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# **The 1st Quarter FY2014 Summary of Financial Results**

**Aug 8, 2014**

**Sanki Engineering Co., Ltd.**

# Contents

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<b>The 1st Quarter FY 2014 Results (Consolidated) .....</b>	<b>03</b>
<b>Orders Received by Segment (Consolidated) .....</b>	<b>04</b>
<b>Orders Received by Business Area (Consolidated) .....</b>	<b>05</b>
<b>Orders Received by Type .....</b>	<b>06</b>
<b>Quarterly Results (Consolidated) .....</b>	<b>07</b>
<b>Profit and loss by Segment (Consolidated) .....</b>	<b>08</b>
<b>Balance Sheet (Consolidated) .....</b>	<b>09</b>
<b>FY 2014 Forecast (Consolidated) .....</b>	<b>10</b>
<b>Statement of profit and loss (Consolidated) .....</b>	<b>11</b>
<b>Statement of profit and loss (Non-consolidated) .....</b>	<b>12</b>

# The 1st Quarter FY 2014 Results (Consolidated)

(Millions of yen)

	June 2013	June 2014	Year on year	Rate of change (%)
Orders brought forward	111,420	108,219	(3,200)	(2.9)
Orders received	40,928	42,489	1,561	3.8
Orders carried forward	122,884	117,883	(5,001)	(4.1)
Sales	29,463	32,825	3,361	11.4
Gross profit	1,771	1,700	(71)	(4.0)
Gross profit margin	6.0%	5.2%	(0.8)%	-
Gross profit margin of Facilities Construction Business and Plants & Machinery Systems Business*	5.9%	5.0%	(0.9)%	-
Selling, general and administrative expenses	3,809	3,786	(23)	(0.6)
Operating income	(2,037)	(2,085)	(48)	-
Ordinary income	(1,713)	(1,846)	(133)	-
Net income	(1,043)	(1,215)	(171)	-

\*Plants & Machinery Systems Business : Machinery Systems Business and Environmental Systems Business.

# Orders Received by Segment (Consolidated)

(Millions of yen)

Segment		June 2013	June 2014	Year on year	Rate of change (%)
Orders received	Facilities Construction	34,783	37,434	2,651	7.6
	Machinery Systems	3,085	1,579	(1,505)	(48.8)
	Environmental Systems	2,809	3,233	424	15.1
	Sub-total	40,677	42,248	1,571	3.9
	Real Estate	269	270	1	0.4
	Others	154	122	(32)	(20.8)
	Adjustments	(172)	(151)	20	-
Total		40,928	42,489	1,561	3.8
Orders carried forward	Facilities Construction	97,554	97,805	250	0.3
	Machinery Systems	8,282	5,185	(3,097)	(37.4)
	Environmental Systems	17,328	15,056	(2,271)	(13.1)
	Sub-total	123,166	118,048	(5,118)	(4.2)
	Real Estate	-	-	-	-
	Others	126	107	(19)	(15.4)
	Adjustments	(408)	(271)	136	-
Total		122,884	117,883	(5,001)	(4.1)

# Orders Received by Business Area (Consolidated)

(Millions of yen)

Business		June 2013	June 2014	Year on year	Rate of change (%)
	HVAC and plumbing for Buildings	19,994	18,077	(1,917)	(9.6)
	Industrial HVAC	8,183	10,568	2,384	29.1
	Electrical Systems	3,553	6,183	2,629	74.0
	Smart Building Solutions	1,543	766	(777)	(50.3)
	Facility Systems	1,507	1,838	331	22.0
Facilities Construction Business total		34,783	37,434	2,651	7.6
	Machinery Systems	3,085	1,579	(1,505)	(48.8)
	Environmental Systems	2,809	3,233	424	15.1
Plant & Machinery Systems Business total		5,894	4,813	(1,080)	(18.3)
Sub-total		40,677	42,248	1,571	3.9
Real Estate		269	270	1	0.4
Others		154	122	(32)	(20.8)
Adjustments		(172)	(151)	20	-
Total		40,928	42,489	1,561	3.8

