

The 2nd Quarter FY2021 Summary of Financial Results



November 12, 2021

Engineering for the Future



SANKI ENGINEERING CO., LTD.

☆Key Points of Financial Results

Orders for HVAC and Plumbing for Buildings and Industrial HVAC declined due to a fallback from orders for large-scale projects received in 2Q FY20, but sales and gross profit rose mainly due to progress with projects carried forward from the start of the term in the Environmental Systems business. Orders, sales, and profits increased for small-scale maintenance and repairs projects.

<Orders> 96.506 billion yen (103.236 billion yen in the same period of the previous fiscal year)

- Orders declined mainly due to a fallback from orders for large-scale projects received last year in the HVAC and Plumbing for Buildings and Industrial HVAC businesses
- Orders received for large-scale projects in the Electrical and Environmental Systems businesses were favorable

<Net sales> 84.070 billion yen (80.864 billion yen in the same period of the previous fiscal year)

- Net sales rose due to progress with projects carried forward from the start of the term in the Environmental Systems business
- Net sales in the Facilities Construction Business were flat year on year

<Gross profit> Gross profit amounted to 11.058 billion yen (10.757 billion yen in the same period of the previous fiscal year)

- Gross profit rose on higher sales
- With regard to selling, general and administrative expenses, costs such as those relating to responses to the COVID-19 pandemic, which arose in the same period of the previous fiscal year, declined, while all profit categories rose

<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. (acquired 367,000 shares through 31 October)
- Forecast payout ratio: 56.7%, forecast total return ratio: 79.6%

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FY2021 2Q RESULTS



FY2021 2Q Results (Consolidated)

(Millions of yen)

	September FY2019	September FY2020	September FY2021	Year on year	Rate of change (%)
Orders received	100,901	103,236	96,506	(6,729)	(6.5)
Balance carried forward	158,885	158,534	154,112	(4,422)	(2.8)
Net sales	91,845	80,864	84,070	3,205	4.0
Completed construction contracts	90,685	79,643	82,825	3,182	4.0
Real estate and others	1,159	1,221	1,245	23	1.9
Gross profit	13,168	10,757	11,058	300	2.8
Completed construction contracts	12,744	10,277	10,505	228	2.2
Real estate and others	424	479	552	72	15.2
Gross profit margin (%)	14.3	13.3	13.2	(0.1) pt.	—
Selling, general and administrative expenses	9,976	10,251	10,032	(218)	(2.1)
Operating income	3,191	505	1,025	519	102.8
Non-operating income and loss(loss)	311	337	285	(51)	(15.3)
Ordinary income	3,503	842	1,310	468	55.5
Extraordinary income(loss)	109	(325)	9	335	—
Profit attributable to owners of parent	2,485	821	863	41	5.1

Quarterly Results (Consolidated)

(Millions of yen)

	FY2019				FY2020				FY2021	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Orders received	46,697	54,204	50,031	43,085	47,660	55,575	43,211	49,132	56,023	40,482
Net sales	40,882	50,962	51,833	64,006	38,253	42,611	48,351	60,851	38,737	45,332
Gross profit	5,305	7,862	7,460	11,482	5,120	5,637	7,414	10,582	4,661	6,396
Gross profit margin (%)	13.0	15.4	14.4	17.9	13.4	13.2	15.3	17.4	12.0	14.1
Selling, general and administrative expenses	4,983	4,992	5,063	6,396	5,274	4,976	5,064	5,939	4,940	5,092
Operating income (loss)	322	2,869	2,396	5,085	(154)	660	2,350	4,642	(278)	1,303
Operating profit margin (%)	0.8	5.6	4.6	7.9	(0.4)	1.5	4.9	7.6	(0.7)	2.9
Ordinary income(loss)	547	2,955	2,644	5,076	66	776	2,527	4,826	(13)	1,324
Extraordinary income (loss)	24	84	49	(269)	(82)	(243)	(40)	(33)	(1)	11
Profit attributable to owners of parent (loss)	428	2,057	1,815	3,276	11	809	1,647	3,431	(35)	899

Orders Received by Segment (Consolidated)

(Millions of yen)

