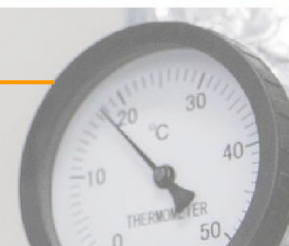


# The 3rd Quarter FY2021 Summary of Financial Results

February 10, 2022

*Engineering for the Future*



**SANKI ENGINEERING CO., LTD.**

## ☆Key Points of Financial Results

Orders were almost flat YoY, sales rose due to progress in construction work carried forward since the start of the fiscal year, and gross profit increased due to sales growth and a sharp improvement in profit, along with a recovery in small-scale maintenance and repair projects.

<Orders> 145.794 billion yen (146.447 billion yen in the same period of the previous fiscal year)

- Orders declined mainly due to a fallback from orders for large-scale projects received in 3Q FY2020 in the HVAC and Plumbing for Buildings and Industrial HVAC businesses
- Orders received for large-scale projects in the Electrical and Environmental Systems businesses were upbeat

<Net sales> 135.723 billion yen (129.215 billion yen in the same period of the previous fiscal year)

- Net sales rose in HVAC and Plumbing for Buildings and Environmental Systems due to progress in construction work carried forward since the start of the fiscal year, centered on large-scale projects
- Net sales rose in Machinery Systems due to a recovery in standard conveyors

<Gross profit> Gross profit amounted to 19.959 billion yen (18.172 billion yen in the same period of the previous fiscal year)

- The gross profit margin rose 1.9pt YoY to 17.2% in 3Q (Oct.–Dec.), with the cumulative figure for 1Q–3Q also up 0.6pt YoY to a high 14.7%. All categories of profit increased

<FY2021 consolidated results forecasts>

- Orders received of 200 billion yen, net sales of 200 billion yen, and ordinary income of 10 billion yen (no change from initial forecast)

\* Although, at this stage, results have been incorporated, which take into account the impact of the COVID-19 pandemic on the Group's business, business results may be further impacted due to altered circumstances in the future

<Shareholder returns>

- Forecast interim dividend: 35 yen, year-end dividend: 35 yen, annual dividend: 70 yen (no change from initial forecast)
- The company repurchased 1,000,000 shares of treasury stock through to 5 January
- Forecast payout ratio: 56.4%, forecast total return ratio: 76.8%

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# FY2021 3Q RESULTS





## FY2021 3Q Results – Cumulative Results (Consolidated)

(Millions of yen)

	December FY2019	December FY2020	December FY2021	Year on year	Rate of change (%)
Orders received	150,933	146,447	145,794	(653)	(0.4)
Balance carried forward	157,084	153,395	151,747	(1,647)	(1.1)
Net sales	143,678	129,215	135,723	6,507	5.0
Completed construction contracts	141,912	127,366	133,851	6,485	5.1
Real estate and others	1,766	1,849	1,871	22	1.2
Gross profit	20,628	18,172	19,959	1,787	9.8
Completed construction contracts	19,998	17,421	19,164	1,742	10.0
Real estate and others	630	750	794	44	6.0
Gross profit margin (%)	14.4	14.1	14.7	0.6	—
Selling, general and administrative expenses	15,040	15,315	15,009	(306) <sub>pt</sub>	(2.0)
Operating income	5,588	2,856	4,949	2,093	73.3
Non-operating income and loss(loss)	559	514	594	80	15.6
Ordinary income	6,148	3,370	5,544	2,174	64.5
Extraordinary income(loss)	158	(366)	(87)	278	—
Profit attributable to owners of parent	4,300	2,469	3,684	1,214	49.2

## Quarterly Results (Consolidated)

(Millions of yen)

	FY2019				FY2020				FY2021		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Orders received	46,697	54,204	50,031	43,085	47,660	55,575	43,211	49,132	56,023	40,482	49,288
Net sales	40,882	50,962	51,833	64,006	38,253	42,611	48,351	60,851	38,737	45,332	51,652
Gross profit	5,305	7,862	7,460	11,482	5,120	5,637	7,414	10,582	4,661	6,396	8,901
Gross profit margin (%)	13.0	15.4	14.4	17.9	13.4	13.2	15.3	17.4	12.0	14.1	17.2
Selling, general and administrative expenses	4,983	4,992	5,063	6,396	5,274	4,976	5,064	5,939	4,940	5,092	4,976
Operating income (loss)	322	2,869	2,396	5,085	(154)	660	2,350	4,642	(278)	1,303	3,924
Operating profit margin (%)	0.8	5.6	4.6	7.9	(0.4)	1.5	4.9	7.6	(0.7)	2.9	7.6
Ordinary income(loss)	547	2,955	2,644	5,076	66	776	2,527	4,826	(13)	1,324	4,233
Extraordinary income (loss)	24	84	49	(269)	(82)	(243)	(40)	(33)	(1)	11	(97)
Profit attributable to owners of parent (loss)	428	2,057	1,815	3,276	11	809	1,647	3,431	(35)	899	2,820

