

February 10, 2023

Consolidated Financial Results
for the Nine Months Ended December 31, 2022
<Japanese GAAP>

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Listed stock exchange: Tokyo
Securities code: 1961
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Scheduled date to file quarterly securities report: February 10, 2023
Scheduled date to commence dividend payments: –
Preparation of explanatory materials for quarterly financial results: Yes
Holding of a briefing on quarterly financial results: None

(Amounts of less than 1 million yen are truncated)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2022
(April 1, 2022 to December 31, 2022)

(1) Consolidated operating results (Cumulative)

(% figures show year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2022	125,713	(7.4)	1,092	(77.9)	1,937	(65.1)	983	(73.3)
December 31, 2021	135,723	5.0	4,949	73.3	5,544	64.5	3,684	49.2

(Note) Comprehensive income: Nine months ended December 31, 2022: ¥121 million [(97.3%)]
Nine months ended December 31, 2021: ¥4,458 million [(20.6%)]

	Profit per share	Profit per share – diluted
Nine months ended	Yen	Yen
December 31, 2022	17.68	17.62
December 31, 2021	65.16	64.83

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
As of	Millions of yen	Millions of yen	%
December 31, 2022	169,770	87,792	51.6
March 31, 2022	183,609	94,278	51.2

(Reference) Shareholders' equity: As of December 31, 2022: ¥87,593 million As of March 31, 2022: ¥93,967 million

2. Dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	—	35.00	—	50.00	85.00
Fiscal year ending March 31, 2023	—	35.00	—		
Fiscal year ending March 31, 2023 (Forecast)				35.00	70.00

(Note) Amendment to forecasts of dividends recently announced: None

Breakdown of end-FY3/22 dividend: Ordinary dividend ¥35; Extraordinary dividend ¥15

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2023

(April 1, 2022 to March 31, 2023)

(% figures show year-on-year change for the full year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	193,000	(0.1)	6,200	(32.0)	7,000	(28.7)	4,800	(26.0)	86.60

(Note) Amendment to forecasts of consolidated financial results recently announced: Yes

*** Notes**

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2022 (changes in specified subsidiaries resulting in the change in scope of consolidation): None

New: - (Company name:) Excluded: - (Company name:)

- (2) Application of specific accounting for preparing quarterly consolidated financial statements: None

- (3) Changes in accounting policies and estimates, and retrospective restatements

- (i) Changes in accounting policies in accordance with revision of accounting standards: None
- (ii) Changes in accounting policies other than item (i) above: None
- (iii) Changes in accounting estimates: None
- (iv) Retrospective restatements: None

- (4) Number of shares issued (common stock)

- (i) Number of shares outstanding at the end of the period (including treasury shares)

As of December 31, 2022	58,161,156 shares
As of March 31, 2022	59,661,156 shares

- (ii) Number of treasury shares at the end of the period

As of December 31, 2022	3,469,158 shares
As of March 31, 2022	3,900,458 shares

- (iii) Average number of shares during period

For the nine months ended December 31, 2022	55,645,488 shares
For the nine months ended December 31, 2021	56,543,900 shares

* Quarterly financial results are not subject to quarterly review by a certified public accountant or audit corporation.

* Proper use of earnings forecasts, and other special matters

We have amended the consolidated and non-consolidated earnings forecasts announced on May 13, 2022. For details, please refer to 1. (3) “Qualitative information on consolidated earnings forecasts” on page 4 of the Attached Materials. The forward-looking statements such as earnings forecasts contained in these materials are based on the information available at the time they were prepared, and the actual results could differ from forecasts depending on a variety of factors.

Disclaimer: This is a Japanese–English translation of the summary of financial statements of the Company produced for your convenience. Officially, only the Japanese version is assumed to be the summary of financial statements of the Company. This summary does not constitute any guarantee and the Company will not compensate any losses and/or damage stemming from actions taken based on these statements. In the case that there is any discrepancy between the Japanese and English versions, the Japanese version is assumed to be correct.

