

COMPANY RESEARCH AND ANALYSIS REPORT

Sanki Engineering Co., Ltd.

1961

Tokyo Stock Exchange Prime Market

6-Jan.-2026

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Summary

A facilities construction company whose forte is industrial HVAC; maintains a high profit margin through thorough construction management

Sanki Engineering Co., Ltd. <1961> (hereafter, also “the Company”) is an engineering company whose main business is the planning, design, manufacture, supervision, installation, sale and consultation of systems and equipment for construction facilities (mainly HVAC systems) and plant facilities (mainly water and sewage treatment and disposal plants, etc.) in office buildings, schools, hospitals, shopping centers, industrial plants, R&D centers and other facilities. The Company’s strengths include comprehensive engineering capabilities across a diverse range of business operations, combined with advanced technology and credibility accumulated over a history of more than 100 years.

1. Overview of 1H FY3/26 results: Operating profit tracking favorably, rising 10.4% YoY

The Company reported its 1H FY3/26 (2Q) results, with net sales of ¥101,970mn (down 3.8% year on year (YoY)), operating profit of ¥6,541mn (up 10.4%), ordinary profit of ¥7,036mn (up 6.0%), and profit attributable to owners of parent of ¥5,627mn (up 26.4%). Operating profit was the highest since its consolidated results in 1983. Although net sales decreased due to factors such as the delay in progress of certain construction projects to the next fiscal year, in terms of profits, an improved profit margin in building equipment resulting from efforts to reduce costs in construction contributed, resulting in an increase in profit. The gross profit margin improved to 19.2% (16.2% in 1H FY3/25), and gross profit increased 14.0%. Meanwhile, SG&A expenses increased 16.0% due to higher costs related to the 100th anniversary and increased personnel expenses that included improvements in compensation. However, these were offset by the rise in gross profit, resulting in higher operating profit. Although orders received went up for building equipment, they declined for environmental systems, resulting in orders received of ¥148,997mn (down 1.3%). While this kept orders received at nearly the same level as the previous year, they still maintained a high level. The balance carried forward to the next period at the end of 1H FY3/26 also remained at a high level at ¥257,757mn (up 5.7% from the end of the same period of the previous fiscal year).

2. FY3/26 forecasts: Expecting an increase in operating profit of 25.6% YoY; revised initial forecasts for all profit upward

For FY3/26, the Company is forecasting ¥270,000mn in orders received (up 1.9% YoY), ¥250,000mn in net sales (down 1.2%), ¥27,500mn in operating profit (up 25.6%), ¥28,000mn in ordinary profit (up 21.4%), and ¥21,900mn in profit attributable to owners of parent (up 27.3%). It has revised its initial forecasts for all profit upward, with operating profit and ordinary profit up ¥3,000mn and profit attributable to owners of parent up ¥2,400mn from the initial forecasts. The Company expects a gross profit margin of 22.2%, up 3.4 percentage points (pp) due to the details of construction work in progress, the state of that progress and other factors, and expects an increase of 9.4% in SG&A expenses. According to the Company, of the ¥232.5bn in individual construction work carried forward at the end of 1H FY3/26, approximately ¥105.6bn is scheduled to be completed during FY3/26, so there is a strong possibility that this earnings forecast will be achieved. As such, FISCO believes that there is also the chance of a further upward revision depending on orders received during the fiscal year and the status of construction in the future.

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Summary

3. Medium-Term Management Plan 2027 progressing smoothly; aiming for operating profit of ¥30.0bn in FY3/28

The Company has announced its Medium-Term Management Plan 2027, which will run through FY3/28. Under the key theme of “Enhancement and Co-Creation,” the Company has established the following strategic frameworks: Business Strategy, Financial and Capital Strategy, Growth Investment Strategy, R&D Strategy, Human Resources Strategy, and DX Strategy, and has set quantitative targets of ¥300.0bn in net sales, ¥30.0bn in operating profit, and an ROE of 16.0% or more for FY3/28. While it has only been half a fiscal year since the start of this new plan, the various measures under it appear to be progressing smoothly. Going forward, it will be interesting to see how the Company will achieve both its quantitative and qualitative targets.

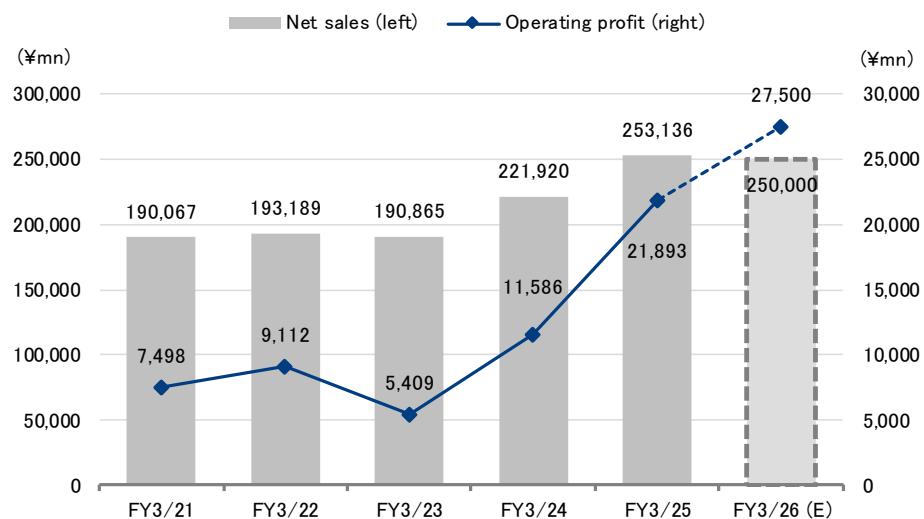
4. Proactive towards returns of profit to shareholders as well; planning an annual dividend of ¥165 again for FY3/26

The Company is also actively returning profits to shareholders. It has been paying stable returns to shareholders in line with its shareholder return policy in the prior “Century 2025” Phase 3 medium-term management plan. In the completed FY3/25, the Company paid an annual dividend of ¥165 based on its strong results and bought back 1.41 million shares. With this, the FY3/25 dividend payout ratio was 50.6%, while the total return ratio was 73.6%. For FY3/26, the Company has announced it will pay an annual dividend of ¥165 (interim dividend of ¥82.5; year-end dividend of ¥82.5; expected dividend payout ratio of 43.8%). This proactive approach to shareholder returns, rather than simply aiming to improve earnings, is highly commendable.

