

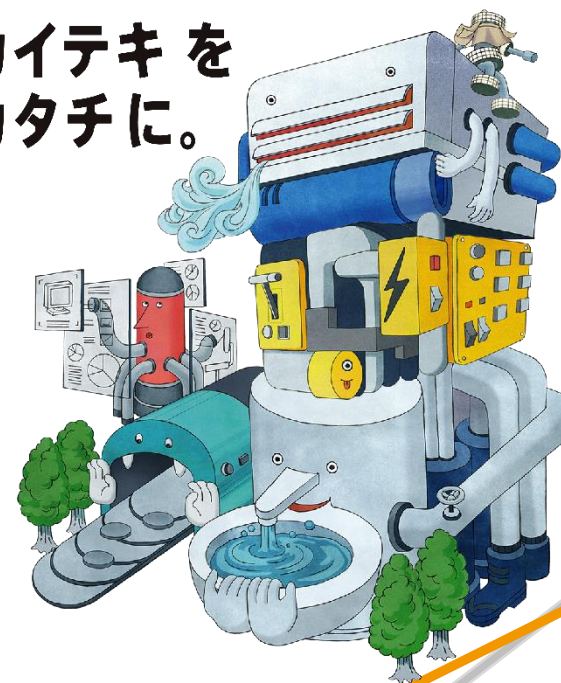


# SANKI ENGINEERING CO., LTD.

Financial Results Presentation for the  
First Quarter of FY2024

August 9, 2024

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The Group aims to be the  
 “Company of Choice” for  
 all stakeholders as it  
 prepares for its 100th  
 anniversary in 2025

Since 1925



### Facilities Construction Business

The business includes HVAC and Plumbing for Buildings, Industrial HVAC centered on air-conditioning systems for factories, Electrical Systems, and Facility Systems

Sales composition ratio  
 (Q1 FY2024)

**83%**



### Machinery Systems Business

The business mainly comprises conveyance systems and manufacturing and sales business related to transportation equipment

Sales composition ratio  
 (Q1 FY2024)

**5%**



### Environmental Systems Business

The business comprises operations related to water supply / sewage treatment facilities and waste treatment facilities

Sales composition ratio  
 (Q1 FY2024)

**11%**



### Real Estate Business

The business is involved in leasing operations for real estate holdings and building management

Sales composition ratio  
 (Q1 FY2024)

**1%**

## Financial Summary (Consolidated)

Performance remained strong, supported by robust capital investment appetite in the private sector that continued from the previous fiscal year.

■ Net sales, profit, and orders received all reaching record highs\* on a Q1 standalone basis.

