

FY2015
Summary of Financial Results

May 13, 2016

Sanki Engineering Co., Ltd.

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Key Points of Financial Results

〈Orders received〉

Orders received by Facilities Construction Business increased because of high performance of industrial HVAC such as electrical machinery and automobile , etc. under the influence of manufactures returning to domestic.

Orders received by Plant & Machinery Systems Business increased because of large-scale project orders received by both Machinery Systems and Environmental Systems.

〈Sales , Profit〉

Net sales changed relatively flat year-on-year basis , but gross profit margin was improved due to improved work efficiency in addition to rigorous cost management. Above all , gross profit margin of large-scale projects was greatly improved.

As a result, all profit categories such as gross profit, operating income, ordinary income, and profit attributable to owners of parent changed smoothly and were greatly improved.

【 Overall Results 】

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FY 2015 Full-Year Results(Consolidated)

(Millions of yen)

| | FY 2014 | FY 2015 | Year on year | Rate of change(%) |
|--|---------|---------|--------------|-------------------|
| Orders received | 173,398 | 183,270 | 9,871 | 5.7 |
| Balance carried forward | 102,019 | 106,388 | 4,368 | 4.3 |
| Net sales | 179,598 | 178,901 | (696) | (0.4) |
| Completed construction contracts | 178,220 | 177,262 | (957) | (0.5) |
| Real estate business and Others | 1,378 | 1,638 | 260 | 18.9 |
| Gross profit | 17,966 | 22,929 | 4,963 | 27.6 |
| Completed construction contracts | 17,648 | 22,556 | 4,908 | 27.8 |
| Real estate business and Others | 318 | 373 | 55 | 17.3 |
| Gross profit margin (%) | 10.0 | 12.8 | 2.8 | — |
| Selling, general and administrative expenses | 15,015 | 16,419 | 1,404 | 9.4 |
| Operating income (loss) | 2,951 | 6,509 | 3,558 | 120.6 |
| Non-operating income | 1,607 | 2,365 | 758 | 47.2 |
| Non-operating expenses | 749 | 740 | (8) | (1.2) |
| Ordinary income (loss) | 3,809 | 8,135 | 4,325 | 113.6 |
| Profit attributable to owners of parent (loss) * | 2,461 | 5,327 | 2,866 | 116.4 |

* With accounting standards about the combine after the revision having been applied from the fiscal year, "profit attributable to owners of parent" in this consolidate account year expresses "net income" in previous consolidated account year.

【 Orders Received 】

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Orders Received by Segment (Consolidated)

(Millions of yen)

| Segment | | FY 2014 | FY 2015 | Year on year | Rate of change(%) |
|---|---------------------------------|---------|---------|--------------|-------------------|
| | HVAC and Plumbing for Buildings | 70,778 | 66,172 | (4,605) | (6.5) |
| | Industrial HVAC | 46,765 | 52,522 | 5,756 | 12.3 |
| | Electrical Systems | 23,215 | 22,667 | (548) | (2.4) |
| | Facility Systems | 9,272 | 11,070 | 1,797 | 19.4 |
| Total of Facilities Construction Business | | 150,032 | 152,432 | 2,400 | 1.6 |
| | Machinery Systems | 5,716 | 10,309 | 4,593 | 80.4 |
| | Environmental Systems | 16,767 | 19,610 | 2,842 | 17.0 |
| Total of Plant & Machinery Systems Business | | 22,483 | 29,919 | 7,436 | 33.1 |
| Sub-total | | 172,516 | 182,352 | 9,836 | 5.7 |
| Real Estate Business | | 1,285 | 1,532 | 247 | 19.3 |
| Others | | 481 | 524 | 42 | 8.9 |
| Adjustments * | | (884) | (1,139) | (254) | — |
| Total | | 173,398 | 183,270 | 9,871 | 5.7 |

*Adjustments eliminate inter segment transactions included in each segment.