Segment	September FY2019	September FY2020	September FY2021	Year on year	Rate of Change (%)
HVAC and Plumbing for Buildings	32,810	33,153	26,814	(6,339)	(19.1)
Industrial HVAC	28,741	34,553	21,947	(12,606)	(36.5)
Electrical Systems	12,198	9,802	15,393	5,590	57.0
Facility Systems	5,905	5,393	5,041	(351)	(6.5)
Total of Facilities Construction Business	79,656	82,902	69,196	(13,706)	(16.5)
Machinery Systems	5,479	4,268	4,972	704	16.5
Environmental Systems	14,933	15,049	21,331	6,282	41.7
Total of Plant & Machinery Systems Business	20,413	19,318	26,304	6,986	36.2
Sub-total	100,070	102,221	95,500	(6,720)	(6.6)
Real Estate Business	1,050	1,179	1,197	18	1.5
Others	324	274	275	1	0.5
Adjustments *	(543)	(438)	(467)	(29)	—
Total	100,901	103,236	96,506	(6,729)	(6.5)

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

Net Sales by Segment (Consolidated)

(Millions of yen)

Segment	September FY2019	September FY2020	September FY2021	Year on year	Rate of Change (%)
HVAC and Plumbing for Buildings	32,580	22,614	23,159	544	2.4
Industrial HVAC	30,849	29,355	28,559	(795)	(2.7)
Electrical Systems	9,845	11,440	11,033	(407)	(3.6)
Facility Systems	4,962	4,397	4,313	(83)	(1.9)
Total of Facilities Construction Business	78,237	67,807	67,065	(741)	(1.1)
Machinery Systems	5,294	4,459	4,952	493	11.1
Environmental Systems	7,413	7,610	10,879	3,269	43.0
Total of Plant & Machinery Systems Business	12,707	12,069	15,832	3,762	31.2
Sub-total	90,945	79,876	82,897	3,020	3.8
Real Estate Business	1,050	1,179	1,197	18	1.5
Others	443	366	257	(108)	(29.7)
Adjustments*	(593)	(557)	(282)	275	—
Total	91,845	80,864	84,070	3,205	4.0

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

Gross Profit by Segment (Consolidated)

(Millions of yen)

Segment		September FY2019	September FY2020	September FY2021	Year on year	Rate of Change (%)
Gross Profit by segment	HVAC and Plumbing for Buildings/Industrial HVAC /Electrical Systems	10,565	8,375	8,149	(225)	(2.7)
	Facility Systems	824	663	594	(69)	(10.4)
	Total of Facilities Construction Business	11,390	9,039	8,744	(294)	(3.3)
	Machinery Systems	998	707	819	112	15.9
	Environmental Systems	386	655	1,059	403	61.6
	Total of Plant & Machinery Systems Business	1,384	1,362	1,878	516	37.9
	Sub-total	12,774	10,402	10,623	221	2.1
	Real Estate Business	318	443	504	61	13.8
	Others	124	16	18	2	12.1
	Adjustments	(49)	(105)	(88)	16	—
Total	13,168	10,757	11,058	300	2.8	

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 incidents and complaints by swiftly sharing information about incidents 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 2Q
BALANCE SHEET AND
STATEMENT OF CASH FLOWS**



Balance Sheet (Consolidated)

(Millions of yen)

	End of FY2020	End of September 2021	End of previous FY	Rate of change (%)	End of September 2020
Current assets	116,054	107,859	(8,195)	(7.1)	97,739
Notes receivable, accounts receivable from completed construction contracts and other	65,598	—	(65,598)	—	48,317
Notes receivable, accounts receivable from completed construction contracts and other, and contract assets	—	53,046	53,046	—	—
Noncurrent assets	55,258	56,258	999	1.8	51,948
Investment securities	28,816	29,653	837	2.9	25,888
Current liabilities	67,882	61,312	(6,569)	(9.7)	52,395
Notes payable	—	—	—	—	67
Electronically recorded obligations - operating	873	788	(85)	(9.8)	662
Accounts payable on construction contracts	40,836	33,178	(7,657)	(18.8)	31,714
Noncurrent liabilities	11,731	12,004	273	2.3	11,129
Total net assets	91,699	90,800	(898)	(1.0)	86,163
Treasury stock	(3,859)	(3,876)	(16)	—	(2,820)
Total assets	171,313	164,118	(7,195)	(4.2)	149,688
Book-value per share	1,611.76	1,595.55	(16.21)	(1.0)	1,490.77
Equity ratio (%)	53.4	55.1	1.7 _{pt.}	—	57.4
Interest-bearing liabilities (consolidated)	10,595	9,899	(696)	(6.6)	10,024

