

*Engineering*  
*the Future*  
**The 2nd Quarter FY2020  
Summary of Financial Results**

November 13, 2020



**SANKI ENGINEERING CO., LTD.**

## ☆Key Points of Financial Results

<Orders received> 103,236 million yen (100,901 million yen in the same period of the previous fiscal year)

- Although orders received for small and miscellaneous projects declined due to the impact of the COVID-19, there was an overall increase in orders received over the same period of the previous fiscal year due to orders received for large-scale industrial HVAC projects, particularly relating to semiconductors.

< Net sales> 80,864 million yen (91,845 million yen in the same period of the previous fiscal year)

- In addition to a decline in net sales due to large-scale projects being off-crop season, net sales also fell short of the same period of the previous fiscal year due to a decline in small and miscellaneous projects as a result of the impact of the COVID-19.

<Gross profit> Gross profit margin of 13.3% (14.3% in the same period of the previous fiscal year)

- Overall profitability remained at a high level, in spite of the gross profit margin falling short of the same period of the previous fiscal year due to the impact of net sales for highly profitable large-scale projects being concentrated in the second quarter of the previous fiscal year.

<FY2020 consolidated results forecasts>

- No change from initial forecast

\* 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>

- Conduct 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
- Cancellation of 1 million shares of treasury stock was conducted on August 17, 2020.  
1 million shares of treasury stock were acquired by October 27, 2020.
- Forecast payout ratio: 61.6%, Forecast total return ratio: 79.6%

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# FY2020 2Q RESULTS



## FY2020 2Q Results – Cumulative Results (Consolidated)

(Millions of yen)

	September FY2018	September FY2019	September FY2020	Year on year	Rate of change (%)
Orders received	103,819	100,901	103,236	2,334	2.3
Balance carried forward	167,809	158,885	158,534	(351)	(0.2)
Net sales	80,723	91,845	80,864	(10,980)	(12.0)
Completed construction contracts	79,710	90,685	79,643	(11,042)	(12.2)
Real estate and others	1,012	1,159	1,221	62	5.4
Gross profit	10,771	13,168	10,757	(2,410)	(18.3)
Completed construction contracts	10,407	12,744	10,277	(2,466)	(19.4)
Real estate and others	363	424	479	55	13.2
Gross profit margin (%)	13.3	14.3	13.3	(1.0) <sub>pt.</sub>	—
Selling, general and administrative expenses	9,644	9,976	10,251	275	2.8
Operating income	1,126	3,191	505	(2,686)	(84.2)
Non-operating income	413	311	337	25	8.1
Ordinary income	1,540	3,503	842	(2,660)	(75.9)
Extraordinary income (loss)	(150)	109	(325)	(435)	—
Profit attributable to owners of parent	796	2,485	821	(1,663)	(66.9)

## Quarterly Results (Consolidated)

(Millions of yen)

	FY2018				FY2019				FY2020	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Orders received	50,885	52,934	51,228	62,048	46,697	54,204	50,031	43,085	47,660	55,575
Net sales	35,252	45,470	61,323	70,267	40,882	50,962	51,833	64,006	38,253	42,611
Gross profit	4,329	6,442	8,654	12,258	5,305	7,862	7,460	11,482	5,120	5,637
Gross profit margin (%)	12.3	14.2	14.1	17.4	13.0	15.4	14.4	17.9	13.4	13.2
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
Operating income (loss)	(242)	1,369	3,688	5,821	322	2,869	2,396	5,085	(154)	660
Operating profit margin (%)	(0.7)	3.0	6.0	8.3	0.8	5.6	4.6	7.9	(0.4)	1.5
Ordinary income	92	1,447	3,848	5,815	547	2,955	2,644	5,076	66	776
Extraordinary income (loss)	(147)	(3)	(1,167)	1,439	24	84	49	(269)	(82)	(243)
Profit attributable to owners of parent (loss)	(66)	862	1,743	6,505	428	2,057	1,815	3,276	11	809

## Orders Received by Segment (Consolidated)

(Millions of yen)

