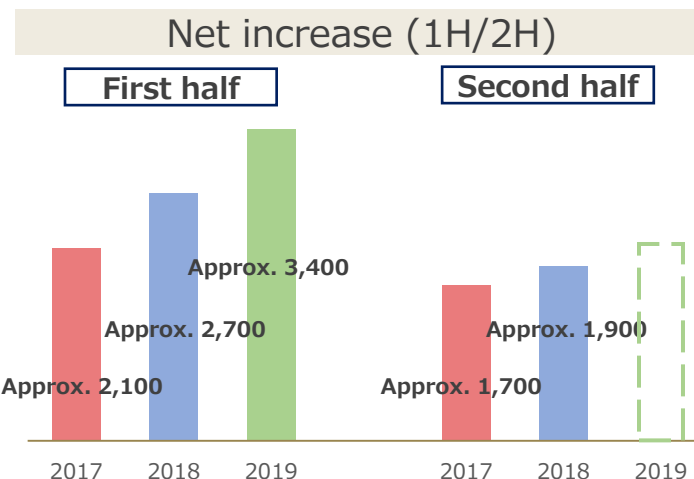
- (1) Increase in major contracts (covering 10 or more units)  
(FY2017/3: 105.0% y/y)  
(FY2018/3: 119.2% y/y)  
(1H FY2019/3: 128.1% y/y)

⇒Partly due to JIC facility visits  
(Oct. 2017-Sept. 2018: 651 guests from 102 companies)

- (2) Increase in maintenance contracts acquired through bidding

(April 2017: 114.6% y/y)  
(April 2018: 139.7% y/y)

⇒March 17, 2017: Listed on TSE Mothers  
September 10, 2018: Moved to TSE 1st Section  
Further increase expected as a result of market transfer



## 2. Reinforcement of Modernization Business

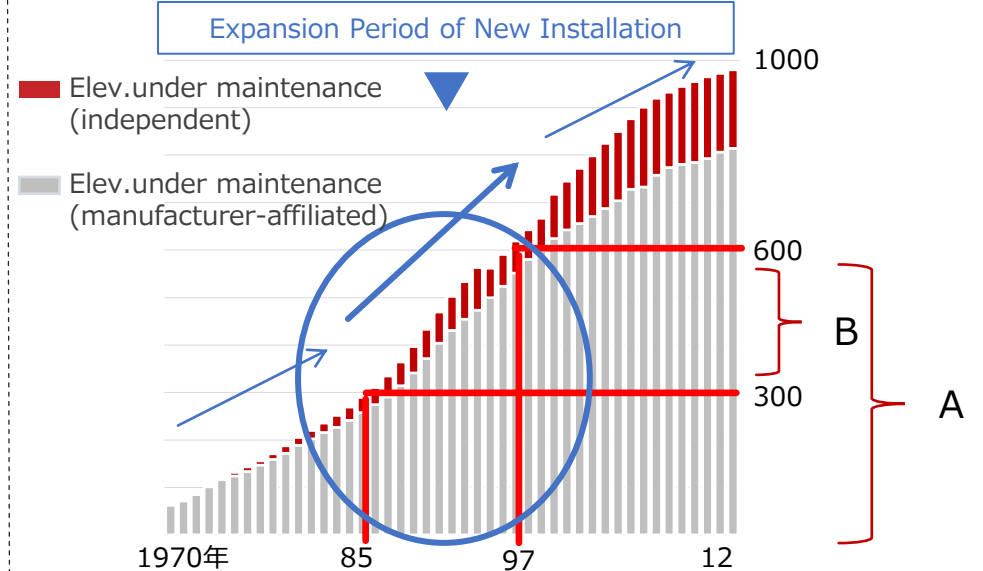
Strengthening split modernization services  
(Service name: “Quick Renewal”)

- Launched sales activities in mid-April 2018 with the primary aim of familiarizing the market with the Quick Renewal concept in preparation for the strong market demand expected in several years
  - Trial sales have been solid
  - Development target: 15-16 models within 2-3 years
- Will reinforce JIC’s R&D system and expand the list of elevators compatible with Quick Renewal services in response to the anticipated expansion of the renewal market
  - November 2018: Scheduled to launch two types, for a total of four EV models compatible with the Quick Renewal service

### (1) Modernization market growth forecast (JES estimate)

- 1 Elevators built prior to 1997 (20 years ago): 600K units (A)
    - Of which, elevators scheduled to be renewed in the near future: 400K-500K units\*
  - Of which, elevators built from 1985 through 1997: 300K units (B)
- (B) are expected to drive JES’s split modernization services  
Note: Estimated based on conditions of elevators that we maintain

Market Growth Curve (Unit: thousands of elevators)



Source: Mitsubishi UFJ Research & Consulting

### (2) Quick Renewal market size in the near-term

	(units)	
	Our Clients	Total Market(est)
FY 2018	1,600	40,000
FY 2019	1,600	40,000
Total	3,200	80,000

Quick Renewal will be applied to 9 EV models until end of March, 2020.