# Orders Received by Type

(%. Millions of yen)

	June 2013	June 2014	Year on year
* Construction orders received from general contractor (Non-consolidated)	57.7	59.5	1.8
Construction orders received from overseas project (Consolidated)	1.8	2.2	0.4
Renewal construction (Consolidated)	47.6	47.6	0.0
<Ref.> Orders received for renewal construction (Consolidated)	19,488	20,217	729
<Ref.> Sales for renewal construction (Consolidated)	15,468	14,702	(766)

\*The ratios and amounts are those in Facilities Construction Business unit.

# Quarterly Results (Consolidated)

(Millions of yen)

	FY 2013				FY 2014
	1Q	2Q	3Q	4Q	1Q
Orders received	40,928	45,740	35,543	46,083	42,489
Sales	29,463	37,544	41,281	63,206	32,825
Gross profit	1,771	3,381	4,134	9,135	1,700
<b>Gross profit margin</b>	<b>6.0%</b>	<b>9.0%</b>	<b>10.0%</b>	<b>14.5%</b>	<b>5.2%</b>
Selling, general and administrative expenses	3,809	3,884	3,579	4,330	3,786
Operating income (loss)	(2,037)	(503)	554	4,805	(2,085)
Operating profit margin	(6.9)%	(1.3)%	1.3%	7.6%	(6.4)%
Ordinary income (loss)	(1,713)	(406)	567	4,699	(1,846)
Extraordinary income (gain)	6	(42)	(1)	29	-
Net income (net loss)	(1,043)	(244)	363	2,687	(1,215)
Provision for loss on construction contracts (balance at the end of period)	481	577	600	567	724
Provision (or reversal of provision) for loss (gain) on construction contracts	(319)	95	22	(33)	157
Balance carried forward (at the end of period) subjected to provision for loss on construction contracts	4,300	5,100	4,900	5,500	7,300

# Profit and loss by Segment (Consolidated)

(Millions of yen)

Segment		June 2013	June 2014	Year on year	Rate of change (%)
Sales	Facilities Construction	25,822	28,365	2,542	9.8
	Machinery Systems	1,832	2,061	228	12.5
	Environmental Systems	1,584	2,141	557	35.2
	Sub-total	29,239	32,567	3,328	11.4
	Real Estate	269	270	1	0.4
	Others	146	109	(36)	(24.9)
	Adjustments	(191)	(122)	69	-
	Total	29,463	32,825	3,361	11.4
Segment Profit (loss)	Facilities Construction	(1,249)	(1,363)	(113)	-
	Machinery Systems	(68)	(138)	(69)	-
	Environmental Systems	(678)	(623)	54	-
	Sub-total	(1,997)	(2,125)	(127)	-
	Real Estate	17	58	41	234.3
	Others	12	7	(4)	(39.2)
	Adjustments	253	212	(41)	(16.3)
	Total	(1,713)	(1,846)	(133)	-



# Balance Sheet (Consolidated)

(Millions of yen)

	End of FY 2013	End of June 2014	Year on year	Rate of change (%)	End of June 2013
Current assets	115,941	103,278	(12,662)	(10.9)	97,980
Non-current assets	54,239	57,728	3,488	6.4	57,338
Investment securities	31,283	32,751	1,468	4.7	30,018
Current liabilities	78,736	67,384	(11,352)	(14.4)	62,967
Provision for loss on construction contracts	567	724	157	27.8	481
Non-current liabilities	16,526	16,330	(196)	(1.2)	16,650
Net assets	74,917	77,292	2,375	3.2	75,701
Valuation difference on available-for-sale securities	9,095	10,125	1,029	11.3	8,143
Total net assets	170,181	161,007	(9,174)	(5.4)	155,318
Book-value per share (yen)	1,142.74	1,178.99	36.25	3.2	1,120.87
Capital adequacy ratio (%)	44.0	48.0	4.0	-	48.7
Interest-bearing liabilities (consolidated)	6,576	5,472	(1,104)	(16.8)	6,465