Key Points

- A top-class domestic facilities construction company affiliated with Mitsui. Its profit margin continues to rise
- For FY3/26, the Company expects an increase of operating profit to 25.6% and has revised its forecasts for all profit upward
- Announced a new medium-term management plan; aiming for ¥300.0bn in net sales and ¥30.0bn in operating profit in FY3/28
- Proactive towards returns of profit to shareholders; planning an annual dividend of ¥165 (DOE of 7.8%) again for FY3/26

Results trends



Source: Prepared by FISCO from the Company's financial results

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Company profile

A comprehensive engineering company engaged in facilities construction and plants & machinery systems businesses whose strengths lie in its advanced technology and credibility

The Company is a facilities company that was established in 1925 as a spin-off of the machinery division of the former Mitsui & Co., Ltd. The first large-scale projects for the Company started with the Shiga manufacturing plant of Toyo Rayon Co., Ltd. (currently, Toray <3402>) and a refrigerated warehouse for Aomori Seihyo Co., Ltd. Initially, the Company engaged in heating, plumbing, and the supply of construction materials. It has subsequently branched out into electrical work, developing integrated facilities construction planning, design and installation as its main operations.

After World War II, the Company steadily grew on robust construction demand and surpassed ¥1.0bn in capital in 1958. In subsequent years, the Company participated in projects undertaken in preparation to host the Tokyo Olympic Games in 1964, and grew in tandem with the expansion of the Japanese economy. The Company diversified from the Facilities Construction Business, such as air-conditioning, plumbing, and electrical systems, into other types of facilities, such as transport equipment, conveyance systems, water treatment facilities and waste treatment facilities. Today, it is a leading comprehensive facilities construction company in Japan. The Company's shares were listed on the Tokyo Stock Exchange (TSE) in 1950. Currently it is listed on the TSE Prime Market.

Prior to the 90th anniversary of its foundation in FY3/16, the Company carried out its "Century 2025" long-term vision heading toward its 100th anniversary in 2025. While FY3/26 was initially the final fiscal year of this plan, the main KPIs (numerical targets) were already achieved one year ahead of schedule in FY3/25. As a result, the Company announced a new Medium-Term Management Plan 2027 and started out toward achieving new goals. While it has only been half a fiscal year since the start of the new plan, it appears to be progressing smoothly.

History

1925	Sanki Engineering Co., Ltd. established as a spin-off of the machinery division of the former Mitsui & Co., Ltd.
1935	10th anniversary of its foundation. Had 5 branches, 6 sub-branch offices, 3 affiliated companies, and around 300 employees
1958	Capital exceeded ¥1.0bn
1963	Completed the Sagami Plant (currently, the Sanki Techno Center)
1964	Participated in projects relating to the Tokyo Olympic Games, including the Yoyogi National Gymnasium, and the NHK Broadcast Center
1982	Newly established Technical R&D Institute in Yamato City, Kanagawa Prefecture, equipped with facilities for basic research and for large-scale experiments
2000	Opened the Shonan Training Center (Yokosuka City, Kanagawa Prefecture) and strengthened human resource development
2011	Relocated its head office to the current location in the Tsukiji area of Tokyo
2016	Announced its long-term vision "Century 2025"
2018	Opened the Sanki Techno Center, a comprehensive training and research facility (Yamato City, Kanagawa Prefecture)
2019	Opened the Yamato Product Center, and completed the SStEP (Sanki Techno Park) project
2025	100th anniversary of foundation

Source: Prepared by FISCO from the Company's website, etc.

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■ Business overview

Main focus is the Facilities Construction Business and Plants & Machinery Systems Business; particular strengths in building and industrial HVAC

1. Outline of business by segment

The Company's main businesses come under three segments—Facilities Construction Business, Plants & Machinery Systems Business, and Real Estate Business. Its main activities are design and construction management of various facilities. The Company obtains about half of its orders directly from facility owner clients and half indirectly through general contractors.

The size of the orders varies widely from a several million yen to a several billion yen depending on the project, and it appears that some mega-sized projects worth more than ¥10.0bn have also started to emerge in recent years. The order completion time (from order receipt to sales) varies from a few weeks to a few years for longer orders. The profitability of an order varies depending on factors such as labor and material costs and the management construction schedule, and some orders end up more or less profitable than originally planned.

(1) Facilities Construction Business

The Facilities Construction Business engages in activities including planning, design, installation, maintenance, and repair of facilities including office buildings, schools, hospitals, shopping centers, factories, R&D centers, and other facilities. The scope of activities handled by this business is extensive and can be further divided into the following subsegments.

a) HVAC and plumbing for buildings

The HVAC and plumbing for buildings business provides HVAC, water supply and wastewater systems, plumbing, area heating and cooling systems, kitchen systems, and disaster readiness systems for general buildings and facilities, such as office buildings, schools, hospitals, department stores, hotels, and warehouses.

b) Industrial HVAC

The industrial HVAC business provides HVAC for factories and research facilities of all industries, especially clean room systems for semiconductor plants and pharmaceutical and food processing plants as well as special air-conditioning systems and appurtenances for chemicals manufacturers, and manufacturers of medical equipment and the like, in addition to environmental control systems and so forth for automobile manufacturers. This is a particularly strong field for the Company, partly because of its historical background.

c) Electrical systems

The electrical systems business provides electrical equipment systems, communications-related systems, electrical civil works, and so forth.

d) Facility systems

The facility systems business offers project management and consulting services for the construction or relocation of offices and dealing rooms of financial institutions and other industries. It also provides central monitoring and automatic control systems, Internet protocol (IP) solutions, network solutions, business continuity plan (BCP) solutions and other services for large-scale buildings.

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Business overview

(2) Plants & Machinery Systems Business

The Plants & Machinery Systems Business encompasses machinery systems and environmental systems as two subsegments.

a) Machinery systems

The machinery systems business supplies materials handling systems, including various transportation equipment (conveyors, sorting systems, etc.), and conveyance systems for factories and automated warehouses. Demand is centered on private-sector companies and is affected by capital investment trends.

b) Environmental systems

The environmental systems business provides facilities such as for water treatment (including water and sewage treatment and disposal, industrial wastewater disposal, and sludge treatment and incineration), waste treatment (including waste incineration and landfill wastewater treatment), and others. Customers are mainly local government entities and so forth.

