

# The 1st Quarter FY2018 Summary of Financial Results

August 10, 2018

Sanki Engineering Co., Ltd.

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# Key Points of Financial Results

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## <Orders Received>

There was an increase in all segments of the Facilities Construction Business, with Industrial HVAC and Electrical Systems seeing a major increase. While there was a decrease in Machinery Systems due to the effects of having received orders for major projects in the same period of the previous year, Environmental Systems saw an increase.

As a result, overall orders received greatly exceeded those in the same period of the previous year, and there was also an increase in the balance carried forward to the next period.

## <Net Sales & Profit>

Due to a major increase in Industrial HVAC, net sales in the Facilities Construction Business increased compared to the same period of the previous year. Although there was a decrease in the Plants & Machinery Systems Business, overall we have seen an increase in net sales.

As a result of our continued initiatives for thorough cost management and improvement of work efficiency, we have seen an improvement in gross profit margin compared to the same period of the previous year. In addition, higher profit was seen in all profit items due to higher net sales, particularly in Industrial HVAC.

# 【Overall Results】

## FY2018 1Q Results (Consolidated)

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- Orders received, net sales, and balance carried forward to the next period all increased compared with the same period of the previous year.
- As a result of our continued initiatives, including the strengthening of site support systems, we have seen an improvement in gross profit margin compared with the same period of the previous year, and higher profit was seen in all profit items.

(Millions of yen)

	June 2016	June 2017	June 2018	Year on Year	Rate of change (%)
Orders received	55,338	38,209	50,885	12,676	33.2
Balance carried forward	127,860	129,032	160,345	31,313	24.3
Net sales	33,866	32,933	35,252	2,319	7.0
Completed construction contracts	33,438	32,447	34,730	2,282	7.0
Real estate and others	427	485	522	36	7.5
Gross profit	3,905	3,482	4,329	847	24.3
Completed construction contracts	3,786	3,298	4,113	815	24.7
Real estate and others	118	183	215	32	17.5
Gross profit margin(%)	11.5	10.6	12.3	1.7 <sub>pt.</sub>	—
Selling, general and administrative expenses	4,171	4,442	4,571	128	2.9
Operating income (loss)	(265)	(960)	(242)	718	—
Net non-operating income and loss	293	366	335	(31)	(8.6)
Ordinary income (loss)	27	(593)	92	686	—
Net extraordinary income (loss)	—	(327)	(147)	180	—
Profit attributable to owners of parent (loss)	(2)	(604)	(66)	537	—

# 【Orders Received】

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## Orders Received by Segment (Consolidated)

- In the Facilities Construction Business, as a major increase in orders received was seen in Industrial HVAC and Electrical Systems, particularly for major projects related to electrical machinery and semiconductors, there was an increase in all segments, and overall we have seen a major increase compared with the same period of the previous year.
- Due to the effects of having received orders for major projects in the same period of the previous year, there was a decrease in Machinery Systems. (Millions of yen)

Segment	June 2016	June 2017	June 2018	Year on year	Rate of change (%)
HVAC and Plumbing for Buildings	19,835	13,346	14,211	865	6.5
Industrial HVAC	17,756	11,552	21,136	9,584	83.0
Electrical Systems	5,068	3,259	6,506	3,247	99.6
Facility Systems	3,210	2,410	2,842	431	17.9
<b>Total of Facilities Construction Business</b>	<b>45,871</b>	<b>30,568</b>	<b>44,697</b>	<b>14,128</b>	<b>46.2</b>
Machinery Systems	2,030	3,720	2,240	(1,479)	(39.8)
Environmental Systems	7,459	3,520	4,005	484	13.8
<b>Total of Plant &amp; Machinery Systems Business</b>	<b>9,489</b>	<b>7,240</b>	<b>6,246</b>	<b>(994)</b>	<b>(13.7)</b>
<b>Sub-total</b>	<b>55,360</b>	<b>37,809</b>	<b>50,944</b>	<b>13,134</b>	<b>34.7</b>
Real Estate Business	388	419	452	32	7.8
Others	142	178	184	5	3.2
Adjustments *	(552)	(198)	(695)	(497)	—
<b>Total</b>	<b>55,338</b>	<b>38,209</b>	<b>50,885</b>	<b>12,676</b>	<b>33.2</b>

