

August 5, 2022

Consolidated Financial Results for the Three Months Ended June 30, 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: August 5, 2022
 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 Three Months Ended June 30, 2022 (April 1, 2022 to June 30, 2022)

(1) Consolidated operating results (Cumulative)

(% figures show year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2022	33,450	(13.6)	(1,260)	—	(860)	—	(637)	—
June 30, 2021	38,737	1.3	(278)	—	(13)	—	(35)	—

(Note) Comprehensive income: Three months ended June 30, 2022: ¥ (422 million) [–%]
 Three months ended June 30, 2021: ¥ 121 million [(90.9%)]

	Profit per share		Profit per share – diluted	
	Yen		Yen	
Three months ended				
June 30, 2022	(11.42)		—	
June 30, 2021	(0.63)		—	

(2) Consolidated financial position

	Total assets		Net assets		Shareholders' equity ratio	
	Millions of yen		Millions of yen		%	
As of						
June 30, 2022	163,924		91,067		55.4	
March 31, 2022	183,609		94,278		51.2	

(Reference) Shareholders' equity: As of June 30, 2022: ¥90,868 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	–				
Fiscal year ending March 31, 2023 (Forecast)		35.00	–	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	200,000	3.5	9,500	4.2	10,000	1.9	6,900	6.3	123.41

(Note) Amendment to forecasts of consolidated financial results recently announced: None

*** Notes**

(1) Changes in significant subsidiaries during the three months ended June 30, 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 June 30, 2022	59,661,156 shares
As of March 31, 2022	59,661,156 shares

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

As of June 30, 2022	3,790,458 shares
As of March 31, 2022	3,900,458 shares

(iii) Average number of shares during period

For the three months ended June 30, 2022	55,843,198 shares
For the three months ended June 30, 2021	56,741,202 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

There are no changes to our consolidated and non-consolidated earnings forecasts announced on May 13, 2022.

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.

[Attached Materials]

Index

1. Qualitative Information on the Quarter under Review	2
(1) Qualitative information on consolidated operating results.....	2
(2) Qualitative information on consolidated financial position.....	3
(3) Qualitative information on consolidated earnings forecasts.....	3
2. Consolidated Financial Statements and Related Notes	4
(1) Quarterly consolidated balance sheets	4
(2) Quarterly consolidated statements of income and comprehensive income	6
(3) Quarterly consolidated statements of cash flows	7
(4) Notes on premise of going concern	8
(5) Segment information, etc.	8
(6) Notes regarding significant changes in shareholders' equity [if any].....	8

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 financial position and operating results for the three months ended June 30, 2022, are as follows.

(1) Qualitative information on consolidated operating results

	(Millions of yen)				Main factors behind YoY change
	Q1 FY2021	Q1 FY2022	YoY change	YoY change (%)	
Orders received	56,023	46,974	(9,048)	(16.2%)	As stated in the next section, “Operating results of major segments”
Balance carried forward	158,962	164,262	5,299	3.3%	
Net sales	38,737	33,450	(5,287)	(13.6%)	
Gross profit	4,661	3,948	(713)	(15.3%)	
Margin (%)	12.0%	11.8%	(0.2%)		
Operating loss	(278)	(1,260)	(982)	—	
Margin (%)	(0.7%)	(3.8%)	(3.1%)		
Ordinary loss	(13)	(860)	(846)	—	
Margin (%)	(0.0%)	(2.6%)	(2.6%)		
Loss attributable to owners of parent	(35)	(637)	(602)	—	
Margin (%)	(0.1%)	(1.9%)	(1.8%)		

(Note) Profit or loss 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 were flat year-on-year but sales declined, partly due to the impact of sales from several large projects in Q1 FY2021.

