

*Engineering  
for the Future*

# The 1st Quarter FY2020 Summary of Financial Results

August 7, 2020



**SANKI ENGINEERING CO., LTD.**

<Orders received> 47,660 million yen (46,697 million yen in the same period of the previous fiscal year)

- Orders in the Facilities Construction Business increased year on year due to great increases, particularly in large-scale Industrial HVAC projects. Orders received by the Plant & Machinery Systems Business fell short of the same period of the previous fiscal year, mainly due to orders for large-scale waste processing facility projects received by Environmental Systems.

< Net sales> 38,253 million yen (40,882 million yen in the same period of the previous fiscal year)

- Net sales in the Facilities Construction Business declined mainly due to the effect of a decline in construction carried forward from the previous fiscal year, even though industrial HVAC and electrical firmed since the previous fiscal year.

<Gross profit> Gross profit margin of 13.4% (13.0% in the same period of the previous fiscal year)

- Gross profit margin improved over the same period of the previous fiscal year, particularly for large-scale projects, due to initiatives such as ongoing thorough cost management and improved work efficiency. Gross profit decreased due to a decline in gross profit margin.

\* The effect of the spread of the novel coronavirus (COVID-19) on first-quarter performance was minimal.

<FY2020 consolidated results forecasts>

- No change from initial forecast.

\* Although results have been incorporated, which take into account the impact of the spread of the novel coronavirus (COVID-19) on business, business results may be further impacted due to altered circumstances in the future.

<Shareholder returns>

- Forecast interim dividend: 35 yen, year-end dividend: 35 yen, annual dividend: 70 yen (no change from initial forecast)
- 1,000,000 shares of treasury stock to be acquired by the end of fiscal 2020.  
Cancellation of 1,000,000 shares of treasury stock to be conducted on August 17, 2020.
- Forecast payout ratio: 62.1%, forecast total return ratio: 84.2%

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# FY2020 1Q RESULTS



## FY2020 1Q Results (Consolidated)

(Millions of yen)

	June FY2018	June FY2019	June FY2020	Year on year	Rate of change(%)
Orders received	50,885	46,697	47,660	962	2.1
Balance carried forward	160,345	155,644	145,569	(10,074)	(6.5)
Net sales	35,252	40,882	38,253	(2,628)	(6.4)
Completed construction contracts	34,730	40,270	37,654	(2,615)	(6.5)
Real estate and others	522	612	599	(12)	(2.1)
Gross profit	4,329	5,305	5,120	(185)	(3.5)
Completed construction contracts	4,113	5,028	4,875	(152)	(3.0)
Real estate and others	215	277	244	(32)	(11.9)
Gross profit margin (%)	12.3	13.0	13.4	0.4 <sub>pt.</sub>	—
Selling, general and administrative expenses	4,571	4,983	5,274	291	5.8
Operating income (loss)	(242)	322	(154)	(476)	—
Non-operating income and loss	335	225	221	(4)	(2.0)
Ordinary income	92	547	66	(481)	(87.9)
Extraordinary income (loss)	(147)	24	(82)	(107)	—
Profit attributable to owners of parent (loss)	(66)	428	11	(416)	(97.2)

## Quarterly Results (Consolidated)

(Millions of yen)

	FY 2018				FY 2019				FY 2020
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Orders received	50,885	52,934	51,228	62,048	46,697	54,204	50,031	43,085	47,660
Net sales	35,252	45,470	61,323	70,267	40,882	50,962	51,833	64,006	38,253
Gross profit	4,329	6,442	8,654	12,258	5,305	7,862	7,460	11,482	5,120
Gross profit margin (%)	12.3	14.2	14.1	17.4	13.0	15.4	14.4	17.9	13.4
Selling, general and administrative expenses	4,571	5,072	4,965	6,437	4,983	4,992	5,063	6,396	5,274
Operating income (loss)	(242)	1,369	3,688	5,821	322	2,869	2,396	5,085	(154)
Operating profit margin (%)	(0.7)	3.0	6.0	8.3	0.8	5.6	4.6	7.9	(0.4)
Ordinary income	92	1,447	3,848	5,815	547	2,955	2,644	5,076	66
Extraordinary income (loss)	(147)	(3)	(1,167)	1,439	24	84	49	(269)	(82)
Profit attributable to owners of parent (loss)	(66)	862	1,743	6,505	428	2,057	1,815	3,276	11