**Net sales** | Increased due to steady progress in the projects carried forward

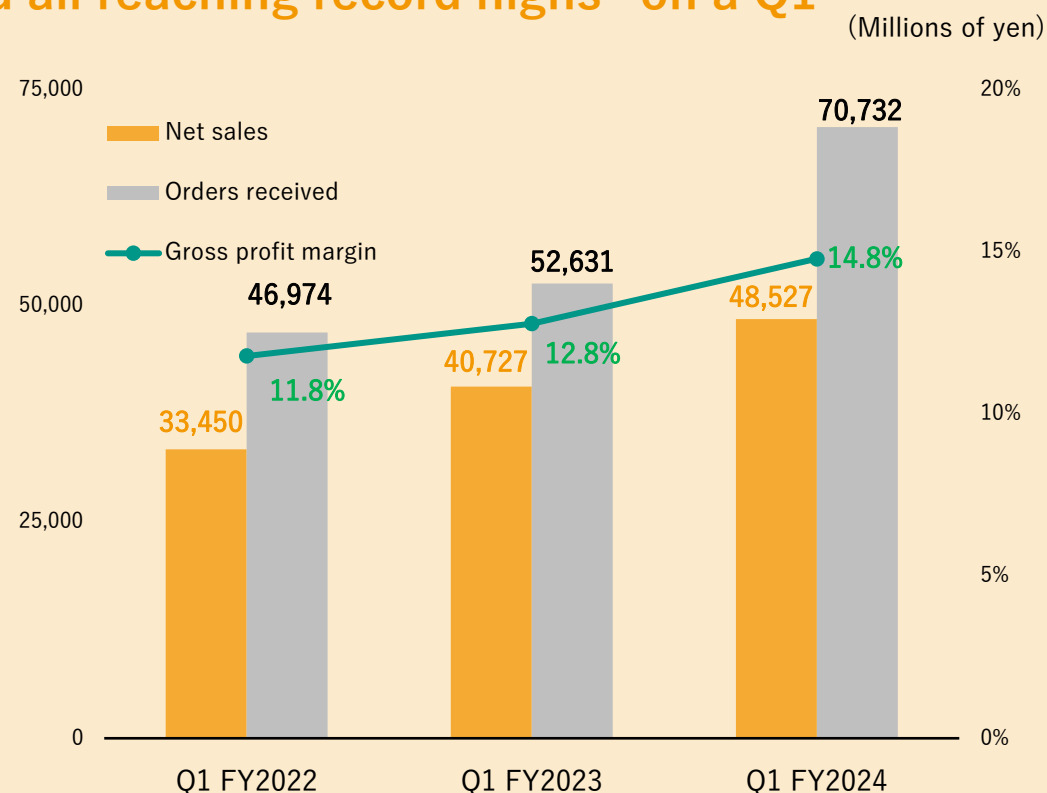
+19.2% YoY    **¥48.5 billion**

**Gross profit (margin)** | Increased significantly due to higher net sales and improved profit margin

+37.2% YoY    **¥7.1 billion (14.8%)**

**Orders received** | Increased due to orders received for multiple large-scale projects

+34.4% YoY    **¥70.7 billion**



\* Since FY2008 when disclosure of quarterly financial statements was started

## Consolidated Results (P/L, Orders Received)

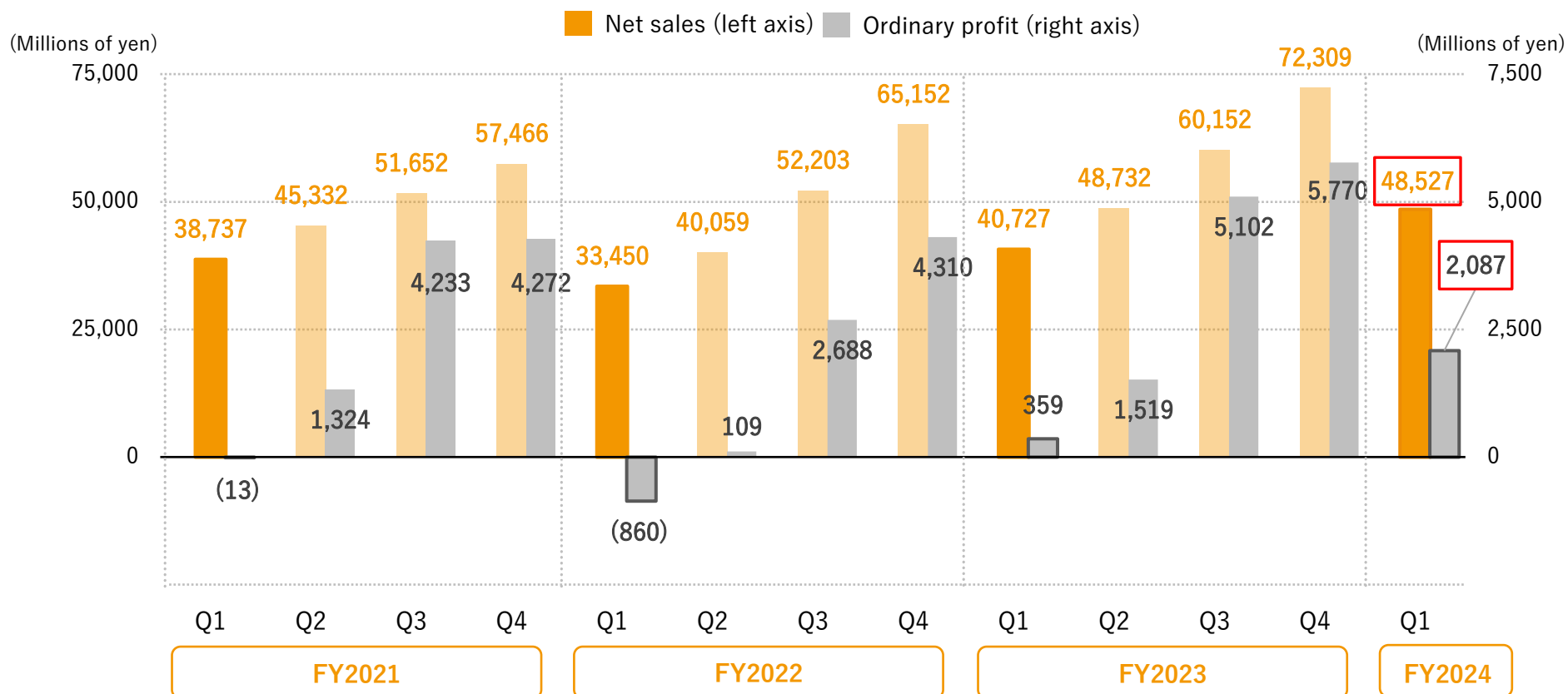
- Net sales increased due to steady progress notably in large-scale projects carried forward
- Profit increased significantly due to higher net sales and to continued improvement in profit margin in Facilities Construction, at the time of order intake and also of works in progress
- Orders received increased significantly, reflecting contracts awarded for multiple large-scale projects. Sales are expected to be recorded in FY2024 for approximately 65% of the orders carried forward.