	(Millions of yen)			
	Q1 FY2021	Q1 FY2022	YoY change	YoY change (%)
Orders received	38,022	38,867	844	2.2%
Net sales	31,820	26,516	(5,304)	(16.7%)
Segment profit (loss)	23	(893)	(917)	—

○Machinery Systems Business

This business mainly includes conveyance systems and manufacturing and sales business related to transportation equipment. Sales decreased, mainly due to a decline in work carried forward from FY2021, and segment losses worsened.

	(Millions of yen)			
	Q1 FY2021	Q1 FY2022	YoY change	YoY change (%)
Orders received	3,096	2,445	(650)	(21.0%)
Net sales	2,192	1,498	(693)	(31.7%)
Segment profit (loss)	(74)	(285)	(210)	—

○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 Q1 FY2021. However, sales increased due to the progress of work carried forward from FY2021, and segment loss improved.

(Millions of yen)

	Q1 FY2021	Q1 FY2022	YoY change	YoY change (%)
Orders received	14,393	5,136	(9,256)	(64.3%)
Net sales	4,120	4,815	695	16.9%
Segment profit (loss)	(527)	(274)	252	—

○Real Estate Business

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

Tenant rental income increased, resulting in higher sales.

(Millions of yen)

	Q1 FY2021	Q1 FY2022	YoY change	YoY change (%)
Orders received	595	614	18	3.1%
Net sales	595	614	18	3.1%
Segment profit	252	245	(7)	(2.9%)

(2) Qualitative information on consolidated financial position

(Millions of yen)

	End-FY2021	End-Q1 FY2022	YoY change	YoY change (%)	Main factors behind YoY change
Current assets	125,742	106,119	(19,623)	(15.6%)	Accounts receivable from completed construction contracts and other declined from the end of FY2021 due to seasonal factors.
Non-current assets	57,866	57,805	(61)	(0.1%)	
Total assets	183,609	163,924	(19,685)	(10.7%)	
Current liabilities	79,210	62,695	(16,514)	(20.8%)	Accounts payable for construction contracts declined from the end of FY2021 due to seasonal factors.
Non-current liabilities	10,121	10,161	39	0.4%	
Total liabilities	89,331	72,856	(16,474)	(18.4%)	
Total net assets	94,278	91,067	(3,210)	(3.4%)	Decreased due to dividend of surplus.

(3) Qualitative information on consolidated earnings forecasts

There are no changes to our consolidated and non-consolidated earnings forecasts announced on May 13, 2022.

2. Consolidated Financial Statements and Related Notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	42,779	42,465
Notes receivable - trade	595	553
Electronically recorded monetary claims - operating	7,124	6,933
Accounts receivable from completed construction contracts and other	39,412	24,528
Contract assets	19,629	14,805
Securities	5,999	5,999
Costs on construction contracts in progress	2,921	3,813
Raw materials and supplies	756	796
Other	6,541	6,243
Allowance for doubtful accounts	(17)	(21)
Total current assets	125,742	106,119
Non-current assets		
Property, plant and equipment		
Buildings and structures	43,830	43,845
Accumulated depreciation	(34,123)	(34,374)
Buildings and structures, net	9,707	9,471
Machinery, vehicles, tools, furniture and fixtures	2,028	2,056
Accumulated depreciation	(1,630)	(1,662)
Machinery, vehicles, tools, furniture and fixtures, net	398	394
Land	3,085	3,085
Leased assets	542	552
Accumulated depreciation	(230)	(253)
Leased assets, net	311	299
Construction in progress	1	0
Total property, plant and equipment	13,504	13,250
Intangible assets		
Other	1,255	1,341
Total intangible assets	1,255	1,341
Investments and other assets		
Investment securities	30,447	30,507
Long-term loans receivable	73	55
Retirement benefit asset	6,303	6,373
Leasehold and guarantee deposits	1,466	1,467
Insurance funds	1,252	1,221
Deferred tax assets	821	847
Other	3,160	3,160
Allowance for doubtful accounts	(419)	(420)
Total investments and other assets	43,106	43,213
Total non-current assets	57,866	57,805
Total assets	183,609	163,924

