

# **The 3rd Quarter FY2018 Summary of Financial Results**

**February 8, 2019**

**Sanki Engineering Co., Ltd.**

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## **Key Points of Financial Results**

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### **<Orders Received>**

**In the Facilities Construction Business, there were increases in all businesses year on year. Of these, Industrial HVAC continued to show great improvements from the first half, particularly with regard to large-scale projects.**

**Machinery Systems increased year on year; however, Environmental Systems decreased due to the effect of receiving large-scale projects in the same period of the previous year.**

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

### **<Net Sales & Profit>**

**Net sales in the Facilities Construction Business increased year on year for all businesses, with factors such as the increased orders in Industrial HVAC in the previous fiscal year and this fiscal year resulting in greatly increased revenue.**

**Furthermore, both Machinery Systems and Environmental Systems saw increases, resulting in a great increase in net sales overall.**

**As a result of our continued initiatives for thorough cost management and improvement of work efficiency, etc. we have seen a year-on-year improvement in gross profit margin. In addition, higher profit, etc. was seen in all profit items due to higher net sales, particularly in Industrial HVAC.**

# 【Overall Results】

## FY2018 3Q Results - Cumulative Results (Consolidated)

- Orders received increased due to factors such as large-scale orders being received in the Facilities Construction Business, particularly in Industrial HVAC, as well as in Machinery Systems, and balance carried forward increased.
- Net sales also increased in all businesses, led by a dramatic increase in Industrial HVAC, resulting in a great increase year on year.
- All profit items increased due to improvements in gross profit margin through ongoing initiatives to improve work efficiency in addition to the dramatic increase centered on Industrial HVAC.

(Millions of yen)

	December 2016	December 2017	December 2018	Year on year	Rate of change(%)
Orders received	138,163	139,657	155,048	15,390	11.0
Balance carried forward	129,988	147,805	157,714	9,909	6.7
Net sales	114,563	115,608	142,046	26,438	22.9
Completed construction contracts	113,289	114,182	140,521	26,338	23.1
Real estate and others	1,274	1,425	1,524	99	7.0
Gross profit	13,710	15,315	19,425	4,110	26.8
Completed construction contracts	13,431	14,788	18,914	4,126	27.9
Real estate and others	279	526	510	(15)	(3.0)
Gross profit margin(%)	12.0	13.2	13.7	0.5 <sub>pt</sub>	—
Selling, general and administrative expenses	11,885	13,022	14,609	1,586	12.2
Operating income (loss)	1,825	2,292	4,815	2,523	110.1
Net non-operating income and loss (Cost)	629	753	573	(180)	(23.9)
Ordinary income (loss)	2,454	3,045	5,388	2,342	76.9
Net extraordinary income (loss)	(76)	(1,515)	(1,317)	197	—
Profit attributable to owners of parent (loss)	1,578	1,023	2,540	1,516	148.1

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

- In the Facilities Construction Business, there were increases in all businesses year on year. Of these, Industrial HVAC continued to show great improvements from the first half, particularly with regard to large-scale projects.
- In the Plant & Machinery Systems Business, Machinery Systems increased due to receiving large-scale projects in this period. Environmental Systems decreased due to the impact of large-scale projects received in the same period of the previous year.

(Millions of yen)

Segment	December 2016	December 2017	December 2018	Year on year	Rate of change(%)
HVAC and Plumbing for Buildings	50,074	43,564	46,375	2,810	6.5
Industrial HVAC	35,684	41,421	60,046	18,624	45.0
Electrical Systems	14,570	17,417	17,588	170	1.0
Facility Systems	7,898	7,489	8,406	916	12.2
<b>Total of Facilities Construction Business</b>	<b>108,228</b>	<b>109,893</b>	<b>132,416</b>	<b>22,522</b>	<b>20.5</b>
Machinery Systems	5,689	8,293	9,526	1,232	14.9
Environmental Systems	23,900	20,355	12,674	(7,680)	(37.7)
<b>Total of Plant &amp; Machinery Systems Business</b>	<b>29,590</b>	<b>28,649</b>	<b>22,200</b>	<b>(6,448)</b>	<b>(22.5)</b>
<b>Sub-total</b>	<b>137,818</b>	<b>138,542</b>	<b>154,617</b>	<b>16,074</b>	<b>11.6</b>
Real Estate Business	1,189	1,311	1,409	98	7.5
Others	371	465	575	109	23.5
Adjustments *	(1,216)	(662)	(1,554)	(891)	—
<b>Total</b>	<b>138,163</b>	<b>139,657</b>	<b>155,048</b>	<b>15,390</b>	<b>11.0</b>

