



FY2020 Summary of Financial Results

May 14, 2021

Engineering for the Future



SANKI ENGINEERING CO., LTD.

☆Key Points of Financial Results

- [1] COVID-19 pandemic: There was an impact on small-scale projects with a decline in orders received, net sales, and gross profit
- [2] Large-scale projects: Orders received were favorable; however, net sales declined due to being between projects
- [3] Gross profit: Gross profit was down due to decreased revenue; however, profitability remained at a high level

<Orders received> 195.58 billion yen (194.018 billion yen in the previous fiscal year)

- Large-scale projects for HVAC and plumbing for buildings, industrial HVAC, and environmental systems were positive, exceeding the previous fiscal year
- In the second half of the fiscal year, orders received recovered to the level of the same period of the previous fiscal year in spite of a decline in small-scale projects as a result of the impact of the COVID-19 pandemic

<Net sales> 190.067 billion yen (207.684 billion yen in the previous fiscal year)

- Net sales also fell short of the previous fiscal year due to being between large-scale projects, particularly building HVAC and plumbing combined with a decline in small-scale projects as a result of the impact of the COVID-19 pandemic

<Gross profit> Gross profit margin of 15.1% (15.5% in the previous fiscal year)

- Although gross profit margin fell short of the previous fiscal year, profitability remained at a high level

<FY2021 consolidated results forecasts>

- Orders received of 200 billion yen, net sales of 200 billion yen, and ordinary income of 10 billion yen
 - * Although, at this stage, results have been incorporated, which take into account the impact of the COVID-19 pandemic on the Group's business, business results may be further impacted due to altered circumstances in the future

<Shareholder returns>

- Conducted shareholder returns according to medium-term management plan "Century 2025" Phase 2 financial and capital policies
- An extra dividend of 10 yen has been paid in addition to the regular dividend of 70 yen, resulting in a total annual dividend of 80 yen
- 1 million shares of treasury stock were acquired and retired
- Payout ratio: 77.6%; total return ratio: 97.3%

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FY2020 RESULTS



FY2020 Results (Consolidated)

(Millions of yen)

	FY2018	FY2019	FY2020	Year on year	Rate of change(%)
Orders received	217,096	194,018	195,580	1,561	0.8
Balance carried forward	149,495	136,163	141,676	5,513	4.0
Net sales	212,314	207,684	190,067	(17,617)	(8.5)
Completed construction contracts	210,245	205,247	187,559	(17,687)	(8.6)
Real estate and others	2,069	2,437	2,507	70	2.9
Gross profit	31,684	32,110	28,754	(3,356)	(10.5)
Completed construction contracts	30,990	31,224	27,765	(3,458)	(11.1)
Real estate and others	694	886	988	101	11.5
Gross profit margin (%)	14.9	15.5	15.1	(0.4) _{pt.}	—
Selling, general and administrative expenses	21,046	21,436	21,255	(180)	(0.8)
Operating income	10,637	10,674	7,498	(3,175)	(29.7)
Non-operating income and loss(loss)	566	550	698	147	26.8
Ordinary income	11,204	11,224	8,196	(3,027)	(27.0)
Extraordinary income (loss)	122	(110)	(399)	(289)	—
Profit attributable to owners of parent	9,046	7,576	5,901	(1,675)	(22.1)

Quarterly Results (Consolidated)

(Millions of yen)

	FY2018				FY2019				FY2020			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Orders received	50,885	52,934	51,228	62,048	46,697	54,204	50,031	43,085	47,660	55,575	43,211	49,132
Net sales	35,252	45,470	61,323	70,267	40,882	50,962	51,833	64,006	38,253	42,611	48,351	60,851
Gross profit	4,329	6,442	8,654	12,258	5,305	7,862	7,460	11,482	5,120	5,637	7,414	10,582
Gross profit margin (%)	12.3	14.2	14.1	17.4	13.0	15.4	14.4	17.9	13.4	13.2	15.3	17.4
Selling, general and administrative expenses	4,571	5,072	4,965	6,437	4,983	4,992	5,063	6,396	5,274	4,976	5,064	5,939
Operating income (loss)	(242)	1,369	3,688	5,821	322	2,869	2,396	5,085	(154)	660	2,350	4,642
Operating profit margin (%)	(0.7)	3.0	6.0	8.3	0.8	5.6	4.6	7.9	(0.4)	1.5	4.9	7.6
Ordinary income	92	1,447	3,848	5,815	547	2,955	2,644	5,076	66	776	2,527	4,826
Extraordinary income (loss)	(147)	(3)	(1,167)	1,439	24	84	49	(269)	(82)	(243)	(40)	(33)
Profit attributable to owners of parent (loss)	(66)	862	1,743	6,505	428	2,057	1,815	3,276	11	809	1,647	3,431