## Orders Received by Segment (Consolidated)

(Millions of yen)

Segment		December FY2019	December FY2020	December FY2021	Year on year	Rate of Change (%)
	HVAC and Plumbing for Buildings	48,170	45,520	39,808	(5,711)	(12.5)
	Industrial HVAC	44,250	49,032	40,648	(8,383)	(17.1)
	Electrical Systems	20,363	16,649	22,532	5,882	35.3
	Facility Systems	9,325	7,998	7,838	(159)	(2.0)
Total of Facilities Construction Business		122,110	119,201	110,828	(8,372)	(7.0)
	Machinery Systems	8,245	6,169	7,134	965	15.6
	Environmental Systems	19,197	19,412	26,259	6,847	35.3
Total of Plant & Machinery Systems Business		27,443	25,582	33,394	7,812	30.5
Sub-total		149,554	144,783	144,223	(560)	(0.4)
Real Estate Business		1,628	1,777	1,800	23	1.3
Others		476	432	399	(33)	(7.7)
Adjustments *		(725)	(545)	(628)	(83)	—
Total		150,933	146,447	145,794	(653)	(0.4)

\* “Adjustments” eliminate inter-segment transactions included in each segment.

## Net Sales by Segment (Consolidated)

(Millions of yen)

Segment		December FY2019	December FY2020	December FY2021	Year on year	Rate of Change (%)
	HVAC and Plumbing for Buildings	49,305	36,670	42,083	5,412	14.8
	Industrial HVAC	48,298	44,855	41,918	(2,937)	(6.5)
	Electrical Systems	15,543	17,643	17,782	138	0.8
	Facility Systems	7,030	7,169	6,993	(175)	(2.5)
Total of Facilities Construction Business		120,178	106,339	108,777	2,438	2.3
	Machinery Systems	7,882	6,617	7,528	910	13.8
	Environmental Systems	14,303	14,713	17,812	3,099	21.1
Total of Plant & Machinery Systems Business		22,185	21,331	25,341	4,009	18.8
Sub-total		142,363	127,671	134,118	6,447	5.1
Real Estate Business		1,628	1,777	1,800	23	1.3
Others		606	567	392	(174)	(30.8)
Adjustments*		(920)	(799)	(589)	210	—
Total		143,678	129,215	135,723	6,507	5.0

\* “Adjustments” eliminate inter-segment transactions included in each segment.



## Gross Profit by Segment (Consolidated)

(Millions of yen)

Segment				December FY2019	December FY2020	December FY2021	Year on year	Rate of Change (%)	
Gross Profit by Segment			HVAC and Plumbing for Buildings/Industrial HVAC/ Electrical Systems	15,889	13,298	14,948	1,649	12.4	
			Facility Systems	1,152	1,107	1,191	83	7.6	
		Total of Facilities Construction Business			17,041	14,406	16,139	1,733	12.0
			Machinery Systems	1,530	1,071	1,379	308	28.8	
			Environmental Systems	1,494	2,133	1,902	(231)	(10.8)	
		Total of Plant & Machinery Systems Business			3,024	3,204	3,281	76	2.4
	Sub-total			20,066	17,610	19,420	1,810	10.3	
	Real Estate Business			496	685	724	38	5.6	
	Others			145	44	25	(19)	(43.7)	
	Adjustments			(79)	(168)	(210)	(41)	—	
Total				20,628	18,172	19,959	1,787	9.8	

## Initiatives to Improve Productivity and Construction Quality for Increased Profit

- **Enhancement of the company-wide system to divide labor through promotion of the Smile Site Plan\***
- **Enhancement of design review and active roll-out of construction processes**
- **Reduction in number of accidents through comprehensive health and safety management, including for partner companies**  
2018: 1 accident; 2019: 11 accidents; 2020: 3 accidents
- **Enhancement of quality control and prevention of incidents and complaints by swiftly sharing information about incidents and complaints**  
FY2018: 98 cases; FY2019: 67 cases; FY2020: 47 cases
- **Digitalization of procurement tasks for increased business efficiency and reduced purchase costs**  
FY2018: 85%; FY2019: 88%; FY2020: 91%
- **Reduction in unprofitable construction through comprehensive construction management**  
Balance of provision for loss on construction contracts  
FY2018: 480 million yen; FY2019: 50 million yen; FY2020: None