## 3. Strengthening the new Media Business

Signage screens with security cameras  
Our service: LiftSPOT

Installed units in advance for infrastructure purposes  
Several ad agencies have already signed on Trial operations will begin shortly

- Media Business  
Launch Media Business to provide additional value to our maintenance business and create another revenue source.
- We will install signage screens with security cameras inside elevators for free to deliver ads and gain ad revenue.
  - ⇒Trials from 23 wards in Tokyo and some major metropolitan areas such as Osaka and Nagoya.
  - ⇒Aiming for installation of 10,000 units within 3 years
    - Units under contract: over 300 units (as of Sept. 30, 2018)



LiftSPOT logo



LiftSPOT in EV

## 4. Reinforce Repair-Parts

Actively utilizing Repair-Parts for reuse

- Factors contributing to reinforcement of repair-parts business.
  - Rising number of discontinued products.
  - EV manufacturers also use repair-parts.

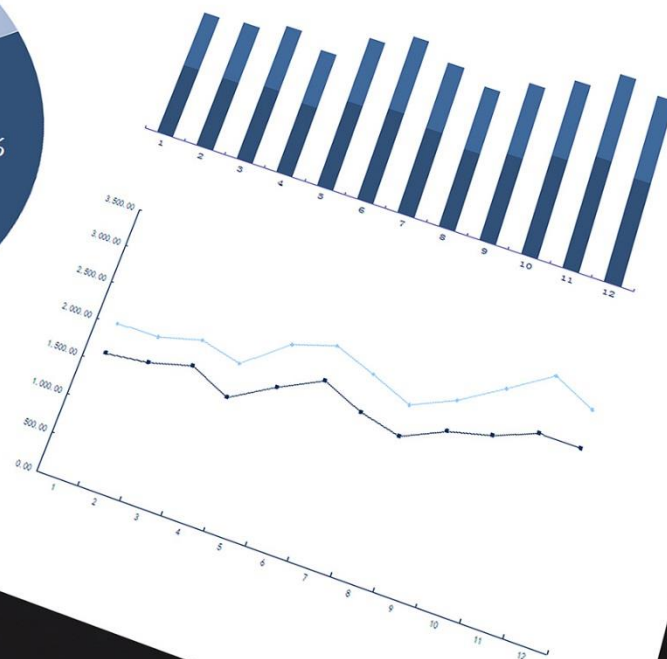
## 5. Overseas

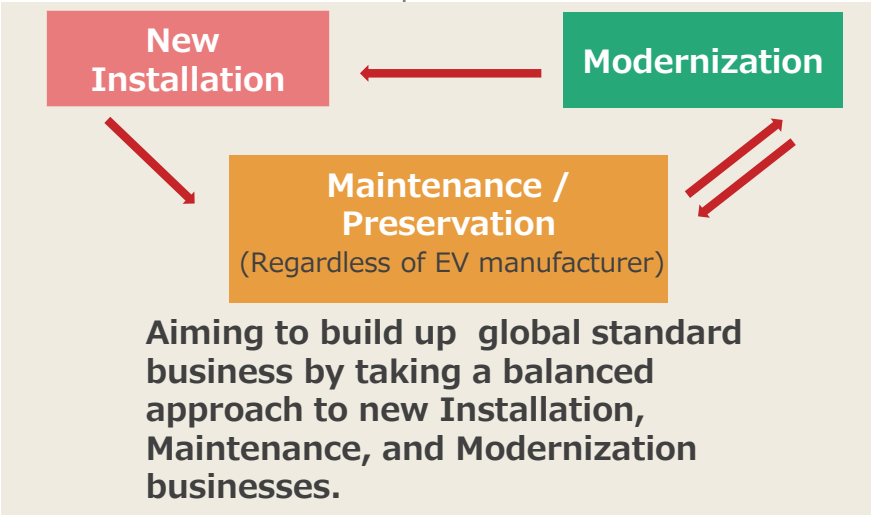
We are aiming to build up our global standard business through which we operate maintenance, new installation, and modernization businesses in India.

