

Consolidated Financial Results
for the Three Months Ended June 30, 2024
<Japanese GAAP>

Listed company: SANKI ENGINEERING CO., LTD.
Listed stock exchange: Tokyo
Securities code: 1961
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Scheduled date to commence dividend payments: –
Preparation of explanatory materials for financial results: Yes
Holding of a briefing on financial results: None

(Amounts of less than 1 million yen are truncated)

1. Consolidated Financial Results for the Three Months Ended June 30, 2024
(April 1, 2024 to June 30, 2024)

(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, 2024	48,527	19.2	1,540	—	2,087	481.4	1,345	296.9
June 30, 2023	40,727	21.8	(18)	—	359	—	339	—

(Note) Comprehensive income: Three months ended June 30, 2024: ¥(852 million) [–%]
Three months ended June 30, 2023: ¥2,698 million [–%]

	Profit per share	Profit per share – diluted
Three months ended	Yen	Yen
June 30, 2024	25.34	25.26
June 30, 2023	6.23	6.21

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2024	183,310	101,114	55.1
March 31, 2024	202,161	104,621	51.7

(Reference) Shareholders' equity: As of June 30, 2024: ¥100,948 million As of March 31, 2024: ¥104,431 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, 2024	–	35.00	–	50.00	85.00
Fiscal year ending March 31, 2025	–				
Fiscal year ending March 31, 2025 (Forecast)		42.50	–	42.50	85.00

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

Breakdown of end-FY3/24 dividend: Ordinary dividend ¥35; Extraordinary dividend ¥15

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2025

(April 1, 2024 to March 31, 2025)

(% 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	225,000	1.4	12,500	7.9	13,000	2.0	8,800	(1.7)	165.54

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

*** Notes**

(1) Significant changes in the scope of consolidation during the three months ended June 30, 2024: None

(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, 2024	56,661,156 shares
As of March 31, 2024	56,661,156 shares

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

As of June 30, 2024	3,548,433 shares
As of March 31, 2024	3,570,395 shares

(iii) Average number of shares during period

For the three months ended June 30, 2024	53,104,733 shares
For the three months ended June 30, 2023	54,443,198 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* Proper use of earnings forecasts, and other special matters

There are no changes to our consolidated and non-consolidated earnings forecasts announced on May 10, 2024.

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]

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1. Qualitative Information on the Quarter under Review

As it prepares for its 100th anniversary in April 2025, 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 third 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 FY2023, 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 Group’s financial position and operating results for the three months ended June 30, 2024, are as follows.

(1) Qualitative information on consolidated operating results

(Millions of yen)

	Q1 FY2023	Q1 FY2024	YoY change	YoY change (%)	Main factors behind YoY change
Orders received	52,631	70,732	18,100	34.4%	As stated in the next section, “Operating results of major segments”
Balance carried forward	200,330	221,106	20,776	10.4%	
Net sales	40,727	48,527	7,800	19.2%	
Gross profit	5,231	7,178	1,946	37.2%	
Margin (%)	12.8%	14.8%	2.0%		
Operating profit (loss)	(18)	1,540	1,559	—	
Margin (%)	(0.0%)	3.2%	3.2%		
Ordinary profit	359	2,087	1,728	481.4%	
Margin (%)	0.9%	4.3%	3.4%		
Profit attributable to owners of parent	339	1,345	1,006	296.9%	
Margin (%)	0.8%	2.8%	2.0%		

(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 received increased on the back largely of orders received for large-scale projects in HVAC and Plumbing for Buildings, Industrial HVAC, and Electrical Systems. Net sales and segment profit both increased due largely to progress in the projects that were carried forward from the previous fiscal year and improvement in profitability.

(Millions of yen)

	Q1 FY2023	Q1 FY2024	YoY change	YoY change (%)
Orders received	38,983	56,861	17,877	45.9%
Net sales	34,098	40,139	6,041	17.7%
Segment profit	360	1,925	1,565	434.5%

○Machinery Systems Business

This business mainly includes conveyance systems and manufacturing and sales business related to transportation equipment. Orders received decreased partly as a reaction to the previous fiscal year's order received for large-scale conveyance equipment. Net sales increased due largely to progress in the projects that were carried forward from the previous fiscal year but segment loss deteriorated.

