

# **The 3rd Quarter FY2017 Summary of Financial Results**

**February 9, 2018**

**Sanki Engineering Co., Ltd.**

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# Key Points of Financial Results

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## <Orders received>

HVAC and Plumbing for Buildings declined due to factors such as being on the downward end of a received ordering cycle of large-scale projects, but orders received increased significantly for Industrial HVAC and Electrical Systems. As a result, orders received for the Facilities Construction Business increased overall.

Orders received increased significantly for the Machinery Systems Business, which received large-scale projects in this fiscal year, but Environmental Systems decreased due to the impact of large-scale projects received in the same period of the previous year.

As a result, consolidated orders received exceeded levels compared with the previous year, and the balance carried forward also increased.

## <Net Sales & Profit>

Net sales increased overall, due to the dramatic increase in HVAC and Plumbing for Buildings compared with the same period of the previous year.

In terms of profit, gross profit margin improved compared with the same period of the previous year as a result of further pursuing initiatives, including the enhancement of our site support systems. Gross profit, operating income, and ordinary income increased on a year on year basis.

# 【Overall Results】

## FY2017 3Q Results (Consolidated)

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- Orders received increased, due to factors such as receipt of large-scale projects for Industrial HVAC, Electrical Systems, and Machinery Systems, and the balance carried forward also rose significantly. Net sales increased compared with the same period of the previous year, due to the dramatic increase in HVAC and Plumbing for Buildings.
- Gross profit margin improved due to higher construction profitability, and there were increases in gross profit, operating income, and ordinary income.
- Profit attributable to owners of parent decreased due to the recording of extraordinary loss, such as a loss on retirement of noncurrent assets, etc. associated with the Yamato Site Redevelopment Project, as in the first half.

(Millions of yen)

	December 2015	December 2016	December 2017	Year on year	Rate of change(%)
Orders received	147,517	138,163	139,657	1,493	1.1
Balance carried forward	127,033	129,988	147,805	17,816	13.7
Net sales	122,503	114,563	115,608	1,044	0.9
Completed construction contracts	121,264	113,289	114,182	893	0.8
Real Estate and Others	1,238	1,274	1,425	151	11.9
Gross profit	14,146	13,710	15,315	1,604	11.7
Completed construction contracts	13,845	13,431	14,788	1,356	10.1
Real Estate and Others	301	279	526	247	88.6
Gross profit margin(%)	11.5	12.0	13.2	1.2	—
Selling, general and administrative expenses	11,709	11,885	13,022	1,137	9.6
Operating income	2,436	1,825	2,292	467	25.6
Non-operating income	642	629	753	124	19.7
Ordinary income (loss)	3,079	2,454	3,045	591	24.1
Net extraordinary income (loss)	71	(76)	(1,515)	(1,439)	—
Profit attributable to owners of parent (loss)	2,045	1,578	1,023	(554)	(35.1)

# 【Orders Received】

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## Orders Received by Segment (Consolidated)

- With regard to Facilities Construction Business, HVAC and Plumbing for Buildings declined due to factors such as being on the downward end of an ordering cycle for large-scale projects; however, orders received for Industrial HVAC and Electrical Systems, including some large-scale projects, significantly increased, resulting in an increase in overall Facilities Construction Business compared with the same period of the previous year.
- With regard to Plant & Machinery Systems Business, Machinery Systems increased, receiving large-scale projects in this period. Although Environmental Systems decreased due to the impact of a large-scale DBO project received in the same period of the previous year, orders received remain high.

(Millions of yen)

Segment	December 2015	December 2016	December 2017	Year on year	Rate of change(%)
HVAC and Plumbing for Buildings	56,509	50,074	43,564	(6,510)	(13.0)
Industrial HVAC	38,977	35,684	41,421	5,737	16.1
Electrical Systems	18,239	14,570	17,417	2,846	19.5
Facility Systems	8,745	7,898	7,489	(409)	(5.2)
<b>Total of Facilities Construction Business</b>	<b>122,472</b>	<b>108,228</b>	<b>109,893</b>	<b>1,665</b>	<b>1.5</b>
Machinery Systems	8,684	5,689	8,293	2,603	45.8
Environmental Systems	15,670	23,900	20,355	(3,545)	(14.8)
<b>Total of Plant &amp; Machinery Systems Business</b>	<b>24,355</b>	<b>29,590</b>	<b>28,649</b>	<b>(941)</b>	<b>(3.2)</b>
<b>Sub-total</b>	<b>146,827</b>	<b>137,818</b>	<b>138,542</b>	<b>723</b>	<b>0.5</b>
Real Estate Business	1,148	1,189	1,311	121	10.2
Others	411	371	465	94	25.5
Adjustments *	(870)	(1,216)	(662)	553	—
<b>Total</b>	<b>147,517</b>	<b>138,163</b>	<b>139,657</b>	<b>1,493</b>	<b>1.1</b>