(Millions of yen)

	FY2023 Q1	FY2024 Q1	YoY	Rate of Change (%)
Net sales	40,727	48,527	7,800	19.2
Completed construction contracts	40,089	47,880	7,790	19.4
Real estate business and other	637	646	9	1.5
Gross profit	5,231	7,178	1,946	37.2
Completed construction contracts	4,966	6,893	1,927	38.8
Real estate business and other	265	284	19	7.3
Gross profit margin (%)	12.8	14.8	2.0 <sub>pt.</sub>	—
Selling, general and administrative expenses	5,250	5,637	386	7.4
Operating profit (loss)	(18)	1,540	1,559	—
Ordinary profit	359	2,087	1,728	481.4
Profit attributable to owners of parent	339	1,345	1,006	296.9
Orders received	52,631	70,732	18,100	34.4
Orders carried forward	200,330	221,106	20,776	10.4

## Quarterly Changes in Net Sales and Ordinary Profit

- Despite the seasonality of the first quarter when the progress in net sales and profit tends to be low against full-year performance, significant increases were recorded in both net sales and profit in the first quarter under review due largely to progress in highly profitable large-scale projects carried forward as well as improvement in profit margin



(Millions of yen)

Balance Sheets (B/S)	March 31, 2024	FY2024 Q1	Change	
Current assets	131,564	116,330	(15,233)	
Cash and deposits	23,500	29,140	5,640	
Securities	1,000	5,999	4,999	
Trade receivable*	97,549	70,200	(27,348)	<b>Trade receivable</b> Decrease due to seasonal fluctuations
Non-current assets	70,596	66,979	(3,617)	
Investment securities	40,539	37,319	(3,219)	
<b>Total assets</b>	<b>202,161</b>	<b>183,310</b>	<b>(18,850)</b>	
Current liabilities	81,597	66,603	(14,994)	
Accounts payable for construction contracts	40,992	33,095	(7,896)	<b>Accounts payable for construction contracts</b> Decrease due to seasonal fluctuations
Non-current liabilities	15,941	15,592	(349)	
<b>Net assets</b>	<b>104,621</b>	<b>101,114</b>	<b>(3,506)</b>	
Retained earnings	75,769	74,460	(1,308)	<b>Retained earnings</b> Decreased due to dividend payments
Valuation difference on available-for-sale securities	19,646	17,413	(2,233)	<b>Valuation difference on available-for-sale securities</b> Decreased due to a decline in market value
<b>Total liabilities and net assets</b>	<b>202,161</b>	<b>183,310</b>	<b>(18,850)</b>	
Net assets per share (yen)	1,967.03	1,900.64	(66.39)	
Equity ratio (%)	51.7	55.1	3.4 <sub>pt.</sub>	
Borrowings	8,760	7,891	(868)	