(Millions of yen)

	Q1 FY2023	Q1 FY2024	YoY change	YoY change (%)
Orders received	3,508	2,496	(1,012)	(28.8%)
Net sales	1,788	2,395	606	33.9%
Segment profit (loss)	(297)	(319)	(21)	—

○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 due largely to order received for design and construction of a digestion gas power generation facility at a large-scale water supply and sewerage center. Net sales increased and segment loss improved.

(Millions of yen)

	Q1 FY2023	Q1 FY2024	YoY change	YoY change (%)
Orders received	9,572	11,126	1,554	16.2%
Net sales	4,226	5,413	1,187	28.1%
Segment profit (loss)	(224)	(119)	105	—

○Real Estate Business

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

Net sales and segment profit both increased with an increase in tenant rental income.

(Millions of yen)

	Q1 FY2023	Q1 FY2024	YoY change	YoY change (%)
Orders received	618	639	20	3.3%
Net sales	618	639	20	3.3%
Segment profit	243	271	28	11.7%

(2) Qualitative information on consolidated financial position

(Status of assets, liabilities and net assets)

(Millions of yen)

	End-FY2023	End-Q1 FY2024	YoY change	YoY change (%)	Main factors behind YoY change
Current assets	131,564	116,330	(15,233)	(11.6%)	Accounts receivable from completed construction contracts and other and contract assets decreased from the end of FY2023 due to seasonal factors.
Non-current assets	70,596	66,979	(3,617)	(5.1%)	
Total assets	202,161	183,310	(18,850)	(9.3%)	
Current liabilities	81,597	66,603	(14,994)	(18.4%)	Accounts payable for construction contracts decreased from the end of FY2023 due to seasonal factors.
Non-current liabilities	15,941	15,592	(349)	(2.2%)	
Total liabilities	97,539	82,196	(15,343)	(15.7%)	
Total net assets	104,621	101,114	(3,506)	(3.4%)	Retained earnings decreased due to payment of dividends, while valuation difference on available-for sale securities decreased due to a decline in market value.

(Cash flow status)

(Millions of yen)

	Q1 FY2023	Q1 FY2024	Reasons for cash flow changes in Q1 FY2024
Cash and cash equivalents at beginning of period	24,949	23,500	
Cash flows from operating activities	5,599	13,910	Increase mainly due to progress in collection of trade receivables
Cash flows from investing activities	6	207	Increase mainly due to maturity of insurance funds
Cash flows from financing activities	(3,278)	(3,554)	Decrease mainly due to dividend payments based on financial and capital policies
Effect of exchange rate changes on cash and cash equivalents, etc.	32	75	
Cash and cash equivalents at end of period	27,310	34,139	

(3) Qualitative information on consolidated earnings forecasts

There are no changes to our consolidated and non-consolidated earnings forecasts announced on May 10, 2024.

2. Consolidated Financial Statements and Related Notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	23,500	29,140
Notes receivable - trade	307	237
Electronically recorded monetary claims - operating	5,427	5,201
Accounts receivable from completed construction contracts and other	55,803	43,701
Contract assets	36,011	21,060
Securities	1,000	5,999
Costs on construction contracts in progress	2,541	4,016
Raw materials and supplies	841	907
Other	6,133	6,067
Allowance for doubtful accounts	(1)	(1)
Total current assets	131,564	116,330
Non-current assets		
Property, plant and equipment		
Buildings and structures	44,432	44,463
Accumulated depreciation	(35,299)	(35,569)
Buildings and structures, net	9,133	8,894
Machinery, vehicles, tools, furniture and fixtures	2,258	2,271
Accumulated depreciation	(1,771)	(1,798)
Machinery, vehicles, tools, furniture and fixtures, net	486	473
Land	3,035	3,035
Leased assets	540	578
Accumulated depreciation	(264)	(269)
Leased assets, net	275	308
Construction in progress	36	37
Total property, plant and equipment	12,966	12,749
Intangible assets		
Other	2,045	2,015
Total intangible assets	2,045	2,015
Investments and other assets		
Investment securities	40,539	37,319
Long-term loans receivable	55	52
Retirement benefit asset	8,978	8,950
Leasehold and guarantee deposits	1,654	1,663
Insurance funds	636	467
Deferred tax assets	1,042	1,078
Other	3,019	3,024
Allowance for doubtful accounts	(341)	(342)
Total investments and other assets	55,584	52,214
Total non-current assets	70,596	66,979
Total assets	202,161	183,310

