

The 3rd Quarter FY2023 Summary of Financial Results

February 14, 2024

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☆Key Points of Financial Results

Orders received, net sales, and gross profit all reached their highest levels ever in the 3rd quarter

Orders received increased year on year on the back of an increase in the scale of properties in Industrial HVAC and orders for large-scale construction projects in Environmental Systems

Net sales increased due mainly to progress in the large volume of works carried over from the previous year, largely for Industrial HVAC and Facility Systems

The increase in gross profit was due to an improvement in the profit margin for works carried over from the previous year in Facilities Construction, compared to the profit margin at the time of ordering, in addition to the increase in net sales

<Orders> 187.163 billion yen (181.663 billion yen in the same period of the previous fiscal year)

- Orders declined year on year in Facilities Construction due to a fallback for large-scale project orders in HVAC and Plumbing for Buildings received in Q3 FY2022, but increased year on year in Industrial HVAC on the back of several orders for large-scale projects, including semiconductor-related projects
- In Plants & Machinery Systems, orders increased due to the effect of large-scale project orders for waste treatment and other facilities in Environmental Systems during the first half of the fiscal year

<Net sales> 149.611 billion yen (125.713 billion yen in the same period of the previous fiscal year)

- In Facilities Construction, net sales increased due to steady progress in works carried over from the previous year, largely for semiconductor-related projects in Industrial HVAC, while net sales for Facility Systems also rose, due mainly to the completion of office relocation project management services
- In Machinery Systems, net sales increased due to progress in works carried over from the previous year, largely in conveyance equipment for manufacturing facilities

<Gross profit> Gross profit amounted to 21.929 billion yen (16.708 billion yen in the same period of the previous fiscal year)

- In Facilities Construction, gross profit increased due to an improvement in the profit margin for works carried over from the previous year compared to the profit margin at the time of ordering, in addition to the increase in net sales
- Gross profit also increased in Machinery Systems due to higher net sales, but profitability remained low
- Gross profit rose in Environmental Systems due to the increase in net sales

<FY2023 consolidated results forecasts> (Compared with the forecasts announced on November 10, 2023)

- Orders received: 220 billion yen (+10 billion yen); Net sales: 220 billion yen (+5 billion yen); Ordinary profit: 11.5 billion yen (+1.5 billion yen)
- Orders received are forecast to increase due to the growing scale of project orders amid strong construction demand
- Net sales are forecast to increase due to smooth progress on construction projects expected to continue in the 4th quarter, as well as the expected conversion of 30% of the balance of orders carried forward, which exceeds 225 billion yen, to sales during this fiscal year
- Ordinary profit is forecast to increase due to higher net sales and an expected improvement in the profit margin for works carried over from the previous year

<Shareholder returns>

- Conducted shareholder returns according to medium-term management plan “Century 2025” Phase 3 financial and capital policies
- Forecast interim dividend: 35 yen, year-end dividend: 35 yen, annual dividend: 70 yen (no change from initial forecast)
- Canceled 1,500 thousand treasury shares on August 18, 2023; Completed the repurchase of 819 thousand shares by December 31, 2023
- Expected payout ratio: 50.5%, total return ratio: 84.2%

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FY2023 3Q RESULTS

FY2023 3Q Results (Consolidated)

(Millions of yen)

	December FY2021	December FY2022	December FY2023	Year on year	Rate of Change (%)
Orders received	145,794	181,663	187,163	5,499	3.0
Balance carried forward	151,747	206,687	225,977	19,290	9.3
Net sales	135,723	125,713	149,611	23,897	19.0
Completed construction contracts	133,851	123,786	147,677	23,890	19.3
Real estate business and others	1,871	1,927	1,934	6	0.4
Gross profit	19,959	16,708	21,929	5,220	31.2
Completed construction contracts	19,164	15,973	21,135	5,162	32.3
Real estate business and others	794	734	793	58	8.0
Gross profit margin (%)	14.7	13.3	14.7	1.4 _{pt.}	—
Selling, general and administrative expenses	15,009	15,615	15,930	315	2.0
Operating profit	4,949	1,092	5,998	4,905	449.0
Non-operating profit and loss	594	844	982	137	16.3
Ordinary profit	5,544	1,937	6,980	5,043	260.4
Extraordinary profit and loss(loss)	(87)	(164)	218	382	—
Profit attributable to owners of parent	3,684	983	4,861	3,877	394.0