【Net Sales】

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Net Sales by Segment (Consolidated)

(Millions of yen)

| Segment | FY 2014 | FY 2015 | Year on year | Rate of change(%) |
|--|----------------|----------------|----------------|-------------------|
| HVAC and Plumbing for Buildings | 72,371 | 64,492 | (7,878) | (10.9) |
| Industrial HVAC | 47,015 | 52,084 | 5,069 | 10.8 |
| Electrical Systems | 21,884 | 22,958 | 1,073 | 4.9 |
| Facility Systems | 9,897 | 10,416 | 518 | 5.2 |
| Total of Facilities Construction Business | 151,169 | 149,952 | (1,216) | (0.8) |
| Machinery Systems | 9,953 | 9,217 | (736) | (7.4) |
| Environmental Systems | 17,485 | 18,734 | 1,248 | 7.1 |
| Total of Plant & Machinery Systems Business | 27,439 | 27,951 | 512 | 1.9 |
| Sub-total | 178,608 | 177,904 | (704) | (0.4) |
| Real Estate Business | 1,285 | 1,532 | 247 | 19.3 |
| Others | 508 | 542 | 34 | 6.7 |
| Adjustments * | (803) | (1,077) | (274) | — |
| Total | 179,598 | 178,901 | (696) | (0.4) |

* Adjustments eliminate inter segment transactions included in each segment.

【Profit】

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Ordinary Income and Loss by Segment (Consolidated)

(Millions of yen)

| Segment | | FY 2014 | FY 2015 | Year on year | Rate of change(%) |
|-----------------------|-------------------------|--------------|--------------|--------------|-------------------|
| Segment Profit (Loss) | Facilities Construction | 2,943 | 7,698 | 4,755 | 161.6 |
| | Machinery Systems | 105 | 275 | 170 | 162.3 |
| | Environmental Systems | 24 | (315) | (340) | — |
| | Sub-total | 3,073 | 7,658 | 4,584 | 149.2 |
| | Real Estate Business | 207 | 233 | 25 | 12.1 |
| | Others | 48 | 52 | 3 | 7.8 |
| | Adjustments * | 479 | 191 | (287) | (60.1) |
| Total | 3,809 | 8,135 | 4,325 | 113.6 | |

* Adjustment of profit and loss by Segment to all company profit and loss that amount distribute into each segment.

【Overall Result】

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Quarterly Results (Consolidated)

(Millions of yen)

| | FY 2014 | | | | FY 2015 | | | |
|--|---------|--------|--------|--------|---------|--------|--------|--------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
| Orders received | 42,489 | 38,758 | 55,923 | 36,226 | 46,385 | 52,820 | 48,311 | 35,753 |
| Net sales | 32,825 | 42,682 | 47,145 | 56,945 | 34,495 | 40,985 | 47,022 | 56,397 |
| Gross profit | 1,700 | 3,224 | 4,753 | 8,287 | 3,291 | 4,812 | 6,043 | 8,783 |
| Gross profit margin (%) | 5.2 | 7.6 | 10.1 | 14.6 | 9.5 | 11.7 | 12.9 | 15.6 |
| Selling, general and administrative expenses | 3,786 | 3,845 | 3,552 | 3,831 | 3,921 | 4,005 | 3,783 | 4,709 |
| Operating income (loss) | (2,085) | (620) | 1,201 | 4,456 | (630) | 807 | 2,259 | 4,073 |
| Operating profit margin (%) | (6.4) | (1.5) | 2.5 | 7.8 | (1.8) | 2.0 | 4.8 | 7.2 |
| Ordinary income (loss) | (1,846) | (478) | 1,612 | 4,522 | (254) | 778 | 2,554 | 5,055 |
| Extraordinary income (loss) | - | (18) | (116) | (312) | (55) | 30 | 96 | (371) |
| Profit attributable to owners of parent (loss) | (1,215) | (111) | 1,119 | 2,669 | (266) | 521 | 1,790 | 3,282 |