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Electronically recorded obligations - operating	3,447	3,333
Accounts payable for construction contracts	40,992	33,095
Short-term borrowings	6,386	5,774
Lease liabilities	97	119
Income taxes payable	4,344	112
Contract liabilities	14,058	15,452
Provision for bonuses	6,016	2,228
Provision for directors' bonuses	283	59
Provision for warranties for completed construction	436	412
Provision for loss on construction contracts	1,077	1,142
Other	4,456	4,872
Total current liabilities	81,597	66,603
Non-current liabilities		
Long-term borrowings	2,374	2,117
Lease liabilities	299	390
Retirement benefit liability	3,357	3,538
Deferred tax liabilities	4,097	3,617
Other	5,813	5,928
Total non-current liabilities	15,941	15,592
Total liabilities	97,539	82,196
Net assets		
Shareholders' equity		
Share capital	8,105	8,105
Capital surplus	4,192	4,181
Retained earnings	75,769	74,460
Treasury shares	(5,630)	(5,596)
Total shareholders' equity	82,436	81,151
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,646	17,413
Foreign currency translation adjustment	295	413
Remeasurements of defined benefit plans	2,051	1,969
Total accumulated other comprehensive income	21,994	19,796
Share acquisition rights	190	166
Total net assets	104,621	101,114
Total liabilities and net assets	202,161	183,310

