



SINKO INDUSTRIES LTD. (TSE Prime Market
Stock Exchange Code: 6458)

Financial Results Briefing for the Fiscal Year Ended
March 31, 2024

June 10, 2024

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I. Financial results for the fiscal year ended March 31, 2024

Summary of Financial Results



- Full-year results for the fiscal year ended March 31, 2024:
Net sales of 51.9 billion yen, operating profit of 8.6 billion yen (compared to the initial plan: sales up 11.7%, operating profit up 36.9%)
- The favorable environment continued, with investments focused on industrial air conditioning continuing as manufacturing bases returned to Japan, and investments in data centers expanding in anticipation of the expansion of AI and cloud services
- The Group's net sales grew significantly due to the implementation of sales measures targeting five key targets, including industrial and data center use, as well as the expansion of air conditioning installation work. Operating profit increased significantly, mainly in Japan, due to efforts to improve the added value of products and services, as well as price revisions
- We made upward revisions to the results forecast for the fiscal year ended March 31, 2024, and increased the dividend from the initial forecast of 60 yen per share to 105 yen
- We made upward revisions to the targets of the new Medium-term Management Plan "move.2027" (fiscal year ending March 31, 2025 – fiscal year ending March 31, 2027)
- We promoted management that focuses on the cost of capital and return on capital, improved profitability in existing markets, and ventured into new markets, while at the same time strengthening shareholder returns and making proactive strategic investments to achieve sustainable growth

Consolidated Statements of Income

- Net sales were 51.9 billion yen, up 15.9% year-on-year, and operating profit was 8.6 billion yen, up 43.8% year on year
- Revenue and profit increased in both the domestic and Asian markets. Profit grew mainly in the domestic business, and Asia turned profitable

(Unit: millions of yen, %)

	FYE 2023/3		FYE 2024/3			
	Amount	Composition ratio	Amount	Composition ratio	YoY	
					Change	Rate of change
Net sales	44,805	100.0	51,943	100.0	7,138	15.9
Japan	38,634	86.2	44,426	85.5	5,792	15.0
Asia	6,170	13.8	7,517	14.5	1,347	21.8
Operating profit	5,998	13.4	8,627	16.6	2,629	43.8
Japan	6,018	13.4	8,448	16.3	2,430	40.4
Asia	(68)	(0.2)	135	0.3	203	-
Ordinary profit	6,540	14.6	9,120	17.6	2,580	39.4
Profit attributable to owners of parent	4,514	10.1	6,580	12.7	2,066	45.8
ROE	8.5%		11.3%			+2.8pt
Capital investment	1,892		3,268		1,376	72.7
Depreciation	1,036		1,320		284	27.4

- Net sales increased significantly due to the expansion of domestic industrial air conditioning and air conditioning installation work, projects in China whose delivery dates were delayed from the end of the previous fiscal year to this fiscal year, and the impact of the weak yen
- In addition to efforts to increase the added value of products and services, price revisions also had an effect, leading operating profit and below to increase by approximately 40% year on year
- ROE was 11.3%, achieving the new management indicator of “10% or more” set forth in the new Medium-term Management Plan “move.2027”

Net Sales by Business

- We operate mainly in Japan, but also with production and sales bases in China and Taiwan. China is our largest overseas market, and other markets are operated mainly through agents

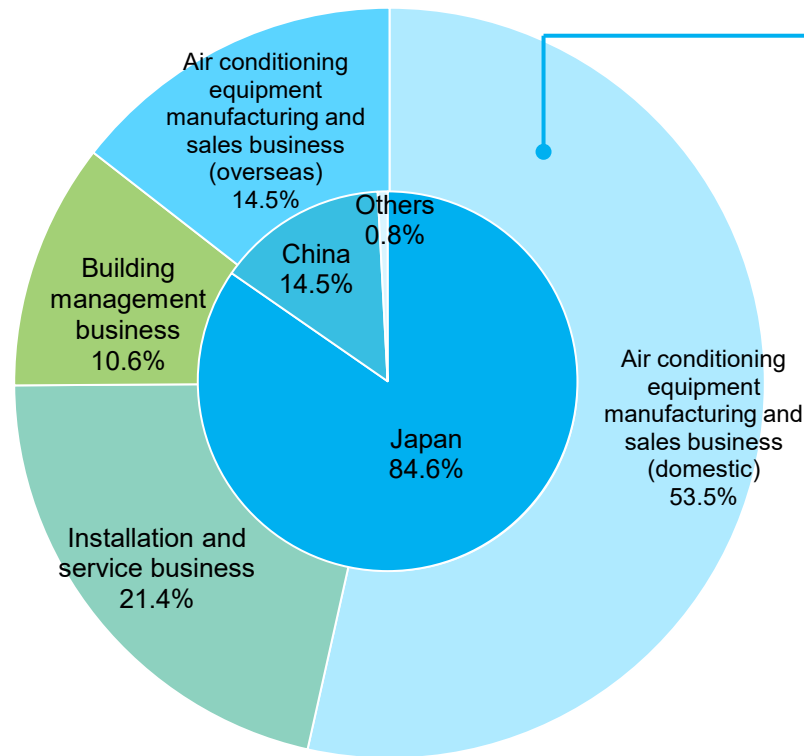
Sales Composition (Consolidated: 51.9 billion yen for the fiscal year ended March 31, 2024)

- Air conditioning equipment manufacturing and sales business
 - SINKO INDUSTRIES LTD.
 - BAC JAPAN CO., LTD.
 - Shanghai SINKO Air Conditioning Equipment Co., Ltd.
 - SINKO Air Conditioning (H.K.) Limited
 - Taiwan SINKO Kogyo Co., Ltd.



AHU / FCU / heat pump AHU / ice thermal storage

- Installation and service business
 - SINKO ATMOS CO., LTD.
- Building management business
 - CHIYODA BLDG. KANZAI CO., LTD.

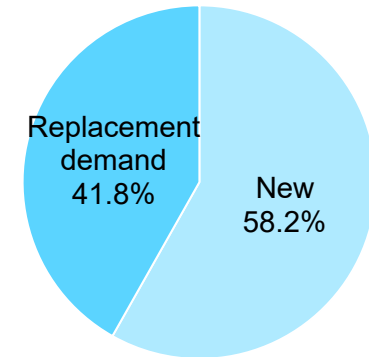


Source: the Company's results

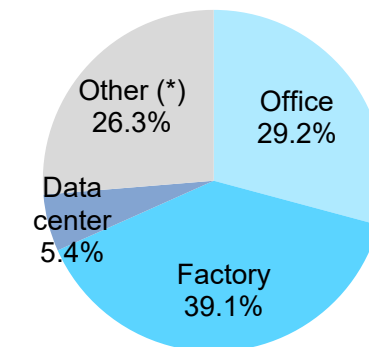
*The outer circle represents net sales categorized by business type and location of seller, while the inner circle represents net sales categorized by customer location

Of which, SINKO INDUSTRIES alone (breakdown)

By new and replacement demand



By application

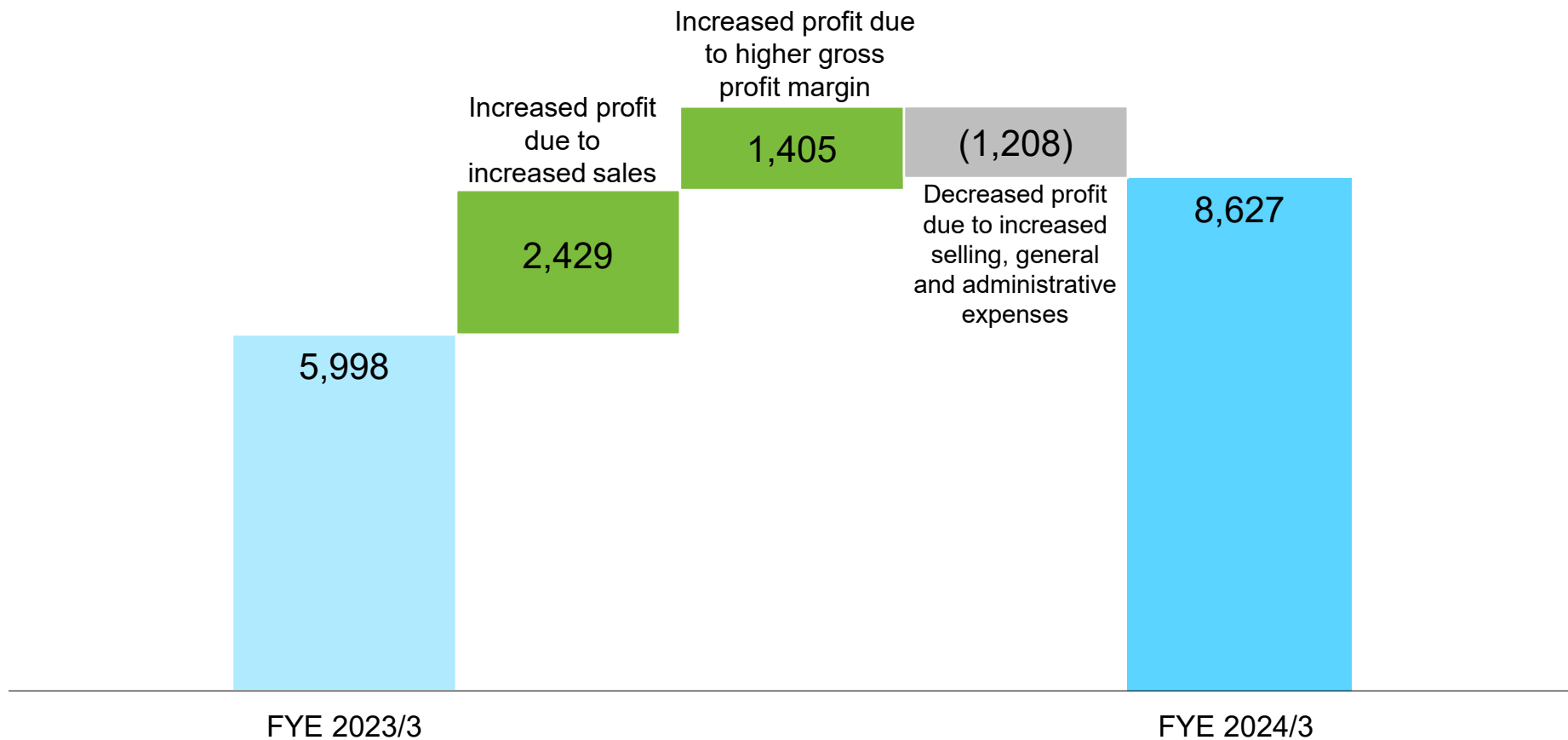


(*) Includes medical and welfare, education, accommodations, stations, airports, etc.