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

# 【Net Sales】

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## Net Sales by Segment (Consolidated)

- Due to a major increase in Industrial HVAC, net sales in the Facilities Construction Business increased compared with the same period of the previous year. Although there was a decrease in the Plants & Machinery Systems Business, overall we have seen an increase in net sales.

(Millions of yen)

Segment	June 2016	June 2017	June 2018	Year on year	Rate of change (%)
HVAC and Plumbing for Buildings	12,161	13,134	13,345	210	1.6
Industrial HVAC	10,351	9,437	11,906	2,469	26.2
Electrical Systems	4,410	3,983	3,831	(152)	(3.8)
Facility Systems	1,729	1,355	1,392	36	2.7
<b>Total of Facilities Construction Business</b>	<b>28,653</b>	<b>27,912</b>	<b>30,475</b>	<b>2,563</b>	<b>9.2</b>
Machinery Systems	2,434	2,230	2,114	(116)	(5.2)
Environmental Systems	2,576	2,487	2,396	(91)	(3.7)
<b>Total of Plant &amp; Machinery Systems Business</b>	<b>5,010</b>	<b>4,718</b>	<b>4,511</b>	<b>(207)</b>	<b>(4.4)</b>
<b>Sub-total</b>	<b>33,663</b>	<b>32,630</b>	<b>34,986</b>	<b>2,356</b>	<b>7.2</b>
Real Estate Business	388	419	452	32	7.8
Others	126	159	169	9	6.0
Adjustments *	(312)	(276)	(356)	(79)	—
<b>Total</b>	<b>33,866</b>	<b>32,933</b>	<b>35,252</b>	<b>2,319</b>	<b>7.0</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		June 2016	June 2017	June 2018	Year on Year	Rate of change (%)
Segment Profit (Loss)	Facilities Construction	46	(610)	50	660	—
	Machinery Systems	121	28	(91)	(120)	—
	Environmental Systems	(546)	(565)	(527)	37	—
	Sub-total	(378)	(1,146)	(569)	577	—
	Real Estate Business	62	101	145	43	42.9
	Others	14	39	37	(1)	(4.0)
	Adjustments *	329	411	478	66	16.3
	Total	27	(593)	92	686	—

\* The amount of adjustments of profit and loss by segment indicates the company-level profit and loss not distributed into each segment. The company-level profit and loss mainly consists of interests and dividends not attributable to each segment, and the balance of allocations for the Company-level expenses.

# 【Overall Results】 Quarterly Results (Consolidated)

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(Millions of yen)

	FY 2016				FY 2017				FY 2018
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Orders received	55,338	35,573	47,250	47,716	38,209	57,566	43,881	51,456	50,885
Net sales	33,866	36,474	44,222	53,949	32,933	39,573	43,102	54,548	35,252
Gross profit	3,905	4,238	5,566	8,827	3,482	5,837	5,995	9,744	4,329
Gross profit margin (%)	11.5	11.6	12.6	16.4	10.6	14.8	13.9	17.9	12.3
Selling, general and administrative expenses	4,171	3,915	3,798	4,640	4,442	4,386	4,193	5,443	4,571
Operating income (loss)	(265)	323	1,767	4,187	(960)	1,450	1,802	4,300	(242)
Operating profit margin (%)	(0.8)	0.9	4.0	7.8	(2.9)	3.7	4.2	7.9	(0.7)
Ordinary income (loss)	27	341	2,085	4,425	(593)	1,546	2,093	4,388	92
Net extraordinary income (loss)	—	(32)	(43)	200	(327)	(806)	(381)	536	(147)
Profit attributable to owners of parent (loss)	(2)	232	1,349	3,119	(604)	508	1,119	2,882	(66)