\* A specialist committee that was established in fiscal 2017 to reduce the burden on construction managers and promote business efficiency

**FY2021 3Q  
BALANCE SHEET AND  
STATEMENT OF CASH FLOWS**



## Balance Sheet (Consolidated)

(Millions of yen)

		End of FY2020	End of December 2021	End of previous FY	Rate of change (%)	End of December 2020
Current assets		116,054	116,812	757	0.7	103,168
	Notes receivable, accounts receivable from completed construction contracts and other	65,598	—	(65,598)	—	55,347
	Notes receivable, accounts receivable from completed construction contracts and other, and contract assets	—	61,645	61,645	—	—
Noncurrent assets		55,258	55,927	668	1.2	53,089
	Investment securities	28,816	29,500	684	2.4	28,011
Current liabilities		67,882	70,335	2,452	3.6	58,990
	Notes payable	—	—	—	—	68
	Electronically recorded obligations - operating	873	1,636	762	87.3	823
	Accounts payable on construction contracts	40,836	39,998	(837)	(2.1)	38,030
Noncurrent liabilities		11,731	12,125	393	3.4	10,874
Total net assets		91,699	90,279	(1,419)	(1.5)	86,391
	Treasury stock	(3,859)	(5,215)	(1,355)	—	(3,859)
Total assets		171,313	172,739	1,426	0.8	156,257
Book-value per share		1,611.76	1,612.94	1.18	0.1	1,518.18
Equity ratio (%)		53.4	52.1	(1.3) <sub>bt</sub>	—	55.1
Interest-bearing liabilities (consolidated)		10,595	8,692	(1,903)	(18.0)	8,585

## Statement of Cash Flows (Consolidated)

- The balance of cash and cash equivalents decreased from the end of the previous fiscal year
- The increase in cash flows from operating activities is due to the continued recovery of receivables
  - The decrease in cash flows from investment activities is mainly due to the acquisition of securities and of plant, property and equipment
  - The decrease in cashflows from financing activities is mainly due to the repurchase of treasury stock and the payment of dividends

(Millions of yen)

	FY2017	FY2018	FY2019	FY2020	December 2021	December 2020
Cash flows from operating activities	6,306	6,786	11,940	(483)	4,572	(4,045)
Cash flows from investing activities	(2,510)	(3,775)	(303)	(1,423)	(1,965)	(1,432)
Cash flows from financing activities	1,814	(5,215)	(8,955)	(6,974)	(7,979)	(8,934)
Cash and cash equivalents at end of period	44,866	42,612	45,946	37,087	31,759	31,530

# FY2021 FORECAST





## FY2021 Full-Year Forecast (Consolidated)

(Millions of yen)

	FY2018	FY2019	FY2020	FY2021 forecast (Interim forecast from November 10, 2021) A	FY2021 forecast (Interim forecast from February 10, 2022) B	Difference B—A	Rate of Change (%)
Orders received	217,096	194,018	195,580	200,000	200,000	—	—
Balance carried forward	149,495	136,163	141,676	141,676	141,676	—	—
Net sales	212,314	207,684	190,067	200,000	200,000	—	—
Gross profit	31,684	32,110	28,754	31,000	31,000	—	—
Gross profit margin (%)	14.9	15.5	15.1	15.5	15.5	—	—
Operating income	10,637	10,674	7,498	9,500	9,500	—	—
Ordinary income	11,204	11,224	8,196	10,000	10,000	—	—
Profit attributable to owners of parent	9,046	7,576	5,901	7,000	7,000	—	—
Regular dividends per share (yen)	40	70	70	70	70	—	—
Extra dividends per share (yen)	20	25	10	—	—	—	—
Cash dividends per share (total) (yen)	60	95	80	70	70	—	—

\* Although results have been incorporated, which take into account the impact of COVID-19 pandemic on the Group's business at this point, business results may be further impacted due to future spread of the virus

## FY2021 Forecast of Orders Received and Net Sales by Segment (Consolidated)

(Millions of yen)

Segment		FY2021 Orders Received Forecast	FY2021 Net sales Forecast
	HVAC and Plumbing for Buildings	59,000	66,000
	Industrial HVAC	57,000	58,000
	Electrical Systems	29,000	25,000
	Facility Systems	12,000	12,000
	Total of Facilities Construction Business	157,000	161,000
	Machinery Systems	11,000	10,000
	Environmental Systems	30,000	27,000
	Total of Plant & Machinery Systems Business	41,000	37,000
Sub-total		198,000	198,000
Real Estate Business		2,400	2,400
Others		500	500
Adjustments*		(900)	(900)
Total		200,000	200,000

\*Adjustments eliminate inter-segment transactions included in each segment.