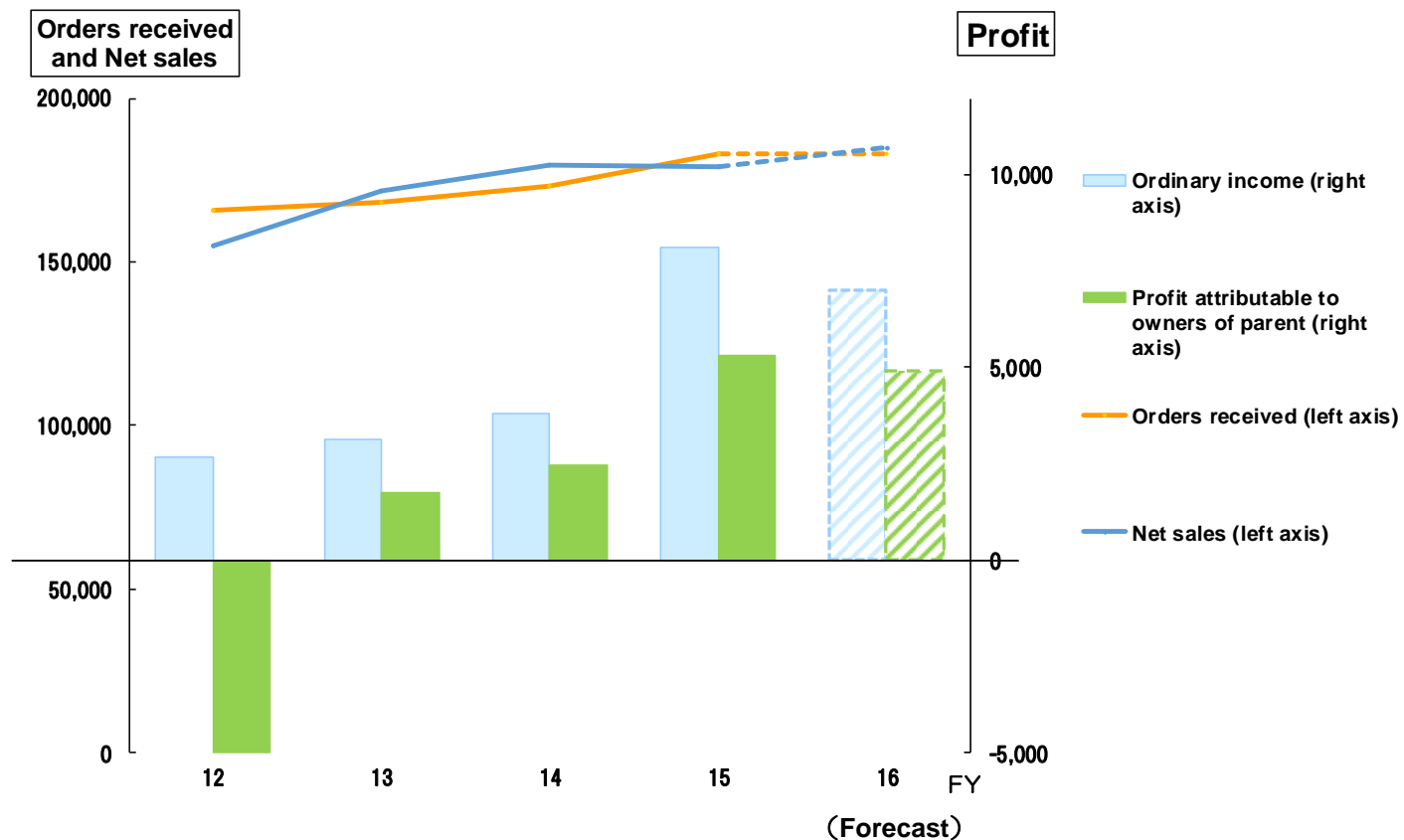
* With accounting standards about the combine after the revision having been applied from the fiscal year, “profit attributable to owners of parent” in this consolidate account year expresses “net income” of FY 2014 in previous consolidated account year. 8

【 Operating Results 】

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Operating Results over the Last 5 Years (Consolidated)

(Millions of yen)