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

## 【Net Sales】 Net Sales by Segment (Consolidated)

- In the Facilities Construction Business, factors such as increased orders in Industrial HVAC in both the previous fiscal year and this fiscal year resulted in greatly increased revenue. HVAC and Plumbing for Buildings, Electrical Systems, and Facility Systems also firmed, resulting in a year-on-year increase for all businesses.
- With regard to Plant & Machinery Systems Business, both Machinery Systems and Environmental Systems increased, resulting in a great increase in overall net sales.

(Millions of yen)

Segment	December 2016	December 2017	December 2018	Year on year	Rate of change(%)
HVAC and Plumbing for Buildings	39,264	43,909	46,847	2,938	6.7
Industrial HVAC	35,706	32,583	52,653	20,069	61.6
Electrical Systems	14,271	13,859	15,147	1,287	9.3
Facility Systems	7,296	5,348	6,984	1,636	30.6
<b>Total of Facilities Construction Business</b>	<b>96,537</b>	<b>95,700</b>	<b>121,632</b>	<b>25,932</b>	<b>27.1</b>
Machinery Systems	5,908	6,696	7,089	393	5.9
Environmental Systems	11,515	12,165	12,778	612	5.0
<b>Total of Plant &amp; Machinery Systems Business</b>	<b>17,424</b>	<b>18,862</b>	<b>19,868</b>	<b>1,006</b>	<b>5.3</b>
<b>Sub-total</b>	<b>113,961</b>	<b>114,562</b>	<b>141,500</b>	<b>26,938</b>	<b>23.5</b>
Real Estate Business	1,189	1,311	1,409	98	7.5
Others	363	435	461	25	5.9
Adjustments *	(952)	(700)	(1,325)	(624)	—
<b>Total</b>	<b>114,563</b>	<b>115,608</b>	<b>142,046</b>	<b>26,438</b>	<b>22.9</b>

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

# 【Profit】

## Ordinary Income (Loss) by Segment (Consolidated)

(Millions of yen)

Segment		December 2016	December 2017	December 2018	Year on year	Rate of change(%)
Segment Profit (Loss)	Facilities Construction	1,425	1,926	4,873	2,947	153.0
	Machinery Systems	45	33	(43)	(77)	—
	Environmental Systems	(204)	(331)	(202)	129	—
	Sub-total	1,266	1,628	4,627	2,999	184.2
	Real Estate Business	147	380	351	(29)	(7.6)
	Others	25	53	28	(24)	(46.8)
	Adjustments *	1,014	983	380	(602)	(61.3)
	Total	2,454	3,045	5,388	2,342	76.9

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

# 【Overall Results】 Quarterly Results (Consolidated)

(Millions of yen)

	FY2016				FY2017				FY2018		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Orders received	55,338	35,573	47,250	47,716	38,209	57,566	43,881	51,456	50,885	52,934	51,228
Net sales	33,866	36,474	44,222	53,949	32,933	39,573	43,102	54,548	35,252	45,470	61,323
Gross profit	3,905	4,238	5,566	8,827	3,482	5,837	5,995	9,744	4,329	6,442	8,654
Gross profit margin(%)	11.5	11.6	12.6	16.4	10.6	14.8	13.9	17.9	12.3	14.2	14.1
Selling, general and administrative expenses	4,171	3,915	3,798	4,640	4,442	4,386	4,193	5,443	4,571	5,072	4,965
Operating income (loss)	(265)	323	1,767	4,187	(960)	1,450	1,802	4,300	(242)	1,369	3,688
Operating profit margin(%)	(0.8)	0.9	4.0	7.8	(2.9)	3.7	4.2	7.9	(0.7)	3.0	6.0
Ordinary income (loss)	27	341	2,085	4,425	(593)	1,546	2,093	4,388	92	1,447	3,848
Extraordinary income (loss)	—	(32)	(43)	200	(327)	(806)	(381)	536	(147)	(3)	(1,167)
Profit attributable to owners of parent (loss)	(2)	232	1,349	3,119	(604)	508	1,119	2,882	(66)	862	1,743

