

# The 1st Quarter FY2021 Summary of Financial Results

August 6, 2021

*Engineering for the Future*



**SANKI ENGINEERING CO., LTD.**

## ☆Key Points of Financial Results

With regard to orders received and net sales, although figures exceeded the previous fiscal year due to favorable figures for Environmental Systems and a recovery in small-scale maintenance and repairs projects, which was impacted by the COVID-19 pandemic last fiscal year, there was a decline in profit and as a result of sales of profitable large-scale projects in the same quarter of the previous fiscal year and selling, general and administrative expenses also declined

<Orders received > 56.023 billion yen (47.660 billion yen in the same period of the previous fiscal year)

- Orders received for large-scale Electrical and Environmental Systems projects were up year on year
- Orders received for Industrial HVAC declined due to the impact of orders received for large-scale projects in the same period of the previous fiscal year

< Net sales> 38.737 billion yen (38.253 billion yen in the same period of the previous fiscal year)

- Net sales were up year on year due to favorable sales of large-scale environmental systems construction
- Net sales in the Facilities Construction Business were steady year on year

<Gross profit> Gross profit amounted to 4.661 billion yen (5.120 billion yen in the same period of the previous fiscal year)

- Gross profit declined due to the impact of sales of profitable large-scale projects in the same quarter of the previous fiscal year
- With regard to selling, general and administrative expenses, costs such as those relating to responses to COVID-19 pandemic, which arose in the same period of the previous fiscal year, declined, while the amount by which operating income declined was reduced

<FY2021 consolidated results forecasts>

- Orders received of 200 billion yen, net sales of 200 billion yen, and ordinary income of 10 billion yen (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>

- 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 2021.
- Forecast payout ratio: 56.8%, forecast total return ratio: 79.1%

1

The 1st  
Quarter  
FY2021  
Results

P4-10

2

The 1st Quarter  
FY2021  
Balance Sheet  
and Statement  
of Cash Flows

P11-13

3

FY2021  
Forecast

P14-16

4

Shareholder  
Returns

P17-18

5

Supplementary  
Materials

P19-25

# FY2021 1Q RESULTS





## FY2021 1Q Results (Consolidated)

(Millions of yen)

	June FY2019	June FY2020	June FY2021	Year on year	Rate of Change (%)
Orders received	46,697	47,660	56,023	8,363	17.5
Balance carried forward	155,644	145,569	158,962	13,392	9.2
Net sales	40,882	38,253	38,737	483	1.3
Completed construction contracts	40,270	37,654	38,121	466	1.2
Real estate and others	612	599	616	16	2.8
Gross profit	5,305	5,120	4,661	(458)	(9.0)
Completed construction contracts	5,028	4,875	4,381	(493)	(10.1)
Real estate and others	277	244	280	35	14.6
Gross profit margin (%)	13.0	13.4	12.0	(1.4) <sub>pt.</sub>	—
Selling, general and administrative expenses	4,983	5,274	4,940	(334)	(6.3)
Operating income (loss)	322	(154)	(278)	(123)	—
Non-operating income (loss)	225	221	264	43	19.5
Ordinary income (loss)	547	66	(13)	(80)	—
Extraordinary income (loss)	24	(82)	(1)	81	—
Profit attributable to owners of parent (loss)	428	11	(35)	(47)	—

## Quarterly Results (Consolidated)

(Millions of yen)

