

Consolidated Financial Results
for the Nine Months Ended December 31, 2023
<Japanese GAAP>

Listed company: SANKI ENGINEERING CO., LTD.
Listed stock exchange: Tokyo
Securities code: 1961
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Scheduled date to file quarterly securities report: February 14, 2024
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, 2023
(April 1, 2023 to December 31, 2023)

(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	%
Nine months ended								
December 31, 2023	149,611	19.0	5,998	449.0	6,980	260.4	4,861	394.0
December 31, 2022	125,713	(7.4)	1,092	(77.9)	1,937	(65.1)	983	(73.3)

(Note) Comprehensive income: Nine months ended December 31, 2023: ¥8,665 million [–%]
Nine months ended December 31, 2022: ¥121 million [(97.3%)]

	Profit per share	Profit per share – diluted
Nine months ended	Yen	Yen
December 31, 2023	89.53	89.23
December 31, 2022	17.68	17.62

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
As of	Millions of yen	Millions of yen	%
December 31, 2023	173,112	94,202	54.3
March 31, 2023	172,305	90,913	52.6

(Reference) Shareholders' equity: As of December 31, 2023: ¥94,012 million As of March 31, 2023: ¥90,714 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, 2023	–	35.00	–	40.00	75.00
Fiscal year ending March 31, 2024	–	35.00	–		
Fiscal year ending March 31, 2024 (Forecast)				35.00	70.00

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

Breakdown of end-FY3/23 dividend: Ordinary dividend ¥35; Extraordinary dividend ¥5

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2024

(April 1, 2023 to March 31, 2024)

(% 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	220,000	15.3	11,000	103.3	11,500	84.1	7,500	57.9	138.48

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

*** Notes**

(1) Changes in significant subsidiaries during the nine months ended December 31, 2023 (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, 2023	56,661,156 shares
As of March 31, 2023	58,161,156 shares

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

As of December 31, 2023	2,968,795 shares
As of March 31, 2023	3,722,458 shares

(iii) Average number of shares during period

For the nine months ended December 31, 2023	54,298,011 shares
For the nine months ended December 31, 2022	55,645,488 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 November 10, 2023. 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.

(Reference) Forecast of Non-consolidated Financial Results for the Fiscal Year Ending March 31, 2024

(April 1, 2023 to March 31, 2024)

(% 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	195,000	15.3	8,500	142.1	10,500	86.7	7,700	59.4	142.18

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

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]

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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.” The consolidated fiscal year under review is the second 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.” Continuing its efforts from FY2022, the Group will strive to remain the enduring company of choice by pushing forward with 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 generation. 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 Board of Directors is continuing to discuss the requests issued by the Tokyo Stock Exchange under “Action to Implement Management that is Conscious of Cost of Capital and Stock Price” and considering how the Group will respond to these requests and engage in disclosure.

The Group’s operating results and financial position for the nine months ended December 31, 2023, are as follows.

(1) Qualitative information on consolidated operating results

(Millions of yen)

	Q3 FY2022	Q3 FY2023	YoY change	YoY change (%)	Main factors behind YoY change
Orders received	181,663	187,163	5,499	3.0%	As stated in the next section, “Operating results of major segments”
Balance carried forward	206,687	225,977	19,290	9.3%	
Net sales	125,713	149,611	23,897	19.0%	
Gross profit	16,708	21,929	5,220	31.2%	
Margin (%)	13.3%	14.7%	1.4%		
Operating profit	1,092	5,998	4,905	449.0%	
Margin (%)	0.9%	4.0%	3.1%		
Ordinary profit	1,937	6,980	5,043	260.4%	
Margin (%)	1.5%	4.7%	3.2%		
Profit attributable to owners of parent	983	4,861	3,877	394.0%	
Margin (%)	0.8%	3.2%	2.4%		

(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.

While orders received decreased year on year, due mainly to a fallback from orders for large projects in HVAC and Plumbing for Buildings in Q3 FY2022, increases were recorded in both net sales and profit due largely to progress on projects that were carried forward from FY2022.

(Millions of yen)

	Q3 FY2022	Q3 FY2023	YoY change	YoY change (%)
Orders received	158,316	149,462	(8,854)	(5.6%)
Net sales	101,841	122,944	21,103	20.7%
Segment profit	912	5,709	4,796	525.7%

○Machinery Systems Business

This business mainly includes conveyance systems and manufacturing and sales business related to transportation equipment. Orders received grew strongly, and net sales also increased due largely to progress in the projects that were carried forward from FY2022. Segment loss improved due to the increase in net sales, but profitability was low.