Factors for Changes in Operating Profit

- The increase in profit due to the increase in sales was approximately 2.4 billion yen, the increase in profit due to the increase in the gross profit margin was approximately 1.4 billion yen, and the decrease in profit due to the increase in other selling, general and administrative expenses such as personnel and logistics expenses was approximately 1.2 billion yen. Total profit increased by 2.6 billion yen year on year. The increase in the gross profit margin was due in part to efforts to improve the added value of products and services, as well as the effect of price revisions

(Unit: millions of yen)

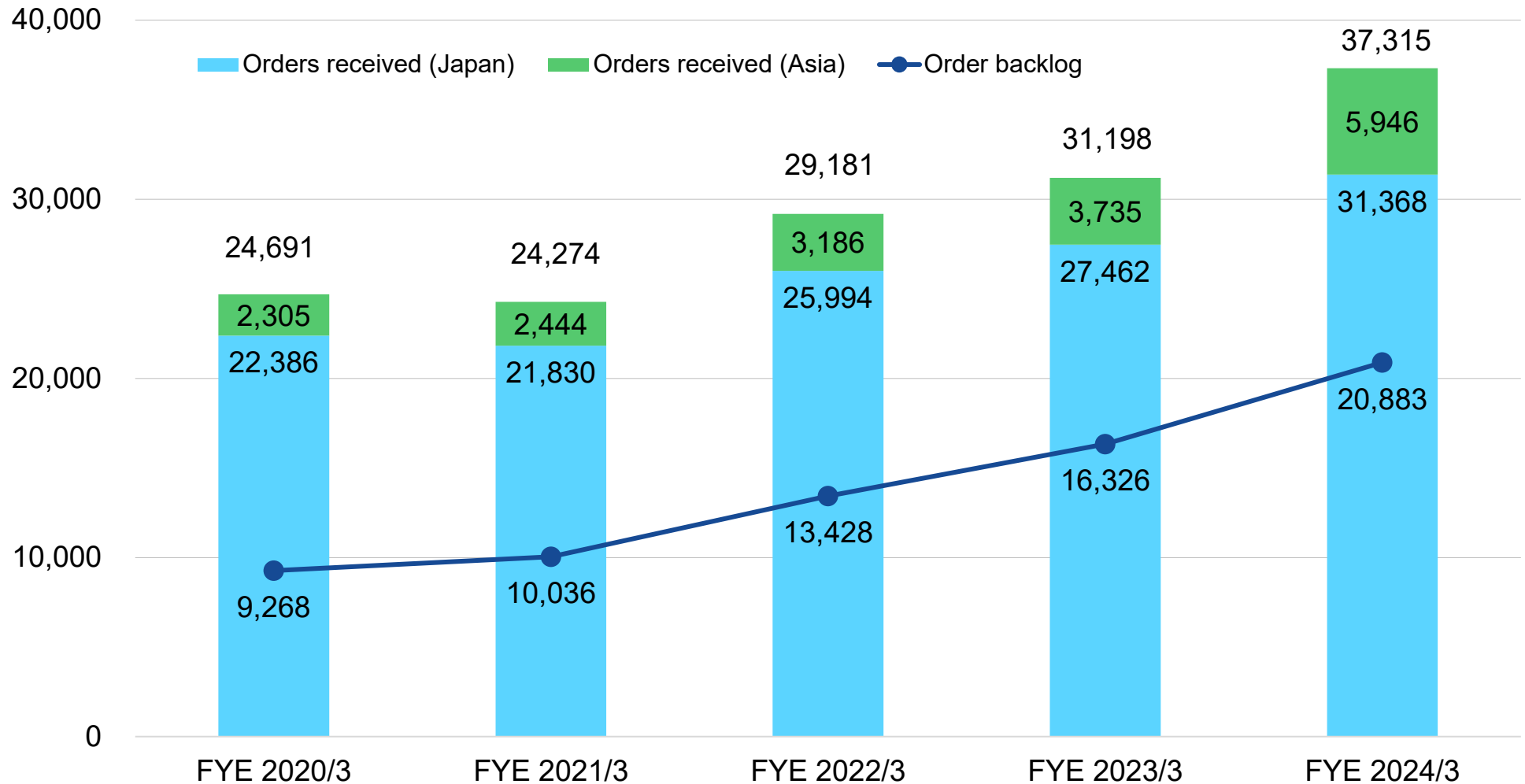


Trends in Orders Received and Order Backlog

- Orders received for industrial air conditioning projects in Japan and public infrastructure projects in China increased significantly, and order backlog also increased significantly

(Orders received: millions of yen)

(Order backlog: millions of yen)

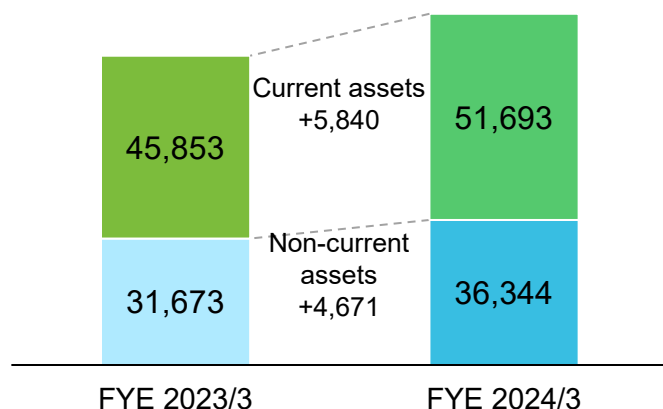


Consolidated Balance Sheets

- Cash and deposits and inventories increased due to increased revenue. Non-current assets increased due to capital investment, etc. Retained earnings increased by profit

Assets

(Unit: millions of yen)

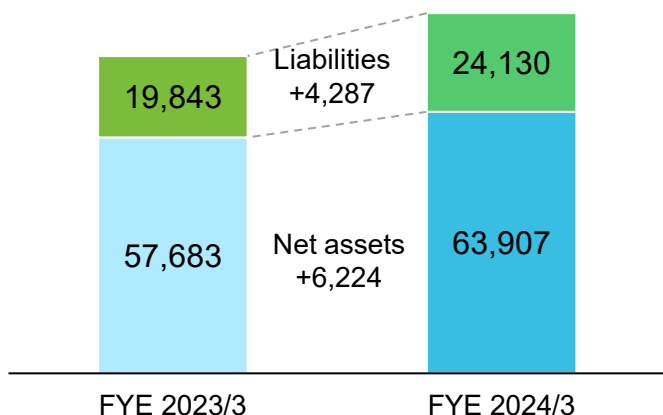


(Unit: millions of yen)

	FYE 2023/3	FYE 2024/3	Change
Current assets	45,853	51,693	5,840
Cash and deposits	14,332	17,735	3,403
Notes and accounts receivable - trade	17,077	18,593	1,516
Inventories	3,384	3,700	316
Non-current assets	31,673	36,344	4,671
Property, plant and equipment	17,229	19,076	1,847
Intangible assets	959	1,097	138
Investments and other assets	13,484	16,170	2,686
Total assets	77,526	88,038	10,512

Liabilities/Net Assets

(Unit: millions of yen)