Segment	September FY2018	September FY2019	September FY2020	Year on year	Rate of Change (%)
HVAC and Plumbing for Buildings	32,385	32,810	33,153	342	1.0
Industrial HVAC	38,495	28,741	34,553	5,811	20.2
Electrical Systems	12,013	12,198	9,802	(2,395)	(19.6)
Facility Systems	5,350	5,905	5,393	(512)	(8.7)
<b>Total of Facilities Construction Business</b>	<b>88,244</b>	<b>79,656</b>	<b>82,902</b>	<b>3,246</b>	<b>4.1</b>
Machinery Systems	6,536	5,479	4,268	(1,211)	(22.1)
Environmental Systems	8,776	14,933	15,049	115	0.8
<b>Total of Plant &amp; Machinery Systems Business</b>	<b>15,313</b>	<b>20,413</b>	<b>19,318</b>	<b>(1,095)</b>	<b>(5.4)</b>
<b>Sub-total</b>	<b>103,557</b>	<b>100,070</b>	<b>102,221</b>	<b>2,150</b>	<b>2.1</b>
Real Estate Business	923	1,050	1,179	128	12.3
Others	320	324	274	(50)	(15.5)
Adjustments *	(982)	(543)	(438)	104	—
<b>Total</b>	<b>103,819</b>	<b>100,901</b>	<b>103,236</b>	<b>2,334</b>	<b>2.3</b>

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

## Net Sales by Segment (Consolidated)

(Millions of yen)

Segment	September FY2018	September FY2019	September FY2020	Year on year	Rate of Change (%)
HVAC and Plumbing for Buildings	27,111	32,580	22,614	(9,965)	(30.6)
Industrial HVAC	29,774	30,849	29,355	(1,494)	(4.8)
Electrical Systems	8,647	9,845	11,440	1,595	16.2
Facility Systems	4,460	4,962	4,397	(565)	(11.4)
<b>Total of Facilities Construction Business</b>	<b>69,993</b>	<b>78,237</b>	<b>67,807</b>	<b>(10,430)</b>	<b>(13.3)</b>
Machinery Systems	4,377	5,294	4,459	(835)	(15.8)
Environmental Systems	6,132	7,413	7,610	196	2.7
<b>Total of Plant &amp; Machinery Systems Business</b>	<b>10,509</b>	<b>12,707</b>	<b>12,069</b>	<b>(638)</b>	<b>(5.0)</b>
<b>Sub-total</b>	<b>80,502</b>	<b>90,945</b>	<b>79,876</b>	<b>(11,068)</b>	<b>(12.2)</b>
Real Estate Business	923	1,050	1,179	128	12.3
Others	295	443	366	(76)	(17.3)
Adjustments*	(998)	(593)	(557)	36	—
<b>Total</b>	<b>80,723</b>	<b>91,845</b>	<b>80,864</b>	<b>(10,980)</b>	<b>(12.0)</b>

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



## Gross Profit by Segment (Consolidated)

(Millions of yen)

Segment		September FY2018	September FY2019	September FY2020	Year on year	Rate of Change (%)
Gross Profit by Segment	HVAC and Plumbing for Buildings/Industrial HVAC/Electrical Systems	8,529	10,565	8,375	(2,189)	(20.7)
	Facility Systems	641	824	663	(160)	(19.5)
	<b>Total of Facilities Construction Business</b>	<b>9,171</b>	<b>11,390</b>	<b>9,039</b>	<b>(2,350)</b>	<b>(20.6)</b>
	Machinery Systems	798	998	707	(291)	(29.2)
	Environmental Systems	713	386	655	269	69.7
	<b>Total of Plant &amp; Machinery Systems Business</b>	<b>1,512</b>	<b>1,384</b>	<b>1,362</b>	<b>(22)</b>	<b>(1.6)</b>
	<b>Sub-total</b>	<b>10,683</b>	<b>12,774</b>	<b>10,402</b>	<b>(2,372)</b>	<b>(18.6)</b>
	Real Estate Business	287	318	443	125	39.3
	Others	96	124	16	(107)	(86.6)
	Adjustments	(296)	(49)	(105)	(55)	—
<b>Total</b>	<b>10,771</b>	<b>13,168</b>	<b>10,757</b>	<b>(2,410)</b>	<b>(18.3)</b>	