Statement of Cash Flows (Consolidated)

- The balance of cash and cash equivalents decreased from the end of previous fiscal 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 securities and 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)

	FY2017	FY2018	FY2019	FY2020	September 2021	September 2020
Cash flows from operating activities	6,306	6,786	11,940	(483)	1,852	(7,258)
Cash flows from investing activities	(2,510)	(3,775)	(303)	(1,423)	(1,832)	(897)
Cash flows from financing activities	1,814	(5,215)	(8,955)	(6,974)	(3,421)	(4,390)
Cash and cash equivalents at end of period	44,866	42,612	45,946	37,087	33,742	33,378

Capital investment	3,772	6,110	2,197	2,178	740	1,082
Depreciation	818	1,340	1,643	1,700	796	825

FY2021 FORECAST



FY2021 Full-Year Forecast (Consolidated)

(Millions of yen)

	FY2017	FY2018	FY2019	FY2021 forecast (Interim forecast from August 6) A	FY2021 forecast (Interim forecast from November 12) B	Difference B-A	Rate of Change (%)
Orders received	217,096	194,018	195,580	200,000	200,000	—	—
Balance carried forward	149,495	136,163	141,676	141,676	141,676	—	—
Net sales	212,314	207,684	190,067	200,000	200,000	—	—
Gross profit	31,684	32,110	28,754	32,000	31,000	(1,000)	(3.1)
Gross profit margin (%)	14.9	15.5	15.1	16.0	15.5	(0.5) pt.	—
Operating income	10,637	10,674	7,498	9,500	9,500	—	—
Ordinary income	11,204	11,224	8,196	10,000	10,000	—	—
Profit attributable to owners of parent	9,046	7,576	5,901	7,000	7,000	—	—
Regular dividends per share (yen)	40	70	70	70	70	—	—
Extra dividends per share (yen)	20	25	10	—	—	—	—
Cash dividends per share (total)(yen)	60	95	80	70	70	—	—

* 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 2021. (acquired 367,000 shares through 31 October)
- Forecast payout ratio: 56.7%, forecast total return ratio: 79.6%

	FY2017	FY2018	FY2019	FY2020
Earnings per share (yen)	63.02	150.02	128.51	103.12
Cash dividends per share: regular dividends (yen)	20	40	70	70
Cash dividends per share: extra dividends (yen)	15	20	25	10
Cash dividends per share (yen)	35	60	95	80
Payout ratio (consolidated) (%)	55.5	40.0	73.9	77.6
Total return ratio (%)	148.9	52.9	111.4	97.3
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
Retirement of treasury stock (thousand shares)	3,000	1,000	2,000	1,000

September FY2021	FY2021 (Forecast)
15.22	123.39
35	70
—	—
35	70
	56.7
	79.6
14,222	—
1,483	—
46	1,000
—	—