Orders Received by Segment (Consolidated)

(Millions of yen)

Segment		FY2018	FY2019	FY2020	Year on year	Rate of Change (%)
	HVAC and Plumbing for Buildings	65,639	62,095	65,371	3,276	5.3
	Industrial HVAC	82,729	58,391	59,234	843	1.4
	Electrical Systems	23,342	25,000	21,472	(3,528)	(14.1)
	Facility Systems	10,821	12,171	10,690	(1,481)	(12.2)
Total of Facilities Construction Business		182,533	157,659	156,768	(890)	(0.6)
	Machinery Systems	12,049	10,351	7,858	(2,492)	(24.1)
	Environmental Systems	21,705	24,247	28,710	4,462	18.4
Total of Plant & Machinery Systems Business		33,755	34,599	36,569	1,970	5.7
Sub-total		216,288	192,258	193,338	1,080	0.6
Real Estate Business		1,926	2,210	2,375	165	7.5
Others		960	917	609	(308)	(33.6)
Adjustments *		(2,078)	(1,367)	(742)	624	—
Total		217,096	194,018	195,580	1,561	0.8

* “Adjustments” eliminate internal transactions included in each segment.

Net Sales by Segment (Consolidated)

(Millions of yen)

Segment		FY2018	FY2019	FY2020	Year on year	Rate of Change (%)
	HVAC and Plumbing for Buildings	71,558	70,756	55,293	(15,462)	(21.9)
	Industrial HVAC	73,493	67,736	64,152	(3,584)	(5.3)
	Electrical Systems	23,214	21,889	24,941	3,052	13.9
	Facility Systems	11,033	11,119	11,113	(5)	(0.0)
Total of Facilities Construction Business		179,300	171,501	155,501	(15,999)	(9.3)
	Machinery Systems	11,791	11,169	8,973	(2,196)	(19.7)
	Environmental Systems	20,471	23,261	23,560	298	1.3
Total of Plant & Machinery Systems Business		32,263	34,431	32,533	(1,897)	(5.5)
Sub-total		211,563	205,932	188,035	(17,897)	(8.7)
Real Estate Business		1,926	2,210	2,375	165	7.5
Others		718	931	815	(116)	(12.5)
Adjustments*		(1,893)	(1,389)	(1,158)	230	—
Total		212,314	207,684	190,067	(17,617)	(8.5)

* “Adjustments” eliminate internal transactions included in each segment.

Gross Profit by Segment (Consolidated)

(Millions of yen)

Segment				FY2018	FY2019	FY2020	Year on year	Rate of Change (%)	
Gross Profit by segment			HVAC and Plumbing for Buildings/Industrial HVAC /Electrical Systems	23,712	23,610	21,038	(2,572)	(10.9)	
			Facility Systems	1,877	2,170	2,215	44	2.1	
		Total of Facilities Construction Business			25,590	25,781	23,253	(2,527)	(9.8)
			Machinery Systems	2,136	2,316	1,556	(760)	(32.8)	
			Environmental Systems	3,622	3,314	3,176	(138)	(4.2)	
		Total of Plant & Machinery Systems Business			5,759	5,631	4,732	(898)	(16.0)
		Sub-total			31,349	31,412	27,986	(3,425)	(10.9)
	Real Estate Business			567	673	866	192	28.6	
	Others			178	200	101	(99)	(49.7)	
	Adjustments			(411)	(176)	(199)	(23)	—	
Total				31,684	32,110	28,754	(3,356)	(10.5)	