	FY2019				FY2020				FY2021
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Orders received	46,697	54,204	50,031	43,085	47,660	55,575	43,211	49,132	56,023
Net sales	40,882	50,962	51,833	64,006	38,253	42,611	48,351	60,851	38,737
Gross profit	5,305	7,862	7,460	11,482	5,120	5,637	7,414	10,582	4,661
Gross profit margin (%)	13.0	15.4	14.4	17.9	13.4	13.2	15.3	17.4	12.0
Selling, general and administrative expenses	4,983	4,992	5,063	6,396	5,274	4,976	5,064	5,939	4,940
Operating income (loss)	322	2,869	2,396	5,085	(154)	660	2,350	4,642	(278)
Operating profit margin (%)	0.8	5.6	4.6	7.9	(0.4)	1.5	4.9	7.6	(0.7)
Ordinary income (loss)	547	2,955	2,644	5,076	66	776	2,527	4,826	(13)
Extraordinary income (loss)	24	84	49	(269)	(82)	(243)	(40)	(33)	(1)
Profit attributable to owners of parent (loss)	428	2,057	1,815	3,276	11	809	1,647	3,431	(35)

## Orders Received by Segment (Consolidated)

(Millions of yen)

Segment		June FY2019	June FY2020	June FY2021	Year on year	Rate of Change (%)
	HVAC and Plumbing for Buildings	13,018	14,235	13,889	(346)	(2.4)
	Industrial HVAC	11,052	18,054	11,228	(6,826)	(37.8)
	Electrical Systems	7,469	3,125	10,756	7,630	244.1
	Facility Systems	2,921	2,645	2,147	(498)	(18.8)
Total of Facilities Construction Business		34,461	38,062	38,022	(39)	(0.1)
	Machinery Systems	2,257	2,016	3,096	1,080	53.6
	Environmental Systems	9,451	7,066	14,393	7,327	103.7
Total of Plant & Machinery Systems Business		11,709	9,082	17,490	8,408	92.6
Sub-total		46,170	47,144	55,512	8,368	17.8
Real Estate Business		525	582	595	12	2.2
Others		195	133	128	(5)	(4.0)
Adjustments*		(193)	(200)	(213)	(12)	—
Total		46,697	47,660	56,023	8,363	17.5

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

## Net Sales by Segment (Consolidated)

(Millions of yen)

Segment		June FY2019	June FY2020	June FY2021	Year on year	Rate of Change (%)
	HVAC and Plumbing for Buildings	15,253	10,847	10,792	(54)	(0.5)
	Industrial HVAC	13,615	14,288	13,956	(332)	(2.3)
	Electrical Systems	3,958	5,068	5,037	(30)	(0.6)
	Facility Systems	1,867	2,016	2,034	17	0.9
Total of Facilities Construction Business		34,695	32,220	31,820	(400)	(1.2)
	Machinery Systems	2,601	2,262	2,192	(70)	(3.1)
	Environmental Systems	3,143	3,298	4,120	822	24.9
Total of Plant & Machinery Systems Business		5,745	5,560	6,312	752	13.5
Sub-total		40,440	37,781	38,133	352	0.9
Real Estate Business		525	582	595	12	2.2
Others		233	170	114	(55)	(32.7)
Adjustments*		(317)	(280)	(106)	174	—
Total		40,882	38,253	38,737	483	1.3

\* "Adjustments" eliminate internal transactions included in each segment.



## Gross Profit by Segment (Consolidated)

(Millions of yen)

Segment				June FY2019	June FY2020	June FY2021	Year on year	Rate of Change (%)	
Gross Profit by segment			HVAC and Plumbing for Buildings/Industrial HVAC /Electrical Systems	4,152	4,103	3,526	(577)	(14.1)	
			Facility Systems	240	183	255	72	39.8	
			Total of Facilities Construction Business	4,393	4,286	3,782	(504)	(11.8)	
			Machinery Systems	541	427	331	(95)	(22.3)	
			Environmental Systems	113	248	313	65	26.4	
		Total of Plant & Machinery Systems Business		654	675	645	(29)	(4.4)	
		Sub-total			5,048	4,962	4,428	(534)	(10.8)
		Real Estate Business			192	232	259	27	11.6
		Others			94	4	4	(0)	(7.6)
		Adjustments			(29)	(78)	(29)	48	—
Total				5,305	5,120	4,661	(458)	(9.0)	