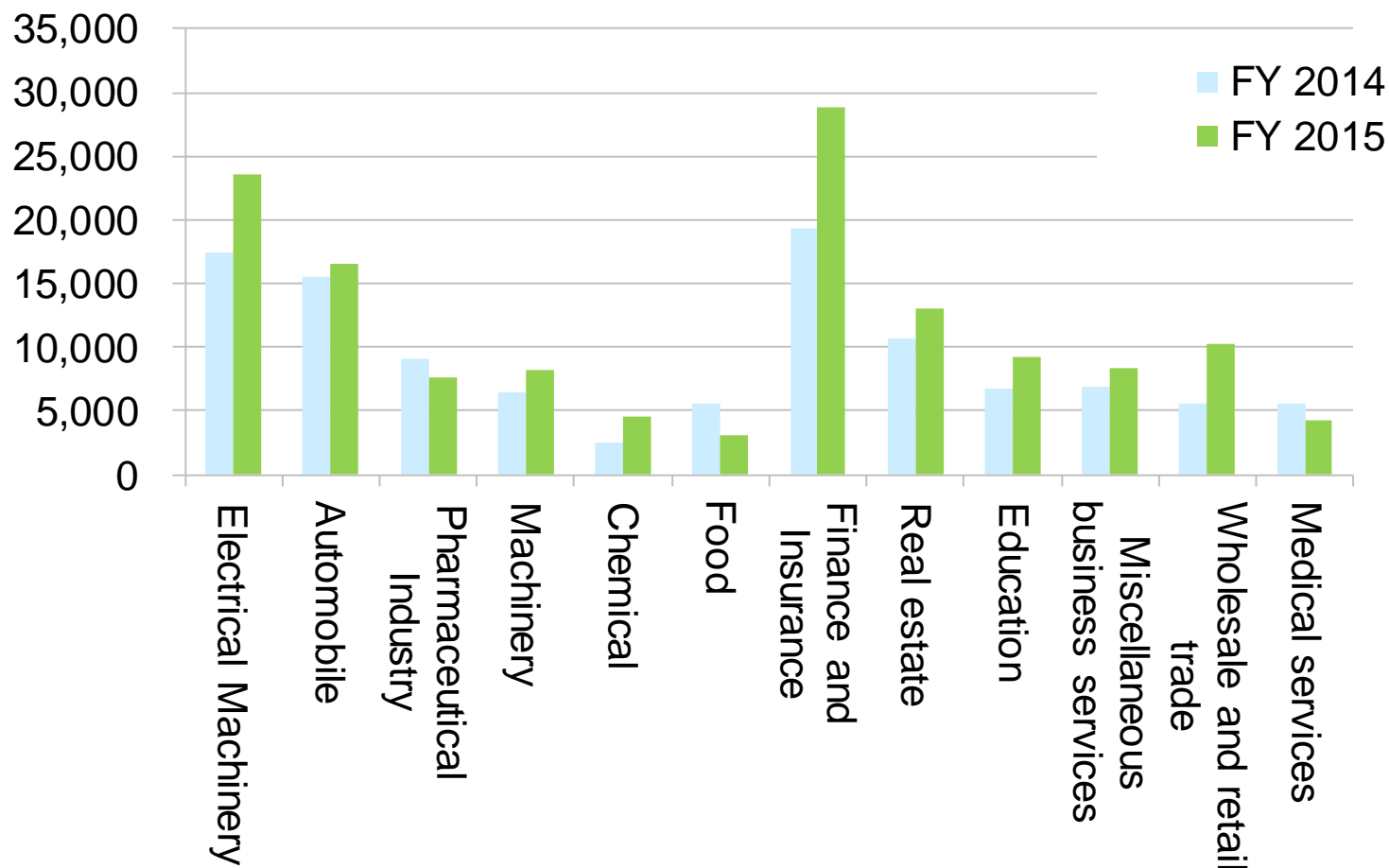


* With accounting standards about the combine after the revision having been applied from the fiscal year, "profit attributable to owners of parent" in this consolidate account year expresses "net income" of FY2012~ FY2014. 9

【Orders Received】

Orders Received by Industry(Consolidated)

(Millions of yen)



【Orders Received】

Orders Received by Type

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(Millions of yen)

| | FY2012 | FY2013 | FY2014 | FY2015 | Diff. |
|--|---------|---------|---------|---------|-------|
| Orders received (Non-consolidated : Facilities Construction Business) | 130,574 | 137,027 | 143,708 | 145,069 | 1,361 |
| Orders received from general contractors (Non-consolidated : Facilities Construction Business) | 64,405 | 73,608 | 68,963 | 72,751 | 3,788 |
| Rate of Orders received from general contractors (Non-consolidated : Facilities Construction Business) (%) | 49.3 | 53.7 | 48.0 | 50.1 | 2.1 |
| Orders received(Consolidated) | 165,800 | 168,295 | 173,398 | 183,270 | 9,871 |
| Orders received from overseas projects (Consolidated) * | 1,347 | 3,055 | 2,931 | 2,343 | (587) |
| Rate of Orders received from overseas projects (Consolidated) (%) | 0.8 | 1.8 | 1.7 | 1.3 | (0.4) |
| Orders received for renewal construction (Consolidated) | 94,402 | 88,473 | 93,339 | 99,920 | 6,581 |
| Rate of Orders for renewal construction (Consolidated) (%) | 56.9 | 52.6 | 53.8 | 54.5 | 0.7 |
| <Ref.>Net sales for renewal construction (Consolidated) | 87,533 | 98,024 | 96,468 | 96,325 | (143) |

*SANKI CONSTRUCTION ENGINEERING(SHANGHAI)CO.,LTD. of unconsolidated subsidiary is not included in construction orders received from overseas project . 11