Initiatives to Improve Profits

- **Thorough cost management (thorough internal control processes)**
- **Enhancement of the site support system through promotion of the Smile Site Plan***
 - Procurement Division: Purchasing support and introducing web-based procurement support system
 - Design & Engineering Center: Support for design work
 - Smile Technical Center: Support and instruction for work sites
 - Quality Control Center: Construction audits and quality management by the Quality Assurance Administrator and Technical Expert
 - Branch office site support divisions: Support for on-site document creation
 - Information Systems Office: ICT support at work sites
- **Development and introduction to sites of ICT technology that enables energy-saving construction**
 - Improved work efficiency through the use of autonomous airflow measurement robots
 - Improved construction management through use of digital information such as BIM (business information modeling)
- **Strengthening relationships with business partners**
 - Review of payment terms for payments to partner companies with capital of less than 40.00 million yen (payments made entirely in cash)
 - Conclusion of commitment line agreements for the purpose of securing funds to support partner companies and catering to short-term demand for operating capital

* A specialist committee that was established in fiscal 2017 to reduce the burden on construction managers and promote business efficiency

**FY2020
BALANCE SHEET AND
STATEMENT OF CASH FLOWS**



Balance Sheet (Consolidated)

(Millions of yen)

	End of FY 2019	End of FY 2020	Year on year	Rate of change (%)
Current assets	130,765	116,054	(14,710)	(11.2)
Notes and accounts receivable on completed construction contracts and other	71,739	65,598	(6,141)	(8.6)
Noncurrent assets	50,040	55,258	5,218	10.4
Investment securities	24,017	28,816	4,798	20.0
Current liabilities	79,705	67,882	(11,822)	(14.8)
Notes payable	3,100	—	(3,100)	—
Electronically recorded obligations - operating	1,626	873	(752)	(46.3)
Accounts payable on construction contracts	47,761	40,836	(6,925)	(14.5)
Noncurrent liabilities	13,735	11,731	(2,004)	(14.6)
Total net assets	87,364	91,699	4,334	5.0
Treasury stock	(4,187)	(3,859)	328	—
Total assets	180,805	171,313	(9,492)	(5.2)
Book-value per share	1,510.59	1,611.76	101.17	6.7
Equity ratio (%)	48.2	53.4	5.2 pt.	—
Interest-bearing liabilities (consolidated)	10,719	10,595	(124)	(1.2)

Statement of Cash Flows (Consolidated)

○ The balance of cash and cash equivalents decreased year on year

- The decrease in cash flows from operating activities is due to payment of accounts payable exceeding recovery of receivables due to some payments by bill actually being paid in cash, etc., and contribution to retirement benefit funds and payment of taxes, etc.
- The decrease in cash flows from investment activities is mainly due to the acquisition of property, plant and equipment
- The decrease in cash flows from financing activities is mainly due to the purchase of treasury stock and the payment of dividends

(Millions of yen)

	FY2016	FY2017	FY2018	FY2019	FY2020
Cash flows from operating activities	10,845	6,306	6,786	11,940	(483)
Cash flows from investing activities	(1,644)	(2,510)	(3,775)	(303)	(1,423)
Cash flows from financing activities	(2,458)	1,814	(5,215)	(8,955)	(6,974)
Cash and cash equivalents at end of period	39,187	44,866	42,612	45,946	37,087

Capital investment (including intangible assets)	1,015	3,772	6,110	2,197	2,178
Depreciation and amortization	718	818	1,340	1,643	1,700

FY2021 FORECAST



FY2021 Full-Year Forecast (Consolidated)

(Millions of yen)

	FY2016	FY2017	FY2018	FY2019	FY2020 A	Initial forecast for FY 2021 B	Increase/ Decrease B-A	Rate of change (%)
Orders received	185,880	191,113	217,096	194,018	195,580	200,000	4,420	2.3
Balance carried forward	123,756	144,712	149,495	136,163	141,676	141,676	—	—
Net sales	168,512	170,157	212,314	207,684	190,067	200,000	9,933	5.2
Gross profit	22,538	25,060	31,684	32,110	28,754	32,000	3,246	11.3
Gross profit margin (%)	13.4	14.7	14.9	15.5	15.1	16.0	0.9 _{pt.}	—
Operating income	6,012	6,593	10,637	10,674	7,498	9,500	2,002	26.7
Ordinary income(loss)	6,880	7,434	11,204	11,224	8,196	10,000	1,804	22.0
Profit attributable to owners of parent	4,698	3,906	9,046	7,576	5,901	7,000	1,099	18.6