\* Trade receivable: notes receivable - trade, electronically recorded monetary claims - operating, accounts receivable from completed construction contracts and other, and contract assets

## Cash flows

**Balance of cash and cash equivalents increased from March 31, 2024**

- **Cash flows from operating activities increased due mainly to progress in collection of trade receivables**
- **Cash flows from investing activities increased due mainly to maturity of insurance funds**
- **Cash flows from financing activities decreased due mainly to dividend payments based on financial and capital policies**

(Millions of yen)

	March 31, 2024	Q1 FY2024	Q1 FY2023
Cash flows from operating activities	1,285	13,910	5,599
Cash flows from investing activities	3,174	207	6
Cash flows from financing activities	(6,069)	(3,554)	(3,278)
Cash and cash equivalents at end of period	23,500	34,139	27,310



## Main Large-Scale Projects Received and Large-Scale Completed Construction Projects

### ● Large-Scale Contracts Awarded

Property name	Item of construction	Type of construction	Location
Daiichi Sankyo Biotech Co., Ltd. / Emergency Power Generator Installation Project	Electrical and HVAC systems	Renewal/Renovation	Saitama
Takara Bio Center for Gene and Cell Processing Building No. 3 (1H Building) construction	HVAC and plumbing systems	New construction work	Shiga
Toyota Sports Center First Gymnasium Reconstruction	HVAC, plumbing, and electrical systems	Reconstruction	Aichi
Namboku Line Minami Rail Yard Plant Building Reconstruction and other works	HVAC and plumbing systems	New construction work	Hokkaido
Morigasaki Water Reclamation Center Digestion Gas Power Generation Project design and construction	Water supply / sewage treatment facilities	New construction work	Tokyo

### ● Large-Scale Completed Construction Projects

Property name	Item of construction	Type of construction	Location
Urbannet Midosuji Building	HVAC systems	New construction work	Osaka

5 other projects

\* Property names are the names used by the Company and may differ from the names stated on the construction contracts.

## Orders Received by Segment (Consolidated)

### Facilities Construction Business

Increased significantly reflecting large-scale contracts awarded for gymnasium, pharmaceutical factory and other projects

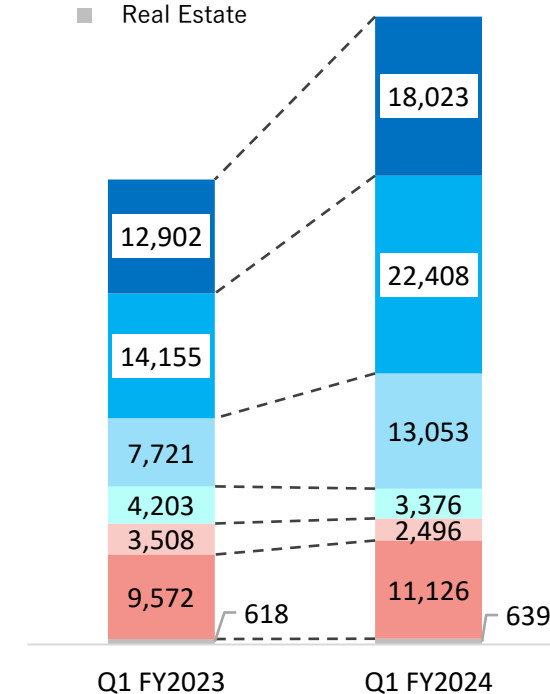
### Plant & Machinery Systems Business

Increased as a result notably of contract awarded in the Environmental Systems business for the large-scale construction work (digestion gas power generation project) in a water supply and sewerage facility