(Millions of yen)

	Q3 FY2022	Q3 FY2023	YoY change	YoY change (%)
Orders received	7,320	8,043	722	9.9%
Net sales	5,228	7,421	2,193	41.9%
Segment profit (loss)	(943)	(679)	263	—

○Environmental Systems Business

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

Orders received increased with orders received for large-scale waste treatment facilities. Net sales and segment profit both increased.

(Millions of yen)

	Q3 FY2022	Q3 FY2023	YoY change	YoY change (%)
Orders received	14,489	27,902	13,412	92.6%
Net sales	16,943	17,475	531	3.1%
Segment profit	141	373	231	163.5%

○Real Estate Business

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

Tenant rental income increased, resulting in higher sales and profits.

(Millions of yen)

	Q3 FY2022	Q3 FY2023	YoY change	YoY change (%)
Orders received	1,852	1,861	8	0.5%
Net sales	1,852	1,861	8	0.5%
Segment profit	605	693	88	14.6%

(2) Qualitative information on consolidated financial position

(Millions of yen)

	End-FY2022	End-Q3 FY2023	YoY change	YoY change (%)	Main factors behind YoY change
Current assets	115,512	112,212	(3,299)	(2.9%)	Cash and deposits decreased due to the purchase of treasury shares and dividends paid, while investment securities increased due to a rise in market prices
Non-current assets	56,793	60,899	4,106	7.2%	
Total assets	172,305	173,112	806	0.5%	
Current liabilities	69,649	65,060	(4,588)	(6.6%)	Repayment of borrowings and decrease in contract liabilities due to progress on construction contracts
Non-current liabilities	11,742	13,849	2,107	17.9%	
Total liabilities	81,392	78,910	(2,481)	(3.0%)	
Total net assets	90,913	94,202	3,288	3.6%	Retained earnings decreased due to dividends paid, while valuation difference on available-for-sale securities increased due to a rise in market prices

(3) Qualitative information on consolidated earnings forecasts

We have amended the full-year consolidated and non-consolidated earnings forecasts announced on November 10, 2023, as follows, based on recent performance trends.

- Full-year earnings forecast for the fiscal year ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)

		Net sales	Operating profit		Ordinary profit		Profit attributable to owners of parent (profit for the non-consolidated forecast)		Profit per share (yen)
			Amount	Margin (%)	Amount	Margin (%)	Amount	Margin (%)	
Consolidated	Previous forecast (A)	215,000	9,500	4.4	10,000	4.7	6,700	3.1	123.02
	Amended forecast (B)	220,000	11,000	5.0	11,500	5.2	7,500	3.4	138.48
	Increase (B-A)	5,000	1,500	0.6	1,500	0.5	800	0.3	—
	Increase (%)	2.3	15.8	—	15.0	—	11.9	—	—
	(Reference) Results for the previous fiscal year	190,865	5,409	2.8	6,247	3.3	4,750	2.5	85.80
Non-consolidated	Previous forecast (A)	195,000	7,500	3.8	9,500	4.9	6,900	3.5	126.69
	Amended forecast (B)	195,000	8,500	4.4	10,500	5.4	7,700	3.9	142.18
	Increase (B-A)	—	1,000	0.6	1,000	0.5	800	0.4	—
	Increase (%)	—	13.3	—	10.5	—	11.6	—	—
	(Reference) Results for the previous fiscal year	169,116	3,510	2.1	5,624	3.3	4,830	2.9	87.25

Upon careful examination of the future outlook based on the consolidated financial results for the nine months ended December 31, 2023, we expect higher net sales and profit than in the previous full-year earnings forecast. This is due to factors such as steady progress in the projects that were carried forward from FY2022 and an anticipated improvement in the profitability of projects.

We expect full-year consolidated orders received of ¥220,000 million (4.8% higher than under the previous forecast).