【Orders Received】

Major Projects

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- **The 1st Urban Redevelopment BusinessA of Nihonbashi-Muromachi 3-chome**
(Plumbing works) < New construction work >
- **A for 1 period of Mitsukoshi Nihonbashi Main Store Overall CM Project of Facilities**
(Air Conditioning (HVAC) works and Plumbing works) < Renovation work >
- **Hibiya Heat Supply Center**
(Air Conditioning (HVAC) works and electrical works) < New construction work >
- **(Tentative name) New Nissay Hospital Construction Project**
(Air Conditioning (HVAC) works • Plumbing works • electrical works) < New construction work >
- **Asahi Nakanoshima West Tower**
(Air Conditioning (HVAC) works) < New construction work >
- **The Second Factory of the IKEDAMOHANDO CO.,LTD.**
(Air Conditioning (HVAC) works) < New construction work >
- **Clean Center of Syuto Environmental Hygiene Association**
(Waste treatment works) <Overall renovation work>
- **Nomi Clean Center**
(Waste treatment works) < Renovation work >
- **Haramachi Clean Center in Minami-Souma City**
(Waste treatment works) < Renovation work >

Other 10 projects

【Orders Received】

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Major Projects over 1 Billion Yen (by Industry)

| | FY 2014 | | FY 2015 | |
|-------------------------------------|---------|---|---------|--|
| Office | 2 | <p>12 Projects (20,619 million yen)</p> <p>* Construction orders received from Customers : 4 Projects</p> <p>* Construction orders received from general contractors: 8 Projects</p> | 3 | <p>19 Projects (31,476 million yen)</p> <p>* Construction orders received from Customers : 6 Projects</p> <p>* Construction orders received from general contractors: 13 Projects</p> |
| Complex building | — | | 1 | |
| Commercial facility | 1 | | 1 | |
| Factory | 1 | | 5 | |
| School | — | | 1 | |
| Hospital | 2 | | 2 | |
| Research institute | 2 | | 1 | |
| Government office building | 2 | | — | |
| Waste processing facility | — | | 3 | |
| Water and sewage treatment facility | 1 | | 1 | |
| Others | 1 | | 1 | |

【 Profit 】

Profit Improvement Factors and Measures

- Thorough cost management.
- Maintenance of the site support system.
 - Purchasing operations support by the Procurement Division.
 - Documentation support by the Site-Documentation Support Center.
 - Quality management activities by technical experts.
- Strengthening of relations with business partners.
 - Enforcement of the liaison Meeting for Subcontractor Groups.
 - Establishment of the Sanki Super Meister System.

【Financial condition】

Balance Sheet (Consolidated)

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(Millions of yen)

| | End of FY 2014 | End of FY 2015 | Year on Year | Rate of change(%) |
|--|-------------------|-------------------|--------------|----------------------|
| Current assets | 116,224 | 115,491 | (732) | (0.6) |
| Noncurrent assets | 60,157 | 53,931 | (6,226) | (10.3) |
| Investment securities | 39,704 | 34,789 | (4,914) | (12.4) |
| Current liabilities | 72,106 | 72,863 | 757 | 1.1 |
| Provision for loss on construction contracts | 1,314 | 1,186 | (128) | (9.8) |
| Noncurrent liabilities | 19,406 | 12,001 | (7,404) | (38.2) |
| Total net assets | 84,869 | 84,557 | (311) | (0.4) |
| Unrealized gains on available-for-sale securities | 15,332 | 13,012 | (2,319) | (15.1) |
| Total assets | 176,382 | 169,423 | (6,958) | (3.9) |
| Book-value per share (yen) | 1,334.65 | 1,328.60 | (6.05) | (0.5) |
| Equity ratio (%) | 48.1 | 49.8 | 1.7 | — |
| Interest-bearing liabilities (consolidated) | 6,332 | 5,992 | (340) | (5.4) |

【CF】

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Statements of Cash Flows (Consolidated)

- It increases in the balance of cash and cash equivalents more than the previous end of the fiscal year.
Cash flows from operating activities was increased by increase of profit before income taxes.
Cash flows from investing activities was increased by withdrawal of time deposits and sales of investment securities.
Cash flows from financing activities was decreased by Payment of dividends.