	FY2023	FY2024	YoY	
	Q1	Q1	Change	% change
	Orders received	Orders received		
HVAC and Plumbing for Buildings	12,902	<b>18,023</b>	5,120	39.7
Industrial HVAC	14,155	<b>22,408</b>	8,252	58.3
Electrical Systems	7,721	<b>13,053</b>	5,331	69.0
Facility Systems	4,203	<b>3,376</b>	(827)	(19.7)
Total of Facilities Construction Business	38,983	<b>56,861</b>	17,877	45.9
Machinery Systems	3,508	<b>2,496</b>	(1,012)	(28.8)
Environmental Systems	9,572	<b>11,126</b>	1,554	16.2
Total of Plant & Machinery Systems Business	13,081	<b>13,623</b>	542	4.1
Real Estate	618	<b>639</b>	20	3.3
Others	150	<b>162</b>	11	8.0
Adjustments*	(202)	<b>(553)</b>	(350)	—
Total	52,631	<b>70,732</b>	18,100	34.4

(Millions of yen)

- HVAC and Plumbing for Buildings
- Industrial HVAC
- Electrical Systems
- Facility Systems
- Machinery Systems
- Environmental Systems
- Real Estate



\* Internal transactions included in each segment are eliminated with “Adjustments”

## Net Sales by Segment (Consolidated)

### Facilities Construction Business

Increased due partly to steady progress in large-scale projects carried forward

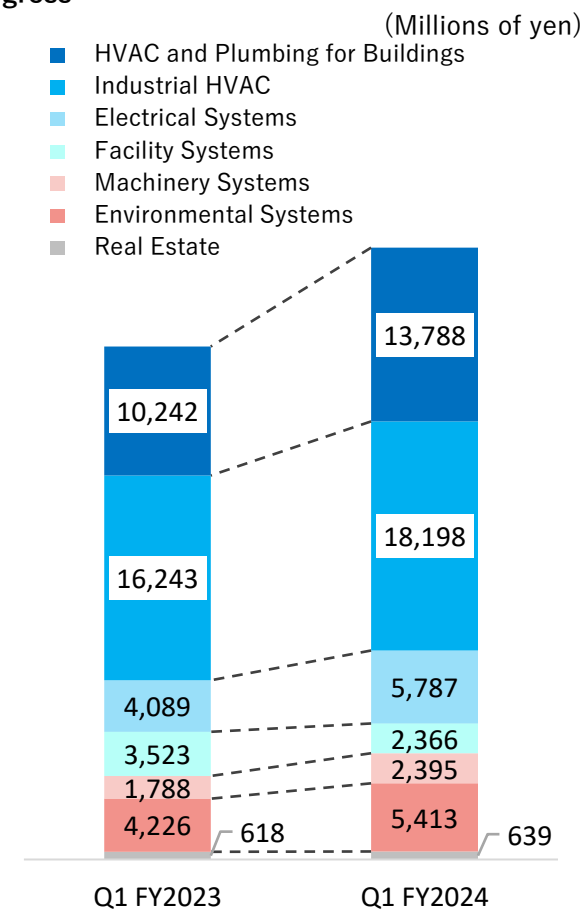
Decreased in Facility Systems as a reaction to the completion of a large-scale relocation project in the same period of the previous fiscal year

### Plant & Machinery Systems Business

Increased in both Environmental Systems and Machinery Systems due to progress in projects carried forward

	FY2023 Q1	FY2024 Q1	YoY	
	Net sales	Net sales	Change	% change
HVAC and Plumbing for Buildings	10,242	13,788	3,545	34.6
Industrial HVAC	16,243	18,198	1,954	12.0
Electrical Systems	4,089	5,787	1,697	41.5
Facility Systems	3,523	2,366	(1,157)	(32.9)
Total of Facilities Construction Business	34,098	40,139	6,041	17.7
Machinery Systems	1,788	2,395	606	33.9
Environmental Systems	4,226	5,413	1,187	28.1
Total of Plant & Machinery Systems Business	6,014	7,809	1,794	29.8
Real Estate	618	639	20	3.3
Others	131	156	25	19.7
Adjustments*	(136)	(217)	(80)	—
Total	40,727	48,527	7,800	19.2

\* Internal transactions included in each segment are eliminated with “Adjustments”