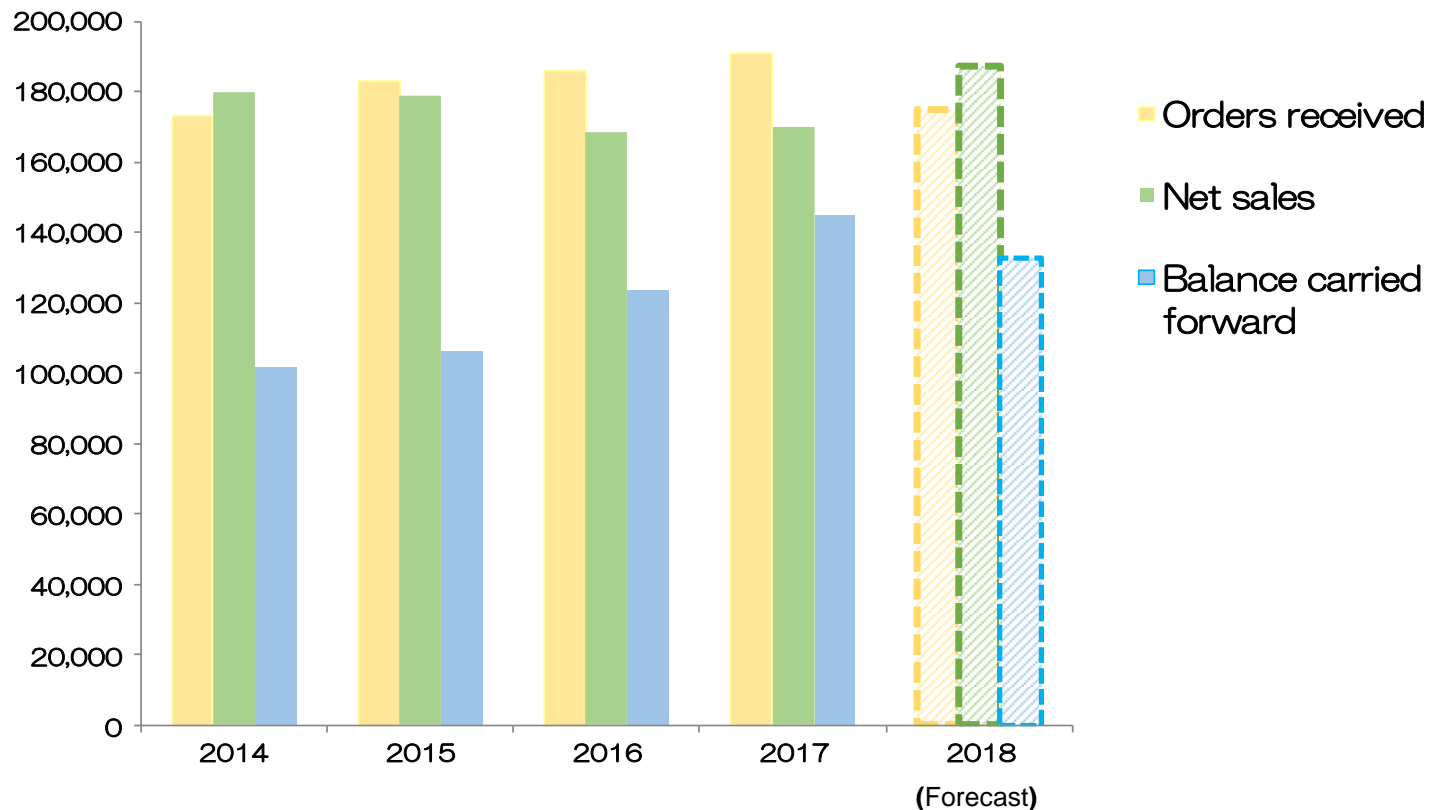


# 【Operating Results】

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

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(Millions of yen)