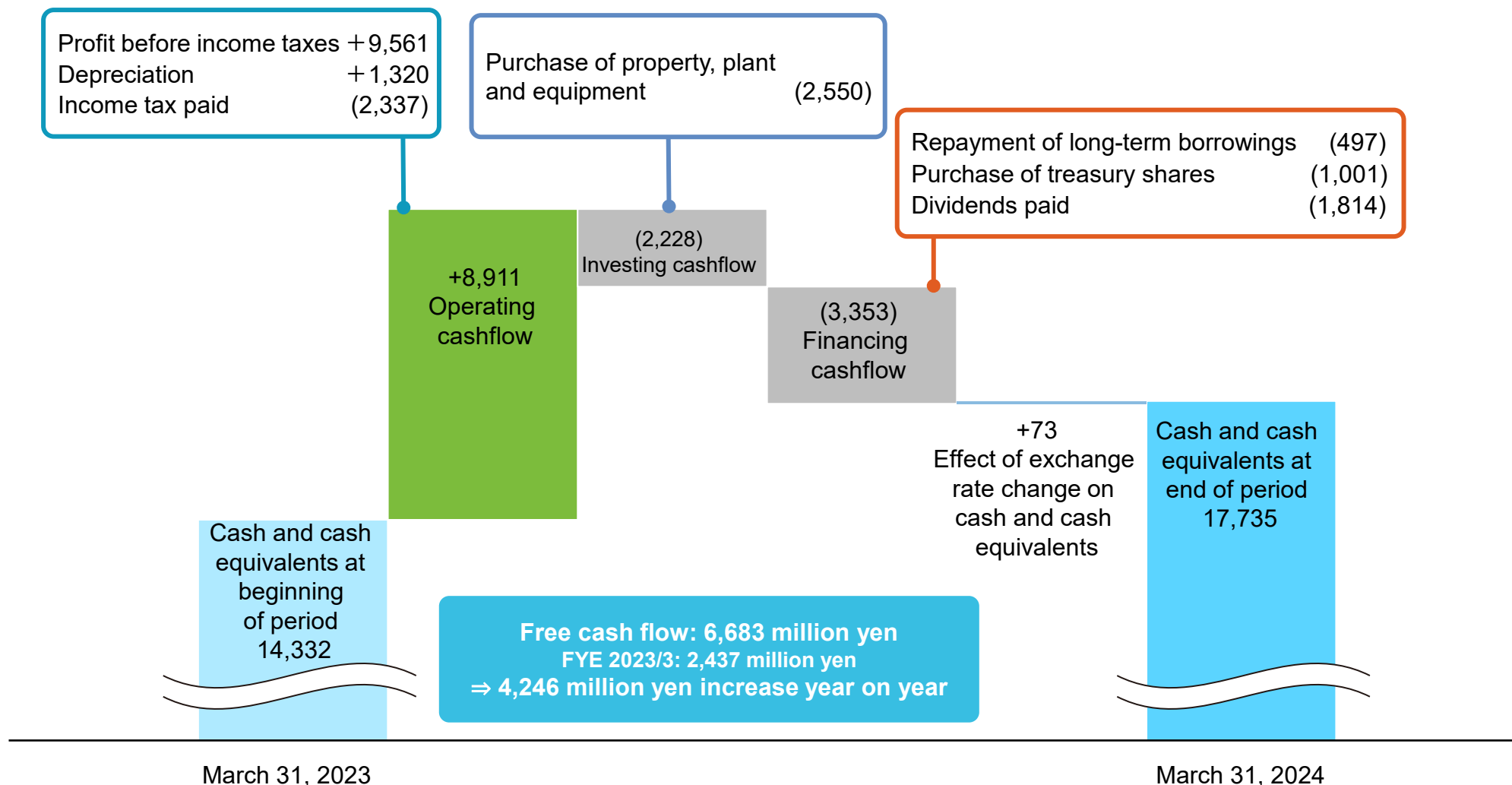
Total liabilities	19,843	24,130	4,287
(Interest-bearing debts balance)	3,132	2,594	(538)
Total net assets	57,683	63,907	6,224
Total liabilities and net assets	77,526	88,038	10,512

(Unit: %)

Equity ratio	71.1	69.4	(1.7)pt
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Consolidated Statements of Cash Flows

- Operating cashflow increased significantly mainly due to the recording of profit. Although the amount of treasury shares purchased and dividends paid increased, cash and cash equivalents at the end of the period increased



II. Financial results forecast for the fiscal year ending March 31, 2025

Consolidated Statements of Income



- Taking the current business environment into account, we expect net sales of 54.0 billion yen and operating profit of 9.1 billion yen for the full fiscal year ending March 31, 2025

(Unit: millions of yen, %)

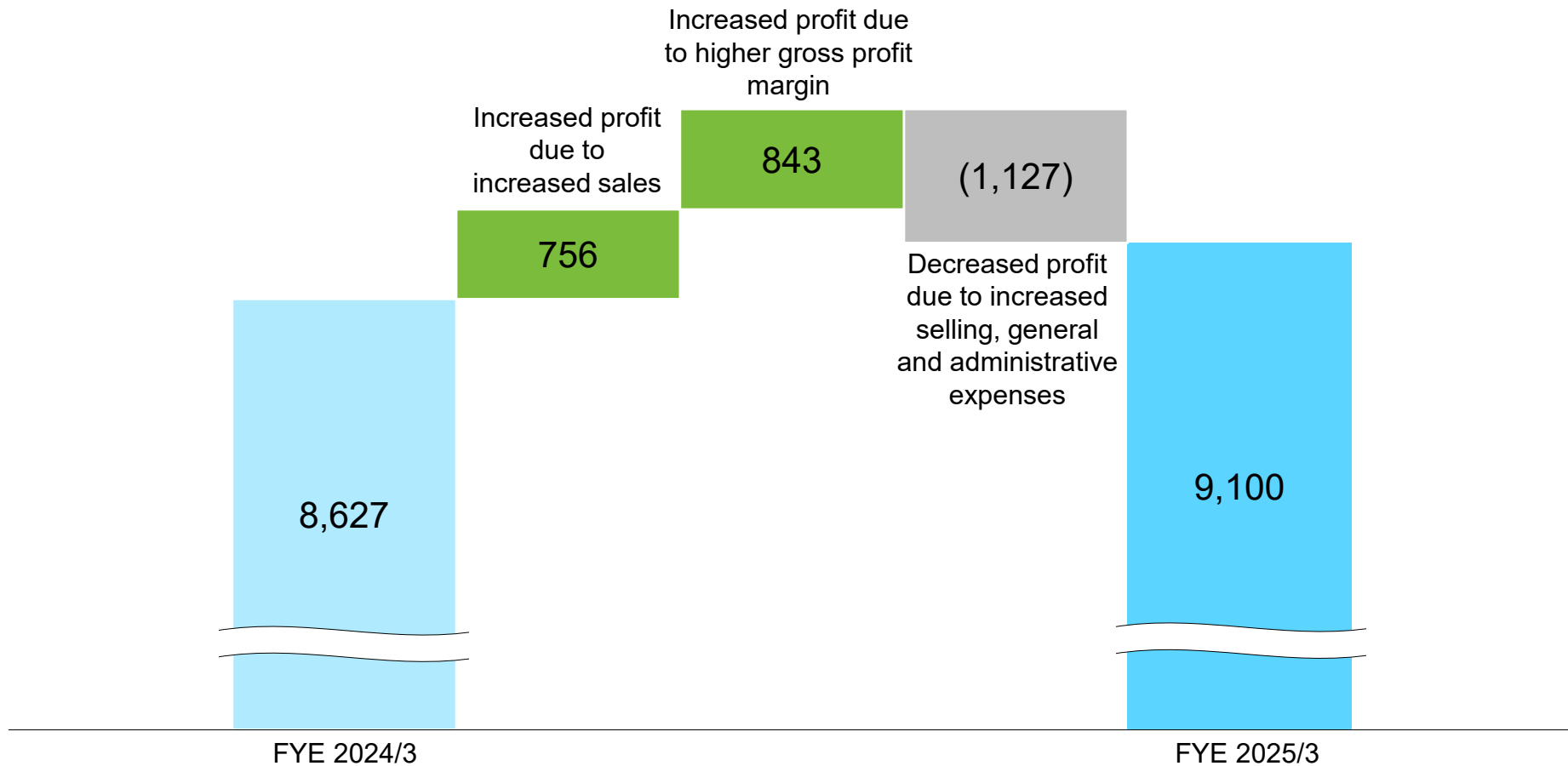
	FYE 2024/3		Results forecast for FYE 2025/3			
	Amount	Composition ratio	Amount	Composition ratio	YoY	
					Change	Rate of change
Net sales	51,943	100.0	54,000	100.0	2,057	4.0
Japan	44,426	85.5	46,000	85.2	1,574	3.5
Asia	7,517	14.5	8,000	14.8	483	6.4
Operating profit	8,627	16.6	9,100	16.9	473	5.5
Ordinary profit	9,120	17.6	9,500	17.6	380	4.2
Profit attributable to owners of parent	6,580	12.7	6,800	12.6	220	3.3
Basic earnings per share (yen)	265.11		274.86		9.75	3.7
Capital investment	3,268		3,900		632	19.3
Depreciation	1,320		1,550		230	17.4

- Demand is expected to remain strong, mainly for industrial air conditioning in factories, research facilities, data centers, etc.
- Based on the new Medium-term Management Plan “move.2027,” the Japan segment will focus on expanding sales in the data center air conditioning market, heat pump market, and air conditioning installation market, as well as developing new markets using cooling tower
- In the Asia segment, we will implement sales strategies aimed at differentiating our products and services from competitors, mainly in China, and thoroughly reduce costs

Factors for Changes in Operating Profit

- Although increases in labor and logistics expenses as well as increases in costs associated with capital investment are expected, profit is expected to increase year on year due to increased revenue and improved gross margin ratios

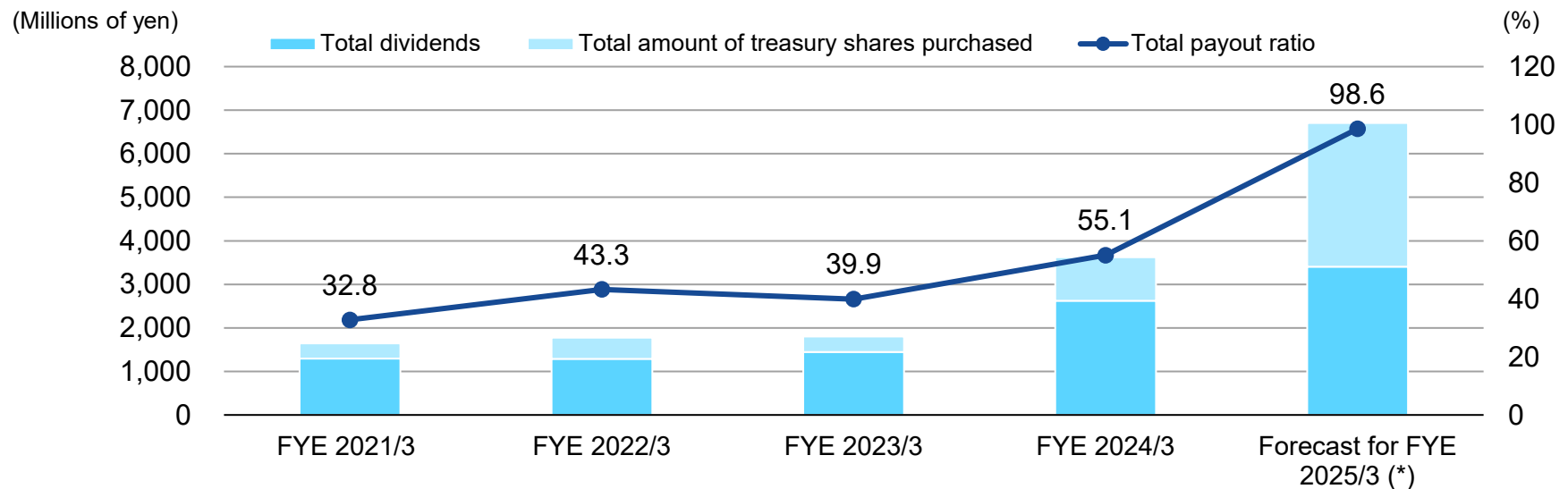
(Unit: millions of yen)



