SANKI ENGINEERING CO., LTD.

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90 Anniversary

Engineering for the Future

SANKI REPORT 2015

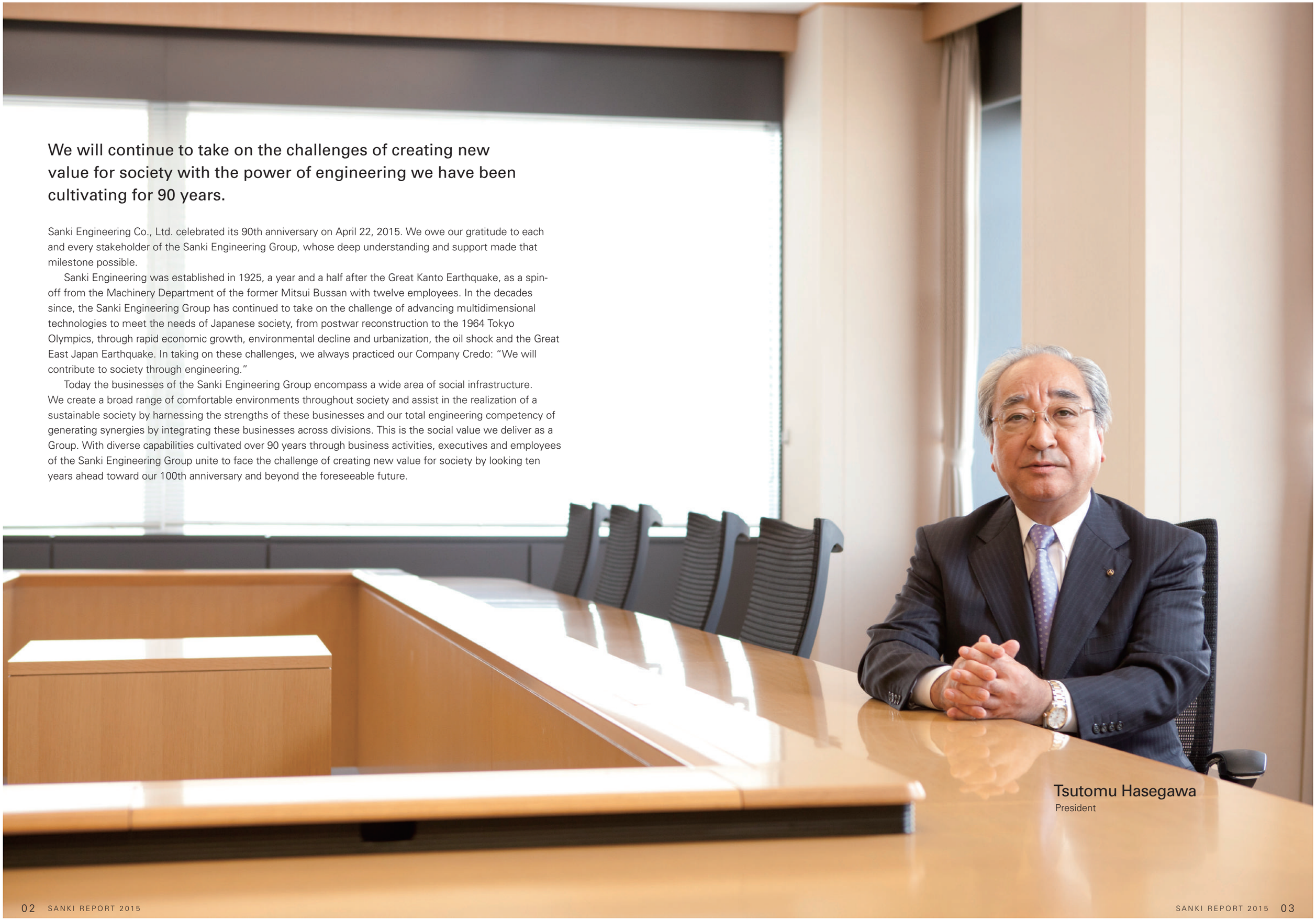
SANKI ENGINEERING CO., LTD.