Quarterly Results (Consolidated)

(Millions of yen)

	FY2021				FY2022				FY2023		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Orders received	56,023	40,482	49,288	56,456	46,974	71,939	62,749	46,890	52,631	72,749	61,781
Net sales	38,737	45,332	51,652	57,466	33,450	40,059	52,203	65,152	40,727	48,732	60,152
Gross profit	4,661	6,396	8,901	10,264	3,948	5,213	7,546	10,304	5,231	6,738	9,959
Gross profit margin (%)	12.0	14.1	17.2	17.9	11.8	13.0	14.5	15.8	12.8	13.8	16.6
Selling, general and administrative expenses	4,940	5,092	4,976	6,101	5,209	5,212	5,193	5,987	5,250	5,437	5,242
Operating profit (loss)	(278)	1,303	3,924	4,162	(1,260)	0	2,352	4,316	(18)	1,300	4,716
Operating profit margin (%)	(0.7)	2.9	7.6	7.2	(3.8)	0.0	4.5	6.6	(0.0)	2.7	7.8
Ordinary profit (loss)	(13)	1,324	4,233	4,272	(860)	109	2,688	4,310	359	1,519	5,102
Extraordinary profit and loss(loss)	(1)	11	(97)	(215)	25	(170)	(18)	852	203	66	(51)
Profit attributable to owners of parent (loss)	(35)	899	2,820	2,805	(637)	(132)	1,754	3,766	339	1,070	3,452

Orders Received by Segment (Consolidated)

(Millions of yen)

Segment	December FY2021	December FY2022	December FY2023	Year on year	Rate of Change (%)
HVAC and Plumbing for Buildings	39,808	62,885	37,139	(25,745)	(40.9)
Industrial HVAC	40,648	64,650	79,500	14,849	23.0
Electrical Systems	22,532	21,214	21,376	161	0.8
Facility Systems	7,838	9,566	11,446	1,879	19.7
Total of Facilities Construction Business	110,828	158,316	149,462	(8,854)	(5.6)
Machinery Systems	7,134	7,320	8,043	722	9.9
Environmental Systems	26,259	14,489	27,902	13,412	92.6
Total of Plants & Machinery Systems Business	33,394	21,809	35,945	14,135	64.8
Sub-total	144,223	180,126	185,407	5,281	2.9
Real Estate Business	1,800	1,852	1,861	8	0.5
Others	399	366	446	80	21.8
Adjustments*	(628)	(681)	(552)	129	—
Total	145,794	181,663	187,163	5,499	3.0

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

Net Sales by Segment (Consolidated)

(Millions of yen)

Segment	December FY2021	December FY2022	December FY2023	Year on year	Rate of Change (%)
HVAC and Plumbing for Buildings	42,083	39,056	39,844	787	2.0
Industrial HVAC	41,918	38,504	55,800	17,296	44.9
Electrical Systems	17,782	17,039	17,332	292	1.7
Facility Systems	6,993	7,239	9,967	2,727	37.7
Total of Facilities Construction Business	108,777	101,841	122,944	21,103	20.7
Machinery Systems	7,528	5,228	7,421	2,193	41.9
Environmental Systems	17,812	16,943	17,475	531	3.1
Total of Plant & Machinery Systems Business	25,341	22,172	24,897	2,724	12.3
Sub-total	134,118	124,013	147,841	23,828	19.2
Real Estate Business	1,800	1,852	1,861	8	0.5
Others	392	368	434	66	18.1
Adjustments*	(589)	(520)	(526)	(5)	—
Total	135,723	125,713	149,611	23,897	19.0

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

Gross Profit by Segment (Consolidated)

(Millions of yen)

Segment		December FY2021	December FY2022	December FY2023	Year on year	Rate of Change (%)
Gross Profit by segment	HVAC and Plumbing for Buildings/ Industrial HVAC/Electrical Systems	14,948	11,715	15,990	4,275	36.5
	Facility Systems	1,191	1,266	1,600	333	26.4
	Total of Facilities Construction Business	16,139	12,981	17,591	4,609	35.5
	Machinery Systems	1,379	466	703	236	50.6
	Environmental Systems	1,902	2,792	3,043	251	9.0
	Total of Plants & Machinery Systems Business	3,281	3,259	3,746	487	15.0
	Sub-total	19,420	16,241	21,337	5,096	31.4
	Real Estate Business	724	664	730	65	9.9
	Others	25	12	33	20	162.9
	Adjustments	(210)	(210)	(172)	37	—
Total	19,959	16,708	21,929	5,220	31.2	