(3) Real Estate Business

The Real Estate Business utilizes vacant land, such as former factory sites, and manages the real estate lease business and building management business.

2. Distinguishing traits and strengths

(1) Broad business domain and one-stop solutions

Many companies in Japan provide similar facilities construction services, but the Company's strength lies in the wide range of its businesses, which includes HVAC and plumbing for buildings, industrial HVAC, electrical systems, facility systems, automated control systems for buildings, transportation systems, and water treatment facilities. The Company can provide services for many types of facilities and solutions covering all phases from planning and design to installation, maintenance, repair, and replacement, depending on the life cycle of the building. This capability allows its customers to place one-stop orders to resolve their problems. Making use of "total engineering" and "life-cycle engineering," which combines a wide variety of businesses horizontally, enables the Company to provide optimal systems with high added value, which is its distinguishing trait and strength.

(2) Top-class technology and high-quality customer base

One of the Company's main strengths is the advanced technology it has accumulated since before World War II, and this top-class technology spans a wide range of fields. The Company has earned a reputation for reliability over decades of business, which underpins its extensive, high-quality customer base. This can also be considered a strength of the Company. It can be said that the Company's numerous achievements, not to mention its prewar track record, including the Tokyo Olympics during the period of rapid postwar growth, led to the awarding of large-scale projects such as ABENO HARUKAS and Tokyo Midtown Hibiya.

3. Main competitors

The Company's competitors precisely vary in each business area. Its main competitors among the comprehensive facilities construction companies are other large companies such as Takasago Thermal Engineering <1969>, Shinryo Corporation, Dai-Dan <1980>, and Taikisha <1979>. Compared to these competitors, the Company's strengths can be said to lie in its broad business domain and its superiority in industrial HVAC systems, such as clean rooms and other factory air conditioning.

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Results trends

In 1H FY3/26, despite a decline in net sales, operating profit increased by 10.4%. Orders received and the balance of construction work carried over stayed at high levels

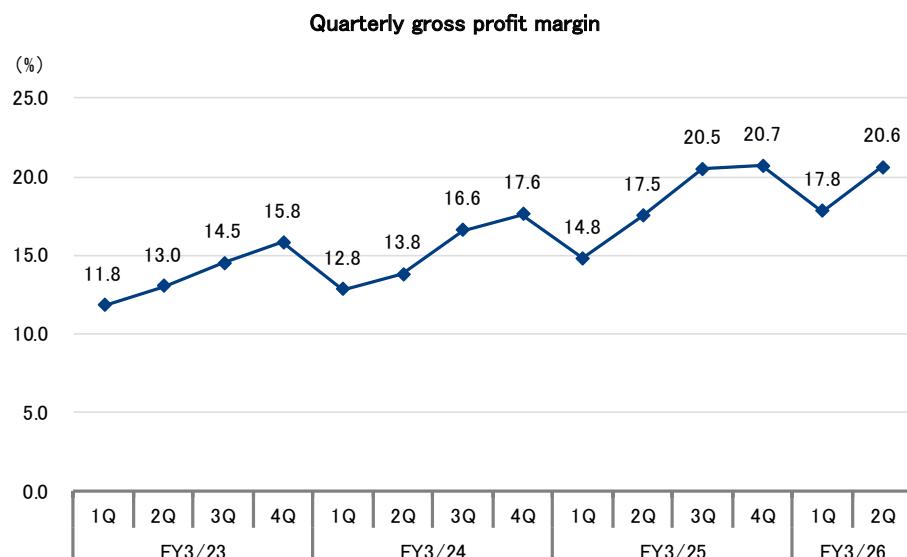
1. Overview for 1H FY3/26 results

(1) Earnings

The Company reported its 1H FY3/26 results, with net sales of ¥101,970mn (down 3.8% YoY), operating profit of ¥6,541mn (up 10.4%), ordinary profit of ¥7,036mn (up 6.0%), and profit attributable to owners of parent of ¥5,627mn (up 26.4%). Operating profit was the highest since its consolidated results in 1983.

While net sales decreased due to factors such as the delay in progress of certain construction projects to the next fiscal year, they remained within the expected range. In terms of profits, in addition to the completion of relatively profitable construction work, the Company's cost improvement measures such as process management, which it has continued for some time, led to an increase in its gross profit margin to 19.2% (16.2% in 1H FY3/25). As a result, although net sales decreased, gross profit increased 14.0% YoY. Meanwhile, SG&A expenses increased 16.0% due to higher costs related to the 100th anniversary and increased personnel expenses (such as improvements in compensation), slightly exceeding budget. However, as a result of the increase in gross profit, operating profit increased.

Although orders received went up for building equipment, those for environmental systems declined due to a rebound from the previous fiscal year, keeping orders received at nearly the same level as the previous year at ¥148,997mn (down 1.3% YoY). At the same time, this level continues to be high, and the balance carried forward to the next period at the end of 1H FY3/26 also remained at a high level at ¥257,757mn (up 5.7% from the end of the same period of the previous fiscal year).



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Results trends

1H FY3/26 results

	1H FY3/25		1H FY3/26		YoY	
	Results	vs. net sales	Results	vs. net sales	Change amount	% change
Orders received	150,996	-	148,997	-	-1,999	-1.3%
Balance carried forward	243,948	-	257,757	-	13,809	5.7%
Net sales	105,950	100.0%	101,970	100.0%	3,979	-3.8%
Gross profit	17,198	16.2%	19,615	19.2%	2,416	14.0%
SG&A expenses	11,271	10.6%	13,073	12.8%	1,802	16.0%
Operating profit	5,926	5.6%	6,541	6.4%	614	10.4%
Ordinary profit	6,639	6.3%	7,036	6.9%	396	6.0%
Profit attributable to owners of parent	4,450	4.2%	5,627	5.5%	1,176	26.4%

Source: Prepared by FISCO from the Company's financial results

By segment, HVAC and plumbing for buildings and industrial HVAC contributed to an increase in operating profit

(2) Net sales and gross profit by segment

Net sales in the Facilities Construction Business totaled ¥85,720mn (down 2.6% YoY). While net sales decreased due to certain projects being delayed to the next fiscal year, this was not a cause for concern, and was nearly within the expected range. By subsegment, while the completion of construction work for HVAC and plumbing for buildings progressed steadily as a whole, some projects were delayed to the next fiscal year, causing net sales in that subsegment to decline by 8.3% to ¥27,859mn. For industrial HVAC, net sales were ¥38,959mn (down 0.8%) due to the completion of large-scale projects such as those related to EV batteries in the previous fiscal year. While this means net sales remained at nearly the same level as that of the same period of the previous fiscal year, a high level was still maintained. Electrical systems also performed well, posting net sales growth of 5.4% to ¥13,165mn due to the steady completion of other projects despite a rebound from the completion of large-scale projects related to the EV battery-related orders that it secured with the industrial HVAC business. Facility systems reported sales of ¥5,735mn, down 2.1%, due in part to a rebound from the previous fiscal year.