Shareholder Returns

- In addition to targeting a payout ratio of 50% (DOE lower limit of 3.5%) in the new medium-term plan, we plan to purchase treasury shares worth 10.0 billion yen over the next five years in order to significantly strengthen shareholder returns. A dividend of 135 yen per share is planned for the fiscal year ending March 31, 2025

Trends in total payout ratio



Basic earnings per share (yen)	194.25	159.12	178.62	265.11	274.86
Dividend per share (yen)	50.00	50.00	57.00	105.00	135.00
Payout ratio (%)	25.7	31.4	31.9	39.6	49.1
Total payout ratio (%)	32.8	43.3	39.9	55.1	98.6

*If dividends are paid as expected and treasury shares are acquired at the full amount of 3.3 billion yen, the upper limit of the repurchase resolved on May 14, 2024

Shareholder benefits

	Number of shares held	Benefits
Held for one year or more	100 shares or more but less than 1,000 shares	Book gift card worth 1,000 yen
	1,000 shares or more	Gift voucher worth 5,000 yen

III. Progress of the new Medium-term Management Plan “move.2027”

III. Progress of the new Medium-term Management Plan “move.2027”

Upward Revision of Management Targets

*Revised targets are indicated in red

- Taking the current business environment into account, the policies of “move.2027” remain unchanged, but the targets for consolidated net sales and operating profit have been revised upwards
- ROE has been newly set as a key indicator. We aim to achieve a PBR of 1x or higher through management that is conscious of return on capital and cost of capital
- We aim for sustainable growth by implementing active strategic investments in addition to a major enhancement of shareholder returns and a bold review of capital structure

Management Targets (move.2027)

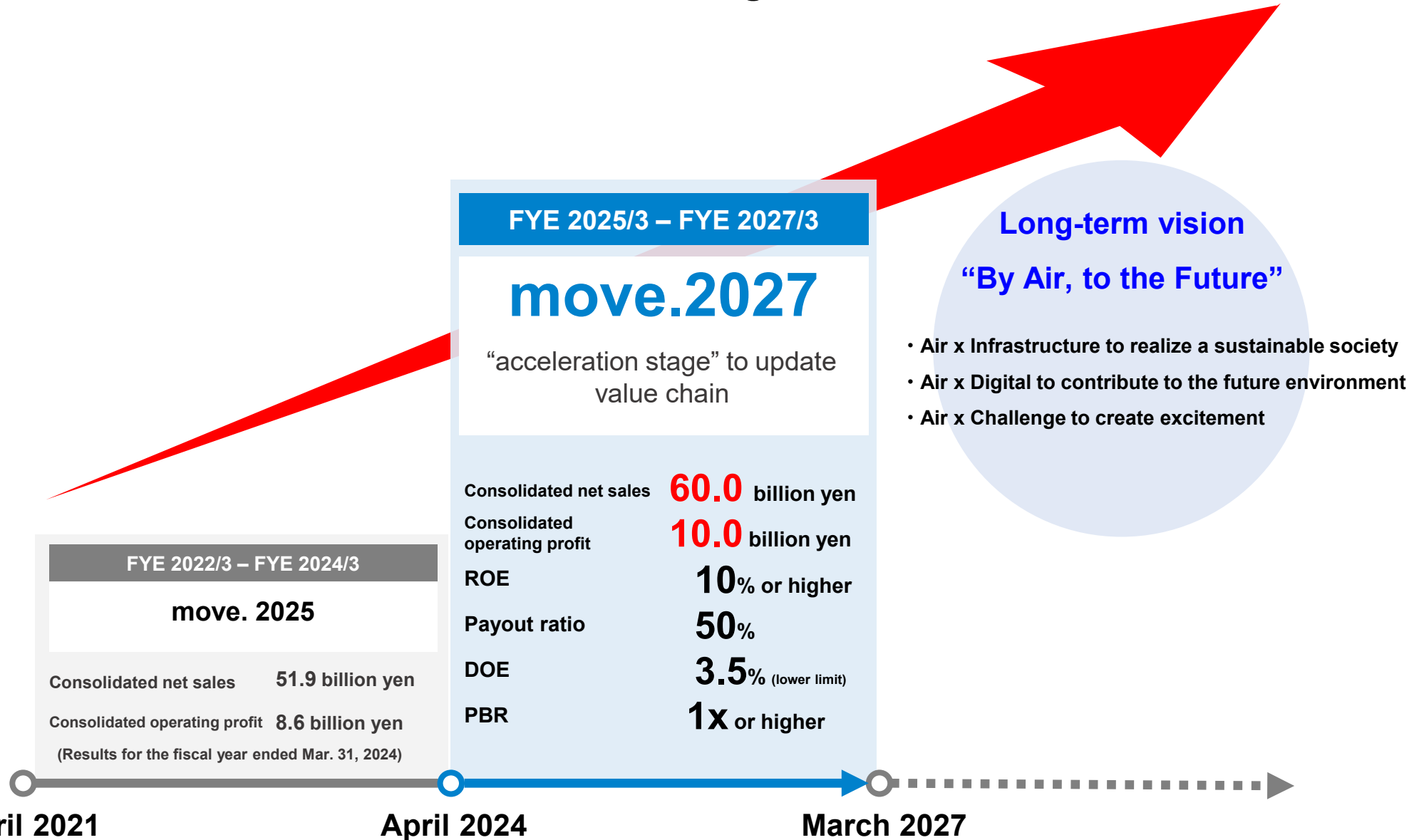
Item	Indicator	FYE 2023/3 (Results)	FYE 2024/3 (Results)	FYE 2027/3	
				(Original targets)	(Revised targets)
Results	Net sales	44.8 billion yen	51.9 billion yen	56.0 billion yen	60.0 billion yen
	Operating profit	6.0 billion yen	8.6 billion yen	8.6 billion yen	10.0 billion yen
	Profit	4.5 billion yen	6.5 billion yen	6.1 billion yen	7.0 billion yen
Return on capital Capital structure	ROE	8.5 %	11.3 %	10.0 % or higher	10.0 % or higher
	Equity ratio	71.1 %	69.4 %	Aim for 60%-plus level	Aim for 60%-plus level
Shareholder returns	Payout ratio	31.9 %	39.6 %	50.0%	
	DOE	2.7 %	4.5 %	3.5% (lower limit)	
	Share repurchases	0.55 billion yen	1.00 billion yen	(5 years)	Upper limit 10.0 billion yen 5 million shares
Investment	Strategic investments	1.86 billion yen	3.26 billion yen	Medium-term Management Plan period (3 years) Total: 13.5 billion yen or more¹	

Note 1: Includes M&A investments (3.0 billion yen)