FY2023 3Q
BALANCE SHEET AND STATEMENT OF CASH FLOWS

Balance Sheet (Consolidated)

(Millions of yen)

	End of FY2022 A	December 2023 B	Diff. B—A	Rate of change (%)	December 2022
Current assets	115,512	112,212	(3,299)	(2.9)	113,073
Cash and deposits	24,949	20,531	(4,418)	(17.7)	32,193
Securities	4,000	—	(4,000)	—	4,999
Notes receivable – trade, electronically recorded monetary claims –operating, accounts receivable from completed construction contracts and other, and contract assets	77,141	79,568	2,427	3.1	60,074
Non-current assets	56,793	60,899	4,106	7.2	56,696
Investment securities	28,010	32,576	4,565	16.3	28,914
Current liabilities	69,649	65,060	(4,588)	(6.6)	71,449
Electronically recorded obligations - operating	1,667	3,811	2,144	128.6	3,145
Accounts payable on construction contracts	35,074	35,446	371	1.1	37,617
Non-current liabilities	11,742	13,849	2,107	17.9	10,528
Total net assets	90,913	94,202	3,288	3.6	87,792
Treasury shares	(5,335)	(4,473)	862	—	(4,952)
Total liabilities and net assets	172,305	173,112	806	0.5	169,770
Book-value per share (yen)	1,666.36	1,750.94	84.58	5.1	1,601.57
Equity ratio (%)	52.6	54.3	1.7 _{pt.}	—	51.6
Interest-bearing liabilities (consolidated)	8,074	6,016	(2,057)	(25.5)	7,202

Statement of Cash Flows (Consolidated)

- The balance of cash and cash equivalents decreased from the end of the previous fiscal year
- The decrease in cash flow from operating activities is mainly due to an increase in trade receivables
 - The increase in cash flow from investing activities is mainly due to the redemption of securities
 - The decrease in cash flow from financing activities was mainly due to the payment of dividends and share repurchases based on finance and capital policies

(Millions of yen)

	FY2019	FY2020	FY2021	FY2022	December FY2023	December FY2022
Cash flows from operating activities	11,940	(483)	18,529	(10,584)	(1,310)	(1,471)
Cash flows from investing activities	(303)	(1,423)	(3,384)	(969)	4,376	(400)
Cash flows from financing activities	(8,955)	(6,974)	(7,518)	(8,327)	(7,636)	(8,789)
Cash and cash equivalents at end of period	45,946	37,087	44,779	24,949	20,531	34,193



FY2023 FORECAST

FY2023 Full-Year Forecast (Consolidated)

(Millions of yen)

	FY2020	FY2021	FY2022	FY2023 forecast (Interim forecast from November 10, 2023) A	FY2023 forecast (Interim forecast from February 14, 2024) B	Increase/ Decrease B-A	Rate of Change (%)
Orders received	195,580	202,250	228,554	210,000	220,000	10,000	4.8
Balance carried forward	141,676	150,737	188,426	183,426	188,426	5,000	2.7
Net sales	190,067	193,189	190,865	215,000	220,000	5,000	2.3
Gross profit	28,754	30,223	27,012	32,500	33,500	1,000	3.1
Gross profit margin (%)	15.1	15.6	14.2	15.1	15.2	0.1 pt.	—
Operating profit	7,498	9,112	5,409	9,500	11,000	1,500	15.8
Ordinary profit	8,196	9,817	6,247	10,000	11,500	1,500	15.0
Profit attributable to owners of parent	5,901	6,489	4,750	6,700	7,500	800	11.9
Regular dividends per share (yen)	70	70	70	70	70	—	—
Extra dividends per share (yen)	10	15	5	—	—	—	—
Cash dividends per share (total) (yen)	80	85	75	70	70	—	—

FY2023 Forecast of Orders Received and Net Sales by Segment (Consolidated)

(Millions of yen)

Segment		FY2023 Orders Received Forecast	FY2023 Net sales Forecast
	HVAC and Plumbing for Buildings	48,000	60,000
	Industrial HVAC	87,000	80,000
	Electrical Systems	25,000	27,000
	Facility Systems	14,000	14,000
	Total of Facilities Construction Business	174,000	181,000
	Machinery Systems	12,000	11,000
	Environmental Systems	32,000	26,000
	Total of Plants & Machinery Systems Business	44,000	37,000
	Sub Total	218,000	218,000
	Real Estate Business	2,400	2,400
	Others	500	500
	Adjustments*	(900)	(900)
	Total	220,000	220,000