The Plants & Machinery Systems Business reported net sales of ¥15,209mn (down 9.7% YoY). By subsegment, machinery systems posted ¥4,422mn (down 12.5%), and environmental systems ¥10,786mn (down 8.4%). For both, net sales decreased due to slower progress in large-scale construction work compared to the same period of the previous fiscal year. However, this is not a cause for concern. Net sales were solid in the Real Estate Business, rising 1.5% to ¥1,313mn, and in the Others segment, increasing 29.3% to ¥423mn.

Main large-scale completed construction projects (1H FY3/26)

Project name	Category of construction work	Type of construction work	Location
New air conditioning equipment construction work in B-1 District Facility Building, etc. for Toranomon-Azabudai District Type 1 Urban Redevelopment Project (Construction zone for common areas of entire project, etc.)	HVAC equipment construction work	New construction	Tokyo
Daido Co., Ltd., Logiport Nagoya, Parts Inventory System	Transportation equipment construction work	New construction	Aichi Prefecture

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Results trends

Looking at profit by segment, the Facilities Construction Business reported gross profit of ¥16,909mn (up 16.7% YoY). Breaking this down by subsegment, HVAC and plumbing for buildings was ¥4,485mn (up 54.7%), industrial HVAC was ¥9,012mn (up 15.5%), electrical systems was ¥2,313mn (down 18.2%), and facility systems was ¥1,097mn (up 14.6%). While operating profit in electrical systems declined, this was due to a rebound from the completion of large-scale projects related to EV batteries in the same period of the previous fiscal year, and is not a cause for concern.

The Plants & Machinery Systems Business reported gross profit of ¥2,250mn (down 3.3% YoY), remaining nearly on par with that of the previous fiscal year. By subsegment, machinery systems posted ¥543mn (down 4.6%). While profitability remained weak in machinery systems, the gross profit margin improved due to progress with passing on higher costs to customers. Environmental systems reported firm gross profit of ¥1,706mn (down 2.8%), a level on par with that of the previous fiscal year. This was especially due to no large-scale projects being completed. Gross profit in the Real Estate Business and the Others segment was ¥537mn (down 1.2%) and ¥48mn (up 49.6%), respectively.

Net sales and gross profit by segment

	(¥mn)					
	1H FY3/25		1H FY3/26		YoY	
	Results	vs. net sales	Results	vs. net sales	Change amount	% change
Net sales	105,950	100.0%	101,970	100.0%	-3,979	-3.8%
Facilities Construction Business	88,004	83.1%	85,720	84.1%	-2,284	-2.6%
HVAC and plumbing for buildings	30,395	28.7%	27,859	27.3%	-2,536	-8.3%
Industrial HVAC	39,260	37.1%	38,959	38.2%	-300	-0.8%
Electrical systems	12,488	11.8%	13,165	12.9%	677	5.4%
Facility systems	5,860	5.5%	5,735	5.6%	-124	-2.1%
Plants & Machinery Systems Business	16,834	15.9%	15,209	14.9%	-1,625	-9.7%
Machinery systems	5,056	4.8%	4,422	4.3%	-633	-12.5%
Environmental systems	11,778	11.1%	10,786	10.6%	-991	-8.4%
Real Estate Business	1,293	1.2%	1,313	1.3%	19	1.5%
Others	327	0.3%	423	0.4%	95	29.3%
Adjustments	-509	-	-695	-	-185	-
Gross profit	17,198	16.2%	19,615	19.2%	2,416	14.0%
Facilities Construction Business	14,492	16.5%	16,909	19.7%	2,417	16.7%
HVAC and plumbing for buildings	2,899	9.5%	4,485	16.1%	1,586	54.7%
Industrial HVAC	7,805	19.9%	9,012	23.1%	1,207	15.5%
Electrical systems	2,828	22.7%	2,313	17.6%	-515	-18.2%
Facility systems	958	16.4%	1,097	19.1%	139	14.6%
Plants & Machinery Systems Business	2,326	13.8%	2,250	14.8%	-75	-3.3%
Machinery systems	570	11.3%	543	12.3%	-26	-4.6%
Environmental systems	1,756	14.9%	1,706	15.8%	-49	-2.8%
Real Estate Business	544	42.1%	537	41.0%	-6	-1.2%
Others	32	9.9%	48	11.4%	15	49.6%
Adjustments	-196	-	-131	-	64	-

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Results trends

Orders received decreased 1.3% YoY but remained at a high level; balance of construction work carried forward was also ample at ¥257.7bn

(3) Orders received by segment

Orders received in the Facilities Construction Business totaled ¥133,728mn (up 3.1% YoY). By subsegment, orders for HVAC and plumbing for buildings increased significantly to ¥61,944mn (up 55.7%), reflecting orders received for large-scale construction projects related to urban redevelopment work and data centers. Orders for industrial HVAC came to ¥45,028mn (down 19.2%), but this was due to a rebound from the acquisition of large orders, mainly those related to EV batteries, in the same period of the previous fiscal year, and is not a cause for concern. Orders for electrical systems came to ¥17,928mn (down 32.5%), but this too was due to a rebound from the receipt of orders for large-scale projects related to EV batteries in the same period of the previous fiscal year. The level of orders received itself can be termed solid. Orders for facility systems remained firm at ¥8,827mn (up 15.3%).

Orders received in the Plants & Machinery Systems Business totaled ¥14,376mn (down 29.9% YoY). By subsegment, machinery systems orders were ¥4,220mn (up 0.5%), with material handling-related orders somewhat weak. Environmental systems orders totaled ¥10,155mn (down 37.7%), reflecting intentional steps to slightly curb order activity so as not to overload the construction system. The business already has a large backlog of orders carried over after winning multiple large orders in the previous fiscal year. Orders received were ¥1,313mn (up 1.5%) in the Real Estate Business and ¥492mn (up 46.4%) in the Others segment, both solid.