## Initiatives to Improve Productivity and Construction Quality for Increased Profit

- **Enhancement of the company-wide system to divide labor through promotion of the Smile Site Plan\***
- **Enhancement of design review and active roll-out of construction processes**
- **Reduction in number of accidents through comprehensive health and safety management, including for partner companies**  
2018: 1 accident; 2019: 11 accidents; 2020: 3 accidents
- **Enhancement of quality control and prevention of problems and complaints by swiftly sharing information about problems and complaints**  
FY2018: 98 cases; FY2019: 67 cases; FY2020: 47 cases
- **Digitalization of procurement tasks for increased business efficiency and reduced purchase costs**  
FY2018: 85%; FY2019: 88%; FY2020: 91%
- **Reduction in unprofitable construction through comprehensive construction management**  
Balance of provision for loss on construction contracts  
FY2018: 480 million yen; FY2019: 50 million yen; FY2020: None

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

# FY2021 1Q BALANCE SHEET AND STATEMENT OF CASH FLOWS



## Balance Sheet (Consolidated)

(Millions of yen)

	End of FY2020	June FY2021	Year on year	Rate of Change (%)	June FY2020
<b>Current assets</b>	116,054	105,256	(10,798)	(9.3)	99,983
Notes receivable, accounts receivable from completed construction contracts and other	65,598	—	(65,598)	—	48,530
Notes receivable, accounts receivable from completed construction contracts and other , and contract assets	—	47,492	47,492	—	—
<b>Noncurrent assets</b>	55,258	55,441	182	0.3	51,710
Investment securities	28,816	28,911	95	0.3	25,770
<b>Current liabilities</b>	67,882	59,545	(8,336)	(12.3)	55,363
Notes payable	—	—	—	—	99
Electronically recorded obligations - operating	873	956	82	9.5	952
Accounts payable on construction contracts	40,836	33,844	(6,991)	(17.1)	33,754
<b>Noncurrent liabilities</b>	11,731	11,883	151	1.3	11,095
<b>Total net assets</b>	91,699	89,268	(2,431)	(2.7)	85,235
Treasury stock	(3,859)	(3,804)	55	—	(4,071)
<b>Total assets</b>	171,313	160,697	(10,616)	(6.2)	151,693
<b>Book-value per share (yen)</b>	1,611.76	1,568.48	(43.28)	(2.6)	1,472.82
<b>Equity ratio (%)</b>	53.4	55.4	2.0 pt.	—	56.0
<b>Interest-bearing liabilities (consolidated)</b>	10,595	9,472	(1,122)	10.6	9,600

## Statement of Cash Flows (Consolidated)

- The balance of cash and cash equivalents increased year on year
- The increase in cash flows from operating activities is due to the continued recovery of receivables, which more than offsets the decline in 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 purchase of short-term and long-term loans payable and the payment of dividends

(Millions of yen)

	FY2017	FY2018	FY2019	FY2020	June FY 2021	June FY 2020
Cash flows from operating activities	6,306	6,786	11,940	(483)	7,939	(3,694)
Cash flows from investing activities	(2,510)	(3,775)	(303)	(1,423)	(390)	(1,579)
Cash flows from financing activities	1,814	(5,215)	(8,955)	(6,974)	(3,724)	(4,629)
Cash and cash equivalents at end of period	44,866	42,612	45,946	37,087	40,951	36,009

# FY2021 FORECAST





## FY2021 Full-Year Forecast (Consolidated)

(Millions of yen)