Regular dividends per share (yen)	20	20	40	70	70	70	—	—
Extra dividends per share (yen)	10	15	20	25	10	—	(10)	—
Cash dividends per share (total)(yen)	30	35	60	95	80	70	(10)	—

* Although results have been incorporated, which take into account the impact of COVID-19 pandemic on the Group's business at this point, business results may be further impacted due to future spread of the virus

FY2021 Forecast of Orders Received and Net Sales by Segment (Consolidated)

(Millions of yen)

Segment		FY2021 Orders Received Forecast	FY2021 Net sales Forecast
	HVAC and Plumbing for Buildings	69,000	66,000
	Industrial HVAC	57,000	58,000
	Electrical Systems	23,000	25,000
	Facility Systems	12,000	12,000
Total of Facilities Construction Business		161,000	161,000
	Machinery Systems	12,000	10,000
	Environmental Systems	25,000	27,000
Total of Plant & Machinery Systems Business		37,000	37,000
Sub Total		198,000	198,000
Real Estate Business		2,000	2,000
Others		500	500
Adjustments*		(500)	(500)
Total		200,000	200,000

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

SHAREHOLDER RETURNS



Dividends and Others

- Conducted shareholder returns according to medium-term management plan “Century 2025” Phase 2 financial and capital policies
- An extra dividend of 10 yen has been paid in addition to the regular dividend of 70 yen, resulting in a total annual dividend of 80 yen
- 1 million shares of treasury stock were acquired and retired