We will continue to take on the challenges of creating new value for society with the power of engineering we have been cultivating for 90 years.

Sanki Engineering Co., Ltd. celebrated its 90th anniversary on April 22, 2015. We owe our gratitude to each and every stakeholder of the Sanki Engineering Group, whose deep understanding and support made that milestone possible.

Sanki Engineering was established in 1925, a year and a half after the Great Kanto Earthquake, as a spin-off from the Machinery Department of the former Mitsui Bussan with twelve employees. In the decades since, the Sanki Engineering Group has continued to take on the challenge of advancing multidimensional technologies to meet the needs of Japanese society, from postwar reconstruction to the 1964 Tokyo Olympics, through rapid economic growth, environmental decline and urbanization, the oil shock and the Great East Japan Earthquake. In taking on these challenges, we always practiced our Company Credo: "We will contribute to society through engineering."

Today the businesses of the Sanki Engineering Group encompass a wide area of social infrastructure. We create a broad range of comfortable environments throughout society and assist in the realization of a sustainable society by harnessing the strengths of these businesses and our total engineering competency of generating synergies by integrating these businesses across divisions. This is the social value we deliver as a Group. With diverse capabilities cultivated over 90 years through business activities, executives and employees of the Sanki Engineering Group unite to face the challenge of creating new value for society by looking ten years ahead toward our 100th anniversary and beyond the foreseeable future.



Tsutomu Hasegawa
President

90 Anniversary

90 Years of Sanki Engineering

Sanki Engineering celebrated its 90th anniversary on April 22, 2015, after nine decades of keeping pace with the modernization of Japanese industry. Under the company credo "We will contribute to society through engineering," the Company will continue to open up new eras with the power of technology.

The 1920s

1923 Great Tokyo Earthquake strikes. Building modernization drives up demand for building utilities, such as heating, ventilation and air conditioning, water supplies and drainage, and electrical fixtures and fittings, and construction technology advances.
1925 On April 22, Sanki Engineering was established as a spin-off from the Machinery Department of the former Mitsui Bussan with capital of ¥500,000 and 12 staff.

The 1930s

1931 Moves head office to the Sanshin Building.
1933 Opens a branch in Dalian, Manchuria.
1935 Celebrates its 10th anniversary and now comprises five branches, six field offices, three affiliates and around 300 staff.

The 1940s

1941 Pacific War begins. Sanki Engineering suffers a shortage of workers as well as materials due to tight control over the distribution of goods.
1944 Emergency metal collection campaigns started nationwide. Kawasaki and Tsurumi plants are designated military-industrial plants.
1945 War ends.

The 1950s

1950 The outbreak of the Korean War leads to a war-driven economy and the Japanese economy takes a favorable turn. Expansion of demand for building construction and equipment results in a dramatic improvement in the Company's business performance.
1958 Capital exceeds ¥1 billion.

The 1960s

1963 Completes Sagami plant (currently Yamato Engineering Center), which has production equipment tailored for conveyor mass production.
1964 Participates in projects on the occasion of the 1964 Tokyo Olympics, including the Yoyogi National Gymnasium and the NHK Broadcasting Center.

Laying the base for technological competence by meeting the needs of the era

- Provides heating, plumbing, steel frame construction and building materials for two major construction projects: the Shiga manufacturing plant of Toyo Rayon (currently Toray Industries, Inc.) and the refrigerated warehouse of Aomori Seihyo.
- Installs Japan's first centralized air conditioning system for an entire structure at Mitsui's main building.

Diversified and expanded businesses lead to greater technological competence

- Develops and installs a proprietary incinerator for facilities in the Sanshin Building.
- Establishes Toyo Carrier Industries together with U.S.-based Carrier Engineering and launches the air conditioning business.
- Completes work on the Tokyo Office of Nippon Life Insurance Company (currently Takashimaya Nihonbashi department store).