# SHAREHOLDER RETURNS



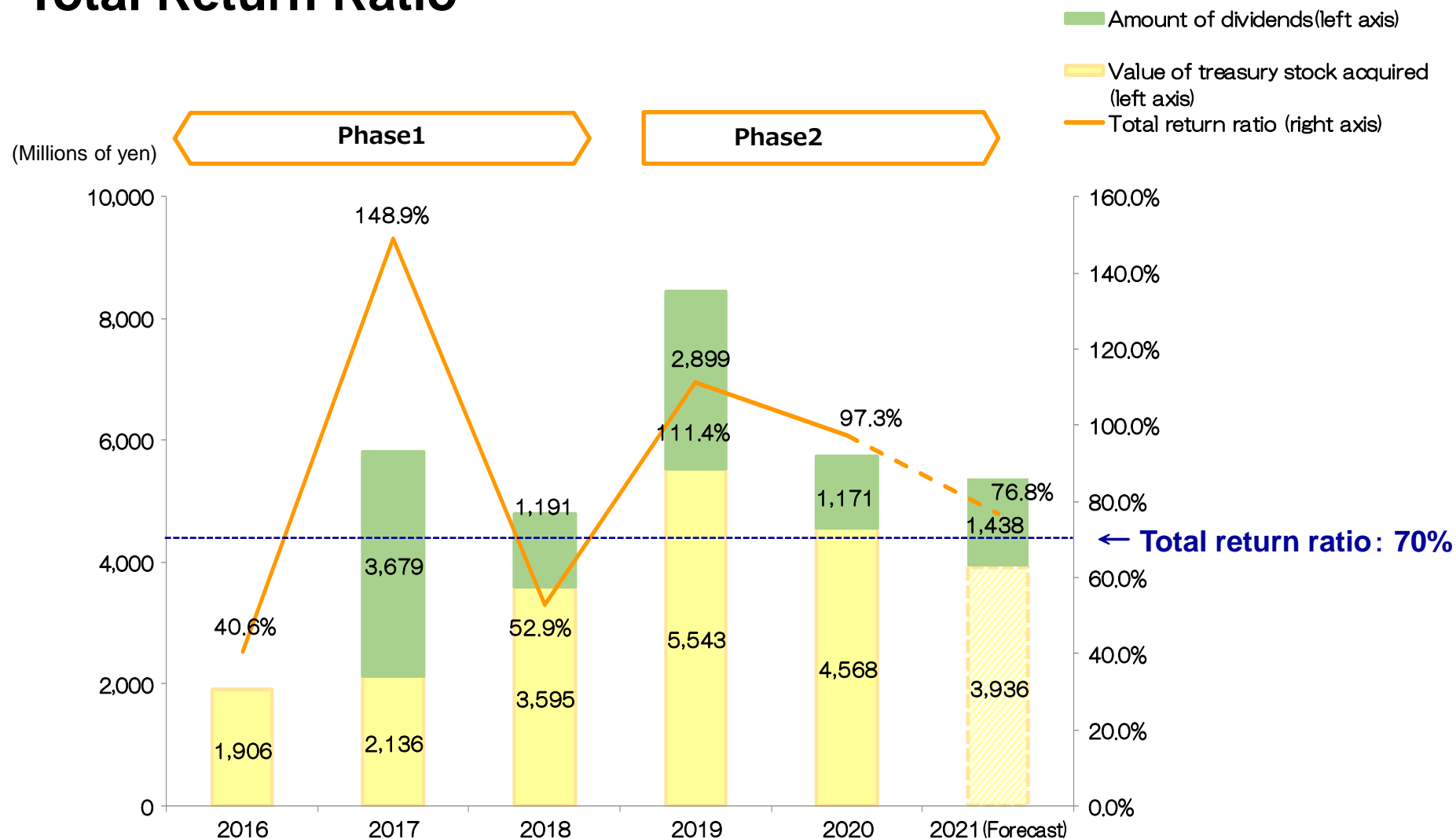
## Dividends and Others

- Conducted shareholder returns according to medium-term management plan “Century 2025” Phase 2 financial and capital policies
- Forecast interim dividend: 35 yen, year-end dividend: 35 yen, annual dividend: 70 yen (no change from initial forecast)
- The company repurchased 1,000,000 shares of treasury stock through to 5 January
- Forecast payout ratio: 56.4%, forecast total return ratio: 76.8%