## 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 and Engineering Support Center: support for design work
  - Technology Support Center: support and instruction for construction sites
  - Quality Management Center: Construction audits and quality management by the chief engineer and technical experts
  - Branch office and branch site support divisions: support for on-site document creation
  - Information systems office: ICT support at work sites
- **Development of ICT technology that enables energy-saving construction and introduction to sites**
  - Improved work efficiency through use of autonomous airflow measurement robots
  - Improved construction management efficiency through use of digital information such as building information modeling (BIM)
- **Strengthening relationships with business partners**
  - 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 working capital in order to support the stable operation of partner companies

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

**FY2020 2Q  
BALANCE SHEET AND  
STATEMENT OF CASH  
FLOWS**



## Balance Sheet (Consolidated)

(Millions of yen)

	End of FY2019	End of September 2020	End of previous FY	Rate of change (%)	End of September 2019
<b>Current assets</b>	130,765	97,739	(33,025)	(25.3)	115,368
Notes and accounts receivable on completed construction contracts and other	71,739	48,317	(23,422)	(32.6)	56,314
<b>Noncurrent assets</b>	50,040	51,948	1,908	3.8	53,235
Investment securities	24,017	25,888	1,870	7.8	27,618
<b>Current liabilities</b>	79,705	52,395	(27,309)	(34.3)	64,503
Notes and accounts payable on construction contracts and other	52,489	32,444	(20,044)	(38.2)	44,735
<b>Noncurrent liabilities</b>	13,735	11,129	(2,605)	(19.0)	13,951
<b>Total net assets</b>	87,364	86,163	(1,201)	(1.4)	90,149
Treasury stock	(4,187)	(2,820)	1,366	—	(1,287)
<b>Total assets</b>	180,805	149,688	(31,117)	(17.2)	168,603
<b>Book-value per share (yen)</b>	1,510.59	1,490.77	(19.82)	(1.3)	1,507.67
<b>Equity ratio (%)</b>	48.2	57.4	9.2 pt.	—	53.3
<b>Interest-bearing liabilities (consolidated)</b>	10,719	10,024	(694)	(6.5)	11,400

## Statement of Cash Flows (Consolidated)

- The balance of cash and cash equivalents decreased from the end of the previous fiscal year (also a year-on-year decrease)
- The decrease in cash flows from operating activities is due to contribution to retirement benefit funds and payment of bonuses and corporation tax, etc., despite recovery of receivables exceeding payment of accounts payable.
  - 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 repayment of long-term loans payable and the payment of dividends.

(Millions of yen)

	FY2016	FY2017	FY2018	FY2019	September FY2020	September FY2019
Cash flows from operating activities	10,845	6,306	6,786	11,940	(7,258)	5,369
Cash flows from investing activities	(1,644)	(2,510)	(3,775)	(303)	(897)	(584)
Cash flows from financing activities	(2,458)	1,814	(5,215)	(8,955)	(4,390)	(3,184)
Cash and cash equivalents at end of period	39,187	44,866	42,612	45,946	33,378	44,865

Capital investment	1,015	3,772	6,110	2,197	1,082	1,449
Depreciation	718	818	1,340	1,643	825	814

# FY2020 FORECAST



## FY2020 Full-Year Forecast (Consolidated)

(Millions of yen)

	FY2017	FY2018	FY2019	FY2020 forecast (Interim forecast from August 7) A	FY2020 forecast (Interim forecast from November 13) B	Difference B—A
Orders received	191,113	217,096	194,018	190,000	190,000	—
Balance carried forward	144,712	149,495	136,163	126,163	126,163	—
Net sales	170,157	212,314	207,684	200,000	200,000	—
Gross profit	25,060	31,684	32,110	31,000	31,000	—
Gross profit margin (%)	14.7	14.9	15.5	15.5	15.5	—
Operating income	6,593	10,637	10,674	9,000	9,000	—
Ordinary income	7,434	11,204	11,224	9,500	9,500	—
Profit attributable to owners of parent	3,906	9,046	7,576	6,500	6,500	—