## Orders Received by Segment (Consolidated)

(Millions of yen)

Segment	June FY 2018	June FY 2019	June FY 2020	Year on year	Rate of Change (%)
HVAC and Plumbing for Buildings	14,211	13,018	14,235	1,217	9.4
Industrial HVAC	21,136	11,052	18,054	7,002	63.4
Electrical Systems	6,506	7,469	3,125	(4,343)	(58.2)
Facility Systems	2,842	2,921	2,645	(275)	(9.4)
<b>Total of Facilities Construction Business</b>	<b>44,697</b>	<b>34,461</b>	<b>38,062</b>	<b>3,600</b>	<b>10.4</b>
Machinery Systems	2,240	2,257	2,016	(241)	(10.7)
Environmental Systems	4,005	9,451	7,066	(2,385)	(25.2)
<b>Total of Plant &amp; Machinery Systems Business</b>	<b>6,246</b>	<b>11,709</b>	<b>9,082</b>	<b>(2,626)</b>	<b>(22.4)</b>
<b>Sub-total</b>	<b>50,944</b>	<b>46,170</b>	<b>47,144</b>	<b>973</b>	<b>2.1</b>
Real Estate Business	452	525	582	57	11.0
Others	184	195	133	(61)	(31.6)
Adjustments *	(695)	(193)	(200)	(6)	—
<b>Total</b>	<b>50,885</b>	<b>46,697</b>	<b>47,660</b>	<b>962</b>	<b>2.1</b>

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

## Net Sales by Segment (Consolidated)

(Millions of yen)

Segment	June FY 2018	June FY 2019	June FY 2020	Year on year	Rate of Change (%)
HVAC and Plumbing for Buildings	13,345	15,253	10,847	(4,406)	(28.9)
Industrial HVAC	11,906	13,615	14,288	672	4.9
Electrical Systems	3,831	3,958	5,068	1,109	28.0
Facility Systems	1,392	1,867	2,016	148	8.0
<b>Total of Facilities Construction Business</b>	<b>30,475</b>	<b>34,695</b>	<b>32,220</b>	<b>(2,475)</b>	<b>(7.1)</b>
Machinery Systems	2,114	2,601	2,262	(338)	(13.0)
Environmental Systems	2,396	3,143	3,298	154	4.9
<b>Total of Plant &amp; Machinery Systems Business</b>	<b>4,511</b>	<b>5,745</b>	<b>5,560</b>	<b>(184)</b>	<b>(3.2)</b>
<b>Sub-total</b>	<b>34,986</b>	<b>40,440</b>	<b>37,781</b>	<b>(2,659)</b>	<b>(6.6)</b>
Real Estate Business	452	525	582	57	11.0
Others	169	233	170	(62)	(26.9)
Adjustments*	(356)	(317)	(280)	36	—
<b>Total</b>	<b>35,252</b>	<b>40,882</b>	<b>38,253</b>	<b>(2,628)</b>	<b>(6.4)</b>

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



## Gross Profit by Segment (Consolidated)

(Millions of yen)

Segment		June FY 2018	June FY 2019	June FY 2020	Year on year	Rate of Change (%)
Ordinary Gross Profit by segment	HVAC and Plumbing for Buildings/Industrial HVAC/Electrical Systems	3,613	4,152	4,103	(48)	(1.2)
	Facility Systems	87	240	183	(57)	(24.0)
	<b>Total of Facilities Construction Business</b>	<b>3,700</b>	<b>4,393</b>	<b>4,286</b>	<b>(106)</b>	<b>(2.4)</b>
	Machinery Systems	337	541	427	(113)	(21.1)
	Environmental Systems	203	113	248	134	118.5
	<b>Total of Plant &amp; Machinery Systems Business</b>	<b>541</b>	<b>654</b>	<b>675</b>	<b>20</b>	<b>3.2</b>
	<b>Sub-total</b>	<b>4,241</b>	<b>5,048</b>	<b>4,962</b>	<b>(85)</b>	<b>(1.7)</b>
	Real Estate Business	153	192	232	39	20.7
	Others	71	94	4	(89)	(95.1)
	Adjustments	(137)	(29)	(78)	(49)	—
<b>Total</b>	<b>4,329</b>	<b>5,305</b>	<b>5,120</b>	<b>(185)</b>	<b>(3.5)</b>	