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



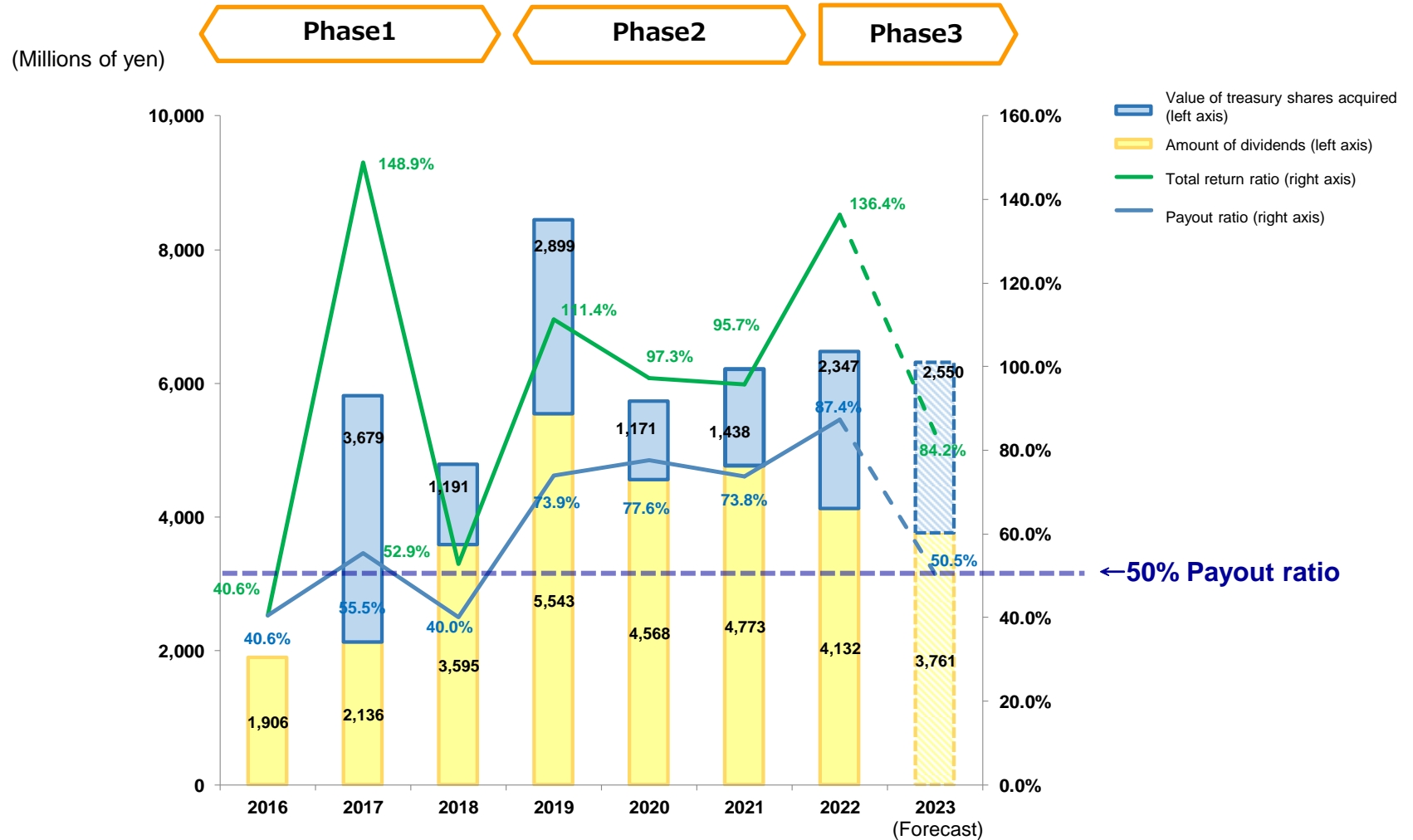
SHAREHOLDER RETURNS

Dividends and Others

- Conducted shareholder returns according to medium-term management plan “Century 2025” Phase 3 financial and capital policies
- Forecast interim dividend: 35 yen, year-end dividend: 35 yen, annual dividend: 70 yen (no change from initial forecast)
- Canceled 1,500 thousand treasury shares on August 18, 2023; Completed the repurchase of 819 thousand shares by December 31, 2023
- Expected payout ratio: 50.5%, total return ratio: 84.2%