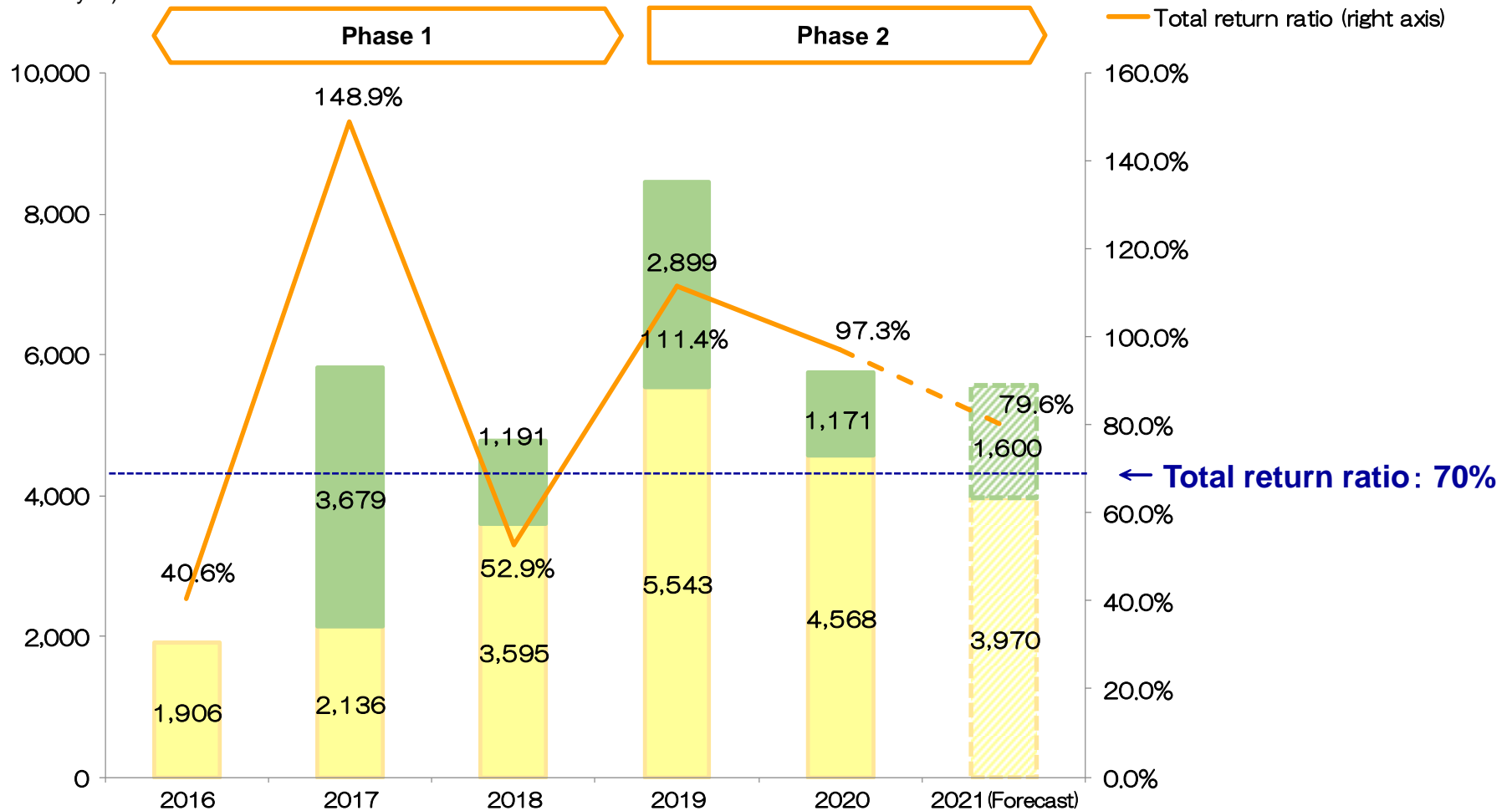
ROE (Return on Equity) (%)	4.5	10.3	8.6	6.6
ROA (Return on Assets) (%)	4.3	6.0	6.0	4.7

	7.5
	5.9

Total Return Ratio

- Amount of dividends(left axis)
- Value of treasury stock acquired (left axis)
- Total return ratio (right axis)

(Millions of yen)