## Profit Improvement Factors and Measures

- Improvement in profitability of large-scale projects over the same period of the previous fiscal year
- Thorough cost management (thorough internal control processes)
- Developing site support systems
  - Improved support for purchasing operations by the Procurement Division (web-based procurement system)
  - Expanded support for on-site document creation at each branch office
  - Expanded support for design work by the Design and Engineering Support Center
  - Support and guidance for on-site operations by the Technology Support Center (established in fiscal 2018)
  - ICT support at work sites (introduction of tablet devices to all sites)
  - Quality audits by technical experts
- Strengthening relationships with business partners
  - Implementing the Sanki Super Meister System
  - Implementing the Sanki Best Partners System
  - Reviewing payment terms for partner companies with a capital of 40.00 million yen (payments made entirely in cash)
  - Conclusion of commitment line agreements for the purpose of catering to short-term demand for financing and operating capital in order to support the stable operation of partner companies

**FY2020 1Q  
BALANCE SHEET AND  
STATEMENT OF CASH FLOWS**



## Balance Sheet (Consolidated)

(Millions of yen)

	End of FY 2019	June FY 2020	Year on year	Rate of change (%)	June FY 2019
Current assets	130,765	99,983	(30,782)	(23.5)	121,886
Notes and accounts receivable on completed construction contracts and other	71,739	48,530	(23,208)	(32.4)	58,196
Noncurrent assets	50,040	51,710	1,670	3.3	53,535
Investment securities	24,017	25,770	1,753	7.3	26,619
Current liabilities	79,705	55,363	(24,341)	(30.5)	73,874
Notes and accounts payable on construction contracts and other	52,489	34,807	(17,682)	(33.7)	53,609
Noncurrent liabilities	13,735	11,095	(2,640)	(19.2)	14,228
Total net assets	87,364	85,235	(2,129)	(2.4)	87,319
Treasury stock	(4,187)	(4,071)	116	—	(3,700)
Total assets	180,805	151,693	(29,111)	(16.1)	175,422
Book-value per share (yen)	1,510.59	1,472.82	(37.77)	(2.5)	1,461.37
Equity ratio (%)	48.2	56.0	7.8 pt.	—	49.6
Interest-bearing liabilities (consolidated)	10,719	9,600	(1,118)	(10.4)	10,975

## 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 contribution to retirement benefit funds and payment of bonuses and corporation tax, etc., in spite of recovery of receivables exceeding payment of accounts payable
  - The decrease in cash flows from investment activities is mainly due to the acquisition of investment securities and property, plant and equipment
  - The decrease in cash flows from financing activities is mainly due to the repayment of short-term /long-term loans payable, expenditure from the purchase of treasury stock, and the payment of dividends

(Millions of yen)

	FY 2016	FY 2017	FY 2018	FY 2019	June FY 2019	June FY 2020
Cash flows from operating activities	10,845	6,306	6,786	11,940	7,999	(3,694)
Cash flows from investing activities	(1,644)	(2,510)	(3,775)	(303)	(840)	(1,579)
Cash flows from financing activities	(2,458)	1,814	(5,215)	(8,955)	(3,557)	(4,629)
Cash and cash equivalents at end of period	39,187	44,866	42,612	45,946	46,896	36,009

# SHAREHOLDER RETURNS



## Dividends and Others

- Conducted shareholder returns according to medium-term management plan “Century 2025” Phase 2 financial and capital policies
- Forecast interim dividend: 35 yen, year-end dividend: 35 yen, annual dividend: 70 yen (no change from initial forecast)
- Acquisition of 1 million shares of treasury stock is planned by the end of FY 2020.
- Retirement of 1 million shares of treasury stock is scheduled for August 17, 2020.
- Forecast payout ratio: 62.1%, forecast total return ratio: 84.2%