	FY2017	FY2018	FY2019	FY2020	FY2021 forecast (Initial forecast) A	FY2021 forecast (Interim forecast from August 6) B	Increase/ Decrease B-A	Rate of Change (%)
Orders received	191,113	217,096	194,018	195,580	200,000	200,000	—	—
Balance carried forward	144,712	149,495	136,163	141,676	141,676	141,676	—	—
Net sales	170,157	212,314	207,684	190,067	200,000	200,000	—	—
Gross profit	25,060	31,684	32,110	28,754	32,000	32,000	—	—
Gross profit margin (%)	14.7	14.9	15.5	15.1	16.0	16.0	—	—
Operating income	6,593	10,637	10,674	7,498	9,500	9,500	—	—
Ordinary income (loss)	7,434	11,204	11,224	8,196	10,000	10,000	—	—
Profit attributable to owners of parent	3,906	9,046	7,576	5,901	7,000	7,000	—	—

\* 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	63,000	66,000
	Industrial HVAC	57,000	58,000
	Electrical Systems	25,000	25,000
	Facility Systems	12,000	12,000
Total of Facilities Construction Business		157,000	161,000
	Machinery Systems	12,000	10,000
	Environmental Systems	29,000	27,000
Total of Plant & Machinery Systems Business		41,000	37,000
Sub Total		198,000	198,000
Real Estate Business		2,400	2,400
Others		500	500
Adjustments*		(900)	(900)
Total		200,000	200,000

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

# SHAREHOLDER RETURNS

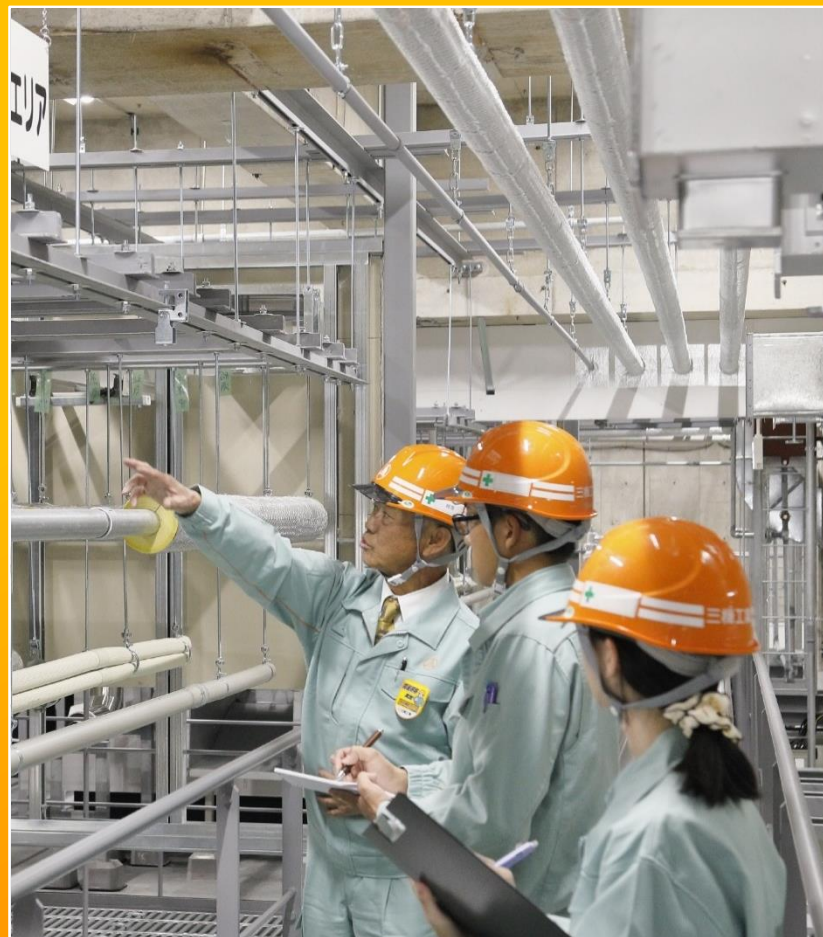


## Dividends and Others

- Conducted shareholder returns according to medium-term management plan “Century 2025” Phase 2 financial and capital policies
- 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.
- Forecast payout ratio: 56.8%, forecast total return ratio: 79.1%