move.2027 as an Acceleration Stage

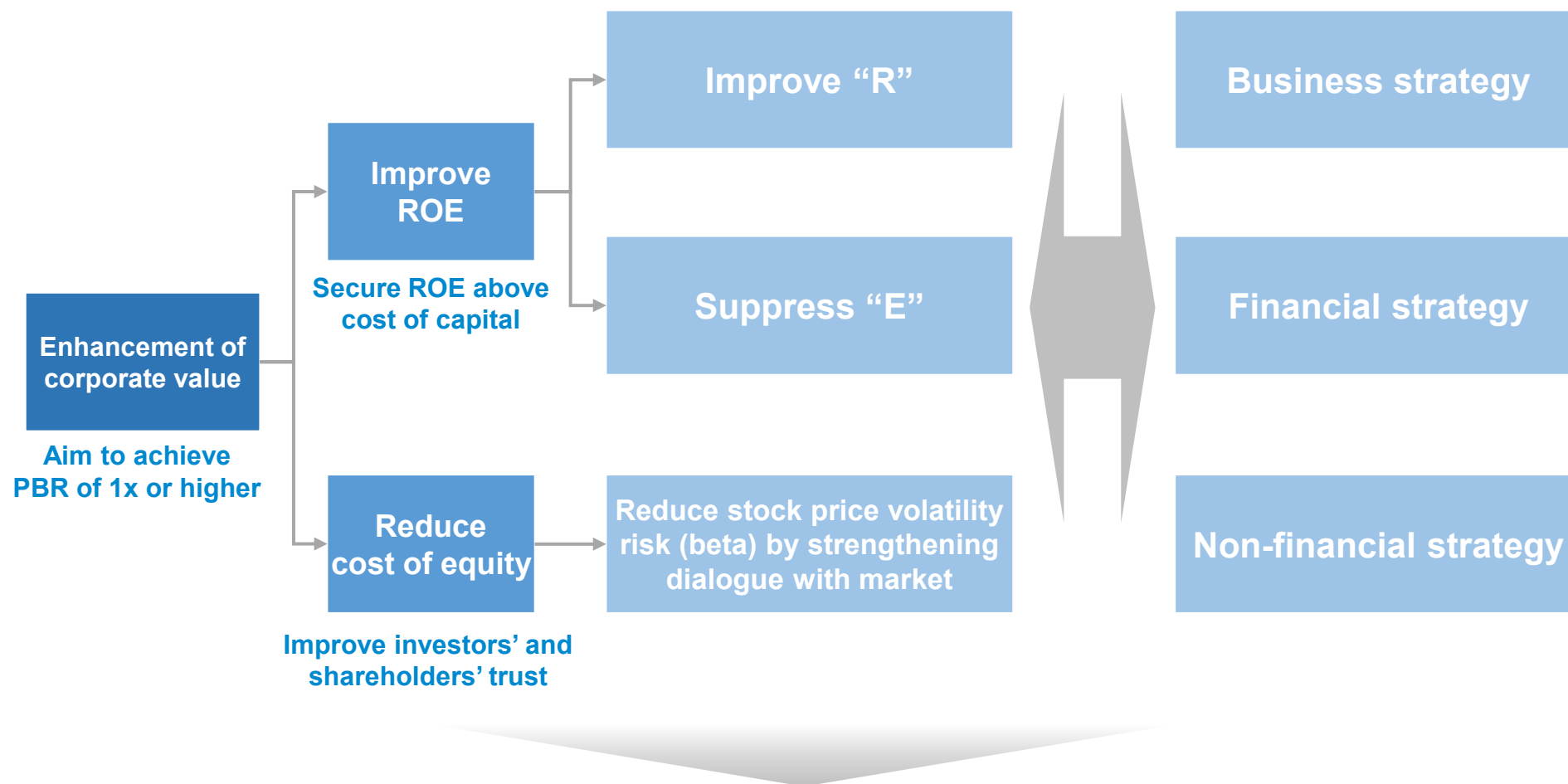
*Revised targets are indicated in red

- Approach move.2027 as an “acceleration stage”



Toward Enhancement of Corporate Value

Policies for Enhancement of Corporate Value



**Aim to achieve enhancement of corporate value (PBR of 1x or higher)
by improving ROE and reducing cost of equity**

Vision, Strategies, and Targets of “move.2027”

*Revised targets are indicated in red

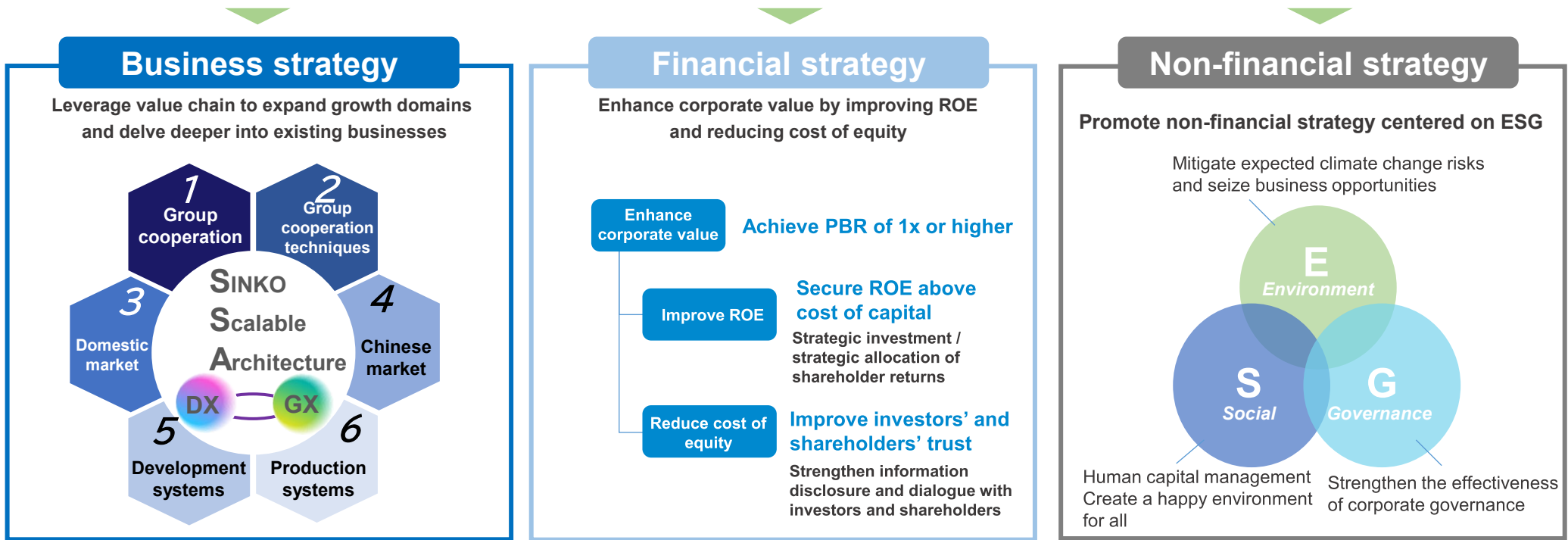
Vision of “move.2027”

Quantitative targets

Consolidated net sales **60.0 billion yen**
 Consolidated operating profit **10.0 billion yen**

Qualitative targets

- Continue to lead the industry with best-performing AHU
- Achieve capital cost management to enhance corporate value
- Further promote and deepen ESG initiatives

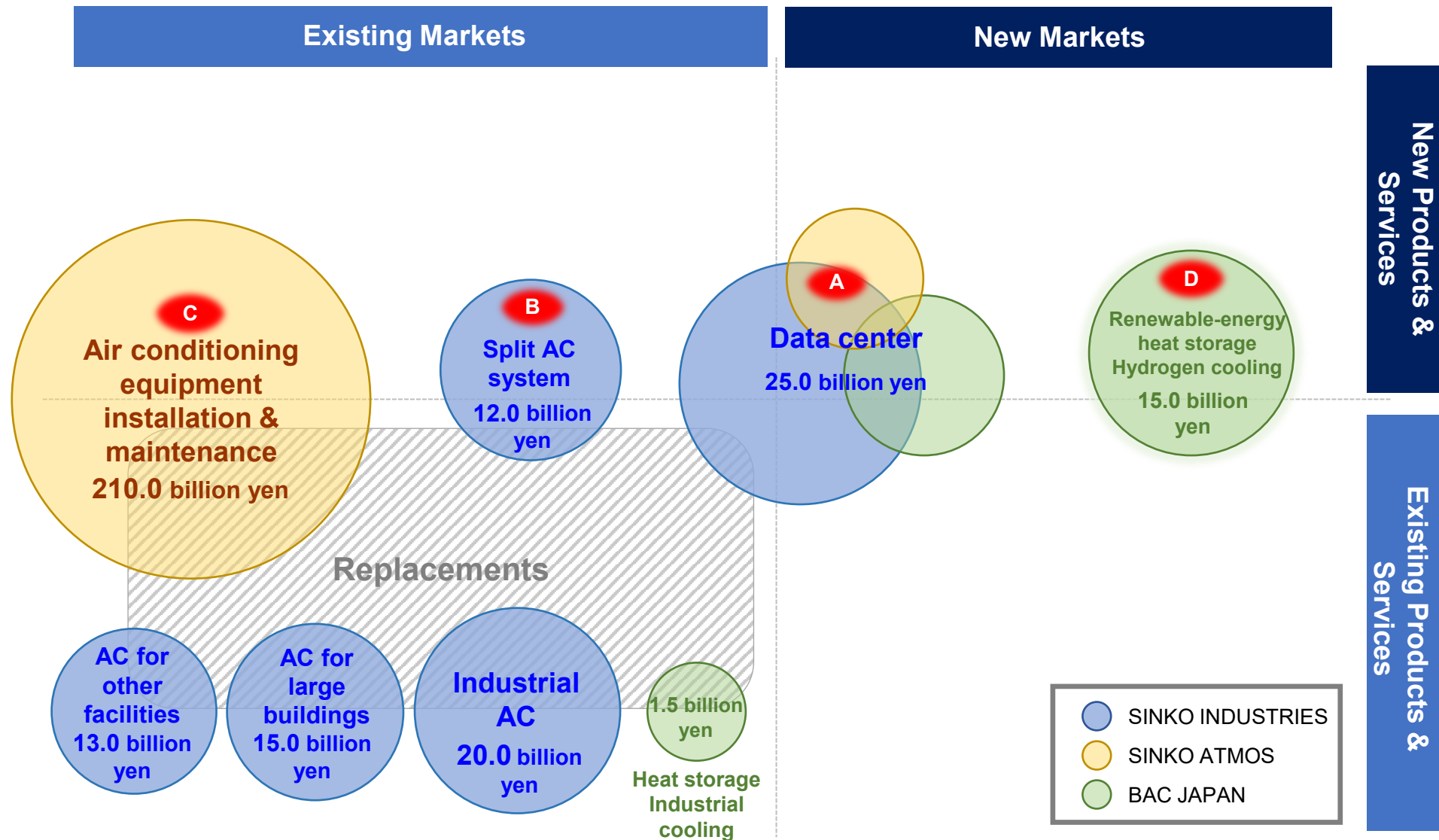


Performance figures	Consolidated net sales	2023/3 44.8 billion yen	➤	2027/3 60.0 billion yen	Shareholder returns	Payout ratio	2023/3 31.9%	➤	2027/3 50.0%
	ROE	2023/3 8.5%	➤	2027/3 10% or higher		DOE	2023/3 2.4%	➤	2027/3 3.5% (lower limit)