(Reference) Forecast of Non-consolidated Financial Results for the Fiscal Year Ending March 31, 2023

(April 1, 2022 to March 31, 2023)

(% figures show year-on-year change for the full year)

	Net sales		Operating profit		Ordinary profit		Profit		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	172,000	(0.9)	4,700	(35.5)	6,900	(28.5)	5,000	(28.1)	90.21

(Note) Amendment to forecasts of non-consolidated financial results during the quarter under review: Yes

[Attached Materials]

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1. Qualitative Information on the Quarter under Review

The Group aims to be the “Company of Choice” for even more stakeholders by further enhancing quality and reliability through our long-term vision “Century 2025.” This fiscal year is the first year of the four-year medium-term management plan Century 2025 Phase 3, which is the final phase of the long-term vision Century 2025. During this phase, we aim to remain the enduring company of choice by continuing Phase 1 initiatives focused on improving quality and Phase 2 efforts to enhance reliability, while also implementing new measures, including initiatives to contribute to the sustainability of society, accelerate work-style reforms, and invest toward the next era. In addition, we will continue building a corporate structure that can flexibly respond to changes in the environment, while developing new technologies, strengthening corporate governance, and achieving sustainable growth and increased corporate value over the medium to long term based on thorough compliance.

The Group’s operating results and financial position for the nine months ended December 31, 2022, are as follows.

(1) Qualitative information on consolidated operating results

(Millions of yen)					
	Q3 FY2021	Q3 FY2022	YoY change	YoY change (%)	Main factors behind YoY change
Orders received	145,794	181,663	35,868	24.6%	As stated in the next section, “Operating results of major segments”
Balance carried forward	151,747	206,687	54,940	36.2%	
Net sales	135,723	125,713	(10,009)	(7.4%)	
Gross profit	19,959	16,708	(3,251)	(16.3%)	
Margin (%)	14.7%	13.3%	(1.4%)		
Operating profit	4,949	1,092	(3,857)	(77.9%)	
Margin (%)	3.6%	0.9%	(2.7%)		
Ordinary profit	5,544	1,937	(3,607)	(65.1%)	
Margin (%)	4.1%	1.5%	(2.6%)		
Profit attributable to owners of parent	3,684	983	(2,700)	(73.3%)	
Margin (%)	2.7%	0.8%	(1.9%)		

(Note) Profit margins are the rate of return on net sales.

<Operating results of major segments>

○Facilities Construction Business

This business includes HVAC and Plumbing for Buildings, Industrial HVAC (centered on air-conditioning systems for factories), Electrical Systems and Facility Systems businesses, etc.

Orders received increased on the back of orders for large projects in HVAC and Plumbing for Buildings and Industrial HVAC, but an increase in project scale and longer project time frames prevented substantial progress on large projects, and this was mainly responsible for a decline in both sales and profit.

(Millions of yen)				
	Q3 FY2021	Q3 FY2022	YoY change	YoY change (%)
Orders received	110,828	158,316	47,487	42.8%
Net sales	108,777	101,841	(6,936)	(6.4%)
Segment profit	4,474	912	(3,561)	(79.6%)

○Machinery Systems Business

This business mainly includes conveyance systems and manufacturing and sales business related to transportation equipment. Orders received grew strongly, but sales decreased due mainly to a decline in work carried forward from FY2021, as well as less large-scale conveyance equipment work in FY2022, and segment profit (loss) deteriorated.

	(Millions of yen)			
	Q3 FY2021	Q3 FY2022	YoY change	YoY change (%)
Orders received	7,134	7,320	185	2.6%
Net sales	7,528	5,228	(2,299)	(30.5%)
Segment profit (loss)	64	(943)	(1,007)	—

○Environmental Systems Business

This business mainly includes operations related to water and sewage facilities and waste treatment facilities ordered by government agencies.

Orders received declined, mainly due to a fallback from orders for large-scale maintenance work and waste treatment facilities in Q3 FY2021. Net sales declined, but segment profit (loss) improved, partly due to an overall improvement in the profitability of projects.

	(Millions of yen)			
	Q3 FY2021	Q3 FY2022	YoY change	YoY change (%)
Orders received	26,259	14,489	(11,770)	(44.8%)
Net sales	17,812	16,943	(869)	(4.9%)
Segment profit (loss)	(561)	141	703	—

○Real Estate Business

This business mainly includes leasing operations for real estate holdings and building management.

Tenant rental income increased, resulting in higher sales, but profit fell, partly due to renovation work at some properties for lease.