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2019 (Forecast)
Earnings per share (yen)	73.91	63.02	150.02	128.51	112.65
Cash dividends per share: regular dividends (yen)	20	20	40	70	70
Cash dividends per share: extra dividends (yen)	10	15	20	25	—
Cash dividends per share (yen)	30	35	60	95	70
Payout ratio (%)	40.6	55.5	40.0	73.9	62.1
Total return ratio (%)	40.6	148.9	52.9	111.4	84.2
Acquisition of treasury stock (thousand shares)	—	3,000	1,000	1,958	1,000
Retirement of treasury stock (thousand shares)	—	3,000	1,000	2,000	1,000

# FY2020 FORECAST





## FY2020 Full-Year Forecast (Consolidated)

(Millions of yen)

	FY 2019 results	FY 2020 forecast (Initial forecast) A	FY 2020 forecast (Interim forecast from August 7) B	Difference B—A
Orders received	194,018	190,000	190,000	—
Balance carried forward	136,163	126,163	126,163	—
Net sales	207,684	200,000	200,000	—
Gross profit	32,110	31,000	31,000	—
Gross profit margin (%)	15.5	15.5	15.5	—
Operating income	10,674	9,000	9,000	—
Ordinary income	11,224	9,500	9,500	—
Profit attributable to owners of parent	7,576	6,500	6,500	—

\* Although results have been incorporated, which take into account the impact of the spread of the novel coronavirus (COVID-19) on business, business results may be further impacted due to altered circumstances in the future.

## FY2020 Forecast of Orders Received and Net Sales by Segment (Consolidated)

(Millions of yen)

Segment		FY 2020 Orders Received Forecast	FY 2020 Net sales Forecast
	HVAC and Plumbing for Buildings	59,000	60,000
	Industrial HVAC	63,000	66,000
	Electrical Systems	22,000	25,000
	Facility Systems	11,000	11,000
Total of Facilities Construction Business		155,000	162,000
	Machinery Systems	12,000	11,000
	Environmental Systems	21,000	25,000
Total of Plant & Machinery Systems Business		33,000	36,000
Sub Total		188,000	198,000
Real Estate Business		2,000	2,000
Others		500	500
Adjustments*		(500)	(500)
Total		190,000	200,000