Regular dividends per share (yen)	20	40	70	70	70	—
Extra dividends per share (yen)	15	20	25	—	—	—
Dividends per share (yen)	35	60	95	70	70	—

\* Although results have been incorporated, which take into account the impact of the spread of the novel coronavirus (COVID-19) on the Group's 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		FY2020 Orders Received Forecast	FY2020 Net sales Forecast
	HVAC and Plumbing for Buildings	59,000	60,000
	Industrial HVAC	63,000	67,000
	Electrical Systems	22,000	25,000
	Facility Systems	11,000	11,000
	<b>Total of Facilities Construction Business</b>	<b>155,000</b>	<b>163,000</b>
	Machinery Systems	10,000	10,000
	Environmental Systems	23,000	25,000
	<b>Total of Plant &amp; Machinery Systems Business</b>	<b>33,000</b>	<b>35,000</b>
	<b>Sub-total</b>	<b>188,000</b>	<b>198,000</b>
	Real Estate Business	2,000	2,000
	Others	1,000	1,000
	Adjustments*	(1,000)	(1,000)
	<b>Total</b>	<b>190,000</b>	<b>200,000</b>

\*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.
- Forecast interim dividend: 35 yen, year-end dividend: 35 yen, annual dividend: 70 yen (no change from initial forecast)
- Retirement of 1 million shares of treasury stock was conducted on August 17, 2020.
- Acquisition of 1 million shares of treasury stock was conducted by October 27, 2020.

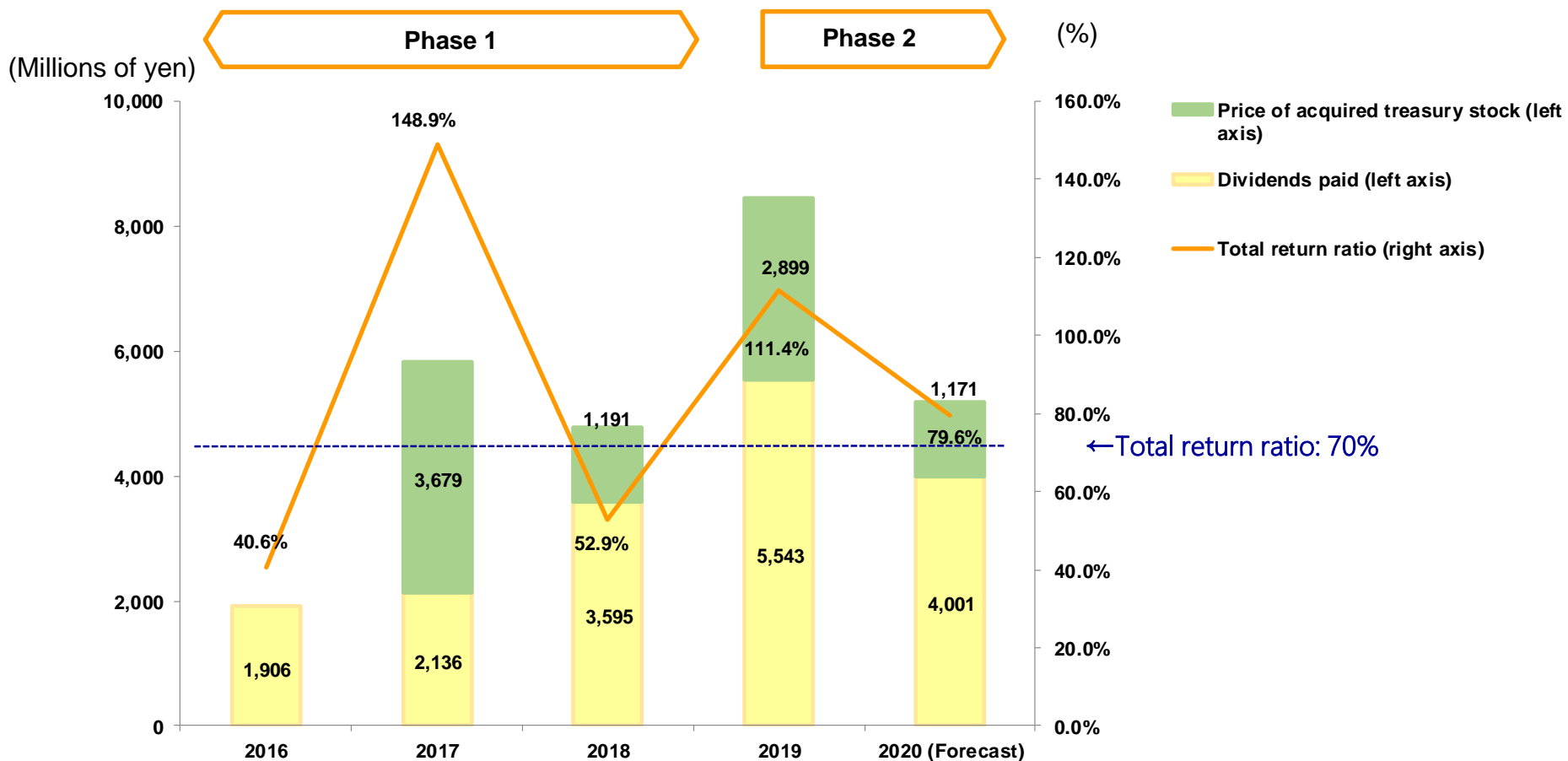
	FY2016	FY2017	FY2018	FY2019
Earnings per share (yen)	73.91	63.02	150.02	128.51
Cash dividends per share: regular dividends (yen)	20	20	40	70
Cash dividends per share: extra dividends (yen)	10	15	20	25
Cash dividends per share (total) (yen)	30	35	60	95
Payout ratio (%)	40.6	55.5	40.0	73.9
Total return ratio (%)	40.6	148.9	52.9	111.4
Number of shareholders at end of period	3,157	3,243	3,381	4,216
Share price at end of period (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