# FY 2014 Forecast (Consolidated)

(Millions of yen)

	Forecast as of May 13, 2014			Forecast as of August 8, 2014			Diff.		
	1Q + 2Q	3Q + 4Q	Full Year	1Q + 2Q	3Q + 4Q	Full Year	1Q + 2Q	3Q + 4Q	Full Year
Orders received	81,000	94,000	175,000	81,000	94,000	175,000	-	-	-
Sales	78,000	102,000	180,000	78,000	102,000	180,000	-	-	-
Operating income	(1,600)	4,800	3,200	(1,600)	4,800	3,200	-	-	-
Ordinary income	(1,500)	5,000	3,500	(1,500)	5,000	3,500	-	-	-
Net income	(1,000)	3,200	2,200	(1,000)	3,200	2,200	-	-	-

# Statement of profit and loss (Consolidated)

(Millions of yen)

	June 2013	Ratio (%)	June 2014	Ratio (%)	Year on year	Rate of change (%)
<b>Sales</b>	<b>29,463</b>	<b>100.0<sup>(A)</sup></b>	<b>32,825</b>	<b>100.0<sup>(D)</sup></b>	<b>3,361</b>	<b>11.4</b>
Completed construction contracts <sup>(1)</sup>	29,176	99.0 <sup>(B)</sup>	32,533	99.1 <sup>(E)</sup>	3,356	11.5
Real Estate and Others <sup>(2)</sup>	287	1.0 <sup>(C)</sup>	292	0.9 <sup>(F)</sup>	5	1.9
<b>Gross profit</b>	<b>1,771</b>	<b>6.0</b>	<b>1,700</b>	<b>5.2</b>	<b>(71)</b>	<b>(4.0)</b>
Completed construction contracts <sup>(3)</sup>	1,712	5.9 <sup>*1</sup>	1,614	5.0 <sup>*3</sup>	(97)	(5.7)
Real Estate and Others <sup>(4)</sup>	59	20.8 <sup>*2</sup>	85	29.4 <sup>*4</sup>	26	43.7
<b>Selling, general and administrative expenses</b>	<b>3,809</b>	<b>12.9</b>	<b>3,786</b>	<b>11.6</b>	<b>(23)</b>	<b>(0.6)</b>
<b>Operating income</b>	<b>(2,037)</b>	<b>(6.9)</b>	<b>(2,085)</b>	<b>(6.4)</b>	<b>(48)</b>	<b>-</b>
<b>Non-operating income</b>	<b>469</b>	<b>1.6</b>	<b>426</b>	<b>1.3</b>	<b>(42)</b>	<b>(9.1)</b>
<b>Non-operating expenses</b>	<b>145</b>	<b>0.5</b>	<b>187</b>	<b>0.5</b>	<b>42</b>	<b>28.9</b>
<b>Ordinary income</b>	<b>(1,713)</b>	<b>(5.8)</b>	<b>(1,846)</b>	<b>(5.6)</b>	<b>(133)</b>	<b>-</b>
<b>Extraordinary gains</b>	<b>136</b>	<b>0.5</b>	<b>-</b>	<b>-</b>	<b>(136)</b>	<b>-</b>
<b>Extraordinary losses</b>	<b>143</b>	<b>0.5</b>	<b>-</b>	<b>-</b>	<b>(143)</b>	<b>-</b>
<b>Income before income taxes and minority interests</b>	<b>(1,720)</b>	<b>(5.8)</b>	<b>(1,846)</b>	<b>(5.6)</b>	<b>(126)</b>	<b>-</b>
<b>Net income</b>	<b>(1,043)</b>	<b>(3.5)</b>	<b>(1,215)</b>	<b>(3.7)</b>	<b>(171)</b>	<b>-</b>

- (B)(C)(E) and (F) indicate composition ratio. (A)=(B)+(C), (D)=(E)+(F)
- \*1-4 indicate each profit margin. \*1 = (3)/(1), \*2=(4)/(2), \*3=(3)/(1), \*4=(4)/(2)