	FY2019	FY2020	FY2021	FY2022	FY2023 (Forecast)
Profit per share (yen)	128.51	103.12	115.13	85.80	138.48
Cash dividends per share: regular dividends (yen)	70	70	70	70	70
Cash dividends per share: extra dividends (yen)	25	10	15	5	—
Cash dividends per share (yen)	95	80	85	75	70
Payout ratio (consolidated) (%)	73.9	77.6	73.8	87.4	50.5
Total return ratio (%)	111.4	97.3	95.7	136.4	84.2
Number of shareholders at end of FY	4,216	14,861	14,524	13,675	
Share price at end of FY (yen)	1,211	1,453	1,398	1,464	
Purchase of treasury shares (thousand shares)	1,958	1,000	1,000	1,500	1,500
Cancellation of treasury shares (thousand shares)	2,000	1,000	—	1,500	1,500
ROE (%)	8.6	6.6	7.0	5.1	8.0
ROA (%)	6.0	4.7	5.5	3.5	6.6

【Shareholder Returns】





SUPPLEMENTARY MATERIALS

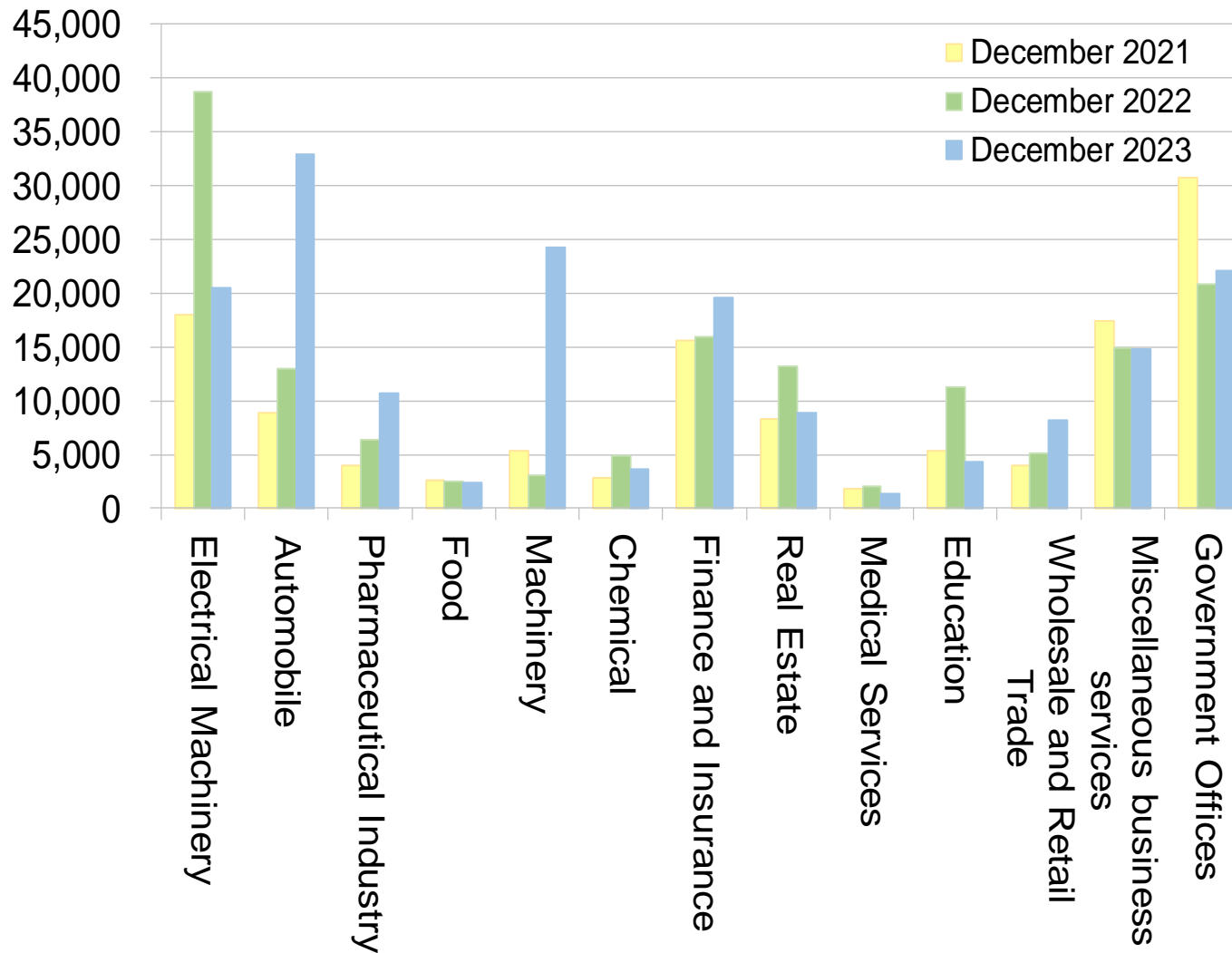
Orders Received by Type

(Millions of yen)

	FY2020	FY2021	FY2022	December FY2022 A	December FY2023 B	Diff. B-A
Orders received (Non-consolidated: Facilities Construction Business)	149,278	151,747	186,466	151,743	142,129	(9,614)
Orders received from general contractors (Non-consolidated: Facilities Construction Business)	63,544	62,299	89,922	78,758	74,127	(4,631)
Rate of orders received from general contractors (Non-consolidated: Facilities Construction Business) (%)	42.6	41.1	48.2	51.9	52.2	0.3 pt.
Orders received (Consolidated)	195,580	202,250	228,554	181,663	187,163	5,499
Orders received from overseas projects (Consolidated)	2,789	4,283	3,021	2,683	2,181	(501)
Rate of orders received from overseas projects (Consolidated) (%)	1.4	2.1	1.3	1.5	1.2	(0.3) pt.
Orders received for renewal construction (Consolidated)	109,585	108,561	126,147	96,555	101,131	4,576
Rate of orders received for renewal construction (Consolidated) (%)	56.0	53.7	55.2	53.2	54.0	0.8 pt.
<Ref.> Net sales for renewal construction (Consolidated)	101,147	107,855	112,556	73,617	80,484	6,867

Orders Received by Industry (Consolidated)

(Millions of yen)



○Main Large-Scale Projects Received

Property name	Item of construction	Type of construction	Location
Construction of Toyota Motor Corporation Myochi 1C Battery Plant	HVAC, plumbing, and electrical systems	New construction work	Aichi