- Units under maintenance contracts: over 500 units (as of Mar. 31, 2018)
- We have already built up a track record in the installation and renewal businesses
- We have ongoing business relationships with global property managers



## Financial Supplement



Business	Domestic		Overseas	
	Now to 3 years	3 years and onwards	Now to 3 years	3 years and onwards
<b>Maintenance • Preservation</b>	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	Developing business in the Indian market	Developing business in Southeast Asian market
<b>Modernization</b>	One-time Modernization: Reinforced sales to clients and others  Quick Renewal: Increasing number of new control panels	Provide quality Modernization services to meet customer needs		
<b>New Installation</b>	No plan at present (However, substantial new installation of JES EV in Modernization business)			
<b>New Business (Media Business)</b>	Launch Media businesses to capture business opportunities in EV and to add value to maintenance business		Developing Media businesses in overseas markets	

**Profitability**

⇒Aiming to reach an ordinary profit ratio 12% in three years(\*) \*FY2021/3

**As of Oct. 1, 2018**  
**70 offices**

**JES Hokkaido**  
9 offices

**JES HD**  
2 offices

**JES Jonan**  
14 offices

**JES Josai**  
14 offices

**Japan Elevator Parts**  
7 offices

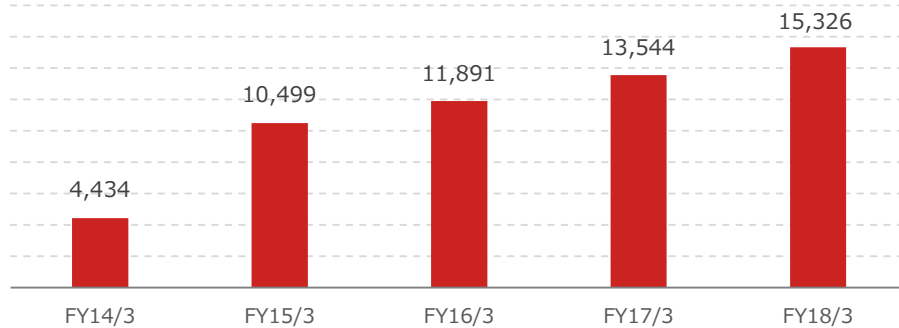
**JES Kanagawa**  
16 offices

**JES Tokai**  
4 offices

**JES Kansai**  
4 offices

## Net sales

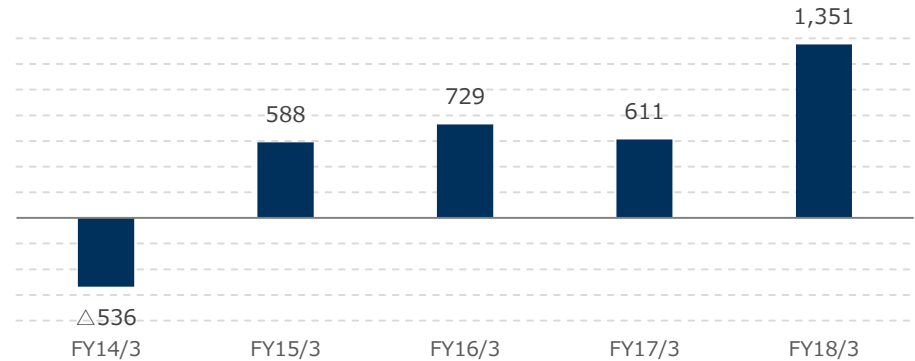
(Million yen)



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## Operating income

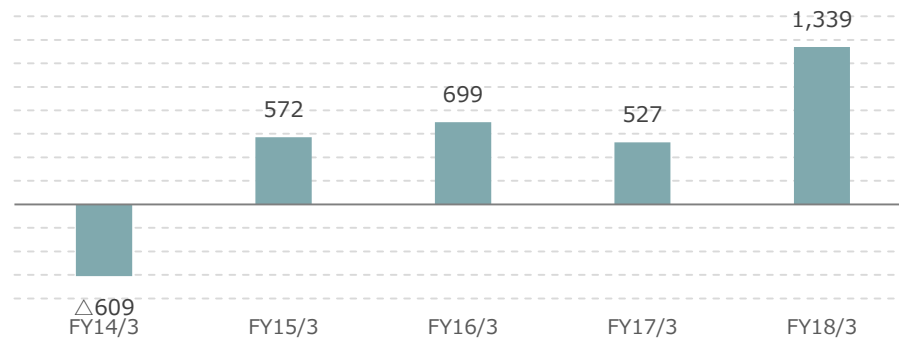
(Million yen)