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

# 【Net Sales】

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## Net Sales by Segment (Consolidated)

- Net sales fell slightly overall for the Facilities Construction Business ; because, although net sales increased significantly in the HVAC and Plumbing for Buildings segment having a high balance carried forward at the beginning of the fiscal year, including large-scale projects, net sales fell in other segments.
- With regard to Plant & Machinery Systems Business, both Machinery Systems and Environmental Systems increased, recording an overall increase compared with the same period of the previous year.

(Millions of yen)

Segment	December 2015	December 2016	December 2017	Year on year	Rate of change(%)
HVAC and Plumbing for Buildings	45,088	39,264	43,909	4,644	11.8
Industrial HVAC	35,880	35,706	32,583	(3,122)	(8.7)
Electrical Systems	15,573	14,271	13,859	(411)	(2.9)
Facility Systems	7,124	7,296	5,348	(1,948)	(26.7)
<b>Total of Facilities Construction Business</b>	<b>103,667</b>	<b>96,537</b>	<b>95,700</b>	<b>(837)</b>	<b>(0.9)</b>
Machinery Systems	5,811	5,908	6,696	787	13.3
Environmental Systems	12,038	11,515	12,165	650	5.7
<b>Total of Plant &amp; Machinery Systems Business</b>	<b>17,850</b>	<b>17,424</b>	<b>18,862</b>	<b>1,437</b>	<b>8.3</b>
<b>Sub-total</b>	<b>121,517</b>	<b>113,961</b>	<b>114,562</b>	<b>600</b>	<b>0.5</b>
Real Estate Business	1,148	1,189	1,311	121	10.2
Others	401	363	435	71	19.7
Adjustments *	(564)	(952)	(700)	251	—
<b>Total</b>	<b>122,503</b>	<b>114,563</b>	<b>115,608</b>	<b>1,044</b>	<b>0.9</b>

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

# 【Profit】

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## Ordinary Income and Loss by Segment (Consolidated)

(Millions of yen)

Segment		December 2015	December 2016	December 2017	Year on year	Rate of change(%)
<b>Segment Profit (Loss)</b>	Facilities Construction	2,869	1,425	1,926	500	35.1
	Machinery Systems	(77)	45	33	(12)	(26.9)
	Environmental Systems	(867)	(204)	(331)	(127)	—
	Sub-total	1,924	1,266	1,628	361	28.5
	Real Estate Business	164	147	380	233	158.0
	Others	52	25	53	27	108.2
	Adjustments *	938	1,014	983	(30)	—
	Total	3,079	2,454	3,045	591	24.1

\* The amount of adjustments of profit and loss by segment indicates that of all company's profit and loss not distributed into each segment.