	FY2017	FY2018	FY2019	FY2020	FY2021 (Forecast)
Earnings per share (yen)	63.02	150.02	128.51	103.12	123.34
Cash dividends per share: regular dividends (yen)	20	40	70	70	70
Cash dividends per share: extra dividends (yen)	15	20	25	10	—
Cash dividends per share (yen)	35	60	95	80	70
Payout ratio (consolidated) (%)	55.5	40.0	73.9	77.6	56.8
Total return ratio (%)	148.9	52.9	111.4	97.3	79.1
Number of shareholders at end of FY	3,243	3,381	4,216	14,861	—
Stock price at end of FY (yen)	1,188	1,210	1,211	1,453	—
Acquisition of treasury stock (thousand shares)	3,000	1,000	1,958	1,000	1,000
Retirement of treasury stock (thousand shares)	3,000	1,000	2,000	1,000	—

# SUPPLEMENTARY MATERIALS



## Orders Received by Type

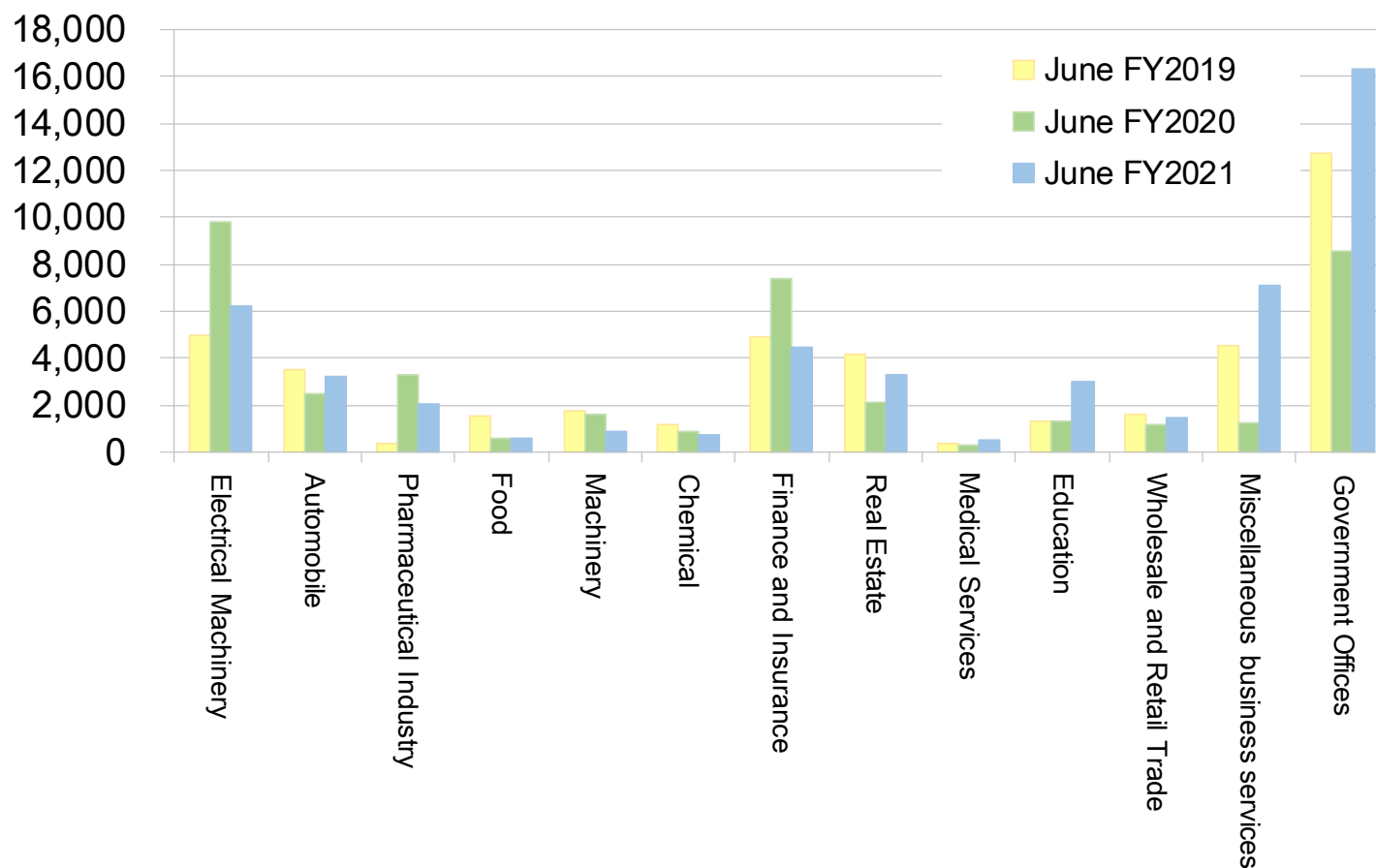
(Millions of yen)