New Construction of Yoshindo Third Formulation Plant	HVAC and plumbing systems	New construction work	Toyama
Osaki Wide-Area Tobu Clean Center	Waste treatment facility	Renovation	Miyagi
Nayoro District General Waste Intermediate Processing Facility Construction Project (tentative name)	Waste treatment facility	New construction work	Hokkaido
Asakawa Water Reclamation Center Sludge Incineration Equipment Reconstruction Project	Water and sewage treatment systems	Renewal	Tokyo
Panasonic Energy Nishikadoma R&D Building New Construction Project	HVAC and plumbing systems	New construction work	Osaka
Nippon Life Shijo Building New Construction Project	HVAC, plumbing, and electrical systems	New construction work	Kyoto
Daido Co., Ltd. Logiport Nagoya Parts Inventory System	Conveyance systems	New construction work	Aichi

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

7 other projects

○Main Large-Scale Completed Construction Projects

Property name	Item of construction	Type of construction	Location
Construction of New Optical Equipment Cleanroom in Utsunomiya Plant Building B	HVAC systems	Renovation	Tochigi
New Construction of Toyota Industries Corporation Ishihama Plant E02 Plant	HVAC systems	New construction work	Aichi
SUMCO TECHXIV Nagasaki Factory N6 Building Extension, 6F Installation Project	HVAC and electrical systems	Renovation	Nagasaki
Construction of New Head Office Building for Docon Co., Ltd.	HVAC and plumbing systems	New construction work	Hokkaido
020 Overhaul No. 667 Okubo Water Purification Plant West 3B Scraper Renovation	Water and sewage treatment systems	Renewal	Saitama
020 Overhaul No. 668 Okubo Water Purification Plant West 3B Flocculator Renovation	Water and sewage treatment systems	Renewal	Saitama
RIKEN Brain Science Central Research Building Renovation Phase 3 Machinery Construction Project	HVAC and plumbing systems	Renovation	Saitama
Ibaraki City Hall Site Area Maintenance Project	HVAC and plumbing systems	New construction work	Osaka
Shimoyama Phase IV Facilities Construction Project – Building 3	HVAC and plumbing systems	New construction work	Aichi