# 【Overall Results】

## Quarterly Results (Consolidated)

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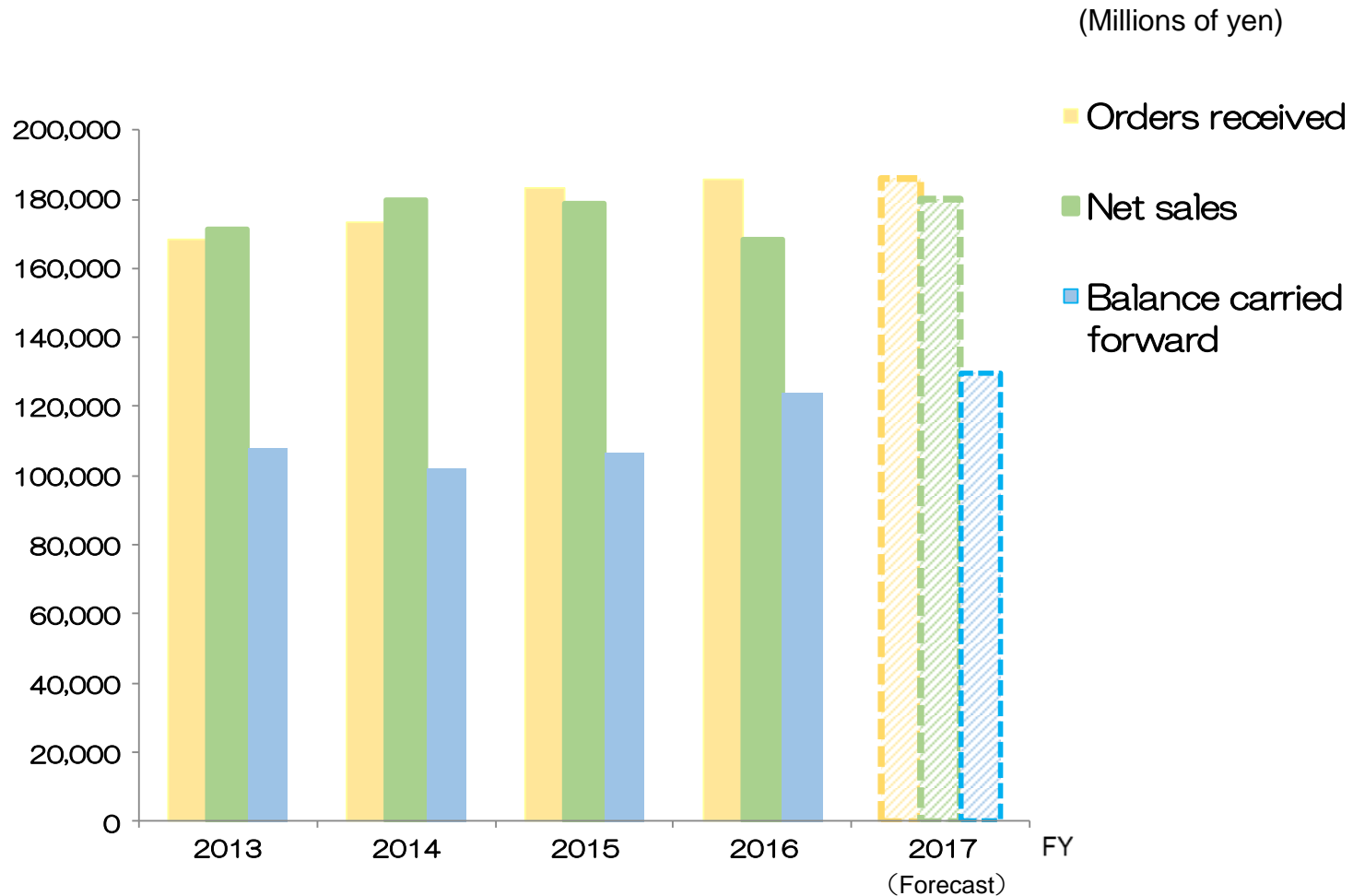
(Millions of yen)

	FY2015				FY2016				FY2017		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Orders received	46,385	52,820	48,311	35,753	55,338	35,573	47,250	47,716	38,209	57,566	43,881
Net sales	34,495	40,985	47,022	56,397	33,866	36,474	44,222	53,949	32,933	39,573	43,102
Gross profit	3,291	4,812	6,043	8,783	3,905	4,238	5,566	8,827	3,482	5,837	5,995
Gross profit margin(%)	9.5	11.7	12.9	15.6	11.5	11.6	12.6	16.4	10.6	14.8	13.9
Selling, general and administrative expenses	3,921	4,005	3,783	4,709	4,171	3,915	3,798	4,640	4,442	4,386	4,193
Operating income (loss)	(630)	807	2,259	4,073	(265)	323	1,767	4,187	(960)	1,450	1,802
Operating profit margin(%)	(1.8)	2.0	4.8	7.2	(0.8)	0.9	4.0	7.8	(2.9)	3.7	4.2
Ordinary income (loss)	(254)	778	2,554	5,055	27	341	2,085	4,425	(593)	1,546	2,093
Net extraordinary income (loss)	(55)	30	96	(371)	—	(32)	(43)	200	(327)	(806)	(381)
Profit attributable to owners of parent (loss)	(266)	521	1,790	3,282	(2)	232	1,349	3,119	(604)	508	1,119