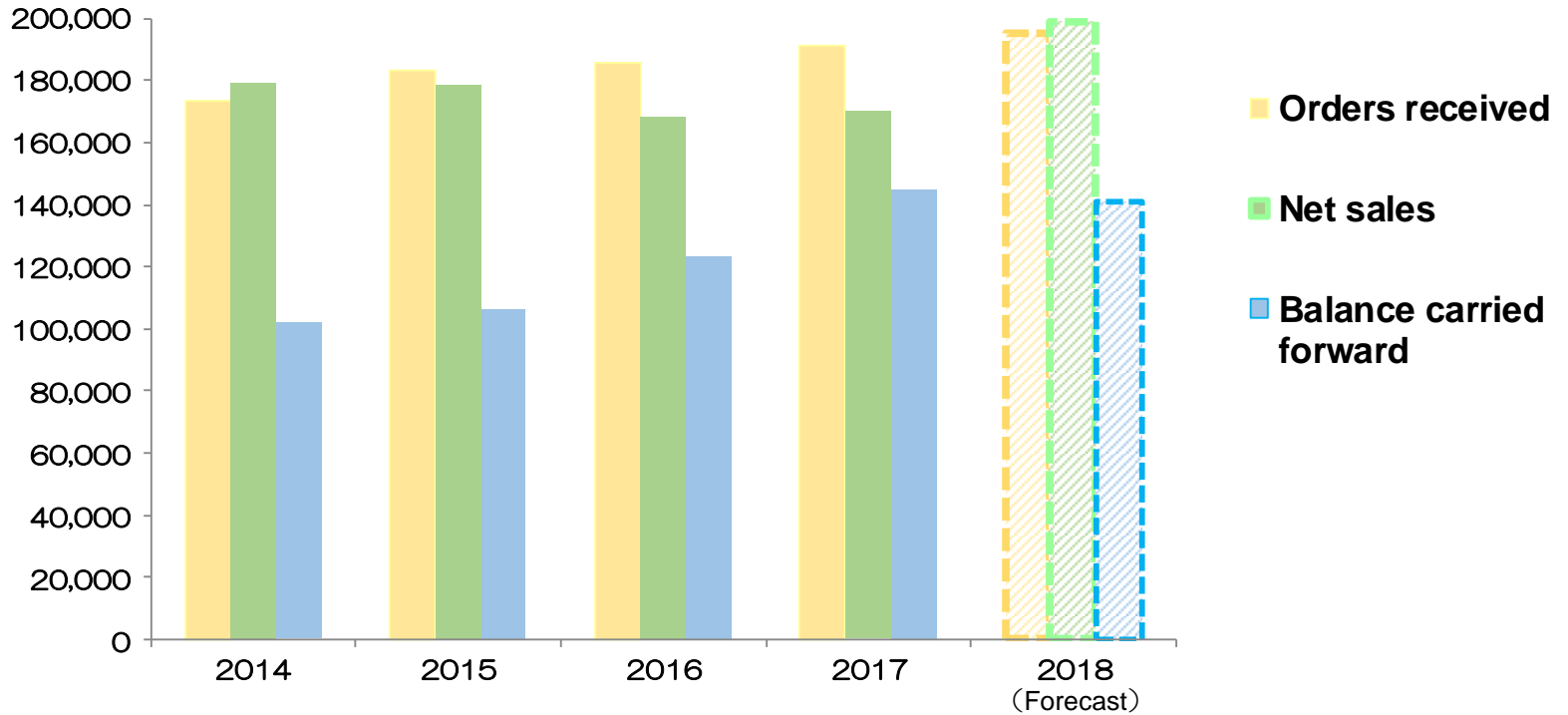


# 【Operating Results】

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

SANKI

(Millions of yen)