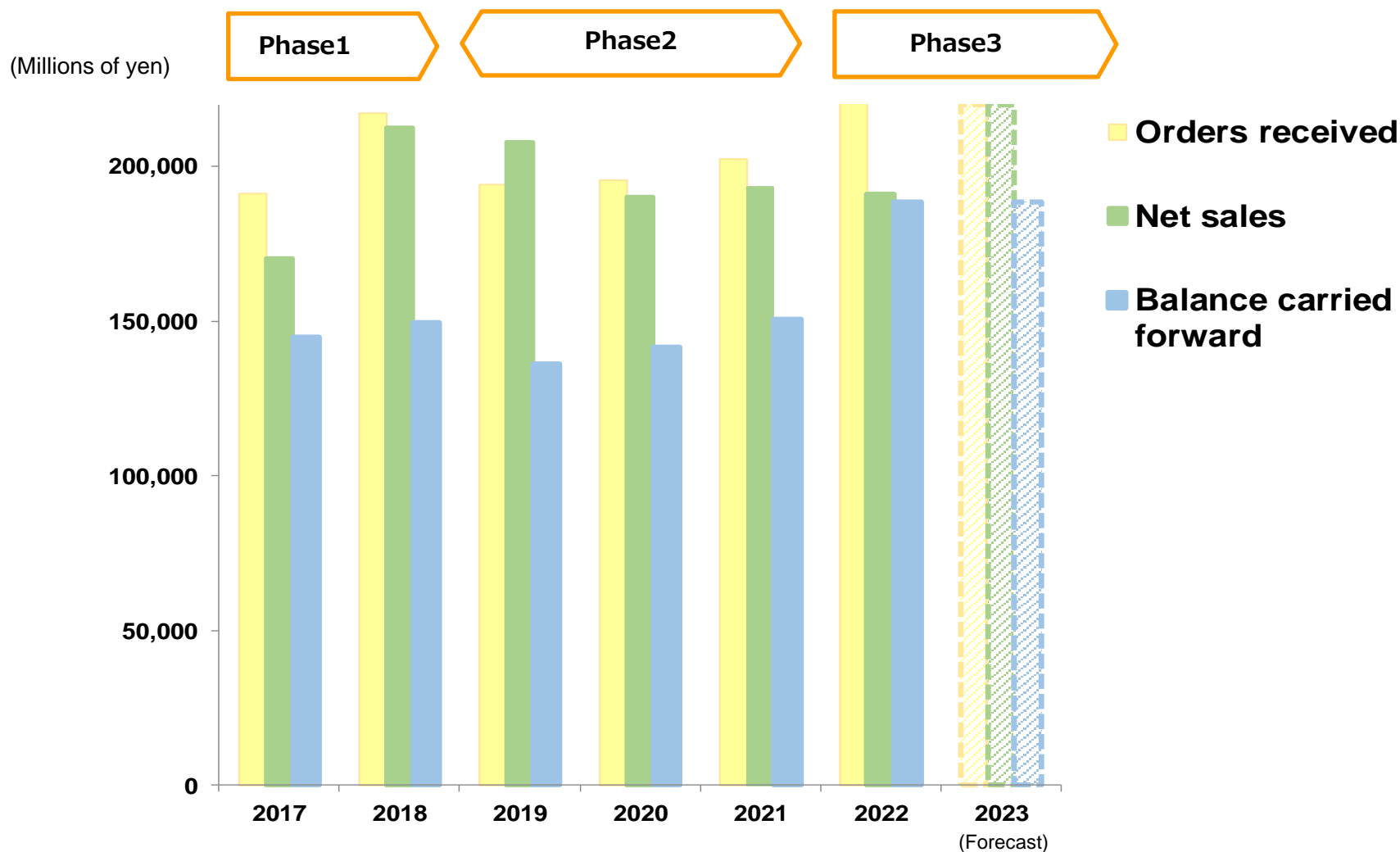
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3 other project