Medium-term Business Strategy Target Markets

- Starting with expansion of existing markets and products, we aim to extend business into new domains where market growth is expected

Market Size Matrix for Domestic Air Conditioning-related Domains (Envisaged size in FYE 2027/3)



Progress of Major Group Market Strategy

*Revised targets are indicated in red



- Starting with expansion of existing markets and products, we aim to increase Group revenue by extending business domains into new markets and products

Group Market Strategy Targets

Main Themes of Group Market Strategy	Group Sales				Group's Aims	Progress as of March 2024
	FYE 2023/3 Results	FYE 2024/3 Results	FYE 2027/3			
			Original targets	Revised targets		
Data center	2.0 billion yen	2.2 billion yen	4.0 billion yen	5.5 billion yen	<ul style="list-style-type: none"> Leverage SINKO Group value chain to make total products + services proposals Offer stable operation and environmental value 	<ul style="list-style-type: none"> Although the increase was slight compared to the fiscal year ended March 31, 2023, we steadily built up results and focused on promising targets where we can demonstrate our strengths
Split AC system	2.0 billion yen	2.1 billion yen	3.0 billion yen	3.0 billion yen	<ul style="list-style-type: none"> Ocoogeo (all-in-one HP-AHU) Development and sale of HP-AHU compatible with new low-GWP refrigerants 	<ul style="list-style-type: none"> Starting in April 2024, we launched a specialized department for HP-AHU sales and promoted integrated proposals for air conditioning systems, installation, and services
Air conditioning equipment installation and maintenance	10.0 billion yen	11.1 billion yen	10.8 billion yen	12.6 billion yen	<ul style="list-style-type: none"> Actively expand post-installation downstream offerings, e.g. service packages, regular inspection packages Expand electrical work related to maintenance and replacement of air conditioning units 	<ul style="list-style-type: none"> Demand for air conditioning equipment installation and maintenance remained high
Renewable-energy heat storage Hydrogen cooling	-	-	0.7 billion yen	0.7 billion yen	<ul style="list-style-type: none"> Thermal storage system for renewable energy Develop market for high-spec cooling systems for hydrogen production processes, etc. 	<ul style="list-style-type: none"> Stepping stone to a promising new market

Revenue increase from expansion of business domains into new markets and products

+7.8 billion yen

Deliver Reliability and Satisfaction to Customers

- In the industrial air conditioning and data center air conditioning markets, the reliability and environmental performance of products are crucial. For example, by conducting development that aims for the industry’s highest standards of environmental performance for our products, we will aim to raise the value sensed by customers to increase our revenue

Value Enhancement Policy to Capture Markets

Common elements of value demanded by target markets



High environmental value



Higher building value



Highly reliable operation



Enriched services

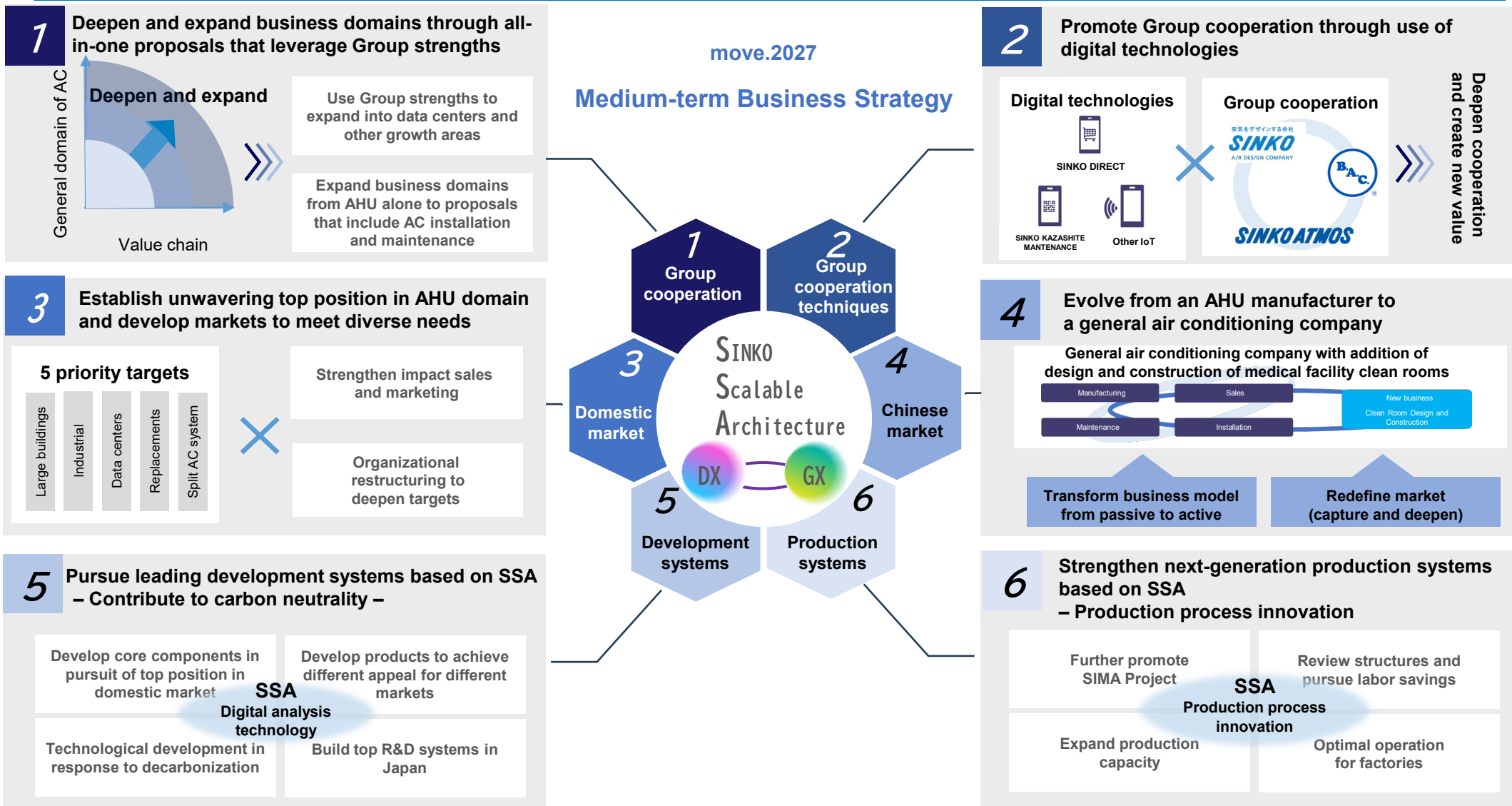
Policy for raising value sensed by customers

- Achieve and deliver industry’s highest standards of environmental performance
- Pursue top quality to support stable operation and deliver reliability to customers
- Raise value of buildings through provision of air conditioning expertise
- Increase customer convenience through release of new services
- Deliver higher level of installation services through expansion of air conditioning installation systems
- Offer products that meet demands for energy storage and hydrogen cooling

Overview of Business Strategy

Business Strategy

Leverage value chain to expand growth domains and delve deeper into existing businesses

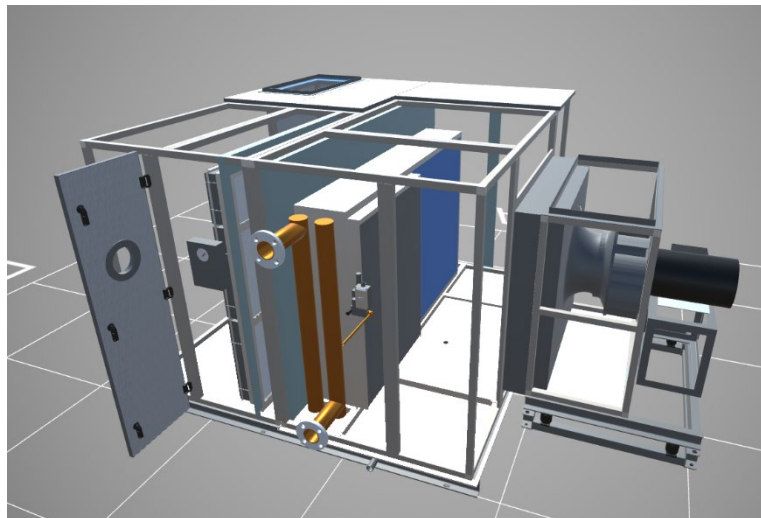


Topics: SIMA Project – Release of “New Design Systems”

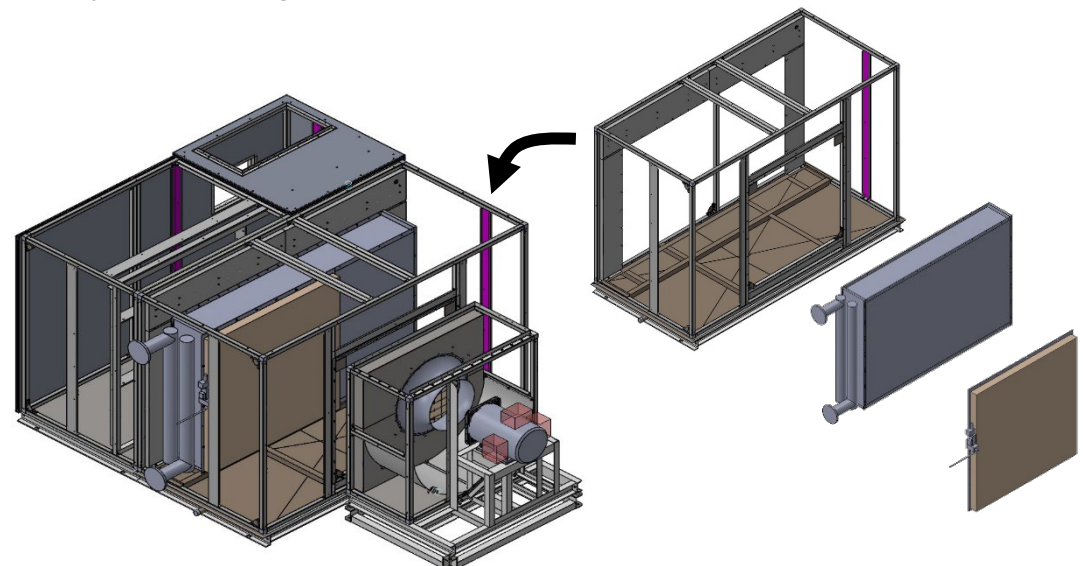
- Through the SIMA (SINKO Innovative Manufacturing of AHU) Project, we will digitalize operations in order to move away from a labor-intensive production system and evolve into a next-generation make-to-order production system, and build new manufacturing and sales systems