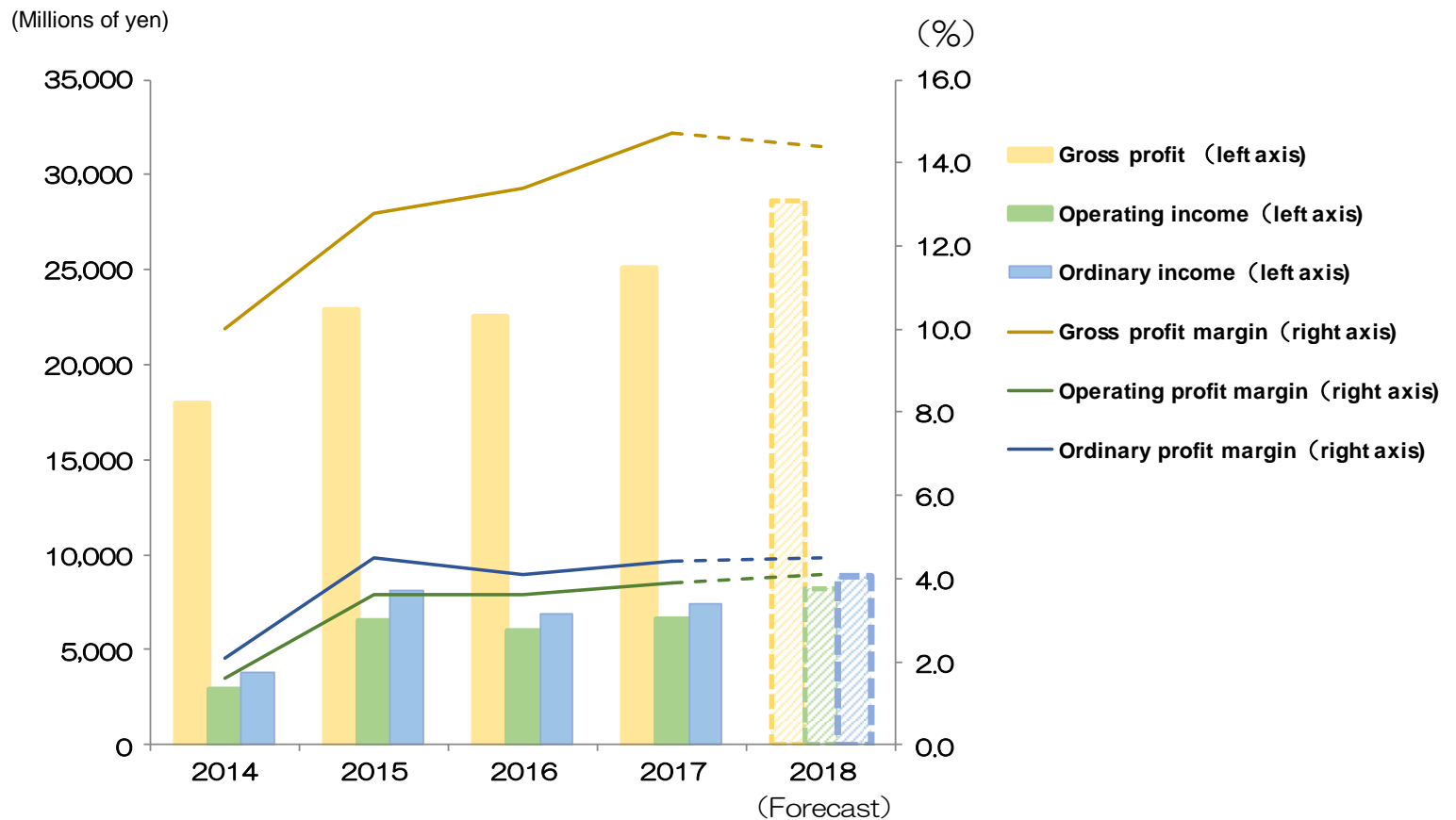


# 【Operating Results】

## Operating Results over the Last 5 Years

### (Consolidated) <Profit>

SANKI

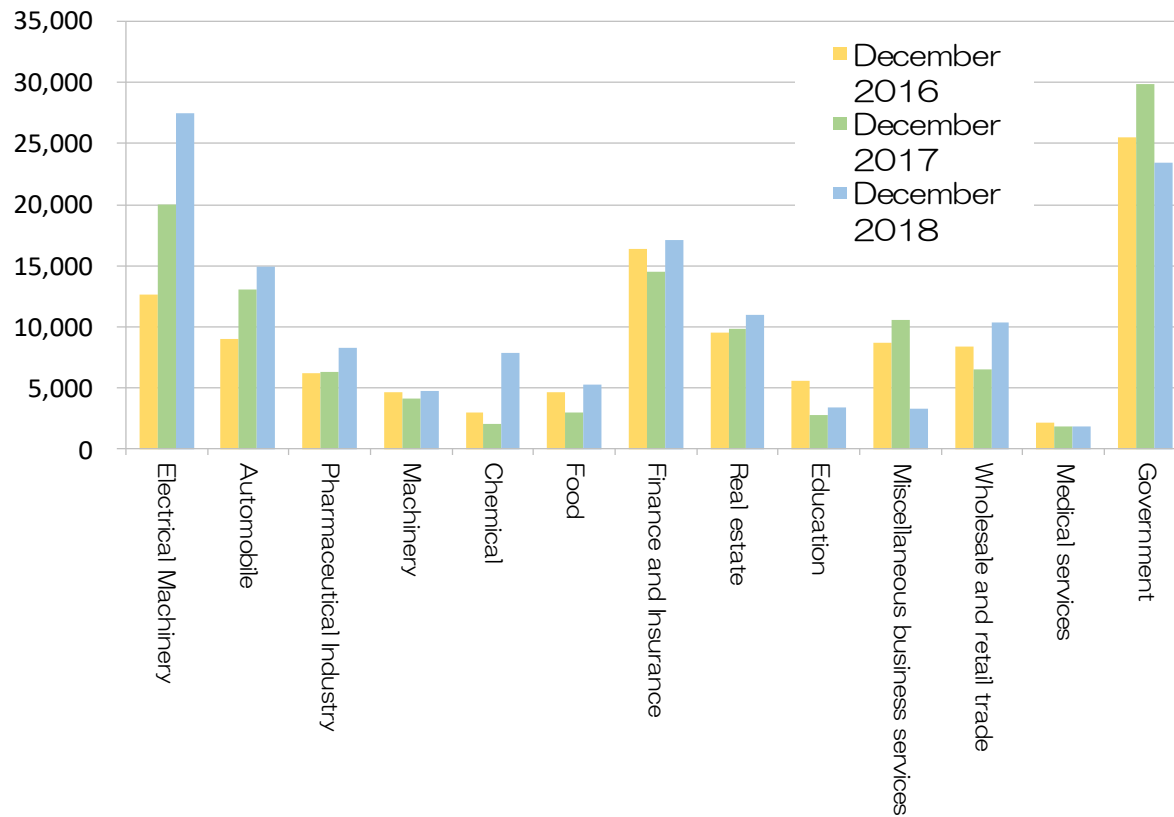


# 【Orders Received】

## Orders Received by Industry (Consolidated)

SANKI

(Millions of yen)



# 【Orders Received】

## Orders Received by Type

(Millions of yen)