	FY2017	FY2018	FY2019	FY2020	FY2021 (Forecast)
Earnings per share (yen)	63.02	150.02	128.51	103.12	124.18
Cash dividends per share: regular dividends (yen)	20	40	70	70	70
Cash dividends per share: extra dividends (yen)	15	20	25	10	—
Cash dividends per share (yen)	35	60	95	80	70
Payout ratio (consolidated) (%)	55.5	40.0	73.9	77.6	56.4
Total return ratio (%)	148.9	52.9	111.4	97.3	76.8
Number of shareholders at end of FY	3,243	3,381	4,216	14,861	—
Stock price at end of FY (yen)	1,188	1,210	1,211	1,453	—
Acquisition of treasury stock (thousand shares)	3,000	1,000	1,958	1,000	1,000
Retirement of treasury stock (thousand shares)	3,000	1,000	2,000	1,000	—

ROE (Return on Equity) (%)	4.5	10.3	8.6	6.6	7.6
ROA (Return on Assets) (%)	4.3	6.0	6.0	4.7	5.8

## Total Return Ratio



# SUPPLEMENTARY MATERIALS





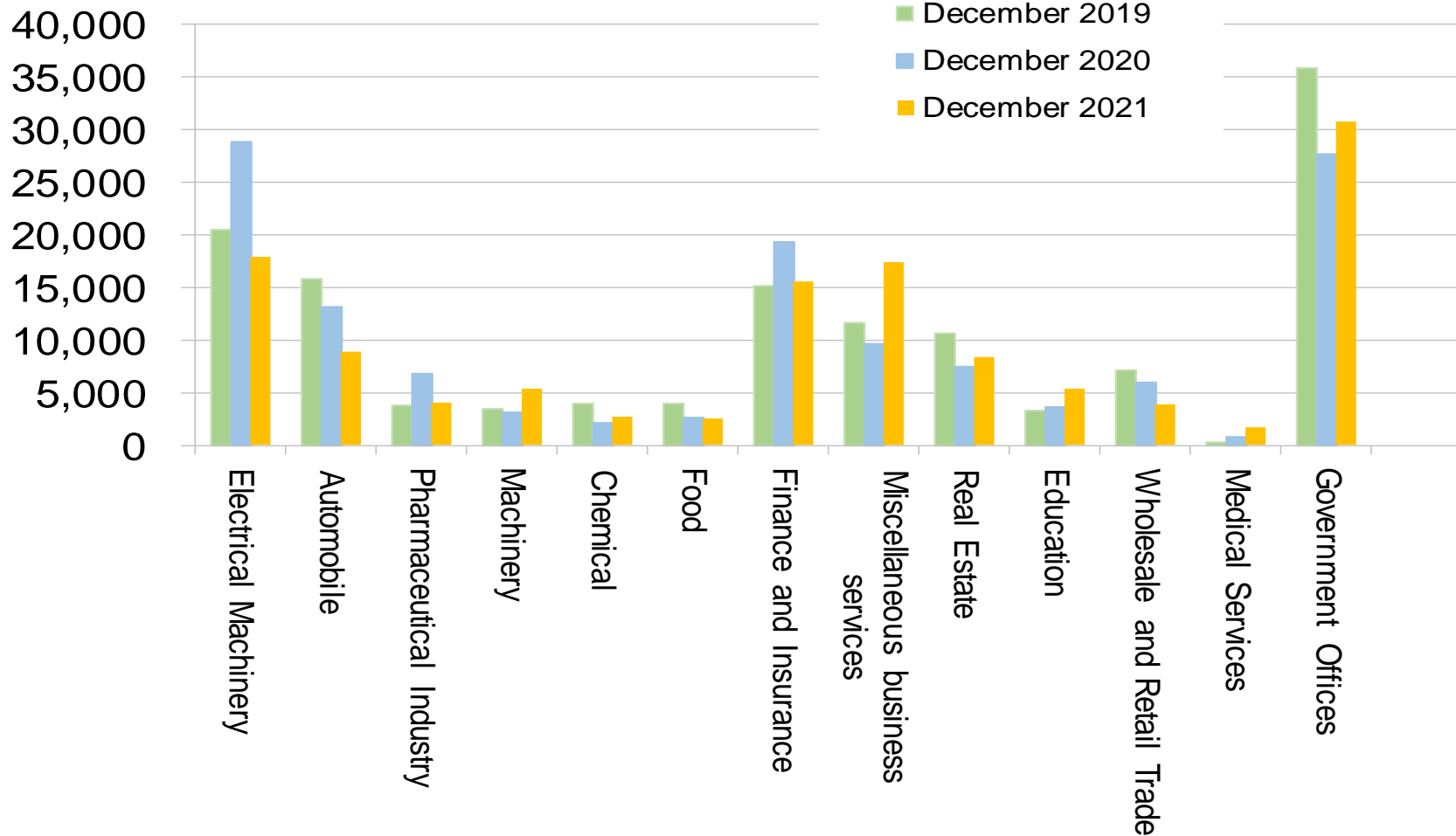
## Orders Received by Type

(Millions of yen)

	FY2018 Full-year	FY2019 Full-year	FY2020 Full-year	December 2020 A	December 2021 B	Difference B-A
Orders received (Non-consolidated: Facilities Construction Business)	173,553	147,191	149,278	114,032	104,486	(9,546)
Orders received from general contractors (Non-consolidated: Facilities Construction Business)	78,304	48,238	63,544	49,533	34,539	(14,994)
Rate of orders received from general contractors (Non-consolidated: Facilities Construction Business) (%)	45.1	32.8	42.6	43.4	33.1	(10.3) pt.
Orders received (Consolidated)	217,096	194,018	195,580	146,447	145,794	(653)
Orders received from overseas projects (Consolidated)	2,379	3,143	2,789	1,781	3,546	1,765
Rate of orders received from overseas projects (Consolidated) (%)	1.1	1.6	1.4	1.2	2.4	1.2 pt.
Orders received for renewal construction (Consolidated)	117,619	112,909	109,585	80,723	83,306	2,582
Rate of orders received for renewal construction (Consolidated) (%)	54.2	58.2	56.0	55.1	57.1	2.0 pt.