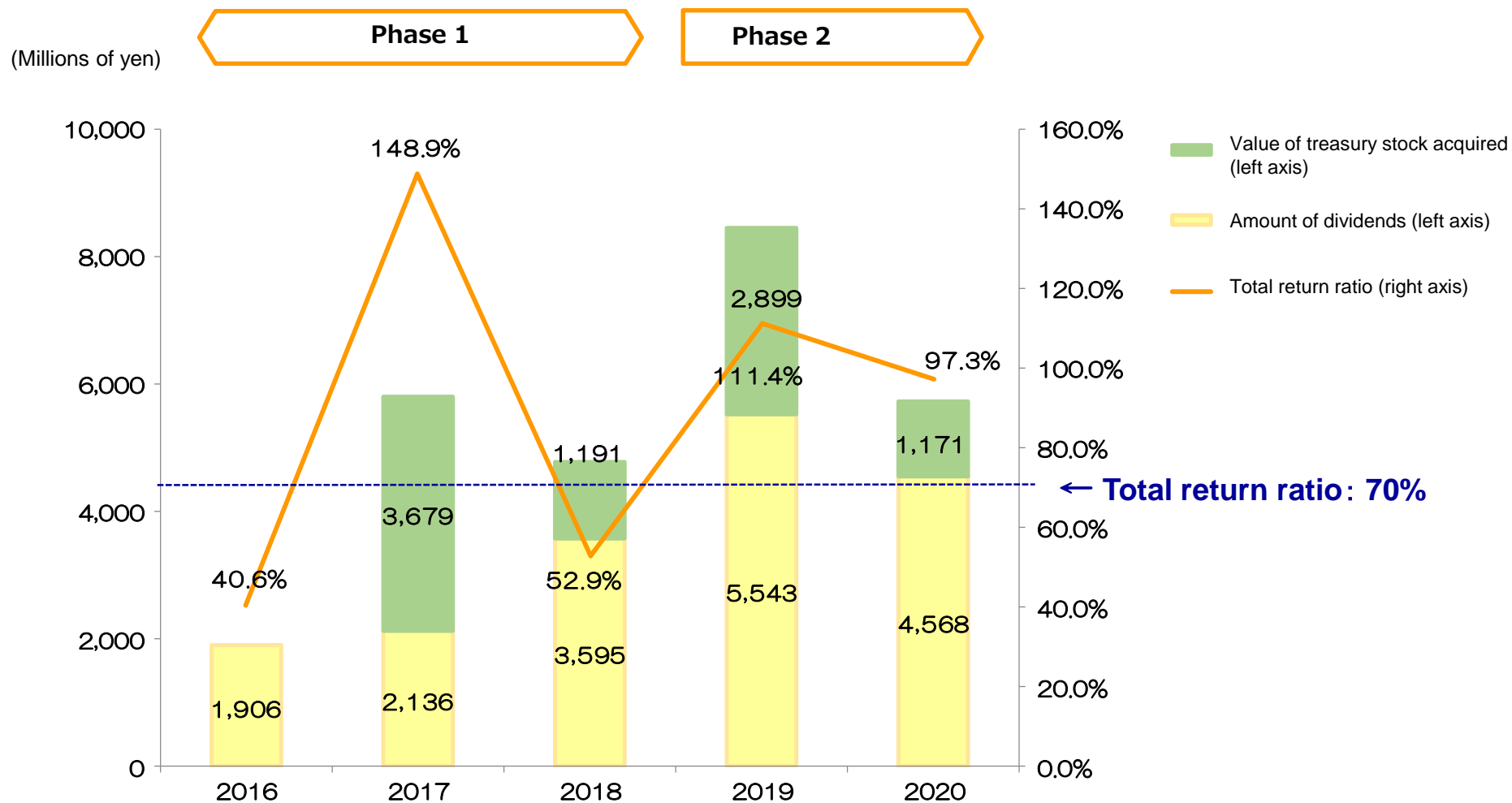
	FY 2016	FY 2017	FY 2018	FY 2019
Earnings per share (yen)	73.91	63.02	150.02	128.51
Cash dividends per share: regular dividends (yen)	20	20	40	70
Cash dividends per share: extra dividends (yen)	10	15	20	25
Cash dividends per share (yen)	30	35	60	95
Payout ratio (consolidated) (%)	40.6	55.5	40.0	73.9
Total return ratio (%)	40.6	148.9	52.9	111.4
Number of shareholders at end of FY	3,157	3,243	3,381	4,216
Stock price at end of FY (yen)	958	1,188	1,210	1,211
Acquisition of treasury stock (thousand shares)	—	3,000	1,000	1,958
Retirement of treasury stock (thousand shares)	—	3,000	1,000	2,000

ROE (Return on Equity) (%)	5.5	4.5	10.3	8.6
ROA (Return on Assets) (%)	4.1	4.3	6.0	6.0

September 2020	FY 2020
14.25	103.12
35	70
—	10
35	80
	77.6
	97.3
7,360	14,861
1,152	1,453
110	1,000
1,000	1,000