Based on the above, total orders received including adjustments were ¥148,997mn (down 1.3% YoY). While this figure was at nearly the same level as that of the same period in the previous fiscal year, a high level was still maintained. The balance carried forward to the next period as of the end of 1H FY3/26 was ¥257,757mn (up 5.7% compared to the end of the previous fiscal year), reaching a record-high since the announcement of consolidated financial results. Of construction work carried forward at period end, construction projects scheduled for completion in the course of FY3/26 account for ¥105,619mn (45.4% of the balance), those scheduled for completion in the course of FY3/27 account for ¥75,601mn (32.5%), and those scheduled for completion in FY3/28 or later account for ¥51,288mn (22.1%).

Main large-scale ordered construction projects (1H FY3/26)

Project name	Category of construction work	Type of construction work	Location
RIKEN / New Research Building Construction Work	HVAC and plumbing equipment construction work	New construction	Saitama Prefecture
Bank of Japan Head Office / Core Facility Air Conditioning Renewal Work, Phase III	HVAC and plumbing equipment construction work	Renovation	Tokyo
TML Iwakura New Production Building Project, Mechanical Equipment Construction Work	HVAC equipment construction work	New construction	Miyagi Prefecture

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Results trends

Orders received by segment

	1H FY3/25		1H FY3/26		YoY	
	Results	vs. orders received	Results	vs. orders received	Change amount	% change
Orders received	150,996	100.0%	148,997	100.0%	-1,999	-1.3%
Facilities Construction Business	129,704	85.9%	133,728	89.8%	4,024	3.1%
HVAC and plumbing for buildings	39,778	26.3%	61,944	41.6%	22,166	55.7%
Industrial HVAC	55,726	36.9%	45,028	30.2%	-10,697	-19.2%
Electrical systems	26,543	17.6%	17,928	12.0%	-8,615	-32.5%
Facility systems	7,656	5.1%	8,827	5.9%	1,170	15.3%
Plants & Machinery Systems Business	20,505	13.6%	14,376	9.6%	-6,128	-29.9%
Machinery systems	4,199	2.8%	4,220	2.8%	21	0.5%
Environmental systems	16,306	10.8%	10,155	6.8%	-6,150	-37.7%
Real Estate Business	1,293	0.9%	1,313	0.9%	19	1.5%
Others	336	0.2%	492	0.3%	156	46.4%
Adjustments	-843	-	-913	-	-70	-

Source: Prepared by FISCO from the Company's results briefing materials

The equity ratio increased to 57.9% due to the increase in profit and other factors, while cash and deposits on hand are robust at ¥32.8bn

2. Financial position

Looking at the Company's financial position at the end of 1H FY3/26, current assets totaled ¥121,202mn (down ¥17,632mn compared to the end of FY3/25). This was mainly due to an increase of ¥1,013mn in cash and deposits, a decrease of ¥19,632mn in trade receivables (notes and accounts receivable, electronic record claims, notes and accounts receivable on completed construction contracts and other and contract assets), and a decrease of ¥3,999mn in investment securities. Noncurrent assets were ¥65,123mn (up ¥3,118mn). This was primarily because of a decrease of ¥312mn in property, plant and equipment due to depreciation, an increase of ¥46mn in intangible assets, and an increase of ¥3,383mn in investments and other assets (mainly an increase of ¥3,312mn in investment securities). As a result, total assets at the end of 1H FY3/26 were ¥186,326mn (down ¥14,513mn).

Current liabilities were ¥64,076mn (down ¥18,207mn compared to the end of FY3/25). This was mainly due to a decrease of ¥11,902mn in accounts payable (accounts payable on construction contracts, including electronic record liabilities), a decrease of ¥4,387mn in income taxes payable, and an increase of ¥4,112mn in contract liabilities. Noncurrent liabilities were ¥14,244mn (up ¥2,069mn), with the main factors including a decrease of ¥513mn in long-term loans payable, an increase of ¥431mn in liability for retirement benefits, and an increase of ¥2,107mn in deferred tax liabilities. As a result, total liabilities at the end of 1H FY3/26 were ¥78,320mn (down ¥16,138mn).

Total net assets totaled ¥108,005mn (up ¥1,625mn), mainly due to a decrease of ¥2,150mn in retained earnings due to the payment of dividends, a decrease of ¥1,713mn in treasury shares (an increase in value) due to retirement, and an increase of ¥2,101mn in unrealized gains on securities. As a result, the equity ratio at the end of 1H FY3/26 was 57.9% (52.9% at the end of FY3/25).

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Results trends

Balance sheets

	End of FY3/25	End of 1H FY3/26	Change amount
Cash and deposits	31,856	32,869	1,013
Notes and accounts receivable, electronic record claims, notes and accounts receivable on completed construction contracts and other and contract assets	84,806	65,174	-19,632
Investment securities	11,992	7,993	-3,999
Total current assets	138,834	121,202	-17,632
Property, plant and equipment	12,515	12,203	-312
Intangible assets	1,830	1,876	46
Investments and other assets	47,660	51,043	3,383
Investment securities	31,383	34,695	3,312
Total noncurrent assets	62,005	65,123	3,118
Total assets	200,839	186,326	-14,513
Electronic record liabilities, accounts payable on construction contracts	39,066	27,164	-11,902
Short-term loans payable	5,759	5,760	1
Income taxes payable	5,974	1,587	-4,387
Contract liabilities	11,972	16,084	4,112
Total current liabilities	82,283	64,076	-18,207
Long-term loans payable	1,348	835	-513
Liability for retirement benefits	4,613	5,044	431
Deferred tax liabilities	54	2,161	2,107
Total noncurrent liabilities	12,175	14,244	2,069
Total liabilities	94,458	78,320	-16,138
Total net assets	106,380	108,005	1,625

Source: Prepared by FISCO from the Company's financial results

3. Cash flow conditions

In 1H FY3/26, net cash provided by operating activities was ¥3,754mn. The main inflows included quarterly profit before income taxes of ¥8,298mn, depreciation of ¥1,025mn, and a ¥19,602mn decrease in trade receivables and contract assets, while the main outflows were a decrease of ¥11,426mn in trade payables. Net cash used in investing activities was ¥3,772mn. The main inflows included ¥1,038mn in proceeds from sale of investment securities (net), while the main outflows included ¥2,000mn in payments into time deposits (net), ¥2,000mn in purchase of securities (net), and ¥457mn in purchase of property, plant and equipment. Net cash used in financing activities was ¥6,994mn. The main outflows were ¥513mn in repayments of short- and long-term loans payable, ¥722mn in purchase of treasury shares, and ¥5,694mn in dividends paid.