Sanki's advanced technology bolsters a construction boom

- Starts manufacturing conveyors.
- Concludes sales contracts for machinery used in mining-related chemistry with U.S.-based Dorr Inc. and Oliver, Inc.
- Completes work on the main building of the Dai-ichi Life Insurance Company, Japan's first building with the special high-voltage power reception of 22 kV.

A proactive approach to technological innovation

- Completes work on Japan's first all-fluorescent lighting system in the Taisho Marine and Fire Insurance Building.
- Becomes involved in night-soil treatment plant disposal facilities in response to urban hygiene needs.
- Delivers roller conveyor to the Japanese Antarctic Research Expedition II.

Feature as a manufacturer that responds to the needs of the times

- Completes work on air conditioning, plumbing and electrical systems for Japan's first skyscraper, the Kasumigaseki Building.
- Develops the standardized "6S sash" and gains the top market share among steel sash manufacturers.

Wide range of technological innovations

- Completes work on Japan's first large-scale clean room at NEC's Sagamihara plant.
- Develops the world's first completely unmanned automatic sorting system and airport baggage handling system.
- Provides HVAC equipment for satellite communication ground stations in the Middle East and other regions and builds automotive testing equipment in Russia.

Opening the way to a new era: advances in environmental and information technology

- Launches the information and communications business.
- Launches the facility systems business to deal with office integration and moving.
- Develops environment-related technology, including an ice thermal storage system, sewage advanced treatment systems, and gasification and melting furnaces.

Toward environmentally friendly technology

- Develops a wide variety of energy-saving systems for various fields, including offices, industrial plants, hospitals and data centers, to meet the increased needs for energy saving and reducing CO_2 emissions.
- Begins to actively import technology from Europe and develops a number of major technologies, including AEROWING and Trans Heat containers.

The 1970s

1971 Environmental Agency inaugurated. Sanki Engineering develops a track record for waste incineration facilities and water and sewerage treatment facilities and sets up the Environmental Administration office.
1973 Spins off sash business.

The 1980s

1980 Establishes the Company Credos.
1982 Builds Technical Research Laboratory equipped with basic research facilities and large-scale experimental facilities in Yamato City, Kanagawa Prefecture.

The 1990s

1990 Bubble economy collapses.
1997 Adopts Kyoto Protocol at the COP3 conference on preventing global warming held in Kyoto.

The 2000s

2000 Opens Shonan Training Center (Yokosuka City, Kanagawa Prefecture) and strengthens human resource development.
2005 Moves head office to Nihonbashi.

The 2010s

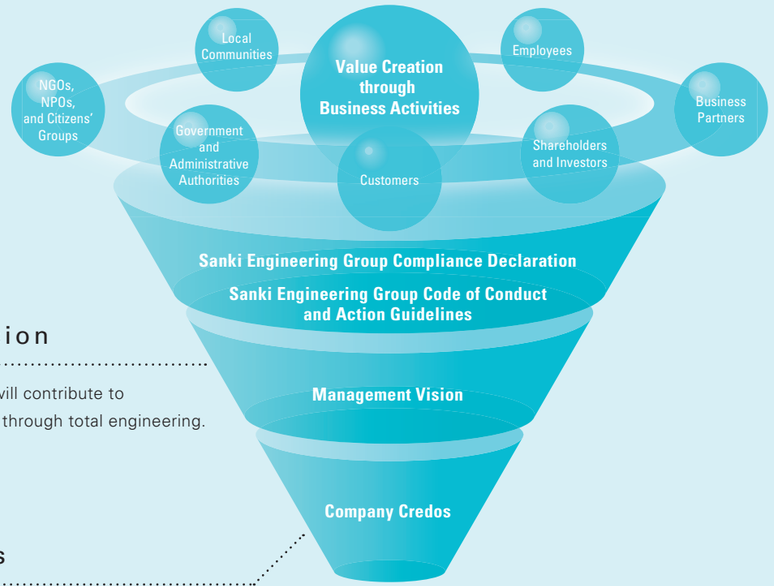
2011 Moves head office to Tsukiji.
2012 Launches the Smart Building Solution Business to provide Smart Buildings with a focus on the energy-saving business.