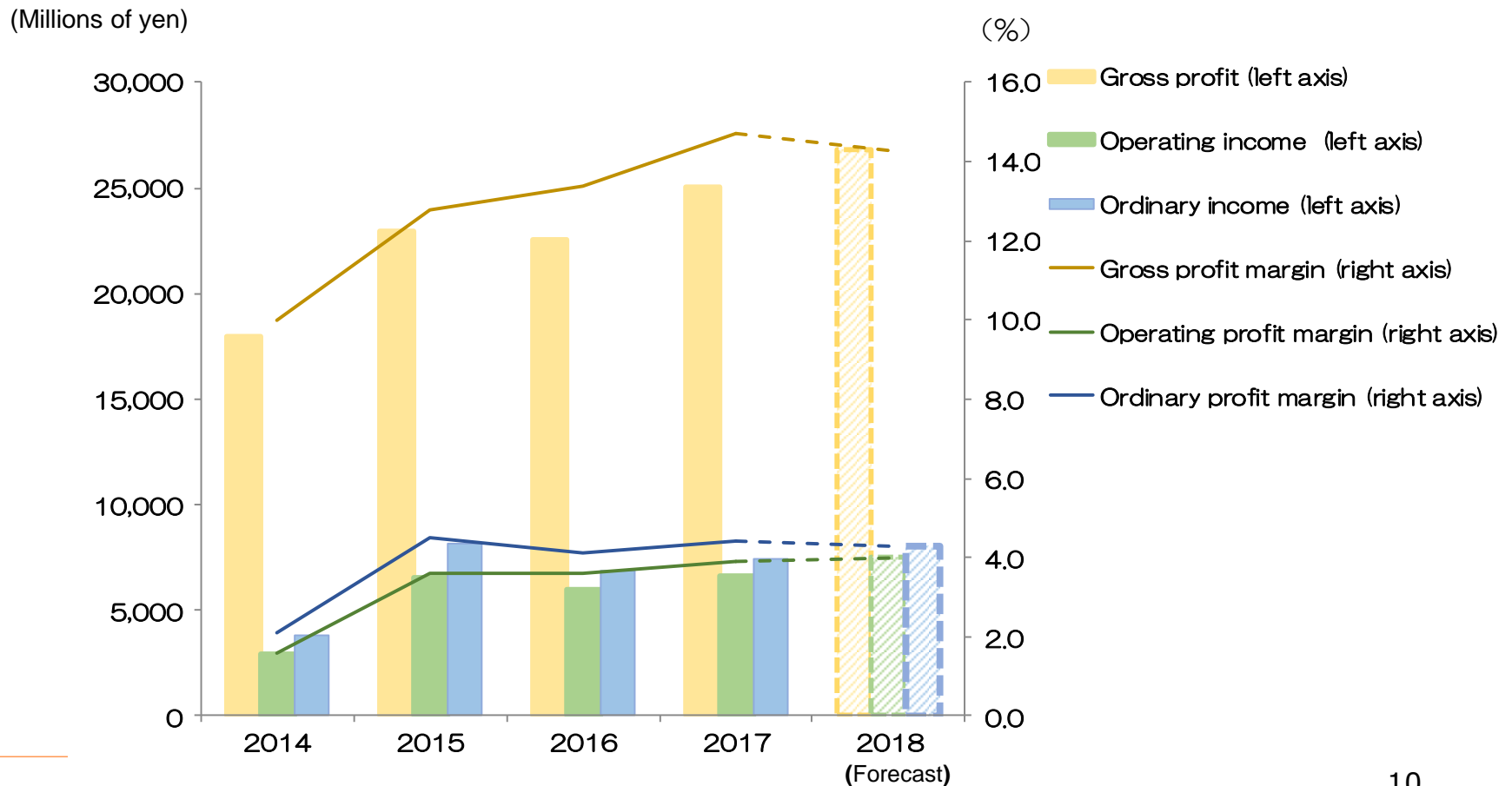


# 【Operating Results】

## Operating Results over the Last 5 Years

### (Consolidated) <Profit>

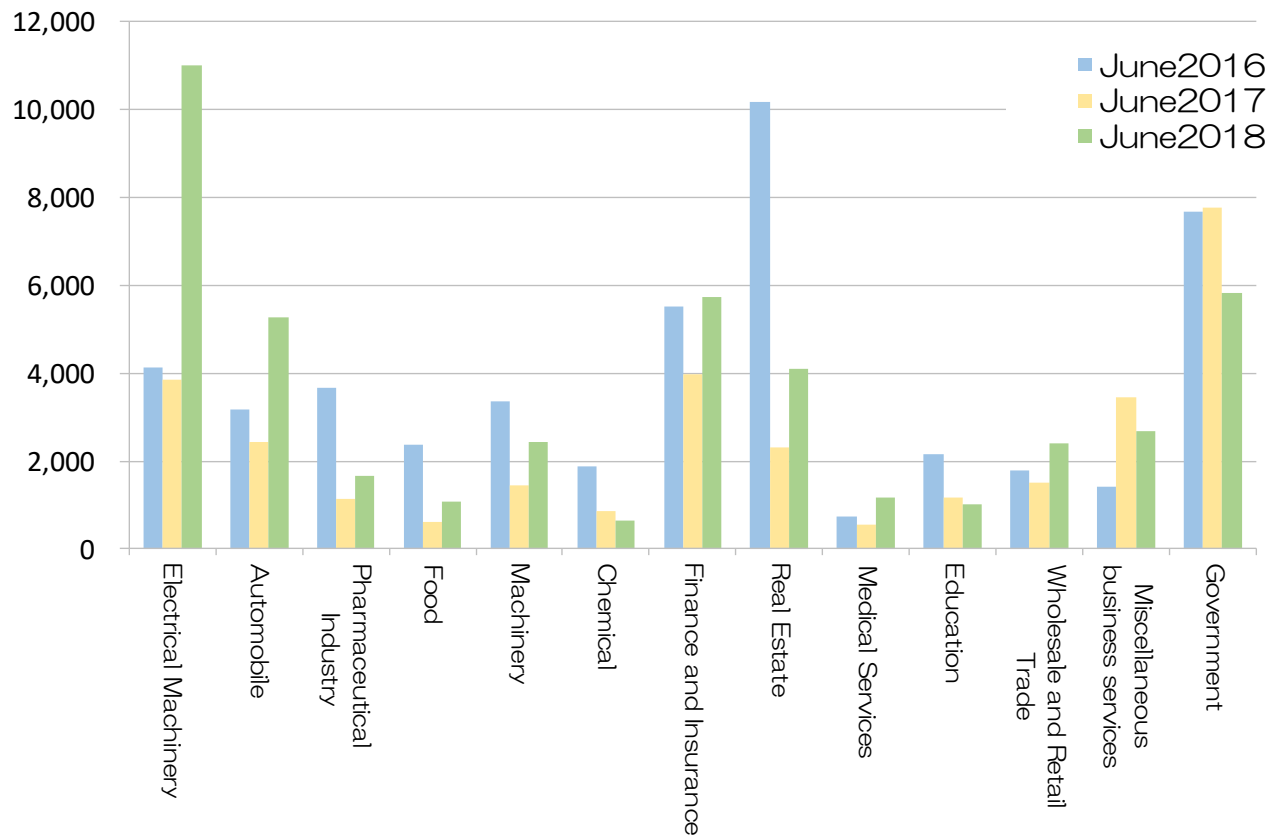
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# 【Orders Received】 Orders Received by Industry (Consolidated)

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(Millions of yen)