<Ref.> Net sales for renewal construction (Consolidated)	116,627	114,208	101,147	66,896	74,474	7,578

## Orders Received by Industry (Consolidated)

(Millions of yen)



## Main Large-Scale Projects Received

Property name	Item of construction	Type of construction	Location
Futaba Regional Wide Area Municipal Area Association Southern Health Center Garbage incineration systems	Waste treatment facility	New construction work	Fukushima
Yamato City North Purification Center Maintenance and Management Business Consignment	Water and sewage treatment systems maintenance and management	Business consignment	Kanagawa
Kitatama Water Reclamation Center No. 1 Sludge Incineration Systems Reconstruction Project	Water and sewage treatment systems	New construction work	Tokyo
SU Kaihatu New Incinerator Construction Project	Waste treatment facility	New construction work	Akita
Meiji Yasuda Life Shinjuku Building Reconstruction Project	HVAC systems	New construction work	Tokyo
Takeshiba No. 1 Plant Renewal Project	HVAC systems	Renewal	Tokyo

7 other projects

## Main Large-Scale Projects Received over 1 Billion Yen (by Industry)

	December FY2019		December FY2020		December FY2021	
Office	1	<b>10 Projects</b> (25,958 million yen) * Orders received from customers: 7 projects * Orders received from general contractors: 3 projects	3	<b>18 Projects</b> (34,559 million yen) * Orders received from customers: 8 projects * Orders received from general contractors: 10 projects	2	<b>13 Projects</b> (28,840 million yen) * Orders received from customers: 10 projects * Orders received from general contractors: 3 projects
Factory	2		5		2	
Research institute	2		3		—	
Hospital and Clinics	1		1		1	
Other building interiors	2		2		4	
Railway, Airport	—		1		—	
Power station, Substation	1		1		2	
Waste processing facility	1		2		2	