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Electronically recorded obligations - operating	2,588	2,268
Accounts payable for construction contracts	37,932	27,374
Short-term borrowings	8,885	7,852
Lease obligations	94	93
Income taxes payable	2,659	145
Contract liabilities	14,754	17,099
Provision for bonuses	4,143	1,621
Provision for directors' bonuses	234	60
Provision for warranties for completed construction	1,289	1,316
Provision for loss on construction contracts	9	—
Other	6,617	4,863
Total current liabilities	79,210	62,695
Non-current liabilities		
Long-term borrowings	320	235
Lease obligations	325	308
Retirement benefit liability	2,581	2,870
Provision for loss on business of subsidiaries and associates	440	440
Deferred tax liabilities	670	446
Other	5,784	5,861
Total non-current liabilities	10,121	10,161
Total liabilities	89,331	72,856
Net assets		
Shareholders' equity		
Share capital	8,105	8,105
Capital surplus	4,181	4,181
Retained earnings	75,097	71,635
Treasury shares	(5,243)	(5,095)
Total shareholders' equity	82,140	78,826
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,116	12,213
Deferred gains or losses on hedges	(5)	(13)
Foreign currency translation adjustment	(19)	65
Remeasurements of defined benefit plans	(265)	(223)
Total accumulated other comprehensive income	11,827	12,042
Share acquisition rights	310	199
Total net assets	94,278	91,067
Total liabilities and net assets	183,609	163,924

(2) Quarterly consolidated statements of income and comprehensive income**First quarter of consolidated fiscal year**

(Millions of yen)

	For the three months ended June 31, 2021	For the three months ended June 30, 2022
Net sales		
Net sales of completed construction contracts	38,121	32,814
Net sales in real estate business and other	616	635
Total net sales	38,737	33,450
Cost of sales		
Cost of sales of completed construction contracts	33,739	29,143
Cost of sales in real estate business and other	336	358
Total cost of sales	34,075	29,502
Gross profit		
Gross profit on completed construction contracts	4,381	3,670
Gross profit on real estate business and other	280	277
Total gross profit	4,661	3,948
Selling, general and administrative expenses	4,940	5,209
Operating loss	(278)	(1,260)
Non-operating income		
Interest income	3	3
Dividend income	273	306
Other	81	149
Total non-operating income	358	459
Non-operating expenses		
Interest expenses	28	25
Other	65	34
Total non-operating expenses	94	59
Ordinary loss	(13)	(860)
Extraordinary income		
Gain on sale of investment securities	2	25
Total extraordinary income	2	25
Extraordinary losses		
Loss on valuation of investment securities	4	—
Total extraordinary losses	4	—
Loss before income taxes	(15)	(835)
Income taxes – current	26	111
Income taxes – deferred	(5)	(308)
Total income taxes	20	(197)
Loss	(35)	(637)
(Breakdown)		
Loss attributable to owners of parent	(35)	(637)
Profit attributable to non-controlling interests	—	—
Other comprehensive income		
Valuation difference on available-for-sale securities	60	97
Deferred gains or losses on hedges	0	(8)
Foreign currency translation adjustment	48	85
Remeasurements of defined benefit plans	47	41
Total other comprehensive income	156	215
Comprehensive income	121	(422)
(Breakdown)		
Comprehensive income attributable to owners of parent	121	(422)
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Cash flows from operating activities		
Loss before income taxes	(15)	(835)
Depreciation	395	366
Increase (decrease) in allowance for doubtful accounts	(4)	2
Increase (decrease) in provision for bonuses	(2,204)	(2,521)
Increase (decrease) in retirement benefit liability	310	277
Interest and dividend income	(277)	(309)
Interest expenses	28	25
Loss (gain) on sale of investment securities	(2)	(25)
Loss on valuation of investment securities	4	—
Decrease (increase) in trade receivables	18,219	19,979
Decrease (increase) in costs on construction contracts in progress	(542)	(886)
Increase (decrease) in trade payables	(6,924)	(10,890)
Increase (decrease) in contract liabilities	2,579	2,338
Increase (decrease) in other current liabilities	(21)	(1,721)
Other	(2,726)	250
Subtotal	8,818	6,049
Interest and dividends received	278	311
Interest paid	(24)	(21)
Commitment fee payment	(10)	—
Income taxes paid	(1,122)	(2,757)
Income taxes refund	—	4
Cash flows from operating activities	7,939	3,585
Cash flows from investing activities		
Purchase of securities	(4,000)	(5,000)
Proceeds from redemption of securities	4,000	5,000
Purchase of property, plant and equipment	(298)	(92)
Purchase of investment securities	(4)	(4)
Proceeds from sale of investment securities	4	109
Proceeds from collection of loans receivable	4	3
Purchase of intangible assets	(169)	(162)
Proceeds from maturity of insurance funds	—	50
Other	73	71
Cash flows from investing activities	(390)	(24)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(775)	(770)
Repayments of long-term borrowings	(347)	(347)
Purchase of treasury shares	(0)	—
Proceeds from exercise of share options	0	0
Repayments of lease obligations	(49)	(24)
Dividends paid	(2,552)	(2,788)
Cash flows from financing activities	(3,724)	(3,931)
Effect of exchange rate changes on cash and cash equivalents	39	56
Net increase (decrease) in cash and cash equivalents	3,864	(313)
Cash and cash equivalents at beginning of period	37,087	44,779
Cash and cash equivalents at end of period	40,951	44,465