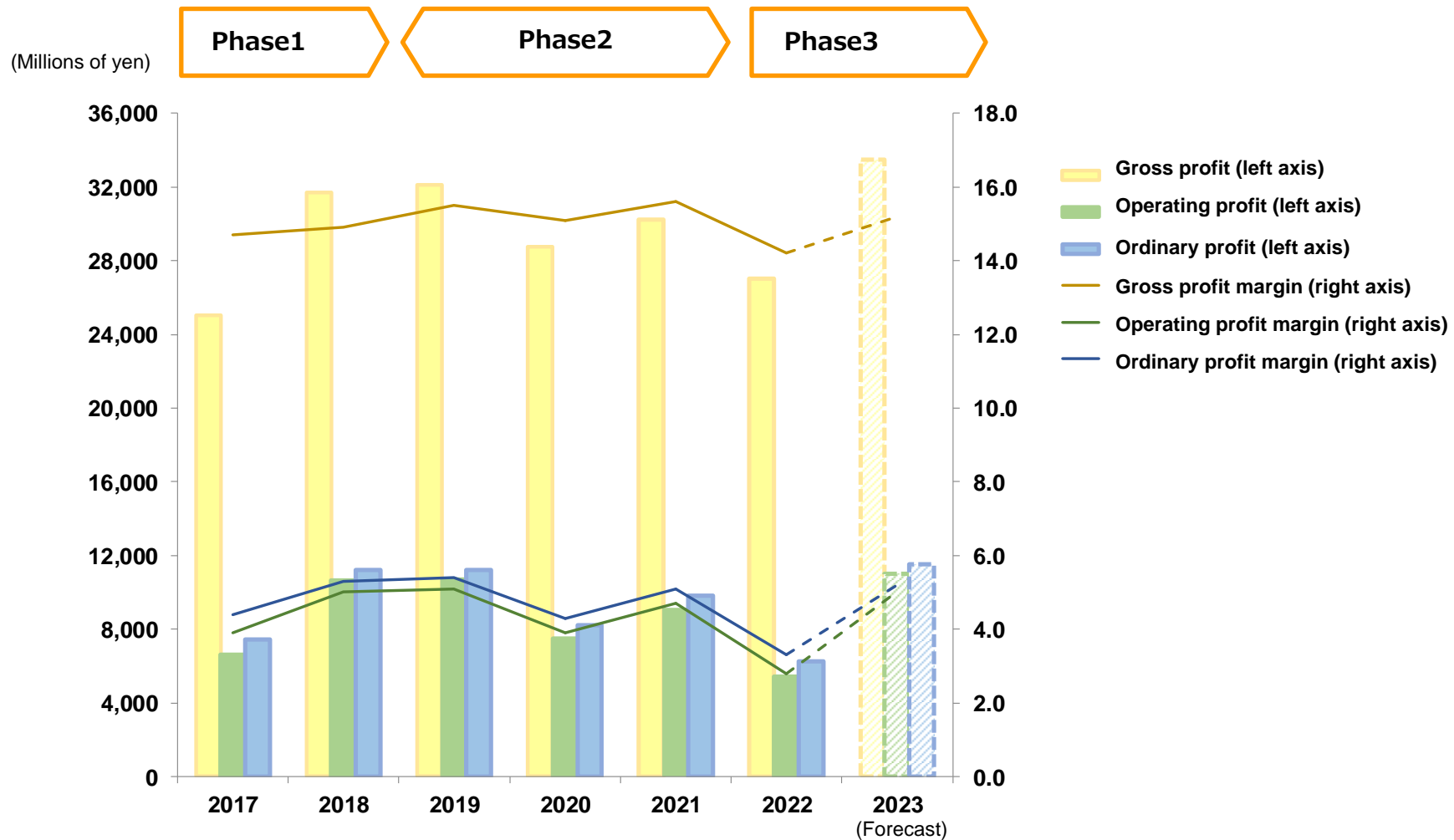
Main Large-Scale Projects Received over 1 Billion Yen (by Building Use)

	December FY2021		December FY2022		December FY2023	
Office	2	13 Projects (28,840 million yen) * Orders received from customers: 10 projects * Orders received from general contractors: 3 project	6	22 Projects (55,938 million yen) * Orders received from customers: 6 projects * Orders received from general contractors: 16 projects	1	15 Projects (69,022 million yen) * Orders received from customers: 4 projects * Orders received from general contractors: 11 projects
Factory	2		6		10	
Research institute	—		3		1	
Hospital / clinic	1		1		—	
Other building interiors	4		1		—	
School building / auditorium	—		2		—	
Complex building	—		1		—	
Hotel / ryokan	—		1		—	
Waste processing facility	2		—		2	
Water treatment plant / sewage plant	2		1		1	

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



Century 2025 Results (Consolidated) <Profit>



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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 14. Actual results may differ from the figures contained herein due to a number of factors.

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