# 【Operating Results】

## Operating Results over the Last 5 Years (Consolidated) <Orders Received/Net Sales> **SANKI**

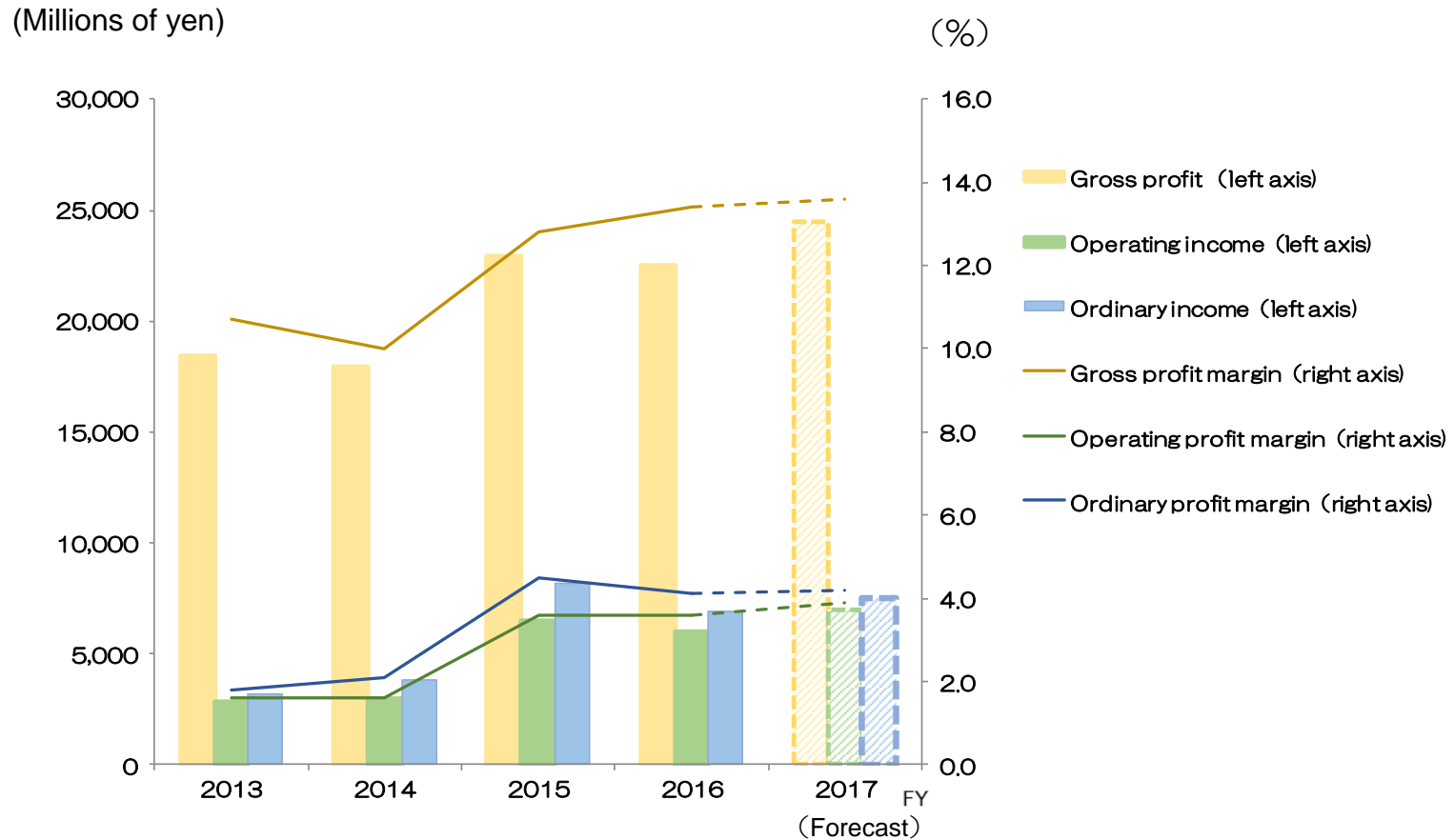


# 【Operating Results】

## Operating Results over the Last 5 Years

### (Consolidated) <Profit>

**SANKI**

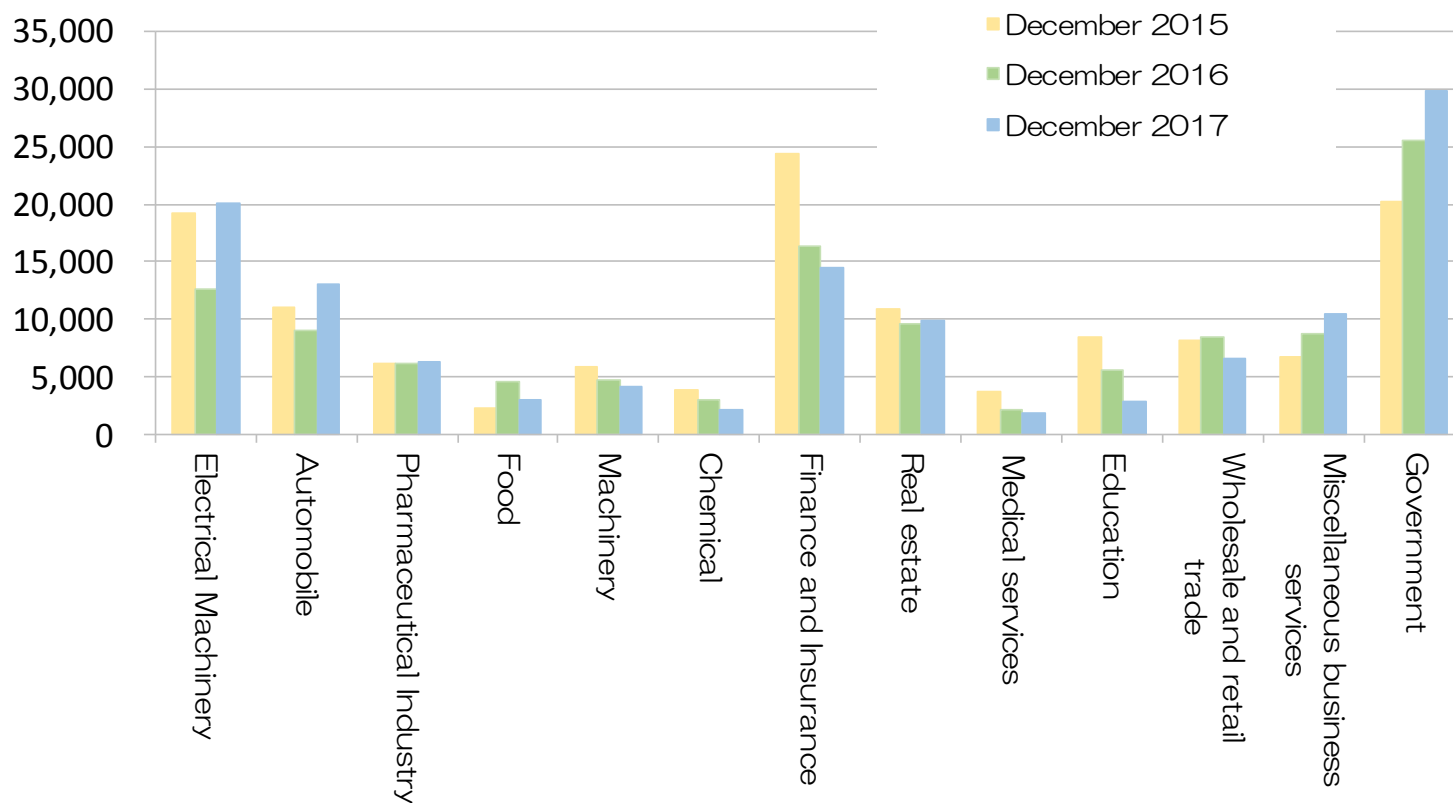


# 【Orders Received】

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## Orders Received by Industry (Consolidated)

(Millions of yen)



# 【Orders Received】 Orders Received by Type

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(Millions of yen)