(Millions of yen)

| | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | Year on Year |
|--|---------|---------|---------|---------|---------|--------------|
| Cash flows from operating activities | (2,697) | 9,729 | (9,403) | (139) | 5,220 | 5,360 |
| Cash flows from investing activities | (1,046) | (9,481) | (3,506) | 3,440 | 5,520 | 2,080 |
| Cash flows from financing activities | (280) | (1,028) | (4,152) | (2,901) | (1,826) | 1,074 |
| Cash and cash equivalents at end of FY | 41,097 | 40,367 | 23,510 | 23,667 | 32,501 | 8,833 |

| | | | | | | |
|--|-------|-------|-----|-----|-----|-----|
| Capital investment (including intangible assets) | 815 | 645 | 545 | 395 | 855 | 460 |
| Depreciation and amortization | 1,367 | 1,207 | 740 | 723 | 723 | 0 |

Dividends and Payout Ratio

- Plan to pay a larger dividend on stocks to 18yen from 15yen a year in a regular dividend and extra dividend at 12yen was put into effect.

| | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|------------|------------|------------|------------|------------|
| Earnings per share (yen) | 2.46 | (71.04) | 26.46 | 38.30 | 83.84 |
| Cash dividends per share: regular dividends (yen) | 15 | 15 | 15 | 15 | 18 |
| Cash dividends per share: commemorative dividends (yen) | — | — | — | 5 | — |
| Cash dividends per share: extra dividends (yen) | — | — | — | — | 12 |
| Cash dividends per share (yen) | 15 | 15 | 15 | 20 | 30 |
| Payout ratio (consolidated) (%) | 609.8 | — | 56.7 | 52.2 | 35.8 |
| Number of shareholders at end of FY | 4,015 | 4,169 | 3,598 | 3,375 | 3,397 |
| Stock price at end of FY (yen) | 447 | 492 | 654 | 930 | 901 |
| Acquisition of treasury stock (thousand shares) | — | 1,988 | 4,000 | 2,000 | — |
| Retirement of treasury stock (thousand shares) | — | — | 4,800 | 3,000 | — |

<Reference>

| | | | | | |
|----------------------------|-----|------|-----|-----|-----|
| ROE (Return on Equity) (%) | 0.2 | △6.4 | 2.3 | 3.0 | 6.3 |
| ROA (Return on Assets) (%) | 1.4 | 1.6 | 1.9 | 2.2 | 4.7 |

【Overall Forecast】

FY 2016 Forecast (Consolidated)

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(Millions of yen)

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 A | FY 2016 Forecast B | Increase/ decrease B - A | Rate of change (%) |
|---|---------|---------|---------|--------------|--------------------------|--------------------------------|--------------------------|
| Orders received | 165,800 | 168,295 | 173,398 | 183,270 | 183,000 | (270) | (0.1) |
| Balance carried forward | 111,414 | 108,219 | 102,019 | 106,388 | 104,388 | (2,000) | (1.9) |
| Net sales | 154,658 | 171,496 | 179,598 | 178,901 | 185,000 | 6,099 | 3.4 |
| Gross profit | 17,590 | 18,423 | 17,966 | 22,929 | 23,000 | 71 | 0.3 |
| Completed construction contracts | 16,163 | 18,111 | 17,648 | 22,556 | 22,650 | 94 | 0.4 |
| Gross profit margin (%) | 11.4 | 10.7 | 10.0 | 12.8 | 12.4 | (0.4) | — |
| Completed construction contracts (%) | 10.6 | 10.6 | 9.9 | 12.7 | 12.4 | (0.3) | — |
| Operating income(loss) | 2,391 | 2,818 | 2,951 | 6,509 | 6,500 | (9) | (0.1) |
| Ordinary income(loss) | 2,680 | 3,146 | 3,809 | 8,135 | 7,000 | (1,135) | (14.0) |
| Profit attributable to owners of parent (loss)* | (4,992) | 1,763 | 2,461 | 5,327 | 4,900 | (427) | (8.0) |

* With accounting standards about the combine after the revision having been applied from the fiscal year, “profit attributable to owners of parent” in this consolidate account year expresses “net income” of FY 2012~FY 2014 in previous consolidated account year.