	FY 2015	FY 2016	FY 2017	December 2017	December 2018	Year on year
<b>Orders received (Non-consolidated : Facilities Construction Business)</b>	<b>145,069</b>	<b>139,997</b>	<b>147,013</b>	<b>105,366</b>	<b>125,883</b>	<b>20,516</b>
<b>Orders received from general contractors (Non-consolidated : Facilities Construction Business)</b>	<b>72,751</b>	<b>61,493</b>	<b>67,345</b>	<b>49,210</b>	<b>54,560</b>	<b>5,349</b>
Rate of orders received from general contractors (Non-consolidated : Facilities Construction Business) (%)	<b>50.1</b>	<b>43.9</b>	<b>45.8</b>	<b>46.7</b>	<b>43.3</b>	<b>(3.4) pt.</b>
<b>Orders received (Consolidated)</b>	<b>183,270</b>	<b>185,880</b>	<b>191,113</b>	<b>139,657</b>	<b>155,048</b>	<b>15,390</b>
<b>Orders received from overseas projects (Consolidated) *</b>	<b>2,343</b>	<b>1,612</b>	<b>1,246</b>	<b>857</b>	<b>2,211</b>	<b>1,354</b>
Rate of orders received from overseas projects (Consolidated) (%)	<b>1.3</b>	<b>0.9</b>	<b>0.7</b>	<b>0.6</b>	<b>1.4</b>	<b>0.8 pt.</b>
<b>Orders received for renewal construction (Consolidated)</b>	<b>99,920</b>	<b>101,114</b>	<b>101,597</b>	<b>77,942</b>	<b>89,589</b>	<b>11,646</b>
Rate of orders received for renewal construction (Consolidated) (%)	<b>54.5</b>	<b>54.4</b>	<b>53.2</b>	<b>55.8</b>	<b>57.8</b>	<b>2.0 pt.</b>
<Ref.> Net sales for renewal construction (Consolidated)	<b>96,325</b>	<b>93,602</b>	<b>94,601</b>	<b>61,577</b>	<b>77,759</b>	<b>16,181</b>

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

## **【Orders Received】**

### **Main Large-Scale Projects Received**

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- **Nissay Logistics Center, Machida  
(HVAC, Plumbing, and Electrical Systems) <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) <Expansion>**
  - **Sony Semiconductor Manufacturing Corporation, Yamagata Technology Center  
(HVAC and Electrical Systems) <Renovation work>**
  - **Tokyo Metropolitan Higashiyamato Medical Center for the Severely Disabled  
(Plumbing Systems) <Renovation work>**
  - **Takashimaya EAST BUILDING Hotel Conversion  
(HVAC and Plumbing Systems) <Renovation work>**
  - **Toshiba Memory Corporation, Iwate Building 510, Stage 1  
(HVAC Systems) <New construction work>**
  - **RIKEN: Works to expand facilities for a next-generation ultra-high-speed  
computer system in fiscal 2018  
(HVAC Systems) <Expansion>**
  - **Toyota Motor Corporation, PI Tower Phase 2  
(HVAC and Electrical Systems) < New construction and renovation work>**
  - **Narita International Airport: Works to expand the T1S#53 make-up conveyor and  
enhance BHS capacity (Transport facilities work) <Renewal>**
- 5 other projects**

**【Net Sales】****Main Large-Scale Completed Construction Projects**

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- Toyota Motor Corporation, PI Tower  
(HVAC and Electrical Systems) <New construction work>
- Nihonbashi 2-Chome Type-1 Urban Area Redevelopment Project (Districts C & D)  
(Plumbing Systems) <New construction work>
- Toshiba Memory Corporation, Yokkaichi Plant Building 260, Stage 3  
(HVAC Systems) <Expansion>
- Fukuoka High and District Court/Family Court/Summary Court Office  
(HVAC and Plumbing Systems) <New construction work>
- Yokohama Business Park A1 Building  
(HVAC Systems) <Renovation work>
- Toshiba Memory Corporation, Yokkaichi Plant Building 260, Stage 4  
(HVAC Systems) <Expansion>

## 【Orders Received】

### Large-Scale Projects over 1 Billion Yen (by Industry)

	December 2016		December 2017		December 2018	
Office	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	1	<b>15 Projects</b> (31,293 million yen)  *Orders received from Customers : 7 Projects  *Orders received from general contractors :8 Projects
Hotel	—		1		1	
Factory	2		3		8	
Research institute	1		1		1	
Logistics Center	—		—		1	
Hospital	1		—		1	
Multiple – dwelling complex	—		2		—	
Gymnasium	—		1		1	
Others	—		2		—	
Railway, Airport	—		1		1	
Power station, Substation	1		—		—	
Waste processing facility	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 (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 on-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 operation (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)

(Millions of yen)