	FY 2014	FY 2015	FY 2016	December 2016	December 2017	Year on year
Orders received (Non-consolidated : Facilities Construction Business)	143,708	145,069	139,997	103,753	105,366	1,613
Orders received from general contractors (Non-consolidated : Facilities Construction Business)	68,963	72,751	61,493	41,432	49,210	7,778
Rate of orders received from general contractors (Non-consolidated : Facilities Construction Business) (%)	48.0	50.1	43.9	39.9	46.7	6.8 pt.
Orders received(Consolidated)	173,398	183,270	185,880	138,163	139,657	1,493
Orders received from overseas projects (Consolidated) *	2,931	2,343	1,612	1,018	857	(161)
Rate of orders received from overseas projects (Consolidated) (%)	1.7	1.3	0.9	0.7	0.6	(0.1) pt.
Orders received for renewal construction (Consolidated)	93,339	99,920	101,114	77,258	77,942	684
Rate of orders received for renewal construction (Consolidated) (%)	53.8	54.5	54.4	55.9	55.8	(0.1) pt.
<Ref.>Net sales for renewal construction (Consolidated)	96,468	96,325	93,602	63,444	61,577	(1,866)

\*SANKI CONSTRUCTION ENGINEERING(SHANGHAI)CO.,LTD. ,unconsolidated subsidiary , is not included in orders received from overseas projects .

# **【Orders Received】**

## **Main Major Projects Received**

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### **○Major Projects Received**

- **Pharmaceutical Yokohama Research Institute  
(HVAC and Plumbing for Buildings) <New construction work>**
- **Yoyogi National Stadium's First Gymnasium, etc.  
(HVAC, Plumbing and Electrical systems) <Renovation>**
- **(Tentative name) Bingocho Project  
(Electrical systems) <New construction work>**
- **Niseko Hanazono Hotel  
(HVAC systems) <New construction work>**
- **Narita International Airport Corporation, PTB 1 North Wing in-line system refurbishment (BHS)  
(Transport facilities) <Renewal>**
- **Renovation work in Tsushima Clean Center  
(Waste treatment facilities) <Renovation>**
- **Waste Treatment Facilities with Energy Recovery Type in the Tenzan area  
(Waste treatment facilities) <New construction, operation, and maintenance>**

**Seven other projects**

## Main Major Completed Construction Projects

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### ○Major Completed Construction Projects

- Saitama Sekishinkai Hospital, HVAC work for hospital relocation (HVAC systems) <New construction work>
- Yokota Air Base Yokota High School, machinery work for reconstruction (HVAC and Plumbing systems) <New construction work>
- Nakanoshima Festival Tower West (Office HVAC systems) <New construction work>
- Takamatsu Sunport Combined Government Offices (South building) (HVAC and Plumbing systems) <New construction work>
- New Government Buildings for Kanagawa Prefecture (HVAC systems) <Renovation>
- Takeda Pharmaceutical Company Hikari Plant , New PCTM Building (HVAC systems) <New construction work>
- NKC Nagai Green Power, Wood Biomass Gasification Power Generation Facility (HVAC and Plant Systems) <New construction work>

One other project

# 【Orders Received】

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## Major Projects Received over 1 Billion Yen (by Industry)

	December 2015		December 2016		December 2017	
Office	3	<b>16 Projects</b> (28,026 million yen)  *Orders received from Customers : 5 Projects  *Orders received from general contractors :11 Projects	3	<b>10 Projects</b> (31,848 million yen)  *Orders received from Customers : 7 Projects  *Orders received from general contractors :3 Projects	1	<b>14 Projects</b> (27,332 million yen)  *Orders received from Customers : 6 Projects  *Orders received from general contractors :8 Projects
Complex building	1		—		—	
Commercial facility	1		—		—	
Hotel	—		—		1	
Factory	3		2		3	
Multiple – dwelling complex	—		—		2	
School	1		—		—	
Hospital	2		1		—	
Research institute	1		1		1	
Gymnasium	—		—		1	
Others	1		—		2	
Railway, Airport	—		—		1	
Power station,Substation	—		1		—	
Waste processing facility	3		1		2	
Water and sewage treatment facility	—		1		—	

# 【Profit】

## Profit Improvement Factors and Measures

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- Improvement of the external environment
- Thorough cost management
- Developing site support systems
  - Improved support for purchasing operations by the Procurement Division (established in 2015)
  - Expanded target of documentation support by the Site-Documentation Support Center (established in 2015)
  - Expanded support for design work by the Design and Engineering Support Center (established in 2016)
  - ICT support at work sites (introduction of tablet devices to all sites)
  - Quality audits by technical experts
- Strengthening relationships with business partners
  - Conducting the Liaison Meeting for subcontractor groups
  - Implementing the Sanki Super Meister System
  - Implementing the Sanki Best Partners System