## Gross Profit by Segment (Consolidated)

### Facilities Construction Business

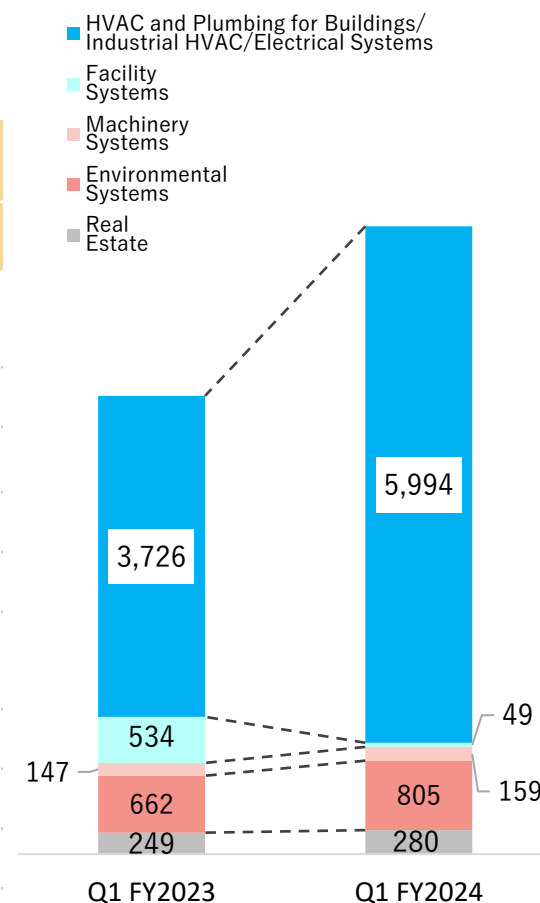
Increased due to higher net sales in HVAC and Plumbing for Buildings, Industrial HVAC and Electrical Systems, as well as improvement in profit margin at the time of order intake and also of works in progress  
Decreased significantly in Facility Systems due to lower net sales and occurrence of unprofitable project

### Plant & Machinery Systems Business

Increased in Machinery Systems although profitability remained low  
Increased in Environmental Systems due to higher net sales

(Millions of yen)

	FY2023 Q1		FY2024 Q1		YoY		
	Gross profit	Margin in %	Gross profit	Margin in %	Change	% change	
HVAC and Plumbing for Buildings/Industrial HVAC/Electrical Systems	3,726	12.2	5,994	15.9	2,267	3.7	60.9
Facility Systems	534	15.2	49	2.1	(485)	(13.1)	(90.7)
Total of Facilities Construction Business	4,261	12.5	6,043	15.1	1,782	2.6	41.8
Machinery Systems	147	8.2	159	6.7	12	(1.5)	8.4
Environmental Systems	662	15.7	805	14.9	142	(0.8)	21.5
Total of Plant & Machinery Systems Business	809	13.5	964	12.4	154	(1.1)	19.1
Real Estate	249	40.4	280	43.9	30	3.5	12.3
Others	2	1.8	12	8.1	10	6.3	426.6
Adjustments	(91)	—	(123)	—	(32)	—	—
Total	5,231	12.8	7,178	14.8	1,946	2.0	37.2