As a result, cash and cash equivalents decreased ¥6,985mn in 1H FY3/26 to a period-end balance of ¥36,862mn.

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Results trends

Statement of cash flows

	1H FY3/25	1H FY3/26	(¥mn)
Cash flows from operating activities	12,802	3,754	
Profit before income taxes	6,476	8,298	
Depreciation	933	1,025	
Change in trade receivables and contract assets (- indicates increase)	25,402	19,602	
Change in notes and accounts payable (- indicates decrease)	-14,758	-11,426	
Cash flows from investment activities	-727	-3,772	
Payments into time deposits (net)	-	-2,000	
Purchase of securities (net)	-1,000	-2,000	
Purchase of property, plant and equipment	-266	-457	
Proceeds from sale of investment securities (net)	-39	1,038	
Cash flows from financing activities	-3,520	-6,994	
Change in short- and long-term loans payable (net)	-539	-513	
Purchase of treasury shares	-262	-722	
Dividends paid	-2,654	-5,694	
Change in cash and cash equivalents (- indicates decrease)	8,748	-6,985	
Cash and cash equivalents at end of 1H	32,249	36,862	

Source: Prepared by FISCO from the Company's financial results

Outlook

Revised operating profit forecast for FY3/26 upward to ¥27.5bn

● FY3/26 forecasts

(1) Profit forecast

For FY3/26, the Company had forecast ¥250,000mn in net sales (down 1.2% YoY), ¥27,500mn in operating profit (up 25.6%), ¥28,000mn in ordinary profit (up 21.4%), and ¥21,900mn in profit attributable to owners of parent (up 27.3%), maintaining its initial forecasts. However, it has revised its forecasts for all profit upward from those initial forecasts, with operating profit and ordinary profit up ¥3,000mn and profit attributable to owners of parent up ¥2,400mn.

The Company is expecting orders received to be ¥270,000mn (up 1.9% YoY), and the balance carried forward to the next period to be ¥230,731mn (up 9.5% compared to the end of the previous fiscal year). Orders received was initially forecast to decrease, but was revised upward due to the solid business environment.

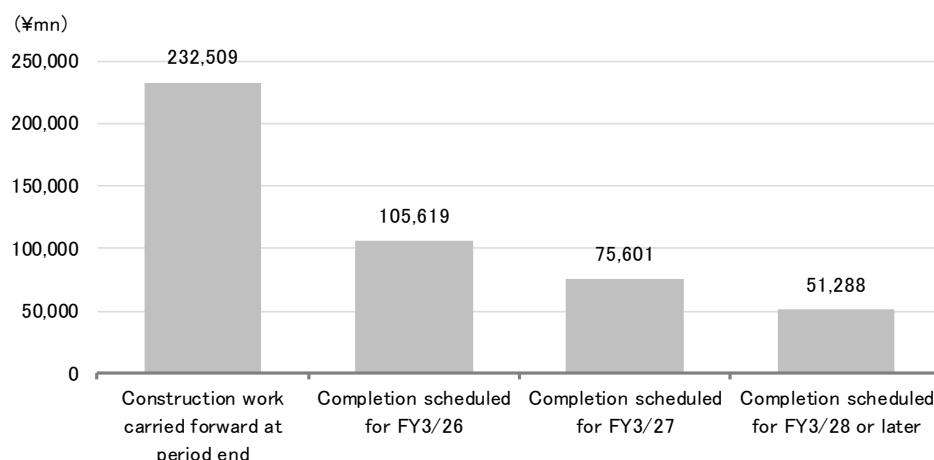
The Company expects a gross profit margin of 22.2% (up 3.4pp YoY) based on 1H results and the profitability of construction work in progress, and forecasts even further improvement versus the previous fiscal year. Conversely, it expects SG&A expenses to increase 9.4% due to incurring higher personnel expenses from an increase in personnel, work style reforms and other factors, as well as expenses related to the Company's 100th anniversary. As a result, the Company is forecasting an increase in operating profit of 25.6% despite a decline in sales. According to the Company, of the ¥232.5bn in individual construction work carried forward at the end of 1H FY3/26, approximately ¥105.6bn is scheduled to be completed during FY3/26, so there is a strong possibility that this earnings forecast will be achieved. Depending on amount of orders received and the value of projects completed during FY3/26, as well as the progress on projects going forward, FISCO believes there is a possibility that forecasts will be upwardly revised.

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Outlook

**Construction work carried forward and scheduled for completion
(non-consolidated: excludes Real Estate Business)**



Source: Prepared by FISCO from the Company's results briefing materials

(2) Outlook by segment

The Company anticipates net sales of ¥207,000mn (down 0.9% YoY) in the Facilities Construction Business. By subsegment, it expects net sales will: decrease 1.1% to ¥73,000mn in HVAC and plumbing for buildings as the Company is mostly at full capacity with construction work in progress; decrease 4.7% to ¥87,000mn in industrial HVAC due to the same kind of trend; increase 8.0% to ¥33,000mn in electrical systems due to a large backlog of major orders, including EV battery-related projects; and increase 4.6% to ¥14,000mn in facility systems due to expectations for strong sales.

Net sales in the Plants & Machinery Systems Business are expected to be ¥41,000mn (down 2.9% YoY). By subsegment, for machinery systems, while there is progress in construction work in progress, certain projects have fallen behind schedule. Due to this and other factors, the Company expects net sales to rise 0.6% to ¥11,000mn. Environmental systems are expected to see sales decline 4.2% to ¥30,000mn, partly due to the recoil decline from the previous fiscal year, but the Company expects sales to remain in the ¥30,000mn range. The Real Estate Business and Others are expected to be ¥2,500mn (down 3.5%) and ¥700mn (down 5.3%), respectively.

