

**Provider of integrated services ranging from development and design to manufacturing of industrial furnaces and post-operational maintenance**

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**[6225 Ecology and Combustion Sector : Machinery]**

Fiscal Year	Net sales	YoY	Operating profit	YoY	Ordinary profit	YoY	Profit	YoY	EPS	BPS	DPS
	(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)	(yen)	(yen)	(yen)
Jul.2021	1,758	10.1	129	-	136	-15.0	149	5.7	163.5	2,841.1	10.0
Jul.2022	1,501	-14.6	97	-24.8	106	-22.1	101	-32.2	114.8	2,949.7	10.0
Jul.2023	f 2,355	56.9	223	2.3x	223	2.1x	263	2.6x	300.3	-	33.0

Note: Non-consolidated basis. Figures for the fiscal year ending July 2023 are the company's forecasts.

It conducted 1-to 500 stock split on October 27, 2022. Per share indices are adjusted retroactively.

**Engaged in Integrated Services Ranging from Industrial Furnace Development to Maintenance**

Ecology and Combustion is involved in the entire process of industrial furnace development, design and manufacturing, as well as maintenance services including inspection, monitoring and modification.

The company's businesses consist of the industrial system business, which develops, designs and manufactures industrial furnaces, and the maintenance services business for industrial furnaces. The industrial system business accounted for about 60% of net sales in fiscal year ended July 2022 and maintenance services for about 40%.

**Industrial System Business**

Heat treatment is applied to many parts to augment strength and other properties in various products including automobiles and mobile devices. The industrial systems business comprises the design and manufacture of custom, large-scale industrial furnaces for heat treatment. Moreover, the company sells energy-saving environmental devices for industrial furnaces. In the three fiscal years through fiscal year ended July 2022, the ratio of sales to the automotive industry is high and accounts for 78.1% of net sales.

What sets Ecology and Combustion apart in the industry is its heat trials (product heat tests). The heat trial is a process in which client companies bring in engine blocks, wheels and other items to be heated and work with Ecology and Combustion employees to find the optimal solution for the degree of heat and the duration of application required.

**Maintenance Services Business**

The maintenance service business has been a part of the company's business since the company was founded. As of the end of 2022, the company was under contract to maintain a total of 1,252 industrial furnaces for 539 companies.

The company's basic policy is to give employees experience in maintenance for a certain period of time after joining the company. Moreover, all employees, except those in the administrative department, are cross-trained workers, capable of handling maintenance.

## Financial Statements

Statement of income	Fiscal Year	Jul.2021		Jul.2022		Three months to Oct.2022	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Net sales		1,758	100.0	1,501	100.0	402	100.0
Cost of sales		1,253	71.3	1,041	69.4	267	66.4
Gross profit		505	28.7	459	30.6	134	33.3
Selling, general and administrative expenses		375	21.3	361	24.1	99	24.6
Operating profit		129	7.3	97	6.5	34	8.5
Non-operating income		6	-	9	-	0	-
Non-operating expenses		-	-	0	-	1	-
Ordinary profit		136	7.7	106	7.1	33	8.2
Profit before income taxes		201	11.4	156	10.4	28	7.0
Net profit		149	8.5	101	6.7	17	4.2

Balance sheet	Fiscal Year	Jul.2021		Jul.2022		Oct.2022	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Current assets		2,203	69.7	2,530	62.3	2,860	65.4
Cash and deposits		1,761	55.7	1,442	35.5	1,486	34.0
Accounts receivable-trade		249	7.9	506	12.5	404	9.2
Inventories		183	5.8	473	11.7	844	19.3
Non-current assets		956	30.3	1,530	37.7	1,510	34.6
Property, plant and equipment		907	28.7	1,482	36.5	1,460	33.4
Intangible assets		11	0.3	7	0.0	8	0.0
Investments and other assets		38	1.2	40	1.0	41	0.9
Total assets		3,160	100.0	4,060	100.0	4,370	100.0
Current liabilities		467	14.8	1,061	26.1	1,394	31.9
Accounts payable		359	11.4	750	18.5	912	20.9
Current portion of long-term borrowings		-	-	42	1.0	42	1.0
Non-current liabilities		188	5.9	428	10.5	396	9.1
Long-term borrowings		-	-	235	5.8	224	5.1
Net assets		2,504	79.2	2,570	63.3	2,579	59.0
Owners' equity		2,504	79.2	2,570	63.3	2,579	59.0

Statement of cash flows	Fiscal Year	Jul.2021	Jul.2022
		(mn yen)	(mn yen)
Cash flows from operating activities		255	9
Depreciation		57	51
Cash flows from investing activities		632	-574
Cash flows from financing activities		-218	243
Dividends paid		-9	-8
Net increase in cash and cash equivalents		669	-318
Cash and cash equivalents		1,726	1,408

Note: Non-consolidated

Source: Prepared by Stock Research Center based on the notifiable prospectus.

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