2015 90th Anniversary

We will continue to address social needs and take on future challenges by harnessing the total engineering competency we have been cultivating throughout our 90-year history.

2025 Toward the 100th Anniversary

Sanki Engineering Group Philosophy



Management Vision

The Sanki Engineering Group will contribute to realizing a comfortable society through total engineering.

Company Credos

We will contribute to society through engineering.
We will meet our customers' needs by working with them in good faith.
We will act in a considered manner, and always in a spirit of good fellowship.

The Sanki Engineering Group upholds its corporate credo of "We will contribute to society through our business activities," and by promoting the Management Vision to help bring about a sustainable society, we intend to achieve sustainable growth for the Group and enhance its corporate value over the medium to long term. Under the Sanki Engineering Group Compliance Declaration, which summarizes issues related to corporate ethics and legal compliance, all Group executive officers and employees will strive to create value for stakeholders and society at large by performing their daily job duties in accordance with the Sanki Engineering Group Code of Conduct, which lays out the basic principles of appropriate conduct, and the more specific Sanki Engineering Group Action Guidelines.

Reference Sanki Engineering Group Code of Conduct and Action Guidelines P. 41

Reference Sanki Engineering Group Compliance Declaration and Behavioral Standards P. 44

Editorial Policy

Aiming to produce a tool that further boosts understanding of the Group
We have positioned the "SANKI REPORT," the annual report of Sanki Engineering, as a key, integrated communication tool for reaching all our stakeholders. The report provides financial information, including financial performance and a business overview, along with management strategies and a report on corporate social responsibility activities with respect to each stakeholder. We hope it will further boost understanding of the Sanki Engineering Group's philosophy, business activities and future direction and we welcome feedback for enhancing our operations and information disclosure. In compiling the report, we adopted the following approach in 2015.

- Laying out the Sanki Engineering Group's system of principles and explaining its overall composition;
- Summarizing the important themes and key initiatives for each activity at the very beginning of the report;
- Publishing the results of the awareness survey along with comments from the responsible executive officer as a means to confirm the effectiveness of our efforts to bolster compliance;
- Providing an overview of the value chain and identifying the stakeholders in each stage as well as the main themes; and
- Enhancing the content of quantitative data and more clearly defining the scope of aggregation.

Reference guidelines
- Ministry of the Environment "Environmental Reporting Guidelines 2012"
- GRI Sustainability Reporting Guidelines Ver. 4 (G4)
- ISO 26000

Organizations covered by the report
- Non-financial information concerns Sanki Engineering Co., Ltd. alone.
- When the information concerns the Group (e.g., compliance information), the text specifies that this is Group information.
- Financial information shows consolidated Group figures.

Reporting period
April 2014–March 2015 (some information from outside this period has been included with the period specified)

Precaution on performance outlooks, etc.
In addition to past and present information concerning the Sanki Engineering Group, this report includes the targets, plans, outlooks, strategies, forecasts of future performance and other information drawn from our medium-term management plan "SANKI VITAL PLAN 90th" and other sources. Please be aware that these forecasts are the best estimates by Sanki Engineering management and based on the information available at the time, and actual performance may differ significantly from these forecasts, owing to changes such as in economic conditions, market trends and exchange rates.

CONTENTS

We are united and will continue to take on the challenge of growing as a bridge that links technical capability with society.

Tsutomu Hasegawa
President

• Upon My Appointment as President

I will steadily steer the Company into its 100th anniversary by holding fast to our past management policies.

I assumed the helm of Sanki Engineering Co., Ltd. as Representative Director and President in April 2015. Having received the leadership baton in this milestone year, the 90th anniversary of our founding, I see my mission as being to follow through with past policies and lead the Sanki Engineering Group into its 100th anniversary, steadily advancing beneath the banner of our foundational commitment to "contribute to the creation of a broad range of comfortable environments for society."

• Business Environment and Results for Fiscal 2014

Construction and capital spending remained on the path of recovery in Japan, and we reported increases in both sales and profit as a result of active proposal-based sales.