The Company expects orders received to reach ¥270,000mn (up 1.9% YoY), reflecting the continued strength of the industry environment. In the mainstay Facilities Construction Business, the Company anticipates orders of ¥232,000mn (up 6.1%). By subsegment, it expects to receive orders for large-scale redevelopment projects in 2H, resulting in increase of 65.3% to ¥115,000mn in HVAC and plumbing for buildings, and expects a decline of 20.3% to ¥75,000mn in industrial HVAC partly in reaction to high levels of orders for large-scale projects in the previous two years. In electrical systems, the Company anticipates order contraction of 35.7% to ¥26,000mn due to similar trends, but it sees orders increasing 10.8% to ¥16,000mn in facility systems, with strong demand.

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Outlook

In the Plants & Machinery Systems Business, the Company expects orders received of ¥36,000mn (down 18.8% YoY). By subsegment, it anticipates orders of ¥11,000mn (up 0.6%) on par with those of the previous fiscal year, due largely to a delay in the recovery in machinery systems, led by material handling-related orders. In environmental systems, the Company expects orders to contract 25.1% to ¥25,000mn, partly reflecting a pullback from large orders in the previous fiscal year and intentional steps to slightly curb order activity out of consideration for construction capacity. However, the order level still looks healthy compared with previous years. Orders received in the Real Estate Business and the Others segment are forecast to be ¥2,500mn (down 3.5%) and ¥700mn (down 4.1%), respectively.

FY3/26 forecast

	FY3/25		FY3/26		YoY	
	Results	Component ratio	Forecast	Component ratio	Change amount	% change
Orders received	264,965	100.0%	270,000	100.0%	5,035	1.9%
Facilities Construction Business	218,590	82.5%	232,000	85.9%	13,410	6.1%
HVAC and plumbing for buildings	69,564	26.3%	115,000	42.6%	45,436	65.3%
Industrial HVAC	94,137	35.5%	75,000	27.8%	-19,137	-20.3%
Electrical systems	40,447	15.3%	26,000	9.6%	-14,447	-35.7%
Facility systems	14,441	5.5%	16,000	5.9%	1,559	10.8%
Plants & Machinery Systems Business	44,330	16.7%	36,000	13.3%	-8,330	-18.8%
Machinery systems	10,933	4.1%	11,000	4.1%	67	0.6%
Environmental systems	33,396	12.6%	25,000	9.3%	-8,396	-25.1%
Real Estate Business	2,592	1.0%	2,500	0.9%	-92	-3.5%
Others	730	0.3%	700	0.3%	-30	-4.1%
Adjustments	-1,278	-0.5%	-1,200	-	-98	-
Net sales	253,136	100.0%	250,000	100.0%	-3,136	-1.2%
Facilities Construction Business	208,981	82.6%	207,000	82.8%	-1,981	-0.9%
HVAC and plumbing for buildings	73,782	29.1%	73,000	29.2%	-782	-1.1%
Industrial HVAC	91,264	36.1%	87,000	34.8%	-4,264	-4.7%
Electrical systems	30,553	12.1%	33,000	13.2%	2,447	8.0%
Facility systems	13,381	5.3%	14,000	5.6%	619	4.6%
Plants & Machinery Systems Business	42,235	16.7%	41,000	16.4%	-1,235	-2.9%
Machinery systems	10,934	4.3%	11,000	4.4%	66	0.6%
Environmental systems	31,300	12.4%	30,000	12.0%	-1,300	-4.2%
Real Estate Business	2,592	1.0%	2,500	1.0%	-92	-3.5%
Others	739	0.3%	700	0.3%	-39	-5.3%
Adjustments	-1,413	-0.6%	-1,200	-	213	-
Gross profit	47,495	18.8%	55,500	22.2%	8,005	16.9%
SG&A expenses	25,602	10.1%	28,000	11.2%	2,398	9.4%
Operating profit	21,893	8.6%	27,500	11.0%	5,607	25.6%
Ordinary profit	23,071	9.1%	28,000	11.2%	4,929	21.4%
Profit attributable to owners of parent	17,203	6.8%	21,900	8.8%	4,697	27.3%

Source: Prepared by FISCO from the Company's results briefing materials and summary of financial results

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Medium-term management plan

Net sales of ¥300.0bn and operating profit of ¥30.0bn targeted for FY3/28

1. Long-term vision: MIRAI 2030 and Medium-Term Management Plan 2027

In Spring 2025, the Company announced its new management vision, "MIRAI 2030," following the achievement of its previous management vision, "Century 2025," one year ahead of schedule. This plan outlines the Company's vision for FY3/31, and also sets out the first three years as the first step in the medium-term management plan. The targets and outline of the new medium-term management plan are as follows:

(1) MIRAI 2030: Vision for 2030

The Company's long-term targets for FY3/31 (quantitative targets) are net sales of ¥350.0bn, ROE of 16.0% or higher, and 3,000 employees. Furthermore, the Company announced its Medium-Term Management Plan 2027 as the first step (three years from FY3/26 to FY3/28) in order to achieve these long-term targets.

(2) Strategic frameworks of the Medium-Term Management Plan 2027

Aiming to realize its MIRAI 2030 management vision through which it seeks to simultaneously achieve enhanced environmental and social value and enhanced corporate (economic) value, the Company will position the three-year period up to FY2027 as a period for laying the foundation for making dramatic steps forward. Under the theme of "Enhancement and Co-Creation," the Company will implement three strategies: Business Strategy, Financial and Capital Strategy, and Human Resources Strategy.

The numerical targets for FY3/28 are net sales of ¥300.0bn, operating profit of ¥30.0bn, ROE of 16.0% or higher, DOE of 5.0% or higher (revised the dividend policy) and having 2,900 employees.

2. Progress of each strategy

The progress (topics) of each strategy is as follows.

(1) Business Strategy topics: Strategic enhancement of core businesses

(Measure: Developing technologies for business expansion into growth and advanced fields)

1) Developed a wide-range temperature stratification-type BroDOUP™ for clean rooms

The Company developed an upgraded version of DOUP®, the energy-saving system for industrial clean rooms, to enable its application to large clean rooms, thereby meeting energy-saving needs for clean rooms in the semiconductor and other fields.

2) Constructed an ultra-low humidity environment test chamber with a -80°C dew point class

The Company built an ultra-low humidity environment test chamber essential for the development of next-generation batteries, including all-solid-state batteries. It is advancing the development of new energy-saving technologies through the use of this test chamber and bolstering its sales expansion activities targeting customers such as those in the automotive industry who are pursuing the development and manufacture of next-generation batteries.