SUPPLEMENTARY MATERIALS



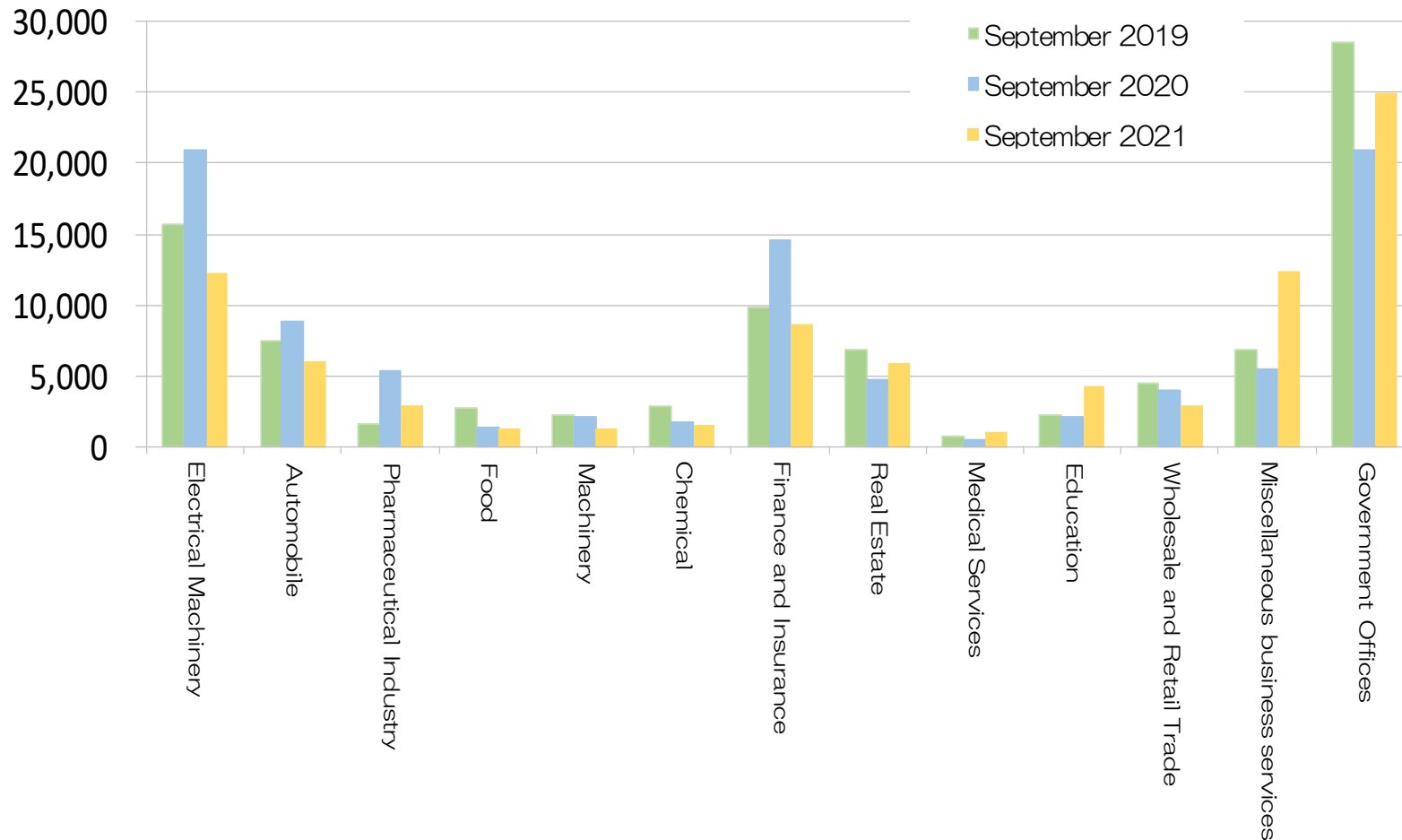
Orders Received by Type

(Millions of yen)

	FY2018 Full-year	FY2019 Full-year	FY2020 Full-year	September 2020 A	September 2021 B	Difference B-A
Orders received (Non-consolidated: Facilities Construction Business)	173,553	147,191	149,278	79,163	65,501	(13,662)
Orders received from general contractors (Non-consolidated: Facilities Construction Business)	78,304	48,238	63,544	36,137	22,026	(14,111)
Rate of orders received from general contractors (Non-consolidated: Facilities Construction Business) (%)	45.1	32.8	42.6	45.6	33.6	(12.0)
Orders received (Consolidated)	217,096	194,018	195,580	103,236	96,506	(6,729)
Orders received from overseas projects (Consolidated)	2,379	3,143	2,789	1,365	1,796	430
Rate of orders received from overseas projects (Consolidated) (%)	1.1	1.6	1.4	1.3	1.9	0.6 pt.
Orders received for renewal construction (Consolidated)	117,619	112,909	109,585	53,545	49,623	(3,921)
Rate of orders received for renewal construction (Consolidated) (%)	54.2	58.2	56.0	51.9	51.4	(0.5) pt.
<Ref.> Net sales for renewal construction (Consolidated)	116,627	114,208	101,147	39,913	45,802	5,888

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
Kitatama Water Reclamation Center No.1 Sludge Incineration Systems Reconstruction Project	Water and sewage treatment systems	New construction work	Tokyo

4 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
Narita International Airport Corporation, PTB 1 North Wing in-line system refurbishment (BHS)	Transportation	Renewal	Chiba
Ishikawa Local Living Environment Facility Association Waste Disposal Facility Basic Equipment Improvement Project	Waste Treatment Facility	Renewal	Fukushima
Yamato City North Purification Center Maintenance and Management Business Consignment	Water and sewage treatment systems maintenance and management	Business consignment	Kanagawa