# [Orders Received]

## Orders Received by Type

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(Millions of yen)

	FY 2015	FY 2016	FY 2017	June 2017 A	June 2018 B	Year on Year B-A
<b>Orders received (Non-consolidated : Facilities Construction Business)</b>	145,069	139,997	147,013	28,864	42,067	13,202
<b>Orders received from general contractors (Non-consolidated : Facilities Construction Business)</b>	72,751	61,493	67,345	12,436	15,855	3,418
Rate of orders received from general contractors (Non-consolidated : Facilities Construction Business) (%)	50.1	43.9	45.8	43.1	37.7	(5.4) pt.
<b>Orders received (Consolidated)</b>	183,270	185,880	191,113	38,209	50,885	12,676
<b>Orders received from overseas projects (Consolidated) *</b>	2,343	1,612	1,246	270	640	369
Rate of orders received from overseas projects (Consolidated) (%)	1.3	0.9	0.7	0.7	1.3	0.6 pt.
<b>Orders received for renewal construction (Consolidated)</b>	99,920	101,114	101,597	22,446	32,177	9,730
Rate of orders received for renewal construction (Consolidated) (%)	54.5	54.4	53.2	58.7	63.2	4.5 pt.
<Ref.> Net sales for renewal construction (Consolidated)	96,325	93,602	94,601	17,113	18,827	1,713

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

# 【Orders Received】

## Main Major Projects Received and Major Completed Construction Projects

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### ○Major Projects Received

- Nissay Logistics Center, Machida  
(HVAC, Plumbing, and Electrical Systems for Buildings) <New construction work>
- NGK Ceramic Device Co., LTD. Tajimi Plant  
(HVAC Systems) <New construction work>
- Toshiba Memory Corporation. Yokkaichi Plant building 260, Stage 4  
(HVAC Systems) <New construction work>
- Sony Semiconductor Manufacturing Corporation. Yamagata Technology Center  
(HVAC and Electrical Systems) <Renovation work>

### ○Major Completed Construction Projects

- Toyota Motor Corporation. PI Tower  
(HVAC and Electrical Systems) <New construction work>
- Nihonbashi 2-Chome Type-I Urban Area Redevelopment Project (Districts C & D)  
(Plumbing Systems) <New construction work>

# 【Orders Received】

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

	June 2016		June 2017		June 2018	
Office	1	<b>5 Projects</b> (13,806 million yen)  * Orders received from customers : 4 Projects  * Orders received from general contractors : 1 Project	—	<b>2 Projects</b> (4,110 million yen)  * Orders received from customers : 1 Project  * Orders received from general contractors : 1 Project	—	<b>4Projects</b> (8,080 million yen)  * Orders received from customers : 2 Projects  * Orders received from general contractors : 2 Projects
Logistics Center	—		—		1	
Factory	2		—		3	
Research institute	—		1		—	
Railway, Airport	—		1		—	
Water and sewage treatment facility	1		—		—	
Power station, Substation	1		—		—	

## Profit Improvement Factors and Measures (Consolidated)

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- Improvement of the external environment
- Thorough cost management (thorough internal control processes)
- Developing site support systems
  - Improved support for purchasing operations by the Procurement Division (established in 2015) (Webification of the purchasing operations)
  - Expanded support for one-site documentation creation at each branch office
  - Expanded support for design work by the Design and Engineering Support Center (established in 2016)
  - Established the Technical Support Center, specializing in support and guidance for site operations established (2018)
  - 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)

	End of FY 2017	June 2018	Diff.	Rate of change (%)	June 2017
Current assets	122,901	109,516	(13,385)	(10.9)	96,453
Noncurrent assets	54,112	55,098	985	1.8	54,697
Current liabilities	73,787	62,789	(10,997)	(14.9)	55,202
Noncurrent liabilities	17,035	16,804	(231)	(1.4)	10,786
Total net assets	86,191	85,020	(1,170)	(1.4)	85,161
Total assets	177,014	164,614	(12,399)	(7.0)	151,151
Book-value per share (yen)	1,419.77	1400.34	(19.42)	(1.4)	1,337.52
Equity ratio (%)	48.6	51.5	2.9 pt.	—	56.3
Interest-bearing liabilities (consolidated)	13,504	12,366	(1,137)	(8.4)	4,797