	FY2018 Full-year	FY2019 Full-year	FY2020 Full-year	June FY2020 A	June FY2021 B	Diff. B-A
Orders received (Non-consolidated: Facilities Construction Business)	173,553	147,191	149,278	36,356	35,938	(418)
Orders received from general contractors (Non-consolidated: Facilities Construction Business)	78,304	48,238	63,544	13,900	13,105	(795)
Rate of orders received from general contractors (Non-consolidated: Facilities Construction Business) (%)	45.1	32.8	42.6	38.2	36.5	(1.7) pt.
Orders received (Consolidated)	217,096	194,018	195,580	47,660	56,023	8,363
Orders received from overseas projects (Consolidated)	2,379	3,143	2,789	736	989	253
Rate of orders received from overseas projects (Consolidated) (%)	1.1	1.6	1.4	1.5	1.8	0.3 pt.
Orders received for renewal construction (Consolidated)	117,619	112,909	109,585	26,223	22,891	(3,332)
Rate of orders received for renewal construction (Consolidated) (%)	54.2	58.2	56.0	55.0	40.9	(14.1) pt.
<Ref.> Net sales for renewal construction (Consolidated)	116,627	114,208	101,147	18,814	20,297	1,483



## 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
Futaba Regional Wide Area Municipal Area Association Southern Health Center Garbage incineration systems	Waste Treatment Facility	New construction work	Fukushima
Yamato City North Purification Center Maintenance and Management Business Consignment	Water and sewage treatment systems maintenance and management	Business consignment	Kanagawa