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Medium-term management plan

(2) Business Strategy topics: Business evolution through digital technologies

(Measure: Developing technologies with the use of digital technologies)

1) Jointly developed the TRANDIM™ software that automatically generates 3D models from 2D drawings together with WOGO, Inc.

This software makes it possible to reduce the time required to generate 3D models of equipment and devices such as boilers and refrigeration units, which previously took 2–7 hours, by up to 90%. Product realization and sales are scheduled for FY2026.

2) Established 3D modeling technology using image data from compact drones

The Company established a method for digitalizing existing facilities through the combined use of laser scanners and compact inspection drones. This method makes it possible to efficiently generate 3D models even in confined or enclosed spaces.

(Measure: Formulating “DX Strategy 2030”)

Aligning the “SANKI DX Vision,” its guidelines for promoting DX, with its MIRAI 2030 management vision, the Company established key success factors and formulated a concrete roadmap.

Executing M&As that are small in scale but in line with the Company's business strategy

(3) Business Strategy topics: Co-creation and business expansion through strategic alliances

(Measure: Securing resources to meet growing needs for waste treatment facility construction)

On August 1, 2025, SANKI GREENTECH CO., LTD., a domestic group company, acquired all shares of Hoei Shoko Co., Ltd., which engages in the likes of the design, construction and maintenance of waste treatment facilities. With demand for the renewal of aging treatment facilities and the expansion of DBO* anticipated, the Company will manifest synergy within the group to the fullest through this M&A as it endeavors to expand its business. In doing so, it will establish the group structure shown in the below diagram.

* Short for Design Build Operate. A Public-Private Partnership (PPP) method in which design and construction and operation and maintenance management are collectively contracted out to a private business operator.

Group structure for the environmental systems business



Source: The Company's results briefing materials

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Medium-term management plan

(4) Financial and Capital Strategy topics: Balance between growth investment and return of profits to shareholders

(Measure: Reducing cross-shareholdings by 6 stocks* (approximately ¥2.1bn) by the end of September 2025)

Aiming to reduce its cross-shareholdings to less than 20% of consolidated net assets by the end of March 2028, the Company will proceed with selling them accordingly. The cash generated will be allocated to growth investment and returns to stakeholders based on the Company's cash allocation strategy.

| * Of these, 5 are listed stocks. |

(Measure: Improving terms of payment to business partners)

As part of its returns to stakeholders, the Company will change its payment terms as follows starting with payments for October 2025.

- Among business partners, all partner companies (construction contractors) will receive payments in the form of cash transfers in full
- The Company will bear all fees for bank transfers to all business partners. The Company group will bear all bank transfer fees for payments from domestic consolidated subsidiaries as well

This measure will help reinforce the Company's partnership with partner companies.

(5) Human Resources Strategy topics: Promotion of human capital management

(Measure: Strengthening new graduate and mid-career recruitment)

The Company aims to have a consolidated workforce of 2,900 employees by the end of FY2027. In addition to raising starting salaries (from April 2024) and enhancing internship programs, the Company will work to broaden its recruitment channels and pursue the acquisition of a diverse range of talent to shape the future of Sanki.

(Measure: Fundamentally revising education and training systems)

The Company will establish an education and training system that emphasizes the acquisition of skills and experience. It will identify required skills based on the desired human resources profile and support each employee's proactive skill development from the dual angle of business and technical skills.

(Measure: Creating a workplace environment where employees want to continue working and contribute)

The Company will engineer an improvement in its engagement score* for FY3/26 by 2.9pp YoY. It will extract issues to be addressed going forward through the continuous monitoring of employee engagement and also provide individual follow-ups on departments with low scores.

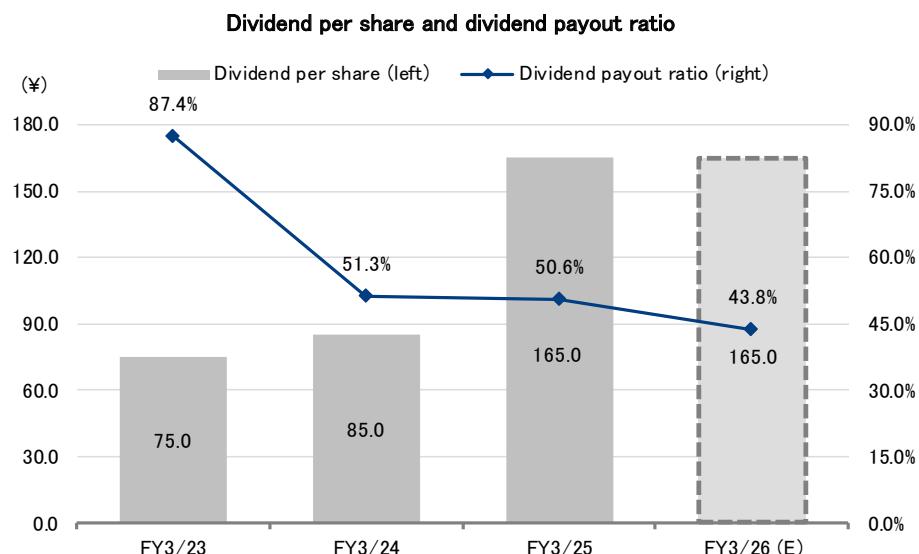
| * Deviation value measuring the degree of employees' understanding and empathy toward the Company's vision and direction (Standard score: 50.0) |

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Shareholder return policy

Planning to pay a dividend of ¥165 (dividend payout ratio of 43.8%) in FY3/26

The Company is also actively returning profits to shareholders. It has been paying stable returns to shareholders in line with its shareholder return policy in the prior “Century 2025” Phase 3 medium-term management plan. Based on this policy, the Company paid a FY3/25 full-year dividend of ¥165 per share (dividend payout ratio of 50.6%). Under its Medium-Term Management Plan 2027, with the aim of simultaneously realizing growth investment and stable, sustainable returns of profit to shareholders, the Company revised its shareholder return policy to a DOE of 5.0% or higher and purchases of approximately 4 million treasury shares during the plan period (through FY3/28). In line with this policy, in FY3/26, the Company plans to pay a full-year dividend of ¥165 (DOE of 7.8%) and purchase 1 million shares of treasury stock. The Company also retired 1 million shares on August 18, 2025. It should be highly commended for its proactive stance on shareholder returns and relationships with various stakeholders.



Source: Prepared by FISCO from the Company's results briefing materials

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