	6.6
	4.7

Total Return Ratio



SUPPLEMENTARY MATERIALS



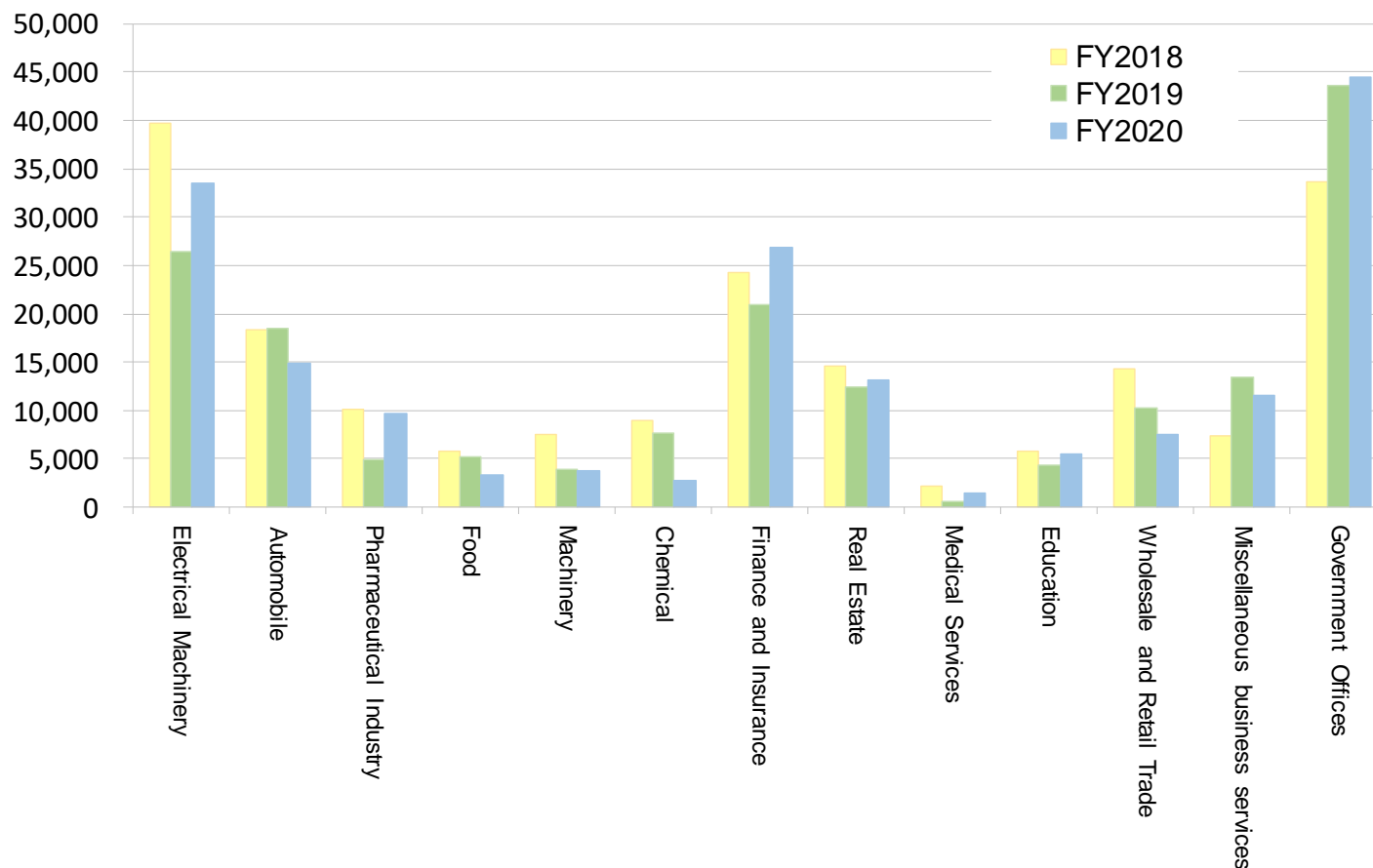
Orders Received by Type

(Millions of yen)

	FY2018	FY2019 A	FY2020 B	Diff. B-A
Orders received (Non-consolidated: Facilities Construction Business)	173,553	147,191	149,278	2,086
Orders received from general contractors (Non-consolidated: Facilities Construction Business)	78,304	48,238	63,544	15,306
Rate of orders received from general contractors (Non-consolidated: Facilities Construction Business) (%)	45.1	32.8	42.6	9.8
Orders received (Consolidated)	217,096	194,018	195,580	1,561
Orders received from overseas projects (Consolidated)	2,379	3,143	2,789	(354)
Rate of orders received from overseas projects (Consolidated) (%)	1.1	1.6	1.4	(0.2) pt.
Orders received for renewal construction (Consolidated)	117,619	112,909	109,585	(3,323)
Rate of orders received for renewal construction (Consolidated) (%)	54.2	58.2	56.0	(2.2) pt.
<Ref.> Net sales for renewal construction (Consolidated)	116,627	114,208	101,147	(13,061)

Orders Received by Industry (Consolidated)

(Millions of yen)