2. Consolidated Financial Statements and Related Notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	24,949	20,531
Notes receivable - trade	407	417
Electronically recorded monetary claims - operating	4,603	5,163
Accounts receivable from completed construction contracts and other	48,286	35,304
Contract assets	23,843	38,682
Securities	4,000	—
Costs on construction contracts in progress	2,801	4,959
Raw materials and supplies	711	874
Other	5,908	6,278
Total current assets	115,512	112,212
Non-current assets		
Property, plant and equipment		
Buildings and structures	43,955	44,434
Accumulated depreciation	(34,672)	(35,260)
Buildings and structures, net	9,283	9,173
Machinery, vehicles, tools, furniture and fixtures	2,111	2,234
Accumulated depreciation	(1,687)	(1,740)
Machinery, vehicles, tools, furniture and fixtures, net	424	493
Land	3,035	3,035
Leased assets	538	532
Accumulated depreciation	(266)	(262)
Leased assets, net	271	270
Construction in progress	22	31
Total property, plant and equipment	13,037	13,003
Intangible assets		
Other	2,302	2,094
Total intangible assets	2,302	2,094
Investments and other assets		
Investment securities	28,010	32,576
Long-term loans receivable	64	56
Retirement benefit asset	7,190	7,345
Leasehold and guarantee deposits	1,636	1,762
Insurance funds	1,011	632
Deferred tax assets	849	746
Other	3,026	3,023
Allowance for doubtful accounts	(337)	(342)
Total investments and other assets	41,453	45,801
Total non-current assets	56,793	60,899
Total assets	172,305	173,112

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Electronically recorded obligations - operating	1,667	3,811
Accounts payable for construction contracts	35,074	35,446
Short-term borrowings	6,674	4,878
Lease liabilities	97	97
Income taxes payable	839	882
Contract liabilities	15,027	12,619
Provision for bonuses	4,101	1,992
Provision for directors' bonuses	224	149
Provision for warranties for completed construction	1,405	1,356
Provision for loss on construction contracts	32	506
Other	4,505	3,321
Total current liabilities	69,649	65,060
Non-current liabilities		
Long-term borrowings	1,400	1,137
Lease liabilities	300	302
Retirement benefit liability	3,861	4,408
Provision for loss on business of subsidiaries and associates	440	98
Deferred tax liabilities	64	2,008
Other	5,675	5,894
Total non-current liabilities	11,742	13,849
Total liabilities	81,392	78,910
Net assets		
Shareholders' equity		
Share capital	8,105	8,105
Capital surplus	4,189	4,192
Retained earnings	73,051	71,679
Treasury shares	(5,335)	(4,473)
Total shareholders' equity	80,011	79,504
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,583	14,081
Foreign currency translation adjustment	101	328
Remeasurements of defined benefit plans	17	97
Total accumulated other comprehensive income	10,702	14,507
Share acquisition rights	199	190
Total net assets	90,913	94,202
Total liabilities and net assets	172,305	173,112