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

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Net sales		
Net sales of completed construction contracts	40,089	47,880
Net sales in real estate business and other	637	646
Total net sales	40,727	48,527
Cost of sales		
Cost of sales of completed construction contracts	35,123	40,987
Cost of sales in real estate business and other	371	361
Total cost of sales	35,495	41,349
Gross profit		
Gross profit on completed construction contracts	4,966	6,893
Gross profit on real estate business and other	265	284
Total gross profit	5,231	7,178
Selling, general and administrative expenses	5,250	5,637
Operating profit (loss)	(18)	1,540
Non-operating income		
Interest income	3	6
Dividend income	357	416
Other	80	235
Total non-operating income	440	658
Non-operating expenses		
Interest expenses	26	29
Construction repair expenses	22	27
Other	13	54
Total non-operating expenses	62	111
Ordinary profit	359	2,087
Extraordinary income		
Gain on sale of investment securities	271	—
Total extraordinary income	271	—
Extraordinary losses		
Loss on retirement of non-current assets	14	—
Loss on valuation of investment securities	52	—
Compensation for damage	—	188
Total extraordinary losses	67	188
Profit before income taxes	562	1,899
Income taxes – current	22	48
Income taxes – deferred	201	505
Total income taxes	223	553
Profit	339	1,345
(Breakdown)		
Profit attributable to owners of parent	339	1,345
Profit attributable to non-controlling interests	—	—
Other comprehensive income		
Valuation difference on available-for-sale securities	2,278	(2,233)
Foreign currency translation adjustment	55	117
Remeasurements of defined benefit plans	26	(82)
Total other comprehensive income	2,359	(2,197)
Comprehensive income	2,698	(852)
(Breakdown)		
Comprehensive income attributable to owners of parent	2,698	(852)
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Cash flows from operating activities		
Profit before income taxes	562	1,899
Depreciation	420	462
Loss on retirement of non-current assets	14	3
Increase (decrease) in provision for loss on business of subsidiaries and associates	(152)	—
Increase (decrease) in allowance for doubtful accounts	2	(0)
Increase (decrease) in provision for bonuses	(2,453)	(3,788)
Increase (decrease) in retirement benefit liability	154	88
Increase (decrease) in provision for loss on construction contracts	(11)	64
Interest and dividend income	(360)	(423)
Interest expenses	26	29
Loss (gain) on sale of property, plant and equipment	—	(0)
Loss (gain) on sale of investment securities	(271)	—
Loss on valuation of investment securities	52	—
Decrease (increase) in trade receivables and contract assets	16,165	27,371
Decrease (increase) in costs on construction contracts in progress	(1,174)	(1,473)
Increase (decrease) in trade payables	(10,642)	(8,019)
Increase (decrease) in contract liabilities	3,087	1,391
Increase (decrease) in other current liabilities	(160)	306
Compensation for damage	—	188
Other	941	(406)
Subtotal	6,203	17,692
Interest and dividends received	362	423
Interest paid	(22)	(25)
Income taxes paid	(943)	(4,159)
Income taxes refund	0	—
Compensation paid for damage	—	(19)
Cash flows from operating activities	5,599	13,910
Cash flows from investing activities		
Purchase of securities	(6,000)	(1,000)
Proceeds from redemption of securities	6,000	1,000
Purchase of property, plant and equipment	(328)	(60)
Proceeds from sale of property, plant and equipment	—	11
Payments for retirement of property, plant and equipment	(17)	(4)
Purchase of investment securities	(2)	(1)
Proceeds from sale of investment securities	350	—
Proceeds from collection of loans receivable	18	2
Purchase of intangible assets	(124)	(82)
Proceeds from maturity of insurance funds	18	208
Other	91	133
Cash flows from investing activities	6	207
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(901)	(611)
Repayments of long-term borrowings	(172)	(256)
Purchase of treasury shares	—	(0)
Proceeds from exercise of share options	0	0
Repayments of lease liabilities	(27)	(31)
Dividends paid	(2,177)	(2,654)
Cash flows from financing activities	(3,278)	(3,554)
Effect of exchange rate changes on cash and cash equivalents	32	75
Net increase (decrease) in cash and cash equivalents	2,360	10,639
Cash and cash equivalents at beginning of period	24,949	23,500
Cash and cash equivalents at end of period	27,310	34,139

(4) Notes on premise of going concern

Not applicable

(5) Segment information, etc.

I. First quarter of fiscal year 2023 (April 1, 2023 to June 30, 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 Sys- tems Busi- ness	Real Estate Business	Total				
Net sales									
Net sales to external customers	34,077	1,788	4,223	618	40,706	20	40,727	—	40,727
Intersegment sales or transfers	21	0	2	0	25	110	136	(136)	—
Total	34,098	1,788	4,226	618	40,732	131	40,863	(136)	40,727
Segment profit (loss)	360	(297)	(224)	243	81	(14)	66	292	359

(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 ¥292 million to segment profit/loss includes company-wide profit not allocated to each reportable segment of ¥176 million, the reversal amount of the interest burden allocated to each segment within the company of ¥101 million, and an adjustment amount of ¥14 million due to the recording of loss on retirement of non-current assets 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 profit in the quarterly consolidated statements of income and comprehensive income.

II. First quarter of fiscal year 2024 (April 1, 2024 to June 30, 2024)

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	40,069	2,394	5,412	625	48,501	26	48,527	—	48,527
Intersegment sales or transfers	70	0	1	14	86	130	217	(217)	—
Total	40,139	2,395	5,413	639	48,587	156	48,744	(217)	48,527
Segment profit (loss)	1,925	(319)	(119)	271	1,758	(0)	1,757	329	2,087

(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 ¥329 million to segment profit/loss includes company-wide profit not allocated to each reportable segment of ¥25 million, the reversal amount of the interest burden allocated to each segment within the company of ¥116 million, and an adjustment amount of ¥188 million due to the recording of compensation for damage 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 profit in the quarterly consolidated statements of income and comprehensive income.

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

Not applicable