【Orders Received Forecast】

FY 2016 Forecast of Orders Received by Segment (Consolidated)

(Millions of yen)

| Segment | FY 2015 (Result) | FY 2016 (Forecast) | Diff. |
|--|---------------------|-----------------------|----------------|
| HVAC and Plumbing for Buildings | 66,172 | 68,900 | 2,728 |
| Industrial HVAC | 52,522 | 50,000 | (2,522) |
| Electrical Systems | 22,667 | 21,000 | (1,667) |
| Facility Systems | 11,070 | 10,000 | (1,070) |
| Total of Facilities Construction Business | 152,432 | 149,900 | (2,532) |
| Machinery Systems | 10,309 | 9,500 | (809) |
| Environmental Systems | 19,610 | 22,000 | 2,390 |
| Total of Plant & Machinery Systems Business | 29,919 | 31,500 | 1,581 |
| Sub-total | 182,352 | 181,400 | (952) |
| Real Estate Business | 1,532 | 1,600 | 68 |
| Others | 524 | 500 | (24) |
| Adjustments* | (1,139) | (500) | 639 |
| Total | 183,270 | 183,000 | (270) |

* Adjustments eliminate inter segment transactions included in each segment.

【Net Sale Forecast】

FY 2016 Forecast of Net Sales by Segment (Consolidated)

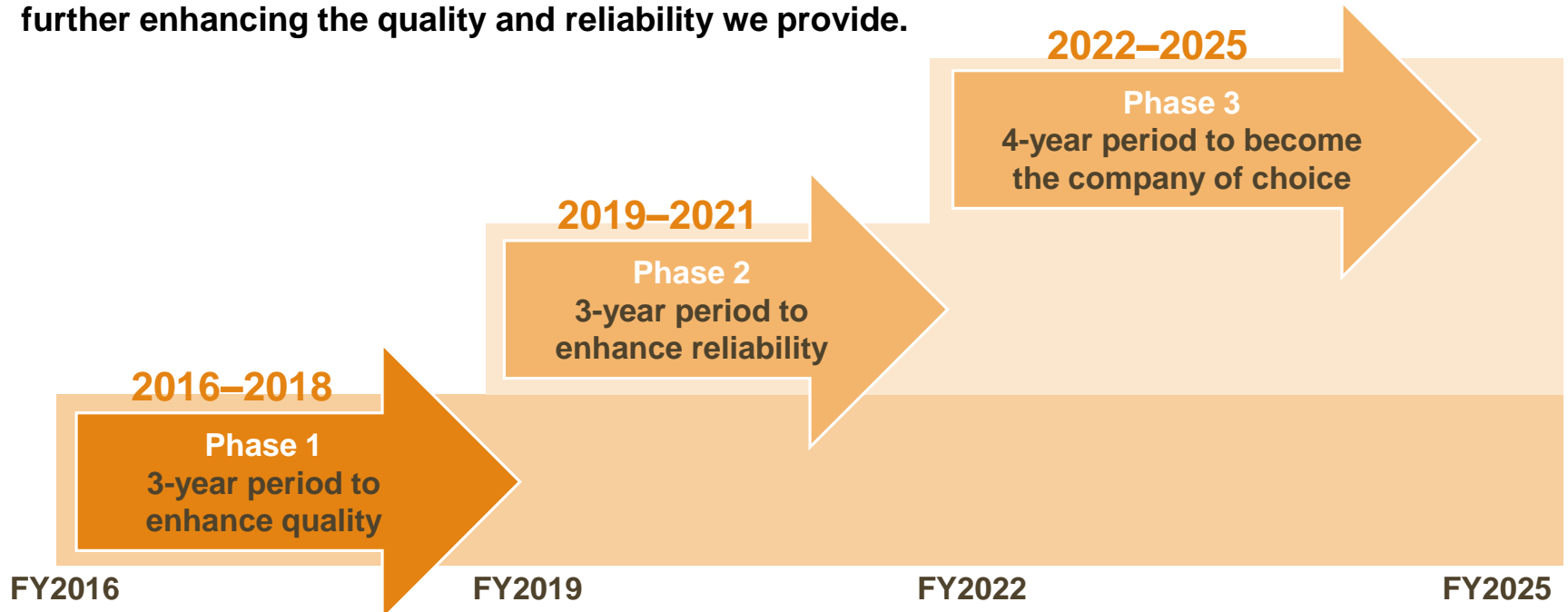
(Millions of yen)