September FY2020	FY2020 (Forecast)
14.25	113.58
35	70
—	—
35	70
	61.6
	79.6
7,360	
1,152	
110	1,000
1,000	1,000

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

	7.4
	5.7

## Total Return Ratio



# SUPPLEMENTARY MATERIALS



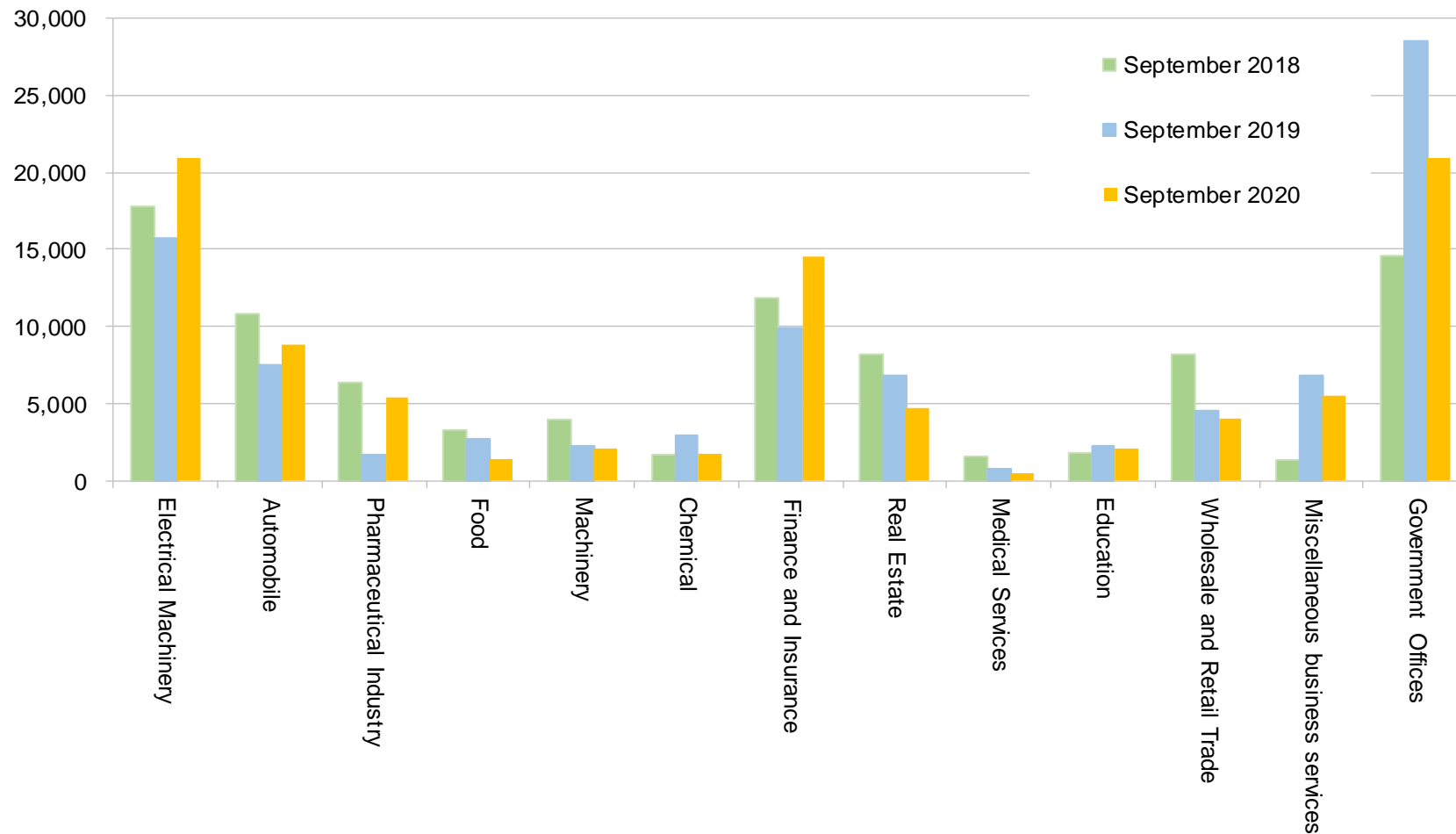
## Orders Received by Type

(Millions of yen)

	FY2017 Full-year	FY2018 Full-year	FY2019 Full-year	September 2019 A	September 2020 B	Difference B-A
Orders received (Non-consolidated: Facilities Construction Business)	147,013	173,553	147,191	74,498	79,163	4,665
Orders received from general contractors (Non-consolidated: Facilities Construction Business)	67,345	78,304	48,238	19,141	36,137	16,996
Rate of orders received from general contractors (Non-consolidated: Facilities Construction Business) (%)	45.8	45.1	32.8	25.7	45.6	19.9 pt.
Orders received (Consolidated)	191,113	217,096	194,018	100,901	103,236	2,334
Orders received from overseas projects (Consolidated)	1,246	2,379	3,143	1,352	1,365	13
Rate of orders received from overseas projects (Consolidated) (%)	0.7	1.1	1.6	1.3	1.3	—
Orders received for renewal construction (Consolidated)	101,597	117,619	112,909	60,808	53,545	(7,263)
Rate of orders received for renewal construction (Consolidated) (%)	53.2	54.2	58.2	60.3	51.9	(8.4) pt.
<Ref.> Net sales for renewal construction (Consolidated)	94,601	116,627	114,208	48,343	39,913	(8,429)

## 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
Kawanishi City General Medical Center Development Project (provisional name)	Plumbing system	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

9 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
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 Building and Other Mechanical Systems Project	HVAC and plumbing systems	New construction work	Chiba