	(Millions of yen)			
	Q3 FY2021	Q3 FY2022	YoY change	YoY change (%)
Orders received	1,800	1,852	51	2.9%
Net sales	1,800	1,852	51	2.9%
Segment profit	706	605	(101)	(14.3%)

(2) Qualitative information on consolidated financial position

	(Millions of yen)				
	End-FY2021	End-Q3 FY2022	YoY change	YoY change (%)	Main factors behind YoY change
Current assets	125,742	113,073	(12,669)	(10.1%)	Cash and deposits decreased from the end of FY2021 due to the purchase of treasury shares and dividends paid, and accounts receivable from completed construction contracts and other declined due to seasonal factors.
Non-current assets	57,866	56,696	(1,169)	(2.0%)	
Total assets	183,609	169,770	(13,839)	(7.5%)	
Current liabilities	79,210	71,449	(7,761)	(9.8%)	Liabilities decreased due to the repayment of borrowings and the payment of income taxes.
Non-current liabilities	10,121	10,528	407	4.0%	
Total liabilities	89,331	81,977	(7,354)	(8.2%)	
Total net assets	94,278	87,792	(6,485)	(6.9%)	Decreased due to dividend of surplus.

(3) Qualitative information on consolidated earnings forecasts

We have amended the full year consolidated and non-consolidated earnings forecasts announced on May 13, 2022, based on recent performance trends. For details, please see the “Notice Regarding Amendment of Earnings Forecasts” (Japanese only), released today (February 10, 2023).

2. Consolidated Financial Statements and Related Notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	42,779	32,193
Notes receivable – trade	595	382
Electronically recorded monetary claims - operating	7,124	3,818
Accounts receivable from completed construction contracts and other	39,412	28,291
Contract assets	19,629	27,581
Securities	5,999	4,999
Costs on construction contracts in progress	2,921	4,926
Raw materials and supplies	756	820
Other	6,541	10,073
Allowance for doubtful accounts	(17)	(15)
Total current assets	125,742	113,073
Non-current assets		
Property, plant and equipment		
Buildings and structures	43,830	43,936
Accumulated depreciation	(34,123)	(34,740)
Buildings and structures, net	9,707	9,195
Machinery, vehicles, tools, furniture and fixtures	2,028	2,088
Accumulated depreciation	(1,630)	(1,668)
Machinery, vehicles, tools, furniture and fixtures, net	398	420
Land	3,085	3,035
Leased assets	542	540
Accumulated depreciation	(230)	(250)
Leased assets, net	311	290
Construction in progress	1	40
Total property, plant and equipment	13,504	12,982
Intangible assets		
Other	1,255	2,240
Total intangible assets	1,255	2,240
Investments and other assets		
Investment securities	30,447	28,914
Long-term loans receivable	73	66
Retirement benefit asset	6,303	6,495
Leasehold and guarantee deposits	1,466	1,515
Insurance funds	1,252	1,019
Deferred tax assets	821	725
Other	3,160	3,154
Allowance for doubtful accounts	(419)	(418)
Total investments and other assets	43,106	41,473
Total non-current assets	57,866	56,696
Total assets	183,609	169,770

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Electronically recorded obligations - operating	2,588	3,145
Accounts payable for construction contracts	37,932	37,617
Short-term borrowings	8,885	7,137
Lease obligations	94	102
Income taxes payable	2,659	178
Contract liabilities	14,754	16,424
Provision for bonuses	4,143	1,989
Provision for directors' bonuses	234	173
Provision for warranties for completed construction	1,289	1,245
Provision for loss on construction contracts	9	72
Other	6,617	3,363
Total current liabilities	79,210	71,449
Non-current liabilities		
Long-term borrowings	320	65
Lease obligations	325	324
Retirement benefit liability	2,581	3,235
Provision for loss on business of subsidiaries and associates	440	440
Deferred tax liabilities	670	558
Other	5,784	5,904
Total non-current liabilities	10,121	10,528
Total liabilities	89,331	81,977
Net assets		
Shareholders' equity		
Share capital	8,105	8,105
Capital surplus	4,181	4,189
Retained earnings	75,097	69,285
Treasury shares	(5,243)	(4,952)
Total shareholders' equity	82,140	76,628
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,116	10,958
Deferred gains or losses on hedges	(5)	—
Foreign currency translation adjustment	(19)	145
Remeasurements of defined benefit plans	(265)	(139)
Total accumulated other comprehensive income	11,827	10,964
Share acquisition rights	310	199
Total net assets	94,278	87,792
Total liabilities and net assets	183,609	169,770