# 【Financial Conditions】

## Balance Sheet (Consolidated)

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(Millions of yen)

	December 2016	End of FY 2016	December 2017	Diff.	Rate of change(%)
Current assets	103,755	114,906	99,690	(15,215)	(13.2)
Noncurrent assets	54,598	51,705	58,647	6,941	13.4
Current liabilities	61,513	68,776	59,710	(9,065)	(13.2)
Noncurrent liabilities	12,495	11,875	13,633	1,758	14.8
Total net assets	84,344	85,961	84,994	(966)	(1.1)
Total assets	158,354	166,612	158,338	(8,274)	(5.0)
Book-value per share (yen)	1,324.94	1,350.08	1,400.02	49.94	3.7
Equity ratio (%)	53.2	51.5	53.6	2.1 pt.	—
Interest-bearing liabilities (consolidated)	4,888	5,654	4,564	(1,090)	(19.3)

**【CF】****SANKI**

# Statement of Cash Flows (Consolidated)

- The balance of cash and cash equivalents decreased from both the end of the previous fiscal year and year-on-year. The decrease in cash flows from operating activities was mainly due to a decrease in notes and accounts payable. The decrease in cash flows from investing activities was mainly due to savings in time deposits and the acquisition of tangible fixed assets. The decrease in cash flows from financing activities was mainly due to the acquisition of treasury stock and the payment of dividends.

(Millions of yen)

	FY 2013	FY 2014	FY 2015	FY 2016	December 2016	December 2017
Cash flows from operating activities	(9,403)	(139)	5,220	10,845	3,837	(420)
Cash flows from investing activities	(3,506)	3,440	5,520	(1,644)	(1,452)	(5,217)
Cash flows from financing activities	(4,152)	(2,901)	(1,826)	(2,458)	(3,183)	(7,084)
Cash and cash equivalents at end of period	23,510	23,667	32,501	39,187	31,595	26,521

# 【Overall Forecast】

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## FY2017 Full Year Forecast (Consolidated)

• There is no change to the initial forecast values from May 12, 2017.

(Millions of yen)

	FY 2017 Forecast (as of February 9)
	Total
Orders received	186,000
Net sales	180,000
Operating income	7,000
Ordinary income	7,500
Profit attributable to owners of parent	5,000

# 【Forecast of Orders Received and Net Sales】

## FY2017 Forecast of Orders Received and Net Sales by Segment (Consolidated)

**SANKI**

(Millions of yen)

Segment		FY 2017 Orders Received Forecast (as of February 9)	FY 2017 Net sales Forecast (as of February 9)
	HVAC and Plumbing for Buildings	65,700	69,700
	Industrial HVAC	51,000	46,000
	Electrical Systems	22,000	23,000
	Facility Systems	9,500	9,500
<b>Total of Facilities Construction Business</b>		<b>148,200</b>	<b>148,200</b>
	Machinery Systems	12,000	10,000
	Environmental Systems	24,000	20,000
<b>Total of Plant &amp; Machinery Systems Business</b>		<b>36,000</b>	<b>30,000</b>
<b>Sub-total</b>		<b>184,200</b>	<b>178,200</b>
Real Estate Business		1,800	1,800
Others		500	500
Adjustments*		(500)	(500)
<b>Total</b>		<b>186,000</b>	<b>180,000</b>

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

## Thank you for your kind attention.

### Remarks on Business Forecast

The descriptions contained in this material, except for those as to past or present facts, are based on anticipations, assumptions, evaluations and estimations in light of the information available as of February 9,2018.

Therefore, the actual results may differ from those presented herein as a consequence of various factors including uncertainties and prospective changes in the economic environment.

#### <Major factors>

- Credit exposure of client companies.
- Sudden changes in material and equipment cost and labor cost.
- Stock Market fluctuations.
- Increase in retirement benefits and debts.
- Country risk.
- Accident and disaster in Facilities construction and other.
- Outbreak of the unprofitable project.
- Risk in Real Estate Business.
- Risk in Regal action.
- Risk in Regal regulation.
- Outbreak of the natural disaster.

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