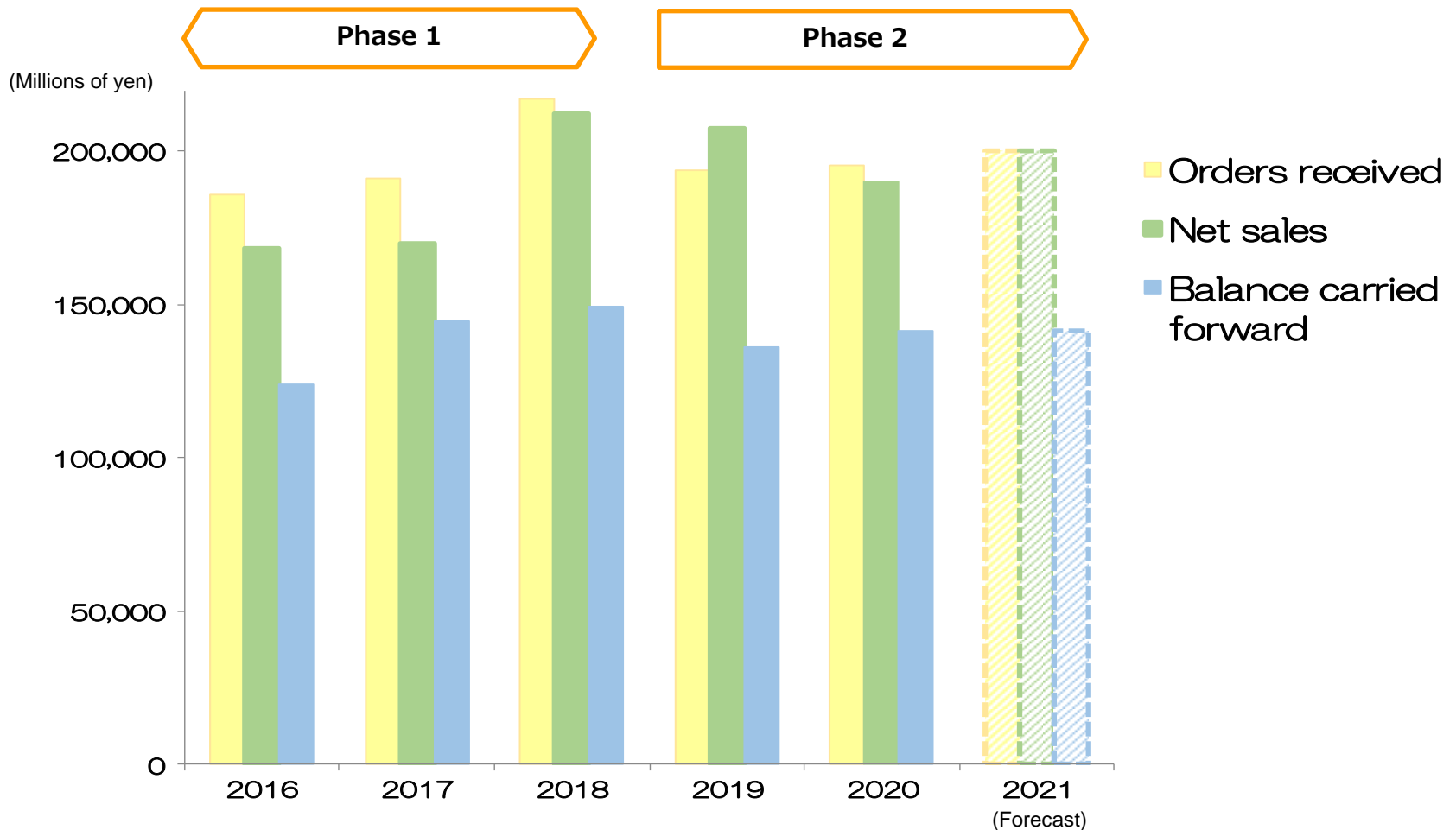
## Main Large-Scale Completed Construction Projects

Property name	Item of construction	Type of construction	Location
Shimbashi Tamuracho Region Urban Redevelopment Project	HVAC systems	New construction work	Tokyo
Kowa Kawasaki Nishiguchi Building HVAC Equipment Renewal	HVAC systems	Renovation	Kanagawa
DENSO Hokkaido Expansion Stage II	HVAC, plumbing and electrical systems	Expansion	Hokkaido
Narita International Airport Corporation 1PTB North Building Inline System Repair (BHS)	Transportation	Renewal	Chiba
Ishikawa Local Living Environment Facility Association Waste Disposal Facility Basic Equipment Improvement Project	Waste treatment facility	Renewal	Fukushima
Yamato City North Purification Center Maintenance and Management Business Consignment	Water and sewage treatment systems maintenance and management	Business consignment	Kanagawa
Kanae Tochigi Factory No. 3 Factory Building	HVAC and plumbing systems	New construction work	Tochigi
Toyota Technical Center Shimoyama Plumbing and Electrical Systems	Plumbing and electrical systems	New construction work	Aichi

4 other projects

\* The property name is the name being used by the Company. This may differ from the name used on the construction contract.