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

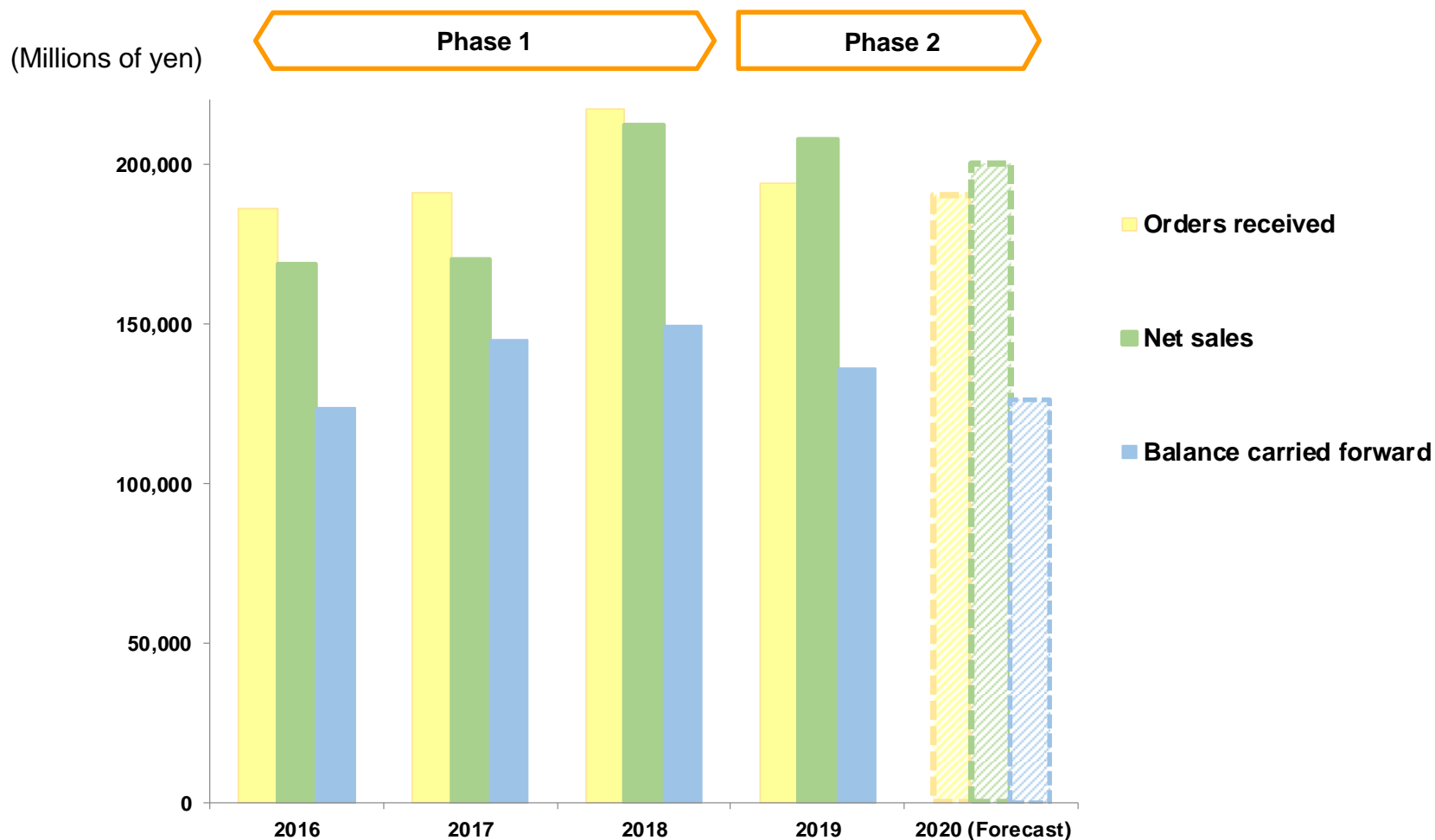
1 other project

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

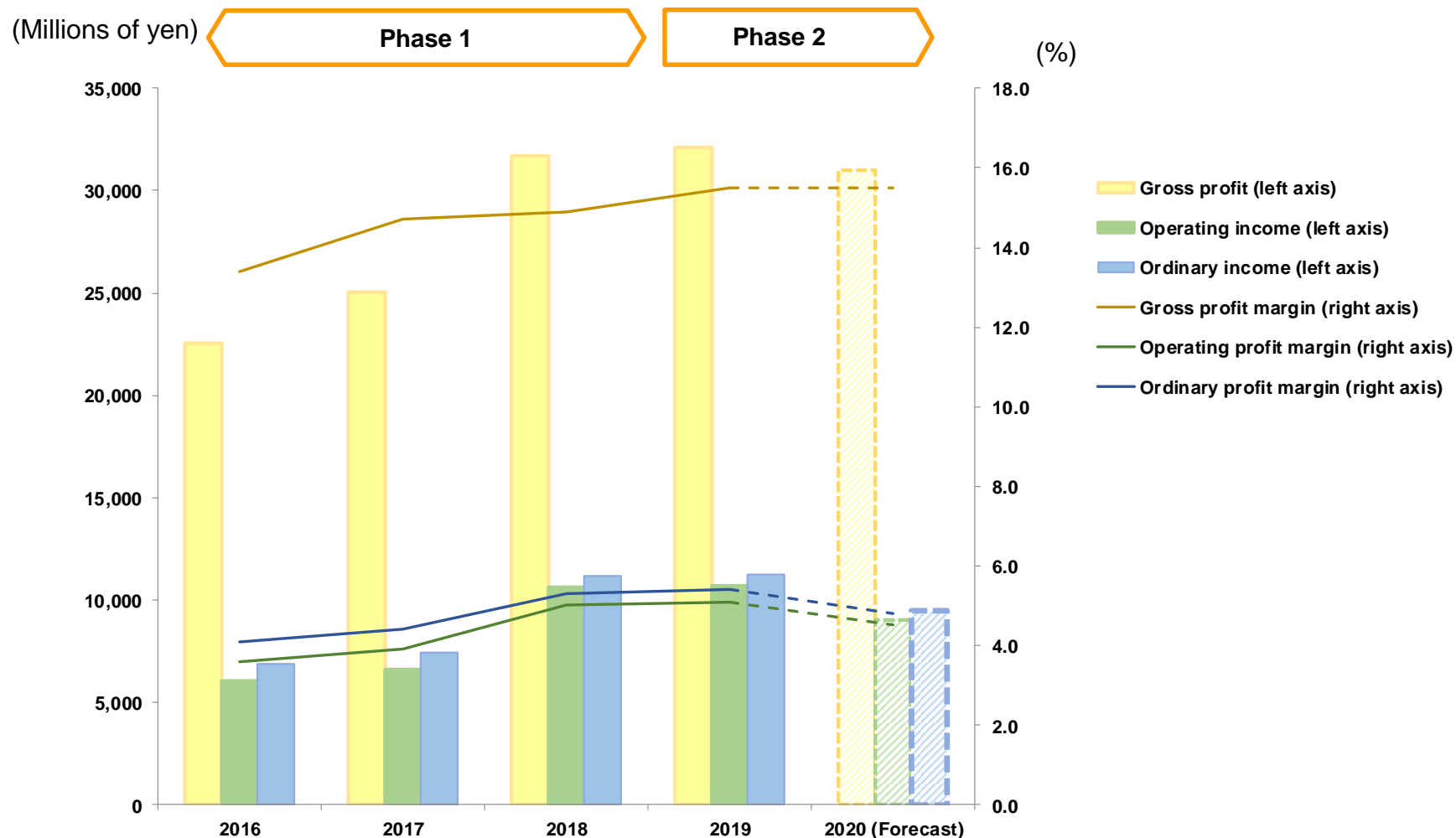
	September FY2018		September FY2019		September FY2020	
Office	1	<b>9 Projects</b> (15,873 million yen) * Orders received from customers: 4 Projects * Orders received from general contractors: 5 Projects	—	<b>7 Projects</b> (18,952 million yen) * Orders received from customers: 6 Projects * Orders received from general contractors: 1 Project	3	<b>14 Projects</b> (26,427 million yen) * Orders received from customers: 5 Projects * Orders received from general contractors: 9 Projects
Hotel	1		—		—	
Factory	5		2		3	
Research institute	—		—		3	
Logistics Center	1		—		—	
Hospitals and Clinics	1		1		1	
Other building interiors	—		2		1	
Railway, Airport	—		—		1	
Waste processing facility	—		1		1	
Water treatment plants and sewage plants	—		1		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 November 13. Actual results may differ from the figures contained herein due to a number of factors.

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