(2) Quarterly consolidated statements of income and comprehensive income

Third quarter of consolidated fiscal year

(Millions of yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Net sales		
Net sales of completed construction contracts	133,851	123,786
Net sales in real estate business and other	1,871	1,927
Total net sales	135,723	125,713
Cost of sales		
Cost of sales of completed construction contracts	114,686	107,812
Cost of sales in real estate business and other	1,076	1,192
Total cost of sales	115,763	109,005
Gross profit		
Gross profit on completed construction contracts	19,164	15,973
Gross profit on real estate business and other	794	734
Total gross profit	19,959	16,708
Selling, general and administrative expenses	15,009	15,615
Operating profit	4,949	1,092
Non-operating income		
Interest income	10	12
Dividend income	532	598
Other	345	465
Total non-operating income	888	1,076
Non-operating expenses		
Interest expenses	85	74
Other	208	157
Total non-operating expenses	293	232
Ordinary profit	5,544	1,937
Extraordinary income		
Gain on sale of non-current assets	—	22
Gain on sale of investment securities	13	58
Total extraordinary income	13	80
Extraordinary losses		
Loss on retirement of non-current assets	24	73
Loss on valuation of investment securities	77	31
Settlement payments	—	139
Total extraordinary losses	101	244
Profit before income taxes	5,457	1,772
Income taxes – current	1,366	347
Income taxes – deferred	406	441
Total income taxes	1,772	788
Profit	3,684	983
(Breakdown)		
Profit attributable to owners of parent	3,684	983
Profit attributable to non-controlling interests	—	—
Other comprehensive income		
Valuation difference on available-for-sale securities	552	(1,157)
Deferred gains or losses on hedges	(2)	5
Foreign currency translation adjustment	82	164
Remeasurements of defined benefit plans	142	125
Total other comprehensive income	774	(862)
Comprehensive income	4,458	121
(Breakdown)		
Comprehensive income attributable to owners of parent	4,458	121
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Cash flows from operating activities		
Profit before income taxes	5,457	1,772
Depreciation	1,184	1,117
Loss on retirement of non-current assets	24	73
Office relocation expenses	6	—
Increase (decrease) in allowance for doubtful accounts	0	(6)
Increase (decrease) in provision for bonuses	(1,869)	(2,154)
Increase (decrease) in retirement benefit liability	618	641
Increase (decrease) in provision for loss on construction contracts	29	63
Interest and dividend income	(542)	(611)
Interest expenses	85	74
Loss (gain) on sale of property, plant and equipment	(0)	(22)
Loss (gain) on sale of investment securities	(13)	(58)
Loss on valuation of investment securities	77	31
Decrease (increase) in trade receivables and contract assets	3,321	6,762
Decrease (increase) in costs on construction contracts in progress	(1,493)	(1,994)
Increase (decrease) in trade payables	(90)	218
Increase (decrease) in contract liabilities	6,530	1,658
Increase (decrease) in other current liabilities	(1,186)	(3,177)
Settlement payments	—	139
Other	(6,599)	(2,255)
Subtotal	5,537	2,273
Interest and dividends received	543	612
Interest paid	(88)	(78)
Commitment fee payment	(10)	—
Income taxes paid	(1,762)	(4,146)
Income taxes refund	358	6
Office relocation expenses paid	(6)	—
Settlement paid	—	(139)
Cash flows from operating activities	4,572	(1,471)
Cash flows from investing activities		
Purchase of securities	(13,000)	(15,000)
Proceeds from redemption of securities	12,000	16,000
Purchase of property, plant and equipment	(745)	(588)
Proceeds from sale of property, plant and equipment	0	76
Payments for retirement of property, plant and equipment	(27)	(67)
Purchase of investment securities	(17)	(271)
Proceeds from sale of investment securities	69	153
Proceeds from collection of loans receivable	10	9
Purchase of intangible assets	(456)	(1,086)
Proceeds from maturity of insurance funds	304	535
Other	(103)	(162)
Cash flows from investing activities	(1,965)	(400)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(860)	(961)
Repayments of long-term borrowings	(1,042)	(1,042)
Purchase of treasury shares	(1,411)	(1,964)
Proceeds from exercise of share options	0	0
Repayments of lease obligations	(127)	(78)
Dividends paid	(4,537)	(4,743)
Cash flows from financing activities	(7,979)	(8,789)
Effect of exchange rate changes on cash and cash equivalents	45	75
Net increase (decrease) in cash and cash equivalents	(5,327)	(10,585)
Cash and cash equivalents at beginning of period	37,087	44,779
Cash and cash equivalents at end of period	31,759	34,193