Main Large-Scale Construction Projects Received

Property name	Item of construction	Type of construction	Location
Kurita Water Industries Ltd. New Research and Development Facility New Construction Project (provisional name)	HVAC systems	New construction work	Tokyo
Kanae Tochigi Factory No. 3 Building	HVAC and plumbing systems	New construction work	Tochigi
Kawanishi City General Medical Center Development Project (provisional name)	Plumbing systems	New construction work	Hyogo
Toyota Technical Center Shimoyama Plumbing and Electrical Systems Project	Plumbing and electrical systems	New construction work	Aichi
Kitatama Water Reclamation Center No. 1 Sludge Incineration Systems Reconstruction Project	Water and sewage treatment systems	Expansion	Tokyo
Toyota Industries Higashiura Plant No. 2	HVAC and plumbing systems	New construction work	Aichi
Kiyose Water Reclamation Center Sludge Transportation System Reconstruction Project	Water and sewage treatment systems	Renovation	Tokyo
Chuo University Surugadai Centennial Hall Reconstruction Plan (provisional name)	HVAC and plumbing systems	New construction work	Tokyo
Nara Medical University ESCO Project	HVAC, Plumbing and Electrical systems	Renovation	Nara
Yamagata Prefectural Shinjo Hospital	HVAC systems	New construction work	Yamagata
020 Major Renewal No. 667 West 3B Okubo Water Treatment Plant Scraper Renewal Project	Water and sewage treatment systems	Renewal	Saitama
020 Major Renewal No. 668 West 3B Okubo Water Treatment Plant Flocculator Renewal Project	Water and sewage treatment systems	Renewal	Saitama
Otake City Comprehensive Business Consignment of Sewerage Equipment Maintenance and Management, etc.	Maintenance and management	Business consignment	Hiroshima

14 other projects

*The property name is the name being used by the Company. This may differ from the name used on the construction contract.

Main Large-Scale Completed Construction Projects

Property name	Item of construction	Type of construction	Location
Nissay General Training Center	HVAC systems	Renovation	Chiba
Denso Corporation Headquarters PT Development Center	HVAC systems	New construction work	Aichi
Tokyo Metropolitan Higashiyamato Medical Center for the Severely Disabled	Plumbing systems	Renovation	Tokyo
The Jikei University School of Medicine New Outpatient Building, etc.	Electrical systems	New construction work Renovation	Tokyo
Chiba University (Hospital) Center for Treatment and Care New Construction and Other Mechanical Systems Project	HVAC and plumbing systems	New construction work	Chiba
Toyota Technical Center Shimoyama	HVAC, Plumbing and Electrical systems	New construction work	Aichi
Shiseido Osaka Ibaraki Plant/Western Japan Logistics Center	HVAC and plumbing systems	New construction work	Osaka
Denka NVP-42 Construction Project	HVAC systems	New construction work	Niigata
Toyota Motor Technical Department Factory 11 Infrastructure Project	HVAC, Plumbing and Electrical systems	New construction work	Aichi
Narita International Airport Works to Expand the T1S#53 Make-up Conveyor and Enhance BHS Capacity	Transportation	Renewal	Chiba
Otake City Comprehensive Business Consignment of Sewerage Equipment Maintenance and Management, etc.	Maintenance and management	Business consignment	Hiroshima