| Segment | | FY 2015 (Result) | FY 2016 (Forecast) | Diff. |
|--|---------------------------------|---------------------|-----------------------|--------------|
| | HVAC and Plumbing for Buildings | 64,492 | 72,900 | 8,408 |
| | Industrial HVAC | 52,084 | 50,000 | (2,084) |
| | Electrical Systems | 22,958 | 22,000 | (958) |
| | Facility Systems | 10,416 | 10,000 | (416) |
| Total of Facilities Construction Business | | 149,952 | 154,900 | 4,948 |
| | Machinery Systems | 9,217 | 9,500 | 283 |
| | Environmental Systems | 18,734 | 19,000 | 266 |
| Total of Plant & Machinery Systems Business | | 27,951 | 28,500 | 549 |
| Sub-total | | 177,904 | 183,400 | 5,496 |
| Real Estate Business | | 1,532 | 1,600 | 68 |
| Others | | 542 | 500 | (42) |
| Adjustments* | | (1,077) | (500) | 577 |
| Total | | 178,901 | 185,000 | 6,099 |

* Adjustments eliminate inter segment transactions included in each segment.

Long-Term Vision “Century 2025”

We will strive over the next 10 years to become the company of choice for customers by further enhancing the quality and reliability we provide.



- Phase 1 → We will enhance quality by refining our skills and wisdom and developing our human resources as a foundation for responding to change.
 - Phase 2 → Superior quality generates customer satisfaction, and customer satisfaction and confidence leads to reliability.
 - Phase 3 → Increased reliability will encourage more customers to choose our company.

Medium-Term Management Plan “Century 2025” Phase1

Key Initiatives and Strategies

1. Passing on Technical Skills

We will renovate the Sanki Yamato Building (Yamato City, Kanagawa Prefecture) and reopen it as the “Sanki Techno Center (tentative name)”. This will be a comprehensive training facility that imparts and develops the technical skills at the backbone of the Sanki Engineering Group.

2. Anticipating the Age of Maintaining Building Stock

We will give a boost to the LCE business, as described in our “SANKI VITAL PLAN 90th”. This will bolster our business foundation, allowing us to maintain sound corporate management, even if the construction market experiences a slowdown.

3. Developing Next-Generation Technologies

We will establish a new R&D base inside the “Sanki Techno Center”. Here we will develop technologies for the next generation while keeping up with advances in new technologies such as robotics, IoT, and artificial intelligence.

Medium-Term Management Plan “Century 2025” Phase1

ESG Policy

Organically Integrate Existing Activities and Seek Strategic Deployment

| | Outline |
|--------------------|---|
| Environment | <p>As evidenced by the Paris Agreement, which created an international framework against global warming, and the Act on Promotion of Global Warming Countermeasures as well as other legislation passed in Japan in response, protecting the global environment is becoming even more important. Recognizing that the business of the Sanki Engineering Group could have a direct impact on protecting the global environment:</p> <ol style="list-style-type: none"> 1. In our core Facilities Construction Business, we will contribute to reducing greenhouse gas emissions in the industrial and operational sectors of society by developing and providing various facilities and systems for air conditioning, plumbing, electricity, and network systems, as well as related services; 2. In our Plant & Machinery Systems Business, we will develop equipment that offers greater energy savings; and 3. We will be mindful of reducing the impact on the global environment in all aspects of our business operations and pursue activities based on ISO 14000. |
| Social | <ol style="list-style-type: none"> 1. We will continue our “SANKI YOU Eco Contribution Point”, social contribution activity, in which we extend donations to environmental conservation organizations according to the level of reduction in greenhouse gas emissions. 2. We intend to create work environments that are even more worker friendly by implementing measures against long working hours and expanding opportunities for women and the elderly. |
| Governance | <ol style="list-style-type: none"> 1. In fiscal 2016, we will launch a full-scale initiative under the “Sanki Engineering Corporate Governance Guidelines” established in December 2015. 2. Under the leadership of the Board of Directors, we will operate and improve our internal control system and risk management systems to emphasize effectiveness. 3. We will abide by our rules of conduct, including the “Sanki Engineering Group Compliance Declaration”, “Sanki Engineering Group Code of Conduct and Action Guidelines”, and “Sanki Engineering Group Behavioral Standards and Guidelines”, and strive to maintain and develop our corporate culture of ethical conduct. |

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 May 13, 2016.

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>

- Credit exposure of client companies.
- Sudden changes in material and equipment cost and labor cost.
- Stock Market fluctuations.
- Increase in retirement benefits and debts.
- Country risk.
- Accident and disaster in Facilities construction and other.
- Outbreak of the unprofitable project.
- Risk in Real Estate Business.
- Risk in Regal action.
- Risk in Regal regulation.
- Outbreak of the natural disaster.

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