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

# SUPPLEMENTARY MATERIALS



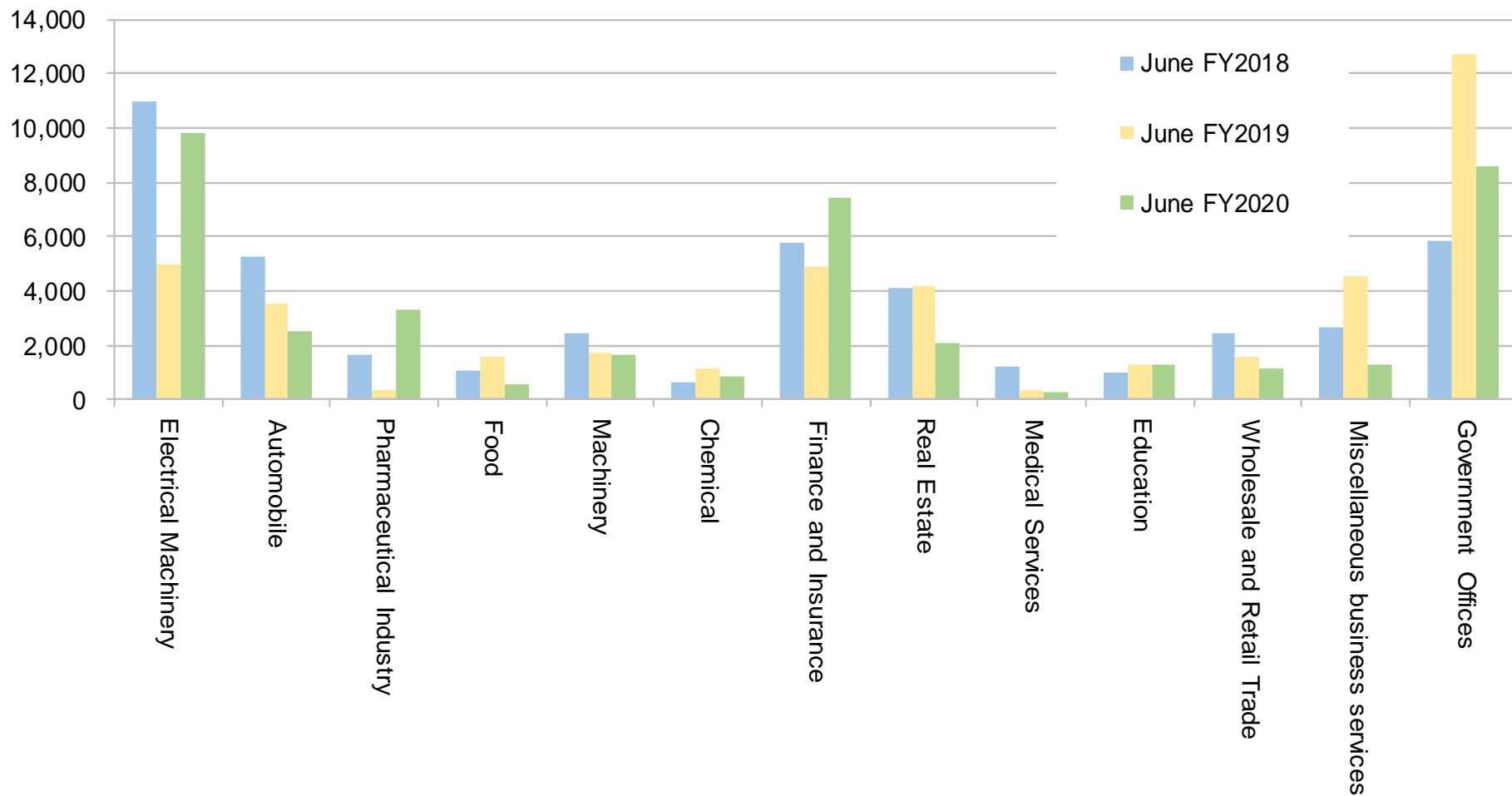
## Orders Received by Type

(Millions of yen)

	FY 2017 Full-year	FY 2018 Full-year	FY 2019 Full-year	June FY 2019 A	June FY 2020 B	Diff. B-A
Orders received (Non-consolidated: Facilities Construction Business)	147,013	173,553	147,191	31,782	36,356	4,574
Orders received from general contractors (Non-consolidated: Facilities Construction Business)	67,345	78,304	48,238	9,161	13,900	4,739
Rate of orders received from general contractors (Non-consolidated: Facilities Construction Business) (%)	45.8	45.1	32.8	28.8	38.2	9.4 pt.
Orders received (Consolidated)	191,113	217,096	194,018	46,697	47,660	962
Orders received from overseas projects (Consolidated)*	1,246	2,379	3,143	704	736	31
Rate of orders received from overseas projects (Consolidated) (%)	0.7	1.1	1.6	1.5	1.5	—
Orders received for renewal construction (Consolidated)	101,597	117,619	112,909	29,736	26,223	(3,512)
Rate of orders received for renewal construction (Consolidated) (%)	53.2	54.2	58.2	63.7	55.0	(8.7) pt.
<Ref.> Net sales for renewal construction (Consolidated)	94,601	116,627	114,208	21,132	18,814	(2,317)

## Orders Received by Industry (Consolidated)

(Millions of yen)



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

### ○Main Large-Scale Projects Received

Property name	Item of construction	Type of construction	Location
Kurita Water Industries Ltd. New Research and Development Facility Construction Project (provisional name)	HVAC systems	New construction work	Tokyo
Kanae Tochigi Factory No. 3 Building	HVAC and Plumbing systems	New construction work	Tochigi

2 other projects

### ○Main Large-Scale Completed Construction Projects

Property name	Item of construction	Type of construction	Location
Nissay Training Center	HVAC systems	Renovation	Chiba
DENSO Corporation Headquarters PT Development Center	HVAC systems	New construction work	Aichi