	December 2017	End of FY 2017	December 2018	Diff.	Rate of change(%)
<b>Current assets</b>	98,425	122,901	121,637	(1,263)	(1.0)
<b>Noncurrent assets</b>	58,809	54,112	54,164	52	0.1
<b>Current liabilities</b>	59,677	73,787	75,457	1,670	2.3
<b>Noncurrent liabilities</b>	12,562	17,035	16,647	(388)	(2.3)
<b>Total net assets</b>	84,994	86,191	83,696	(2,494)	(2.9)
<b>Total assets</b>	157,234	177,014	175,802	(1,211)	(0.7)
<b>Book-value per share (yen)</b>	1,400.02	1,419.77	1,395.39	(24.38)	(1.7)
<b>Equity ratio (%)</b>	53.9	48.6	47.5	(1.1) pt.	—
<b>Interest-bearing liabilities (consolidated)</b>	4,564	13,504	11,670	(1,834)	(13.6)

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

## 【CF】

## Statement of Cash Flows (Consolidated)

- The balance of cash and cash equivalents decreased from the end of the previous fiscal year (an increase year on year).
- The decrease in cash flow from operating activities is mainly due to the increase in both notes and accounts receivable and income tax that was paid as a result of the increase in profit, in spite of an increase in notes and accounts payable.
- The decrease in cash flows from investing activities is mainly due to the purchase of property, plant and equipment.
- The decrease in cash flows from financing activities is mainly due to the repayment of long-term loans payable and the cash dividends paid.

(Millions of yen)

	FY 2014	FY 2015	FY 2016	FY 2017	December 2018	December 2018
Cash flows from operating activities	(139)	5,220	10,845	6,306	(420)	(74)
Cash flows from investing activities	3,440	5,520	(1,644)	(2,510)	(5,217)	(3,778)
Cash flows from financing activities	(2,901)	(1,826)	(2,458)	1,814	(7,084)	(5,319)
Cash and cash equivalents at end of period	23,667	32,501	39,187	44,866	26,521	35,678

# 【Overall Forecast】 FY2018 Full-Year Forecast (Consolidated)

·With regard to the full-year forecast for FY2018, we upwardly revised orders received (balance carried forward) from our interim forecast, which was announced on November 9, due to positive trends of orders received. With regard to net sales and the various profit items, we have not changed the interim forecast announced on November 9, which already included an upward revision, and we plan for increased revenue and profit on a year-on-year basis.

(Millions of yen)

	FY 2018 Full-Year Forecast (as of November 9)	FY 2018 Full-Year Forecast (as of February 8)	Diff.	<Reference> Medium-Term Management Plan “Century2025” Phase1 (FY2016-2018) FY2018 Financial Performance Targets
Orders received	185,000	195,000	10,000	—
Balance carried forward	130,712	140,712	10,000	—
Net sales	199,000	199,000	—	195,000
Gross profit	28,600	28,600	—	24,000
Gross profit margin(%)	14.4	14.4	—	12.3
Operating income	8,200	8,200	—	7,500
Ordinary income (loss)	8,900	8,900	—	8,000
Profit attributable to owners of parent	5,900	5,900	—	—

# 【Forecast of Orders Received and Net Sales】

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

**SANKI**

(Millions of yen)

Segment		FY 2018 Orders Received Forecast	FY 2018 Net sales Forecast
	HVAC and Plumbing for Buildings	58,400	63,300
	Industrial HVAC	73,000	70,000
	Electrical Systems	21,000	20,000
	Facility Systems	9,800	9,900
<b>Total of Facilities Construction Business</b>		<b>162,200</b>	<b>163,200</b>
	Machinery Systems	12,000	12,000
	Environmental Systems	19,000	22,000
<b>Total of Plant &amp; Machinery Systems Business</b>		<b>31,000</b>	<b>34,000</b>
<b>Sub-total</b>		<b>193,200</b>	<b>197,200</b>
Real Estate Business		1,800	1,800
Others		600	600
Adjustments*		△600	△600
<b>Total</b>		<b>195,000</b>	<b>199,000</b>

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

## Remarks on Business Forecast

The descriptions contained in these materials, 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 8, 2019.

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 exposures of client companies.
- Sudden changes in material and equipment cost and labor cost.
- Stock Market fluctuations.
- Increase in retirement benefits or debts.
- Country risk.
- Accident or disaster in facilities construction and other.
- Outbreak of the unprofitable project.
- Risk in the Real Estate Business.
- Risk of legal action.
- Risk of legal regulation.
- Outbreak to the natural disasters.

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