(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, 2022	For the nine months ended December 31, 2023
Net sales		
Net sales of completed construction contracts	123,786	147,677
Net sales in real estate business and other	1,927	1,934
Total net sales	125,713	149,611
Cost of sales		
Cost of sales of completed construction contracts	107,812	126,541
Cost of sales in real estate business and other	1,192	1,140
Total cost of sales	109,005	127,682
Gross profit		
Gross profit on completed construction contracts	15,973	21,135
Gross profit on real estate business and other	734	793
Total gross profit	16,708	21,929
Selling, general and administrative expenses	15,615	15,930
Operating profit	1,092	5,998
Non-operating income		
Interest income	12	13
Dividend income	598	685
Other	465	558
Total non-operating income	1,076	1,256
Non-operating expenses		
Interest expenses	74	77
Construction repair expenses	3	67
Other	154	129
Total non-operating expenses	232	274
Ordinary profit	1,937	6,980
Extraordinary income		
Gain on sale of non-current assets	22	—
Gain on sale of investment securities	58	332
Gain on liquidation of subsidiaries and associates	—	25
Total extraordinary income	80	358
Extraordinary losses		
Loss on retirement of non-current assets	73	86
Loss on valuation of investment securities	31	52
Settlement payments	139	—
Total extraordinary losses	244	139
Profit before income taxes	1,772	7,198
Income taxes - current	347	1,864
Income taxes - deferred	441	472
Total income taxes	788	2,337
Profit	983	4,861
(Breakdown)		
Profit attributable to owners of parent	983	4,861
Profit attributable to non-controlling interests	—	—
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,157)	3,497
Deferred gains or losses on hedges	5	—
Foreign currency translation adjustment	164	227
Remeasurements of defined benefit plans	125	79
Total other comprehensive income	(862)	3,804
Comprehensive income	121	8,665
(Breakdown)		
Comprehensive income attributable to owners of parent	121	8,665
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	1,772	7,198
Depreciation	1,117	1,423
Loss on retirement of non-current assets	73	86
Office relocation expenses	—	24
Increase (decrease) in provision for loss on business of subsidiaries and associates	—	(342)
Increase (decrease) in allowance for doubtful accounts	(6)	2
Increase (decrease) in provision for bonuses	(2,154)	(2,108)
Increase (decrease) in retirement benefit liability	641	502
Increase (decrease) in provision for loss on construction contracts	63	473
Interest and dividend income	(611)	(698)
Interest expenses	74	77
Loss (gain) on sale of property, plant and equipment	(22)	0
Loss (gain) on sale of investment securities	(58)	(323)
Loss on valuation of investment securities	31	52
Gain on liquidation of subsidiaries and associates	—	(25)
Decrease (increase) in trade receivables and contract assets	6,762	(2,315)
Decrease (increase) in costs on construction contracts in progress	(1,994)	(2,135)
Increase (decrease) in trade payables	218	2,462
Increase (decrease) in contract liabilities	1,658	(2,430)
Increase (decrease) in other current liabilities	(3,177)	(1,173)
Settlement payments	139	—
Other	(2,255)	(870)
Subtotal	2,273	(119)
Interest and dividends received	612	699
Interest paid	(78)	(80)
Income taxes paid	(4,146)	(1,797)
Income taxes refund	6	0
Office relocation expenses paid	—	(12)
Settlement paid	(139)	—
Cash flows from operating activities	(1,471)	(1,310)
Cash flows from investing activities		
Purchase of securities	(15,000)	(13,000)
Proceeds from redemption of securities	16,000	17,000
Purchase of property, plant and equipment	(588)	(860)
Proceeds from sale of property, plant and equipment	76	0
Payments for retirement of property, plant and equipment	(67)	(75)
Purchase of investment securities	(271)	(7)
Proceeds from sale of investment securities	153	591
Proceeds from liquidation of subsidiaries and associates	—	178
Proceeds from collection of loans receivable	9	23
Purchase of intangible assets	(1,086)	(195)
Proceeds from maturity of insurance funds	535	731
Other	(162)	(10)
Cash flows from investing activities	(400)	4,376
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(961)	(1,560)
Repayments of long-term borrowings	(1,042)	(517)
Purchase of treasury shares	(1,964)	(1,392)
Proceeds from exercise of share options	0	0
Repayments of lease liabilities	(78)	(82)
Dividends paid	(4,743)	(4,083)
Cash flows from financing activities	(8,789)	(7,636)
Effect of exchange rate changes on cash and cash equivalents	75	151
Net increase (decrease) in cash and cash equivalents	(10,585)	(4,418)
Cash and cash equivalents at beginning of period	44,779	24,949
Cash and cash equivalents at end of period	34,193	20,531

(4) Notes on premise of going concern

Not applicable

(5) Segment information, etc.

I. 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 Systems Business	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.

II. Third quarter of fiscal year 2023 (April 1, 2023 to December 31, 2023)

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 Systems Business	Real Estate Business	Total				
Net sales									
Net sales to external customers	122,809	7,416	17,447	1,859	149,533	77	149,611	—	149,611
Intersegment sales or transfers	134	5	27	2	169	356	526	(526)	—
Total	122,944	7,421	17,475	1,861	149,703	434	150,137	(526)	149,611
Segment profit (loss)	5,709	(679)	373	693	6,097	(24)	6,072	907	6,980

(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 ¥907 million to segment profit/loss includes company-wide profit not allocated to each reportable segment of ¥479 million, the reversal amount of the interest burden allocated to each segment within the company of ¥345 million, and an adjustment amount of ¥82 million due to the recording of extraordinary income and losses such as loss on retirement of non-current assets attributable to each segment. 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 10, 2023. As a result, during the nine months ended December 31, 2023, treasury shares increased by ¥1,392 million due to purchases, while treasury shares and retained earnings decreased by ¥2,149 million due to the cancellation of treasury shares. The balance of treasury shares as of December 31, 2023, was ¥4,473 million.