In the fiscal year that ended March 31, 2015 (fiscal 2014), orders received amounted to ¥173,398 million (up 3.0% year on year) and sales were ¥179,598 million (up 4.7% year on year). In terms of profit, operating income was ¥2,951 million (up 4.7% year on year), ordinary income totaled ¥3,809 million (up 21.1% year on year) and net income was ¥2,461 million (up 39.6% year on year) as sales rose in our core Facilities Construction Business. Our equity ratio was 48.1%, thereby maintaining a sound financial condition. ROE continued to improve at 3.0% (up 0.7% year on year), and we intend to further enhance capital efficiency.

While the Japanese economy experienced a downturn in the first half of fiscal 2014 due to the impact of the higher consumption tax rate, it gradually recovered in the latter half as the effect tapered off. Construction investment generally held steady. While public investment remained steady at levels below those of the previous year, private capital investment continued to recover on the back of improved corporate earnings.

Against this backdrop, the Sanki Engineering Group saw a partial rise in labor costs and equipment prices. However, we proactively stepped up proposal-based sales for energy conservation and power saving so as not to miss any opportunity for orders, and we worked to expand orders while emphasizing construction-related profits. Results for the Facilities Construction Business remained steady, and we enjoyed significant growth in the Environmental Systems Business due to a large-scale contract.

• Promoting the Medium-Term Management Plan (Fiscal 2011–2015)

The Sanki Engineering Group sees major opportunities for future growth in contributing to the resolution of various social issues through our "total engineering competency."

The Sanki Engineering Group is working to achieve the objectives of "SANKI VITAL PLAN 90th," our medium-term management plan scheduled to finish in fiscal 2015, the year of our 90th anniversary. We are pushing ahead with various measures based on the basic policies of: "Maintain a profitability focus and secure orders on an optimal scale;" "Further strengthen core businesses and expand strategic growth businesses;" and "Develop and cultivate new businesses."

The Group aims to achieve sustainable growth together with society by realizing the Company credo: "We will contribute to society through engineering." Corporate value for the Group is indivisible from contribution to the creation of a sustainable society, and for this reason we have integrated the execution of our business with the execution of corporate social responsibility. We will make the most of our "total engineering competency" to contribute to the resolution of various social issues. This is a responsibility our Group must fulfill, and doing so will bring opportunities for competitiveness and growth.

• Progress in the Medium-term Management Plan

We have been steadily strengthening our foundations for developing our core businesses and are already seeing positive effects.

We have now completed the fourth year of the projected period of the "SANKI VITAL PLAN 90th." Since its formulation, we have encountered some difficulty, such as a decline in public investment as well as falling profits due to the termination of a contract period for a large rental property. Despite these setbacks, our initiatives for each fiscal year have enabled us to steadily build our base for seeking medium- to long-term growth in our core engineering business, and the effects of these efforts have begun to take tangible form.

In fiscal 2014, we pursued our shared initiatives of enhancing information-gathering and reinforcing construction capabilities. As a basic measure for enhancing information-gathering capabilities, we reformed the functions of the Sales Division to focus on

Fiscal 2014 results

	FY2014 results	Year on year change	FY2015 targets
Consolidated net sales (unit: billion yen)			
Core Businesses	168.9	+5.2%	176.0
Facilities Construction	141.5	+6.0%	137.0
Machinery Systems	9.9	+1.1%	15.0
Environmental Systems	17.4	+1.8%	24.0
Strategic Growth Businesses	9.6	(4.7)%	19.0
Unique New Businesses	0.0	–	2.0
Real Estate Business	1.2	+19.3%	3.0
Other	0.5	(16.4)%	–
Adjustments	(0.8)	–	–
Total	179.5	+4.7%	200.0
Overseas sales of above amount	3.2	+72.6%	8.0
Consolidated ordinary income	3.8	+21.1%	10.0
Ratio of consolidated ordinary income to consolidated sales	2.1%		5.0%

SANKI VITAL PLAN 90th (Fiscal 2011–2015)

Management Philosophy
Through its "total engineering," the Sanki Engineering Group shall promote the diffusion of energy saving and new-energy systems to help achieve a comfortable low-carbon society.