Beginning of operation of “New Design Systems”

- Visualizes from an early stage the requirements of each site with 3D images, promotes structural understanding by designers and expands the scope of automatic design, thereby improving both accuracy and speed
- Realizes consistent data linkage from design-to-order to production design development drawings and processing machine data linkage
- We plan to start with standard AHUs and gradually expand in the future. We will create a system that can quickly respond to the design specification needs of each site and provide optimal solutions.
- The SIMA Project aims to bring about revolutionary changes to the production process through a new approach that is not bound by traditional frameworks. Going forward, we will continue to actively promote digitalization and accelerate innovation.



<New design system for design to order>
AHU specifications and performance functional design



<New design system for production design>
Linking development drawings and processing machine data for production

Digital Marketing Initiatives – Release of SINKO DIRECT

SINKO DIRECT, which was officially released in April 2024, is a service that allows users to search and inquire about air conditioners online in a way that is similar to how one would search for restaurants and accommodations

You can easily search for potential equipment using **keywords such as building use and air flow**, and you can also **make inquiries about prices and detailed information on selected products**. The data, which currently consists of more than 10,000 items, **will be updated regularly**

We will increase the value of buildings through the power of air conditioning, help customers reform their work styles, and bring new excitement to everyone involved in air conditioning

We will continue to **develop new customer experiences** through SINKO DIRECT

Use the QR code below to view the SINKO DIRECT explanatory video ↓



A tool to support customers' business, from air conditioner selection to quotation requests



Quickly search



Easily inquire



Suddenly be inspired



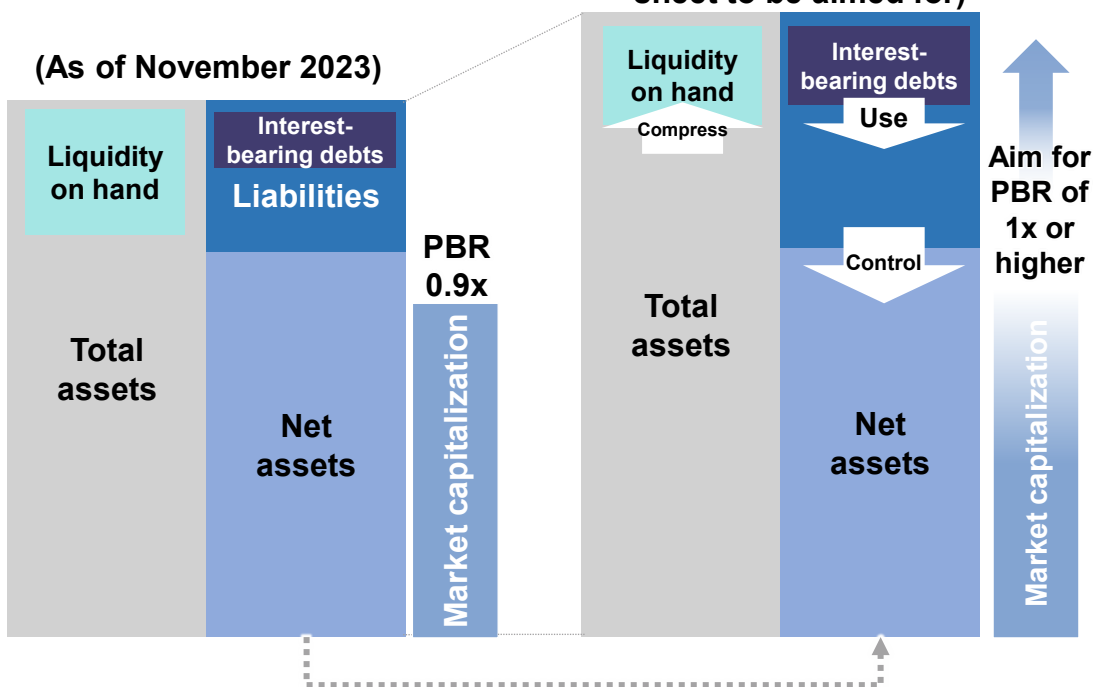
Overview of Capital and Financial Strategies

- Conduct bold review of liabilities and capital structure through the enhancement of shareholder returns and use of debt
- Operating cashflow and liquidity on hand to be put primarily toward strategic investments with the aim of sustainable profit growth

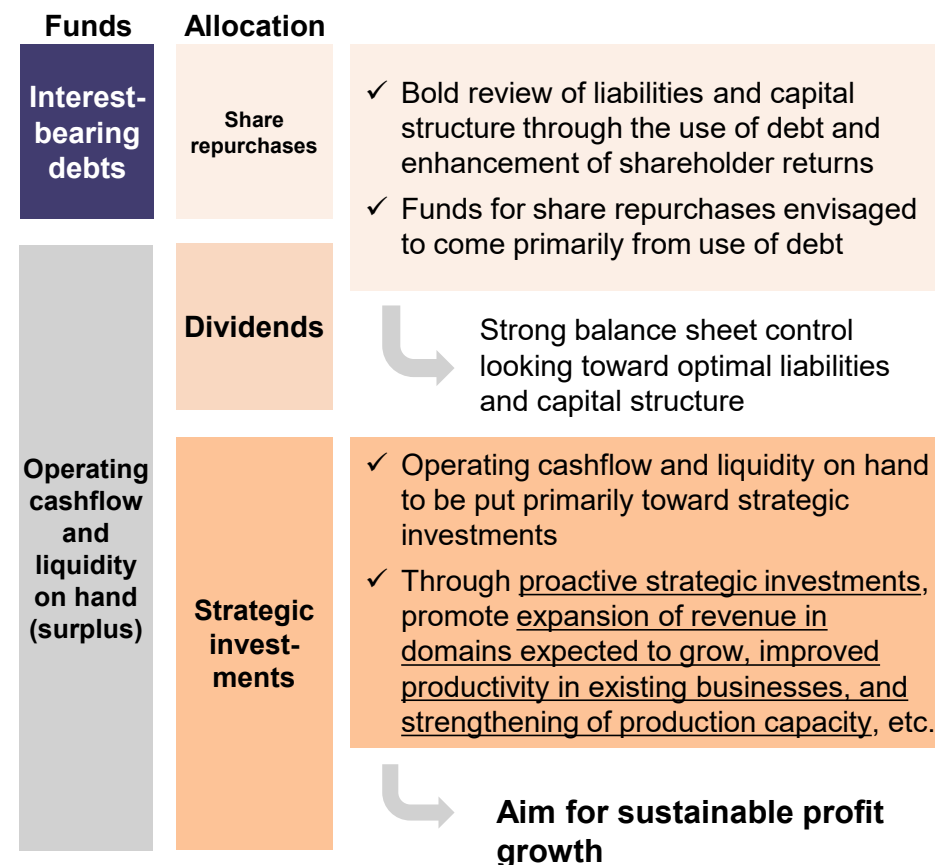
Overview of Capital and Financial Strategies

■ Visualization of balance sheet

(Visualization of balance sheet to be aimed for)



■ Visualization of cash allocation



Major enhancement of shareholder returns

- Share repurchases: Upper limits of 10.0 billion yen and 5 million shares over five years from FYE 2025/3 to FYE 2029/3
- Increased dividends: Payout ratio of 50%; DOE lower limit of 3.5%

Bold review of liabilities and capital structure through enhancement of shareholder returns and use of debt