(4) Notes on premise of going concern

Not applicable

(5) Segment information, etc.

I. First quarter of fiscal year 2021 (April 1, 2021 to June 30, 2021)

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

(Millions of yen)

	Reportable segments					Other (Notes) 1	Total	Adjustments (Notes) 2	Quarterly consolidated profit/loss and comprehensive income posted (Notes) 3
	Facilities Construction Business	Machinery Systems Business	Environmental Systems Business	Real Estate Business	Total				
Net sales									
Net sales to external customers	31,804	2,187	4,117	594	38,704	33	38,737	—	38,737
Intersegment sales or transfers	16	4	3	0	24	81	106	(106)	—
Total	31,820	2,192	4,120	595	38,728	114	38,843	(106)	38,737
Segment profit (loss)	23	(74)	(527)	252	(325)	(9)	(335)	321	(13)

(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 ¥321 million to segment profit/loss includes company-wide profit not allocated to each reportable segment of ¥232 million, the reversal amount of the interest burden allocated to each segment within the company of ¥84 million, and an adjustment amount of ¥3 million due to the recording of loss on valuation of investment securities attributable to each segment as an extraordinary loss. 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 loss in the quarterly consolidated statements of income and comprehensive income.

II. First quarter of fiscal year 2022 (April 1, 2022 to June 30, 2022)

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

(Millions of yen)

	Reportable segments					Other (Notes) 1	Total	Adjustments (Notes) 2	Quarterly consolidated profit/loss and comprehensive income posted (Notes) 3
	Facilities Construction Business	Machinery Systems Business	Environmental Systems Business	Real Estate Business	Total				
Net sales									
Net sales to external customers	26,497	1,497	4,811	613	33,420	30	33,450	—	33,450
Intersegment sales or transfers	18	0	4	0	24	84	108	(108)	—
Total	26,516	1,498	4,815	614	33,444	114	33,559	(108)	33,450
Segment profit (loss)	(893)	(285)	(274)	245	(1,208)	(15)	(1,224)	363	(860)

(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 ¥363 million to segment profit/loss includes company-wide profit not allocated to each reportable segment of ¥303 million and the reversal amount of the interest burden allocated to each segment within the company of ¥60 million. 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 loss in the quarterly consolidated statements of income and comprehensive income.

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

Not applicable