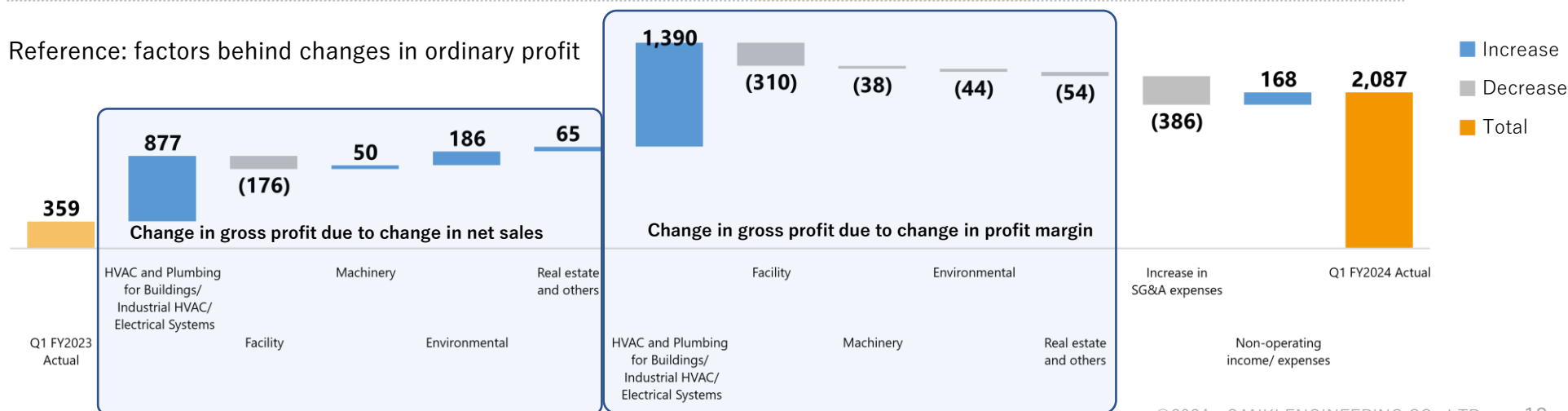


## Ordinary Profit by Segment (Consolidated)

(Millions of yen)

	FY2023 Q1	FY2024 Q1	YoY	
	Ordinary profit	Ordinary profit	Change	% change
Facilities Construction Business	360	1,925	1,565	434.5
Machinery Systems	(297)	(319)	(21)	—
Environmental Systems	(224)	(119)	105	—
Total of Plant & Machinery Systems Business	(522)	(438)	83	—
Real Estate	243	271	28	11.7
Others	(14)	(0)	13	—
Adjustments	292	329	37	12.7
Total	359	2,087	1,728	481.4

Reference: factors behind changes in ordinary profit



## FY2024 Forecast (Consolidated)

- Earnings forecast announced on May 10, 2024, remains unchanged in light of such factors as the anticipated increase in SG&A expenses due to increase in personnel expenses and other causes, although gross profit is expected to increase due to improvement in the profitability of projects carried forward.

(Millions of yen)

	FY2022 actual	FY2023 actual A	FY2024 forecast B	% change B - A
Net sales	190,865	221,920	225,000	1.4
Gross profit	27,012	34,642	36,500	5.4
Gross profit margin (%)	14.2	15.6	16.2	—
Operating profit	5,409	11,586	12,500	7.9
Ordinary profit	6,247	12,750	13,000	2.0
Profit attributable to owners of parent	4,750	8,951	8,800	(1.7)
Orders received	228,554	232,396	210,000	(9.6)
Orders carried forward	188,426	198,902	183,902	(7.5)