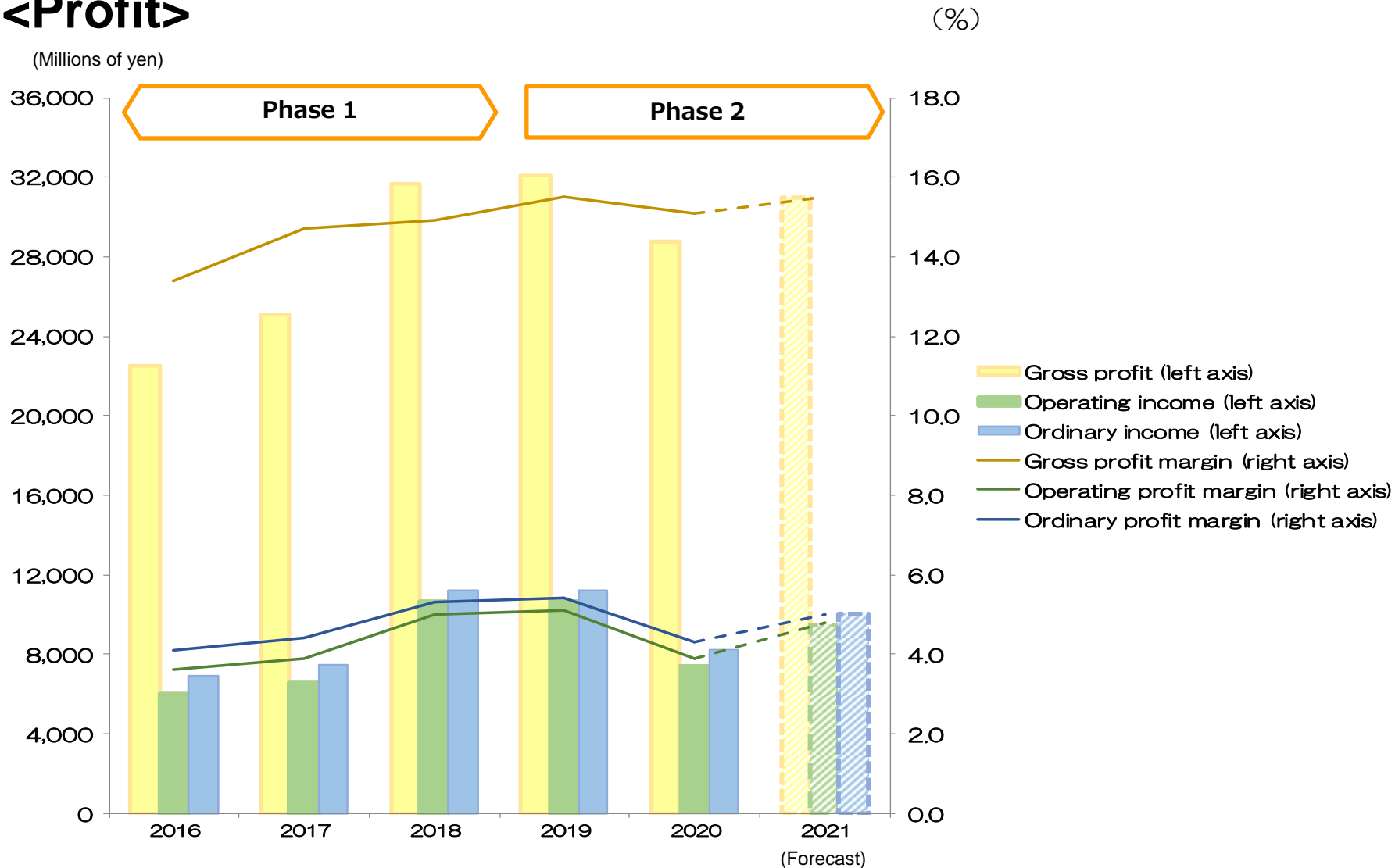
## Century 2025 Results (Consolidated) <Orders Received and Net Sales>





## Century 2025 Results (Consolidated)

### <Profit>





Statements about the future, such as results forecasts included in these materials, are based on judgments made according to the information available to the Company as of February 10. Actual results may differ from the figures contained herein due to a number of factors.

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