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## Ordinary income

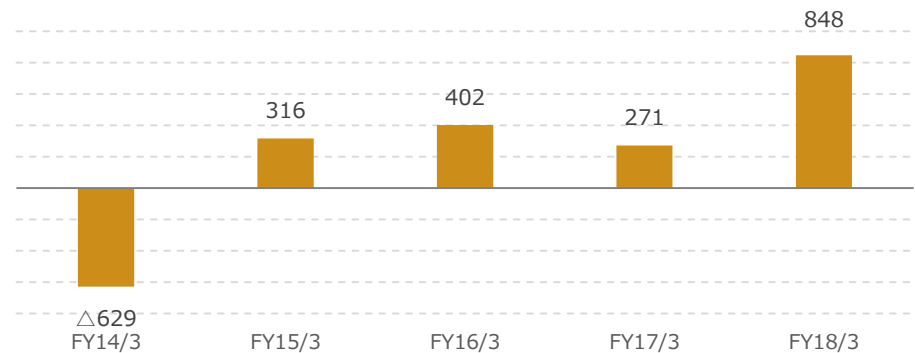
(Million yen)



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## Net income attributable to owners of the parent

(Million yen)

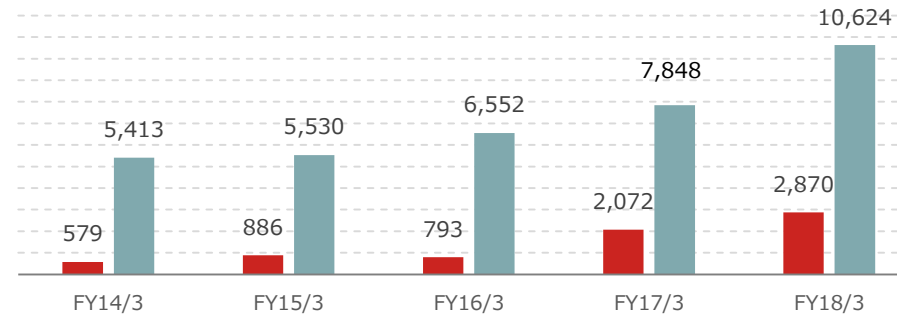


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## Net assets / total assets

(Million yen)

■ Net assets ■ Total assets

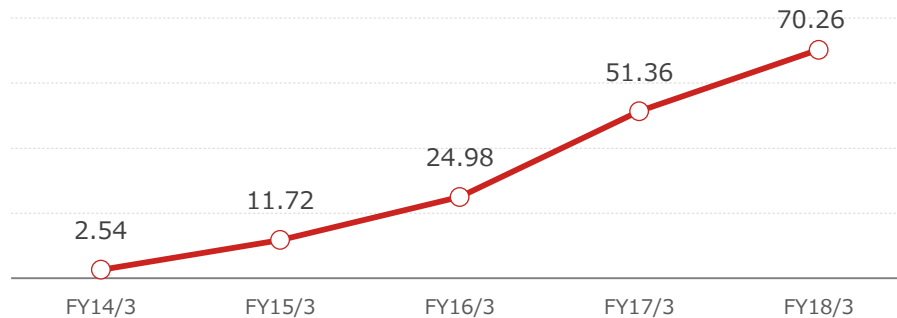


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## Net assets per share

(Yen)



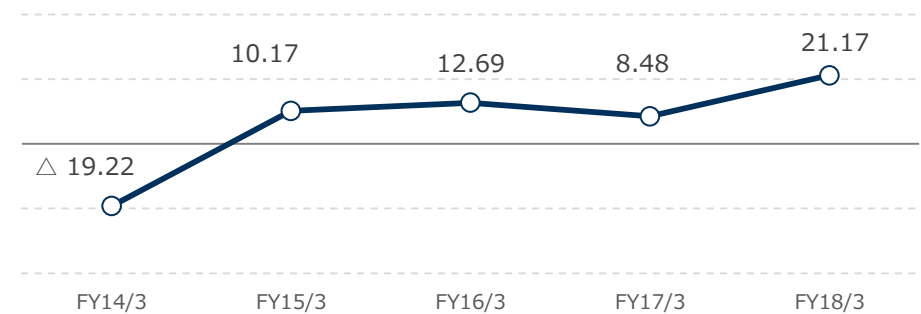
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Note 3: Two-for-one stock split of its common shares was conducted on Oct.1,2018.Figures are considered this stock split.

## Net income per share

(Yen)



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- 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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- These risks and uncertainties include general industry and market conditions, as well as general domestic and international economic conditions, such as changes in interest rates and exchange rates
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