2 other projects

### ○Main Large-Scale Completed Construction Projects

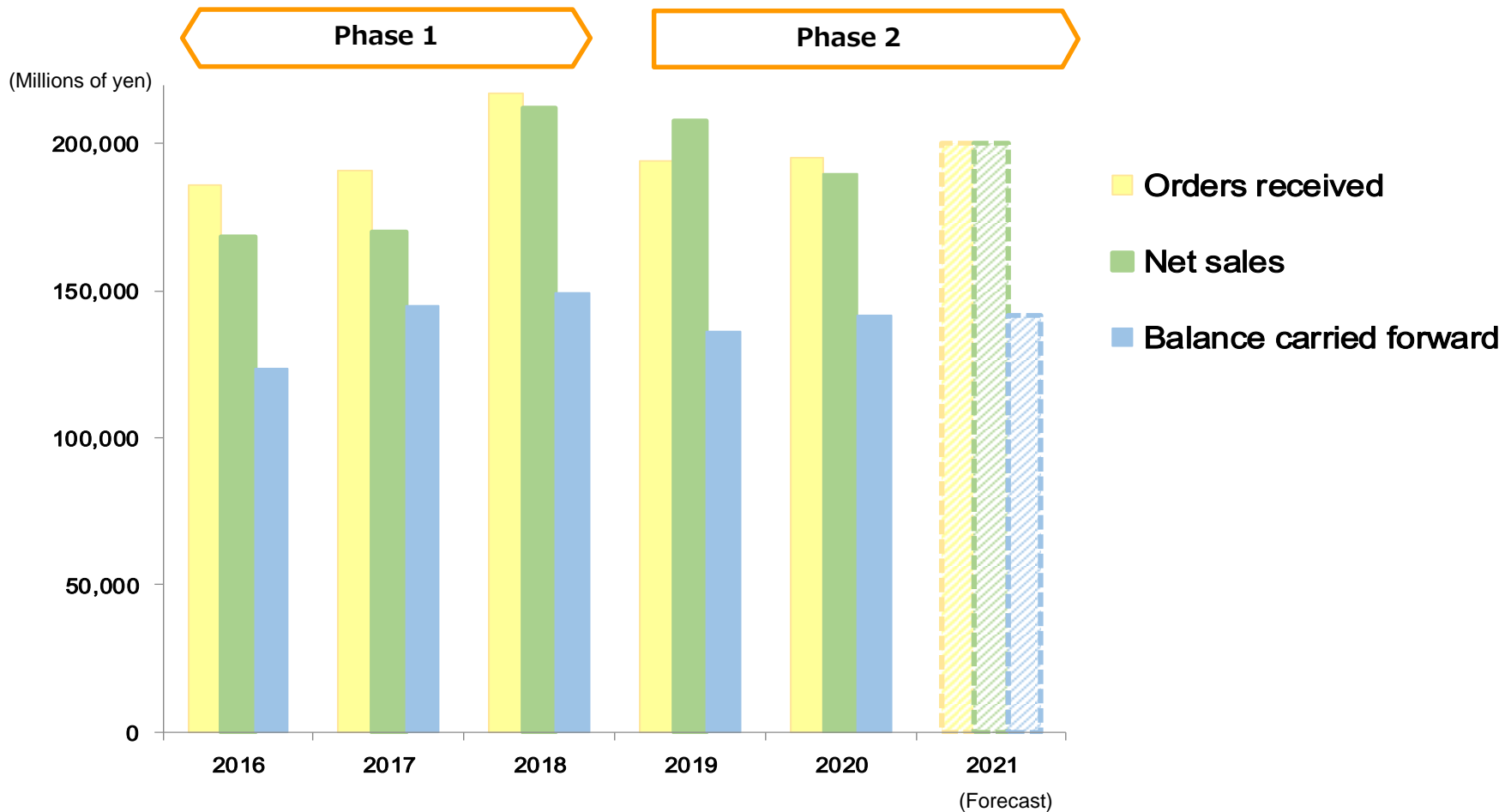
Property name	Item of construction	Type of construction	Location
Shimbashi Tamuracho Region Urban Redevelopment Project	HVAC systems	New construction work	Tokyo
Kowa Kawasaki Nishiguchi Building HVAC Equipment Renewal	HVAC systems	Renovation	Kanagawa
DENSO Hokkaido Expansion Stage II	HVAC, Plumbing and Electrical systems	Expansion	Hokkaido