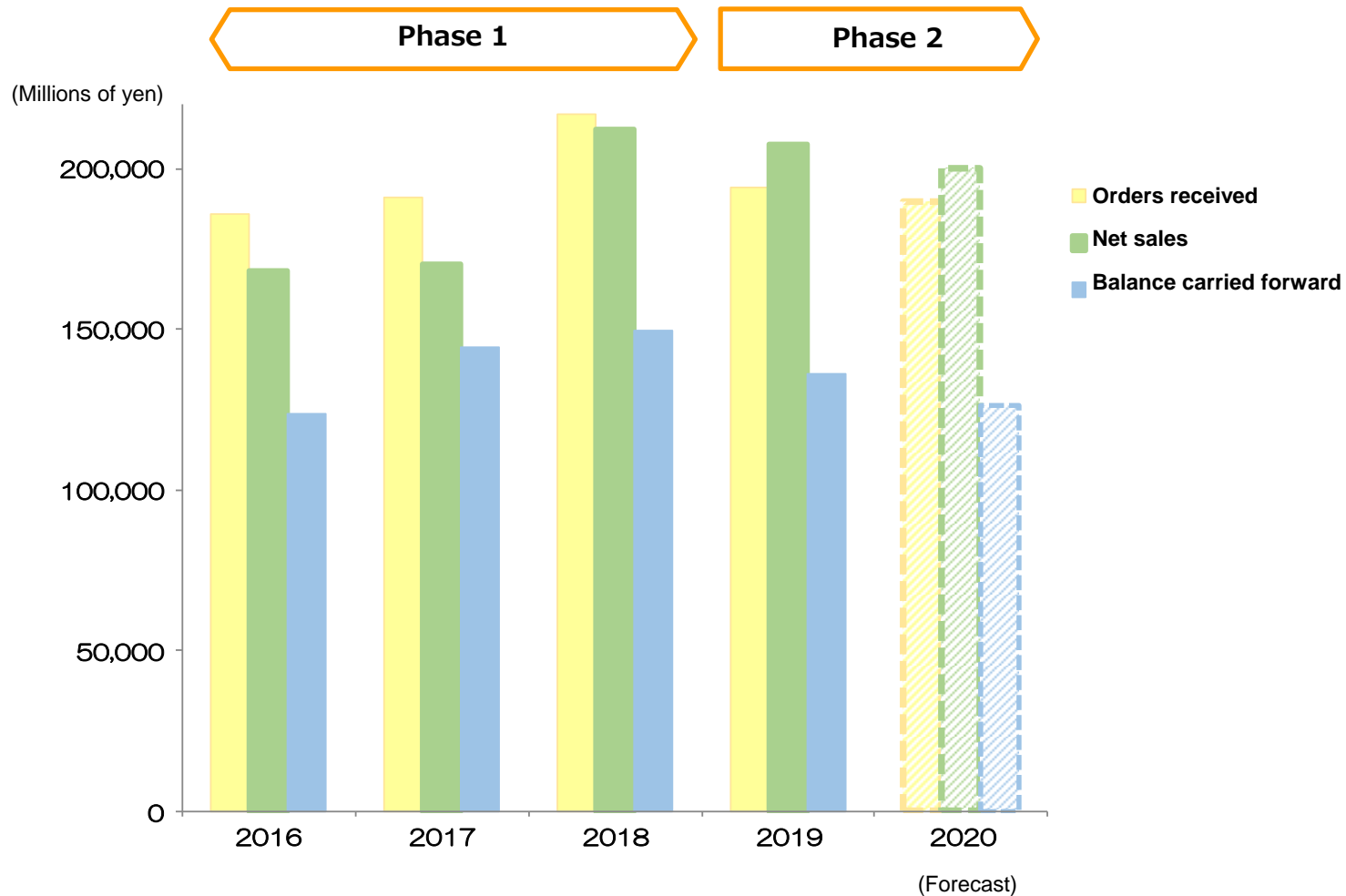
1 other project

\* 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)