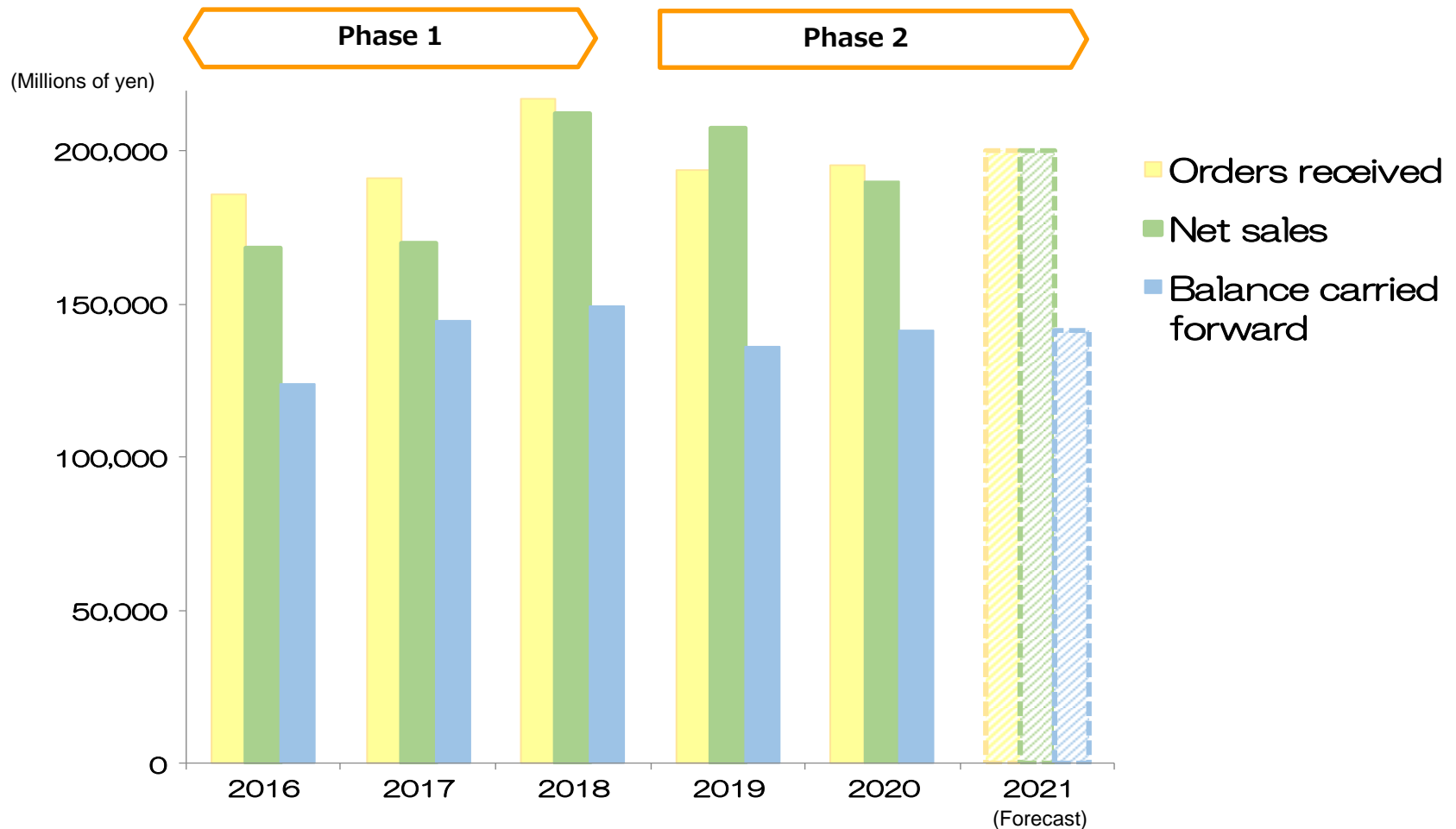
2 other projects

* 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)

	September FY2019		September FY2020		September FY2021	
Office	—	7 Projects (18,952 million yen) *Orders received from customers: 6 projects *Orders received from general contractors: 1 projects	3	14 Projects (26,427 million yen) *Orders received from customers: 5 projects *Orders received from general contractors: 9 projects	—	7 Projects (19,863 million yen) *Orders received from customers: 6 projects *Orders received from general contractors: 1 projects
Factory	2		3		—	
Research institute	—		3		—	
Hospital and Clinics	1		1		1	
Other building interiors	2		1		2	
Railway, Airport	—		1		—	
Power station, Substation	1		1		2	
Waste processing facility	1		1		2	

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 November 12. Actual results may differ from the figures contained herein due to a number of factors.

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