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

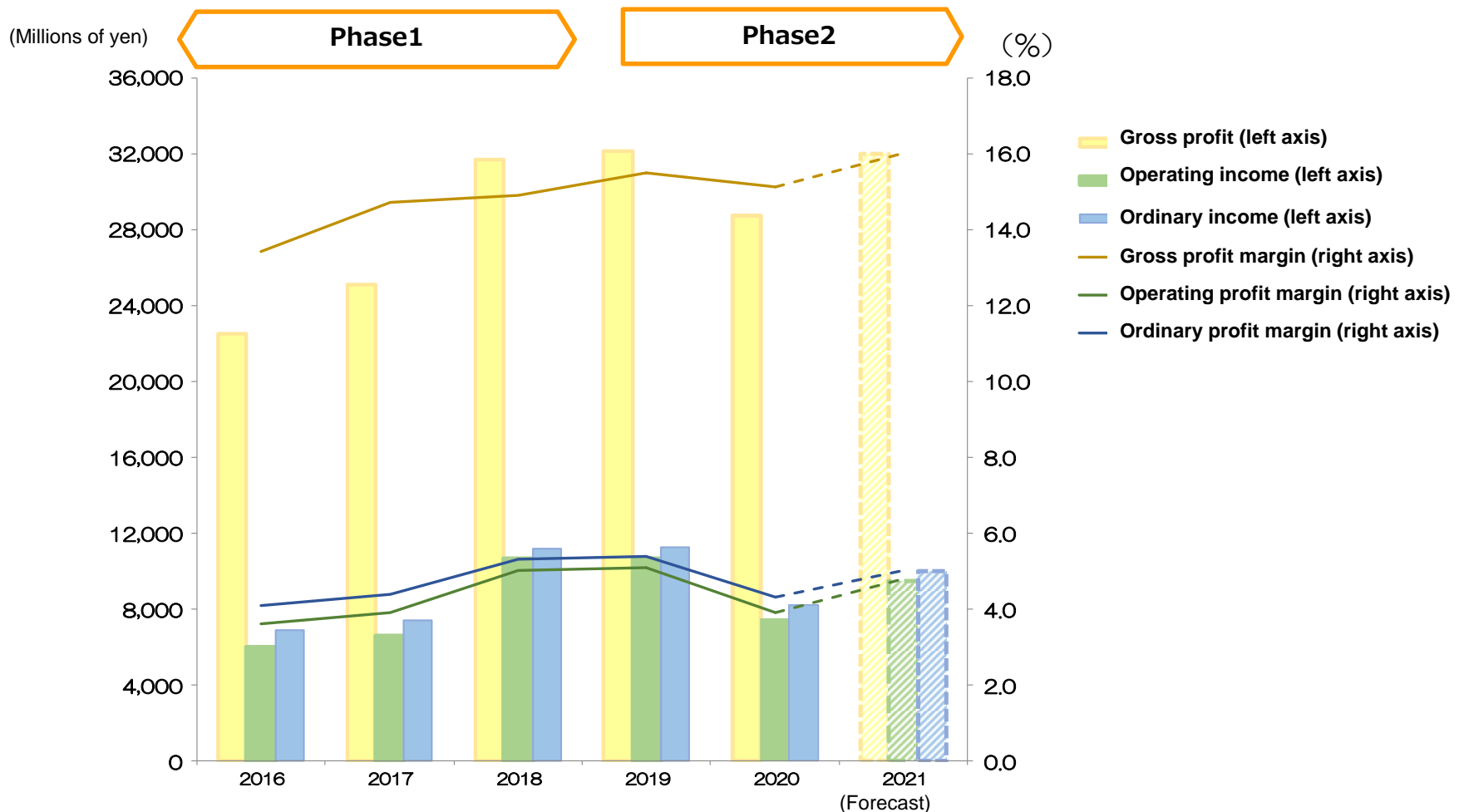
## Main Large-Scale Projects Received over 1 Billion Yen (by Industry)

	June FY2019		June FY2020		June FY2021	
Office	—	<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	—	<b>4 Projects</b> (15,651 million yen) * Orders received from customers: 3 projects * Orders received from general contractors: 1 project
Factory	1		1		—	
Research institute	—		1		—	
Other building interiors	1		—		1	
Water treatment plants and sewage plants	1		1		1	
Hospital	—		—		1	
Water treatment plants and sewage plants	1		—		1	

## 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 August 6. Actual results may differ from the figures contained herein due to a number of factors.

For inquiries, please contact:  
Corporate Communications Department,  
SANKI ENGINEERING CO., LTD.  
Tel : +81-3-6367-7041