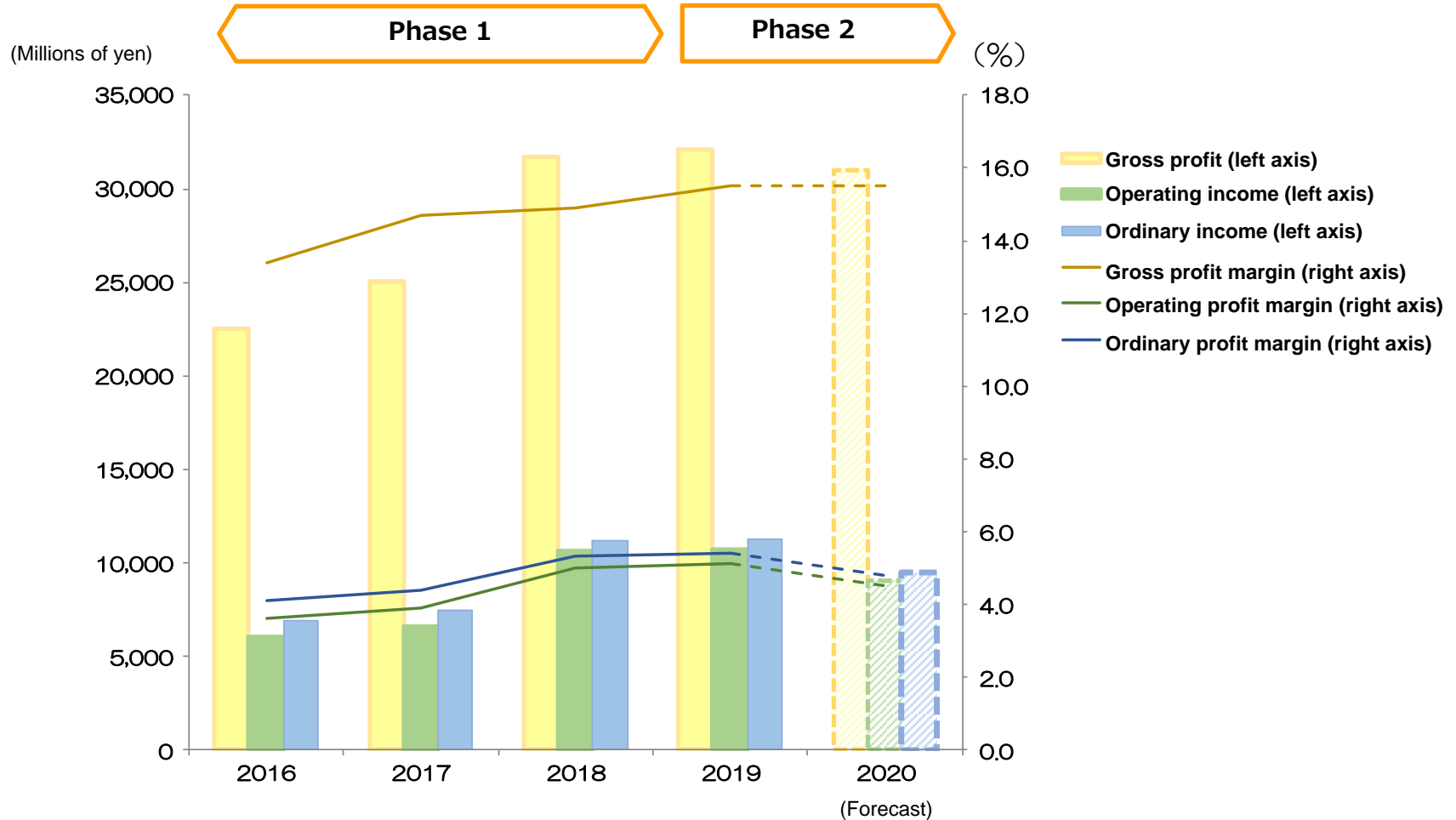
	June FY2018		June FY2019		June FY2020	
Office	—	<b>4 Projects</b> (8,080 million yen)  * Orders received from customers: 2 Projects * Orders received from general Contractors : 2 Projects	—	<b>4 Projects</b> (8,884 million yen)  * Orders received from customers: 3 Projects * Orders received from general Contractors : 1 Project	1	<b>4 Projects</b> (7,917 million yen)  * Orders received from customers: 2 Projects * Orders received from general Contractors : 2 Projects
Factory	3		1		1	
Logistics Center	1		—		—	
Research institute	—		—		1	
Other building interiors	—		1		—	
Waste processing facility	—		1		1	
Water treatment plants and sewage plants	—		1		—	

## Operating Results over the most recent 5 years (Consolidated) <Orders Received/Net Sales>





## Operating Results over the most recent 5 years (Consolidated) <Profit>





Statements about the future, such as results forecasts included in these materials, are based on judgements made according to the information available to the Company as of August 7. Actual results may differ from the figures contained herein due to a number of factors.

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