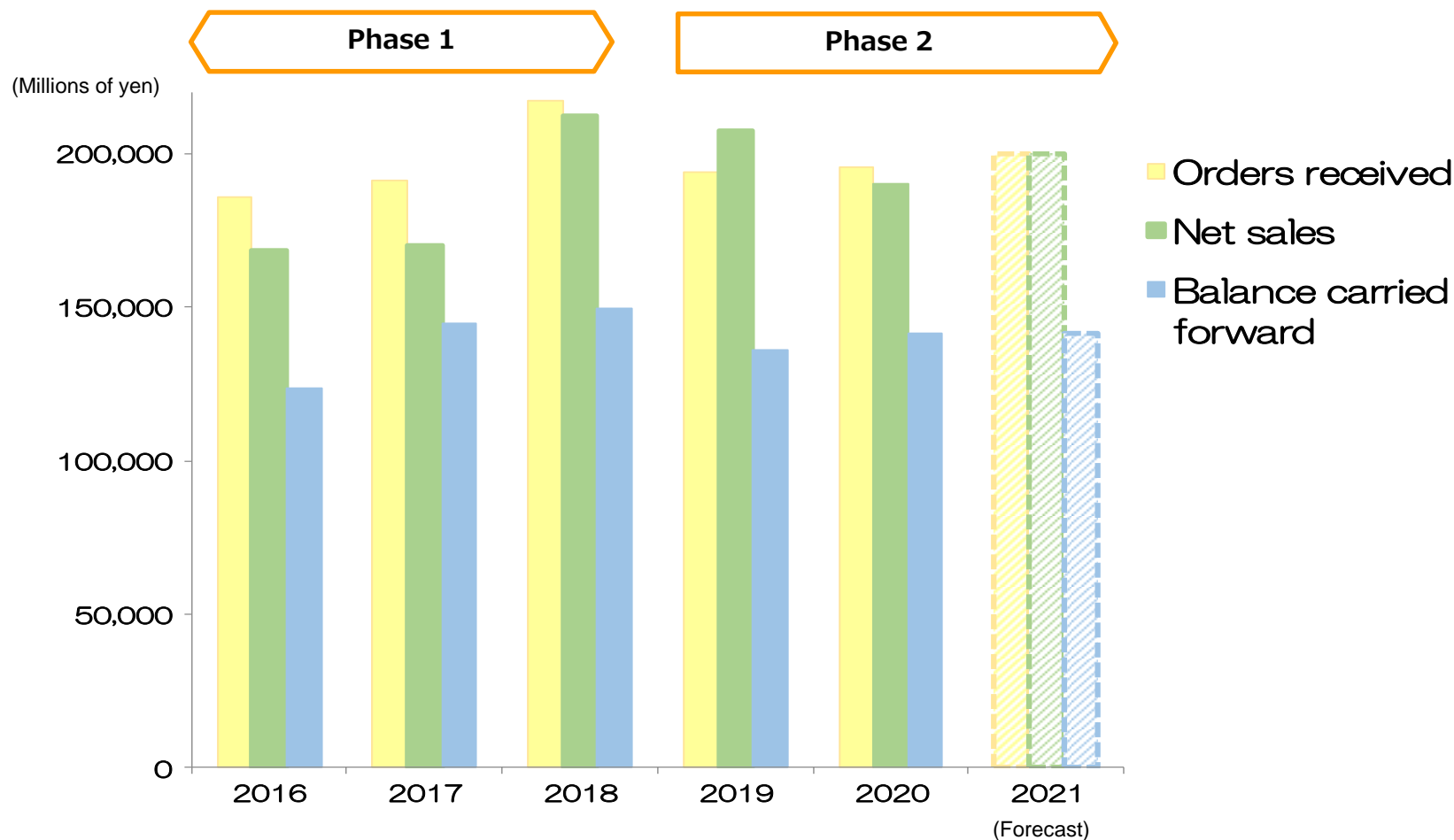
6 other projects

*The property name is the name being used by the Company. This may differ from the name used on the construction contract.

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

	FY2018		FY2019		FY2020	
Office	2	23 Projects (55,118 million yen) * Orders received from customers: 10 projects * Orders received from general contractors: 13 projects	1	13 Projects (31,945 million yen) * Orders received from customers: 9 projects * Orders received from general contractors: 4 projects	4	27 Projects (48,483 million yen) * Orders received from customers: 12 projects * Orders received from general contractors: 15 projects
Complex building	1		—		—	
Hotel	1		—		—	
Factory	10		3		6	
Logistics Center	1		—		—	
Multiple – dwelling complex	1		—		—	
Hospital and Clinics	1		1		3	
Research institute	1		2		3	
General government buildings	1		1		—	
Gymnasium	1		—		—	
Other building interiors	1		2		3	
Railway, Airport	1		—		1	
Power station, Substation	—		1		—	
Waste processing facility	—		—		1	
Water treatment plants and sewage plants	1		1		1	
Office	—		1		5	

Century 2025 Results (Consolidated) <Orders Received and Net Sales>



Century 2025 Results (Consolidated) <Profit>





Statements about the future, such as results forecasts included in these materials, are based on judgments made according to the information available to the Company as of May 14. Actual results may differ from the figures contained herein due to a number of factors.

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