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

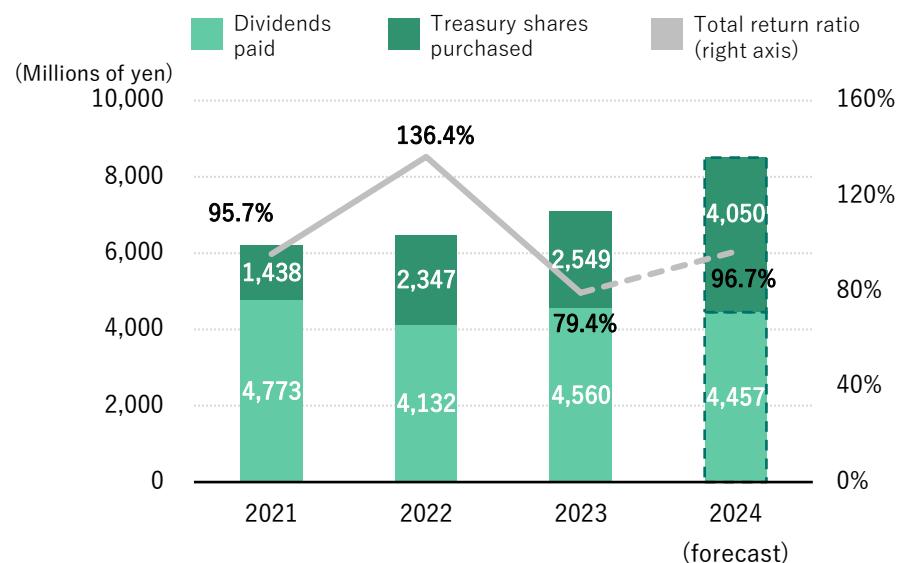
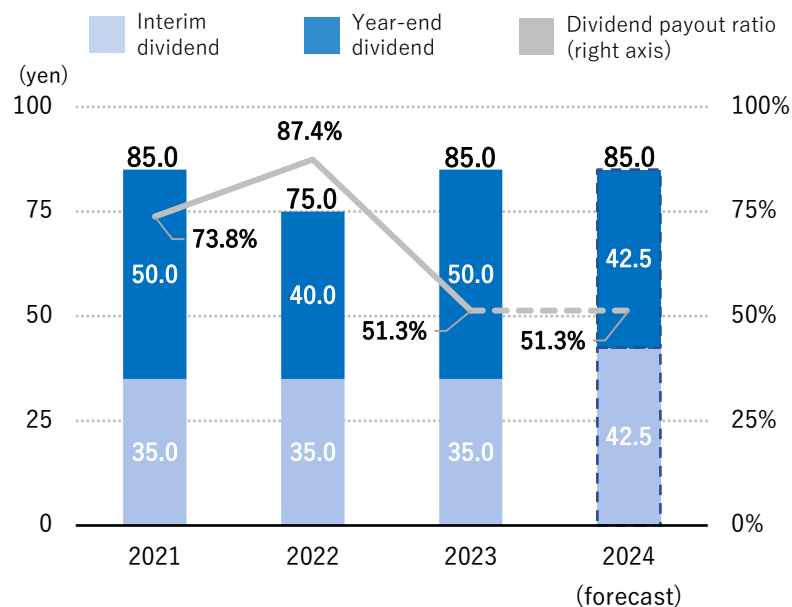
- Forecast of orders received and net sales was amended for some segments in line with the progress in the Q1 results

(Millions of yen)

	Initial forecast announced on May 10 (A)	Interim forecast announced on Aug. 9 (B)	B - A	Initial forecast announced on May 10 (A)	Interim forecast announced on Aug. 9 (B)	B - A
	Orders received	Orders received	Change	Net sales	Net sales	Change
HVAC and Plumbing for Buildings	64,000	<b>60,000</b>	(4,000)	67,000	<b>67,000</b>	—
Industrial HVAC	70,000	<b>72,000</b>	2,000	76,000	<b>76,000</b>	—
Electrical Systems	25,000	<b>27,000</b>	2,000	25,000	<b>25,000</b>	—
Facility Systems	13,000	<b>13,000</b>	—	13,000	<b>13,000</b>	—
Total of Facilities Construction Business	172,000	<b>172,000</b>	—	181,000	<b>181,000</b>	—
Machinery Systems	13,000	<b>13,000</b>	—	14,000	<b>13,000</b>	(1,000)
Environmental Systems	23,000	<b>23,000</b>	—	28,000	<b>29,000</b>	1,000
Total of Plant & Machinery Systems Business	36,000	<b>36,000</b>	—	42,000	<b>42,000</b>	—
Real Estate Business	2,500	<b>2,500</b>	—	2,500	<b>2,500</b>	—
Others	600	<b>600</b>	—	600	<b>600</b>	—
Adjustments	(1,100)	<b>(1,100)</b>	—	(1,100)	<b>(1,100)</b>	—
Total	210,000	<b>210,000</b>	—	225,000	<b>225,000</b>	—

## Status of Shareholder Returns

- Provided stable returns to shareholders in line with the shareholder return policy set forth in the medium-term management plan “Century 2025” Phase 3
- Planning for annual dividend of 85 yen and dividend payout ratio of 51.3%
- Planning to purchase 1,500 thousand treasury shares by March 31, 2025, and cancel 2,000 thousand treasury shares on August 19, 2024.



### Shareholder return policy

Dividend payout ratio of 50% or higher, annual dividend per share of 70 yen or more  
Approx. 5,000 thousand treasury shares to be purchased\*

\* Cumulative total over the period of the medium-term management plan (FY2022 to FY2025)



## Disclaimer

Forward-looking statements, including forecast of financial results, contained in this document reflect the management's judgment based on the information available as of August 9, 2024. Actual results may differ from the figures contained herein due to a number of factors.

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