# Statement of profit and loss (Non-consolidated)

(Millions of yen)

	June 2013	Ratio (%)	June 2014	Ratio (%)	Year on year	Rate of change (%)
<b>Sales</b>	<b>27,020</b>	<b>100.0<sup>(A)</sup></b>	<b>30,285</b>	<b>100.0<sup>(D)</sup></b>	<b>3,264</b>	<b>12.1</b>
Completed construction contracts <sup>(1)</sup>	26,751	99.0 <sup>(B)</sup>	30,015	99.1 <sup>(E)</sup>	3,263	12.2
Real Estate and Others <sup>(2)</sup>	269	1.0 <sup>(C)</sup>	270	0.9 <sup>(F)</sup>	1	0.4
<b>Gross profit</b>	<b>1,451</b>	<b>5.4</b>	<b>1,407</b>	<b>4.6</b>	<b>(44)</b>	<b>(3.0)</b>
Completed construction contracts <sup>(3)</sup>	1,408	5.3 <sup>*1</sup>	1,343	4.5 <sup>*3</sup>	(64)	(4.6)
Real Estate and Others <sup>(4)</sup>	43	16.2 <sup>*2</sup>	64	23.8 <sup>*4</sup>	20	47.6
<b>Selling, general and administrative expenses</b>	<b>3,504</b>	<b>13.0</b>	<b>3,458</b>	<b>11.4</b>	<b>(45)</b>	<b>(1.3)</b>
<b>Operating income</b>	<b>(2,052)</b>	<b>(7.6)</b>	<b>(2,050)</b>	<b>(6.8)</b>	<b>1</b>	<b>-</b>
<b>Non-operating income</b>	<b>851</b>	<b>3.1</b>	<b>858</b>	<b>2.9</b>	<b>6</b>	<b>0.8</b>
<b>Non-operating expenses</b>	<b>175</b>	<b>0.6</b>	<b>114</b>	<b>0.4</b>	<b>(61)</b>	<b>(34.9)</b>
<b>Ordinary income</b>	<b>(1,375)</b>	<b>(5.1)</b>	<b>(1,306)</b>	<b>(4.3)</b>	<b>68</b>	<b>-</b>
<b>Extraordinary gains</b>	<b>136</b>	<b>0.5</b>	<b>-</b>	<b>-</b>	<b>(136)</b>	<b>-</b>
<b>Extraordinary losses</b>	<b>143</b>	<b>0.5</b>	<b>-</b>	<b>-</b>	<b>(143)</b>	<b>-</b>
<b>Income before income taxes and minority interests</b>	<b>(1,382)</b>	<b>(5.1)</b>	<b>(1,306)</b>	<b>(4.3)</b>	<b>75</b>	<b>-</b>
<b>Net income</b>	<b>(681)</b>	<b>(2.5)</b>	<b>(696)</b>	<b>(2.3)</b>	<b>(14)</b>	<b>-</b>

● (B)(C)(E) and (F) indicate composition ratio. (A)=(B)+(C), (D)=(E)+(F)

● \*1-4 indicate each profit margin. \*1 = (3)/(1), \*2=(4)/(2), \*3=(3)/(1), \*4=(4)/(2)

**Thank you for your kind attention.**

## Remarks on Business Forecast

The descriptions contained in this material, except for those as to past or present facts, are based on anticipations, assumptions, evaluations and estimations in light of the information available as of August 8, 2014.

Therefore, the actual results may differ from those presented herein as a consequence of various factors including uncertainties and prospective changes in the economic environment.

<Major factors>

- Overall economic impact of natural disasters and other.
- Sudden changes in demand in main markets (especially construction market in Japan).
- Credit exposure of client companies.
- Sudden changes in material and equipment cost and labor cost.
- Stock market fluctuations.
- Increase in retirement benefits and debt.
- Accident and disaster in Facilities construction and other.
- Risk in Real Estate Business.
- Risk in Regal action.

For inquiries please contact:

Corporate Communications Department

TEL: +81-3-6367-7041