(4) Notes on premise of going concern

Not applicable

(5) Segment information, etc.

I. Third quarter of fiscal year 2021 (April 1, 2021 to December 31, 2021)

1. Information on net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable segments					Other (Notes) 1	Total	Adjust- ments (Notes) 2	Quarterly consolidated profit/loss and comprehensive income posted (Notes) 3
	Facilities Construc- tion Busi- ness	Machinery Systems Business	Environ- mental Sys- tems Busi- ness	Real Estate Business	Total				
Net sales									
Net sales to external customers	108,518	7,522	17,798	1,798	135,638	84	135,723	—	135,723
Intersegment sales or transfers	258	5	14	2	280	308	589	(589)	—
Total	108,777	7,528	17,812	1,800	135,919	392	136,312	(589)	135,723
Segment profit (loss)	4,474	64	(561)	706	4,683	(19)	4,663	880	5,544

(Notes) 1. The “Other” category is a business segment that is not included in reportable segments and includes the leasing business and insurance agency business, etc.

2. The adjustment amount of ¥880 million to segment profit/loss includes company-wide profit not allocated to each reportable segment of ¥495 million, the reversal amount of the interest burden allocated to each segment within the company of ¥284 million, and an adjustment amount of ¥101 million due to the recording of loss on retirement of non-current assets and loss on valuation of investment securities attributable to each segment as extraordinary losses. Differences in allocation of company-wide expenses, etc., are the main source of company-wide profit.

3. Segment profit or loss is adjusted with ordinary profit in the quarterly consolidated statements of income and comprehensive income.

II. Third quarter of fiscal year 2022 (April 1, 2022 to December 31, 2022)

1. Information on net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable segments					Other (Notes) 1	Total	Adjust- ments (Notes) 2	Quarterly consolidated profit/loss and comprehensive income posted (Notes) 3
	Facilities Construc- tion Busi- ness	Machinery Systems Business	Environ- mental Sys- tems Busi- ness	Real Estate Business	Total				
Net sales									
Net sales to external customers	101,616	5,226	16,931	1,850	125,624	89	125,713	—	125,713
Intersegment sales or transfers	224	2	12	2	241	279	520	(520)	—
Total	101,841	5,228	16,943	1,852	125,866	368	126,234	(520)	125,713
Segment profit (loss)	912	(943)	141	605	716	(32)	683	1,253	1,937

(Notes) 1. The “Other” category is a business segment that is not included in reportable segments and includes the leasing business and insurance agency business, etc.

2. The adjustment amount of ¥1,253 million to segment profit/loss includes company-wide profit not allocated to each reportable segment of ¥832 million, the reversal amount of the interest burden allocated to each segment within the company of ¥198 million, and an adjustment amount of ¥222 million due to the recording of loss on retirement of non-current assets, loss on valuation of investment securities, and other items attributable to each segment as extraordinary income and losses. Differences in allocation of company-wide expenses, etc., are the main source of company-wide profit.

3. Segment profit or loss is adjusted with ordinary profit in the quarterly consolidated statements of income and comprehensive income.

(6) Notes regarding significant changes in shareholders' equity [if any]

The Company has implemented the purchase and cancellation of treasury shares based on a resolution passed at the meeting of the Board of Directors on August 5, 2022. As a result, during the nine months ended December 31, 2022, treasury shares increased by ¥1,964 million due to purchases, while treasury shares and retained earnings decreased by ¥2,016 million due to the cancellation of treasury shares. The balance of treasury shares as of December 31, 2022, was ¥4,952 million.