\* As we have applied Partial Amendments to Accounting Standard for Tax Effect Accounting, etc. since the 1<sup>st</sup> quarter of FY2018, the FY2017 balance sheet has been partially rearranged. As a result, the equity ratio has also changed. 16



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# Statement of Cash Flows (Consolidated)

- The balance of cash and cash equivalents increased from both at the end of the previous fiscal year and year-on-year.
- The increase in cash flows from operating activities was mainly due to the continued collection of receivables to a level surpassing the decrease in accounts payable.
- The decrease in cash flows from investing activities was mainly due to the acquisition of tangible fixed assets.
- The decrease in cash flows from financing activities was mainly due to the repayment of short and long-term loans borrowings and the payment of dividends.

(Millions of yen)

	FY 2014	FY 2015	FY 2016	FY 2017	June 2017	June 2018
Cash flows from operating activities	(139)	5,220	10,845	6,306	4,390	5,349
Cash flows from investing activities	3,440	5,520	(1,644)	(2,510)	(1,733)	(1,435)
Cash flows from financing activities	(2,901)	(1,826)	(2,458)	1,814	(2,167)	(2,389)
Cash and cash equivalents at end of period	23,667	32,501	39,187	44,866	39,660	46,364

# [Overall Forecast]

## FY2018 Overall Forecast (Consolidated)

Higher revenue and profit are forecast in association with the increase in balance carried forward for construction contracts (no change from the initial forecast at the beginning of this period).

In addition, the stock dividend will increase by 20 yen from the initial forecast due to strong operating results, so the annual forecast is revised to 40 yen (an increase of 5 yen compared with the previous year).

(Millions of yen)

	FY 2017 Results			FY 2018 Forecast (as of August 10)			Year on year		
	First half of year	Second half of year	Total	First half of year	Second half of year	Total	First half of year	Second half of year	Total
Orders received	95,775	95,337	191,113	90,000	85,000	175,000	(5,775)	(10,337)	(16,113)
Net sales	72,506	97,651	170,157	79,000	108,000	187,000	6,494	10,349	16,843
Gross profit	9,319	15,740	25,060	10,000	16,800	26,800	681	1,060	1,740
Operating income(loss)	489	6,103	6,593	500	7,000	7,500	11	897	907
Ordinary income(loss)	952	6,481	7,434	800	7,200	8,000	(152)	719	566
Profit attributable to owners of parent (loss)	(95)	4,001	3,906	400	5,100	5,500	495	1,099	1,594
Dividends per share (yen)	15	20	35	20	20	40	5	—	5

# 【Forecast of Orders Received and Net Sales】

## FY2018 Forecast of Orders Received and Net Sales by Segment (Consolidated)

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(Millions of yen)

Segment		FY 2018 Orders received Forecast	FY 2018 Net sales Forecast
	HVAC and Plumbing for Buildings	54,400	63,300
	Industrial HVAC	55,000	58,000
	Electrical Systems	21,000	20,000
	Facility Systems	9,800	9,900
<b>Total of Facilities Construction Business</b>		<b>140,200</b>	<b>151,200</b>
	Machinery Systems	12,000	12,000
	Environmental Systems	21,000	22,000
<b>Total of Plant &amp; Machinery Systems Business</b>		<b>33,000</b>	<b>34,000</b>
<b>Sub-total</b>		<b>173,200</b>	<b>185,200</b>
Real Estate Business		1,800	1,800
Others		500	500
Adjustments*		(500)	(500)
<b>Total</b>		<b>175,000</b>	<b>187,000</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 August 10, 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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