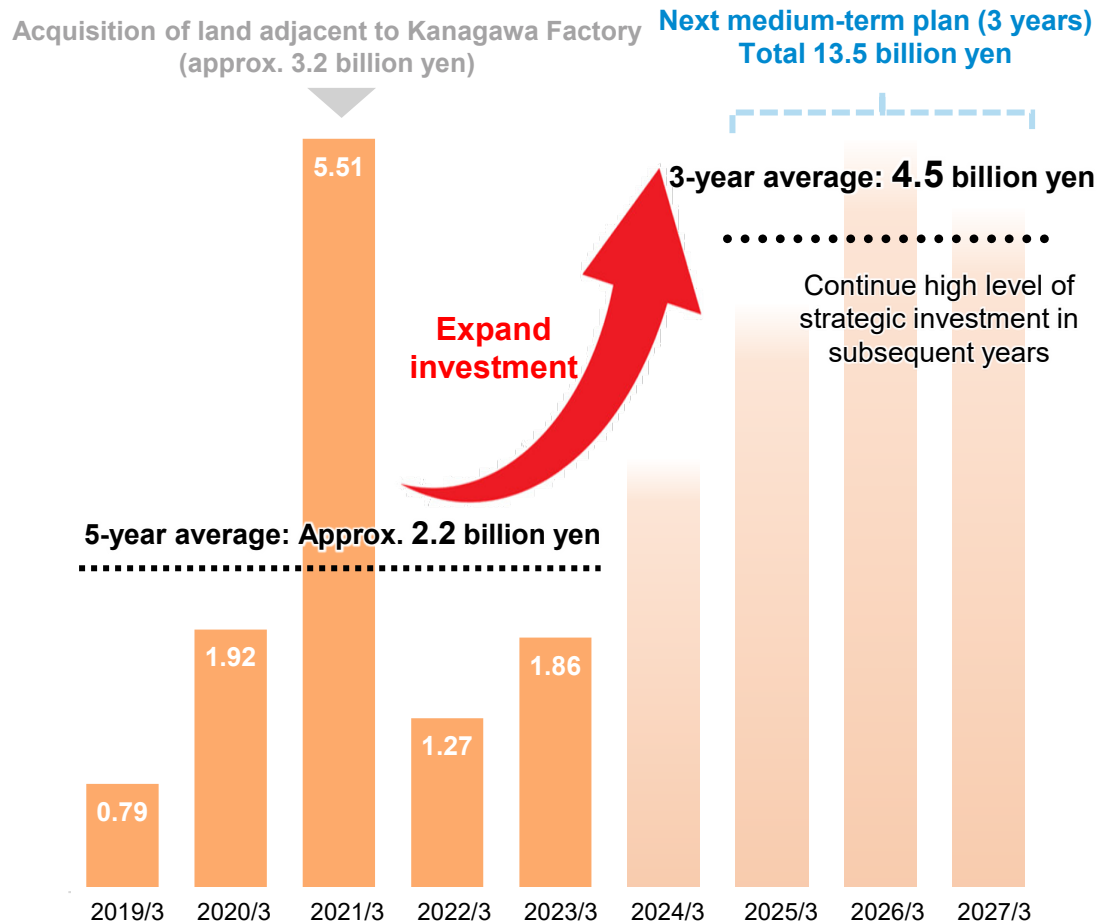
Operating cashflow and liquidity on hand to be put primarily toward strategic investments with the aim of sustainable profit growth

Investment Strategy

- Through proactive strategic investments, promote expansion of revenue in domains expected to grow, improved productivity in existing businesses, and strengthening of production capacity, etc.

Investment Strategy

Investment amounts (billion yen)



Growth domains & New business

4.8 billion yen – (Breakdown)
M&A investment: 3.0 billion yen
Investment in growth: 1.8 billion yen

Existing businesses & Strengthening foundations

8.7 billion yen – (Breakdown)
Strengthen production capacity: 6.5 billion yen
SIMA development: 0.9 billion yen
Capital investment: 0.8 billion yen

1 Related business strategy

3 Domestic market

- Invest in growth domains
 - Strengthening of development and sales systems for data center AC and heat pump AHU
 - M&A investments, etc. for expansion of new growth domains
- Develop new heat storage and hydrogen cooling markets
 - Energy storage systems for renewable energy
 - Development of market for high-spec cooling systems used in hydrogen manufacturing process, etc.

5 Development systems

- Pursue leading development systems based on SSA
 - Contribute to carbon neutrality
- Develop core components in pursuit of top position in domestic market, develop products to achieve different appeal for different markets, etc.

6 Production systems

- Strengthen next-generation production systems based on SSA
 - Production process innovation
- Optimal factory operation, expansion of production equipment and capacity, etc.
- Improve both quality and production efficiency with DX

Note 1. If M&A investment (3.0 billion yen –) is included

III. Progress of the new Medium-term Management Plan “move.2027”

Topics: Initiatives to Increase Production Capacity and Start of Operations at the Air Conditioner Comprehensive Testing Facility

■ Initiatives to increase production capacity

- With a view to “move.2027” and from a long-term perspective, at the Kanagawa Factory, we plan to **make major renovations and capital investments** in the land that has already been purchased adjacent to the factory (currently the **North Factory**), as well as **increase production capacity** in conjunction with the development of the existing manufacturing area at the South Factory
- At the same time, we will promote the **optimization of factory operations** by linking them with production process innovation based on SSA

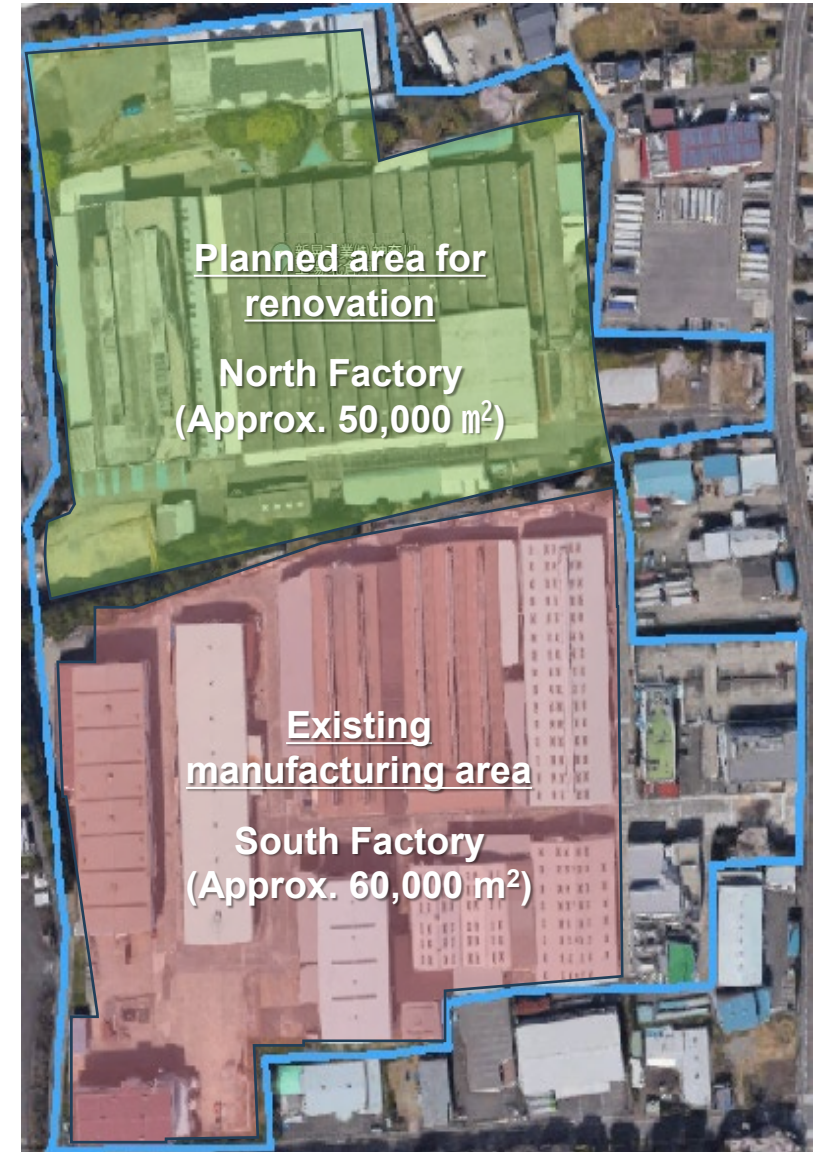
■ Start of operations at the Air Conditioner Comprehensive Testing Facility

- The Air Conditioner Comprehensive Testing Facility, which began operation in June 2024, is equipped with the **latest measuring equipment that complies with JIS/JRA standards**. In addition to our existing R&D facility “SINKO TECHNICAL CENTER,” this facility will be capable of more advanced air conditioning testing, with the aim of **improving and streamlining R&D and quality control of air conditioners**.
- A facility that supports **growth domains such as data center and split AC system**



<Exterior of the Air Conditioner Comprehensive Testing Facility at the Kanagawa Factory>

< Production capacity expansion plan at the Kanagawa Factory >



Map reference: Google Map

Overview of Non-financial Strategy

- Engage in ESG themes as non-financial strategy and connect them to corporate sustainability

Overview of Non-financial Strategy

ESG Themes

ESG Initiatives



Mitigate forecast climate change risks and capture business opportunities

- Respond to climate change
- Contribute to reduction of environmental impact
- Further expand business opportunities through TCFD scenario analysis



**Human capital management
Create a happy environment for all**

- Human resources development that aims to firmly establish a corporate culture that encourages challenge
- Leverage diversity
- Create a safe and vibrant workplace
- Co-exist with local communities



Strengthen effectiveness of corporate governance

- Ensure diversity in the composition of the Board of Directors
- Make highly transparent information disclosures

Topics: Initiatives to Strengthen the Effectiveness of Corporate Governance

■ Held a “showroom tour for shareholders and institutional investors”

- In March 2024, 25 shareholders and 8 institutional investors participated over the span of three days
- We will continue to create opportunities for communication with shareholders and institutional investors, and promote efforts to encourage a deeper understanding of our activities



<Images from the tour>

<Extensive showroom exhibits>

■ Availability of IR materials in English

- An English translation of the new medium-term plan “move.2027” is available on our website (<https://www.sinko.co.jp/ir/strategy/>)
- We plan to release an English translation of this financial results briefing, and we will promote English disclosure of IR-related materials, aiming to deepen overseas investors’ understanding of our business

■ Introduction of a performance-linked stock compensation plan for Directors and some Operating Officers

- A performance-linked stock compensation plan was introduced for Directors, etc. with the aim of enhancing awareness of contributing to improving medium- to long-term business performance and increasing corporate value
- Directors, etc. are given points according to the achievement of performance targets for the segments they are in charge of, and upon retirement they are awarded Company shares and cash in accordance with the number of points received

IR Inquiries

SINKO INDUSTRIES LTD.

Group Business Planning Department, Corporate Planning Division

URL : <https://www.sinko.co.jp/>

Contact URL : <https://www.sinko.co.jp/contactus/>

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