Vision
We shall strengthen core businesses, expand strategic growth businesses and create unique new businesses to ensure our long-term development.

Financial Performance Targets
Fiscal 2015 consolidated sales: ¥200 billion
Consolidated ordinary income: ¥10 billion

Core Businesses
- HVAC and plumbing for buildings
- Industrial HVAC • Electrical systems
- Facility systems • Machinery systems
- Environmental systems

Strategic Growth Businesses
- Renovation* • Integrated networks*
- Life cycle engineering

Strengthening the Management Base
- Strengthening the customer base
- Cultivation and appropriate allocation of human resources
- Reform of work processes
- Practice of efficient management

Unique New Businesses
- Combine engineering from various businesses
- Energy saving • New energies

* Integrated as Smart Building Solutions Business as of fiscal 2012

sales planning and sales development.

In doing that we have developed a system for mobilizing the entire organization in support of this division, primarily through market analysis, sales development, customer management and sales activity management, thus further boosting our proposal-making capabilities and offering the best solutions to the diversified needs and challenges of our customers. We will strive to continuously demonstrate our total engineering competency by seeking collaboration between different segments and bringing together different technologies and without being constrained by conventional frameworks.

As for reinforcing construction capabilities, we reorganized our Technical Master System, which involves having persons with high technical skills and experience in management at a branch or branch office conduct construction audits and provide on-site guidance. Under the new Technical Expert System, Technical Experts have been integrated into the Chief Engineer Office, promoting closer collaboration and creating a system in which the Sanki Engineering Group can better demonstrate its total engineering competency. We will apply this system to reinforce our quality control capabilities and improve our profit ratio.

• Business Environment and Strategy for Fiscal 2015

We will pursue our business plans under three management policies during the final stage of our Medium-Term Management Plan.

Fiscal 2015 marks the 90th anniversary of our founding as well as the final fiscal year of the "SANKI VITAL PLAN 90th," our five-year medium-term management plan. We are commemorating our 90th anniversary under the slogan: "Unity – Thanks to the Past 90 Years and Building a Bridge to the 100th Year" and mobilizing the entire Group toward achieving the medium-term management plan.

Going forward, we expect a steady flow of construction orders on the back of growing momentum in reconstruction work following the Great East Japan Earthquake, urban infrastructure development leading up to the Tokyo Olympics and Paralympics in 2020, and rising demand for private construction accompanying the economic recovery. In addition, there are signs that manufacturers are returning to Japan in response to the weaker yen. Moreover, while crude oil prices are currently low, the yen is expected to remain weak over the medium to long term, which in turn will result in higher energy prices and stronger demand for energy-saving renovations and the introduction of renewable energy sources. On the other hand, construction demand will be concentrated within a relatively short period. This has led to concerns over potential work delays due to a shortage of construction engineers and workers as well as higher costs associated with further increases in labor costs and equipment prices, leading us to anticipate challenges in ensuring profitability.

Under these circumstances, we will pursue three management policies in fiscal 2015: (1) promoting total engineering by strengthening divisional collaboration, (2) improving the profit ratio by reducing the work burden at each site and lowering procurement costs, and (3) improving the Group-wide system of cooperation by revitalizing communication among employees.

• Management Direction for Fiscal 2015

All Group divisions will unite in advancing toward sustainable growth.

(1) Our intention to strengthen divisional collaboration is founded on the fact that the Sanki Engineering Group possesses and pursues multiple businesses based on independent technologies. We seek to provide solutions for diverse customer needs by integrating multiple technologies to provide total life cycle engineering solutions encompassing construction, repair and maintenance, and renovation to address aging structures. This will only be possible by building on the technological capabilities of each division and maintaining close collaboration between them. We will develop a Group-wide system of cooperation by revitalizing employee communication for stronger collaboration in support of the strategic application of management resources, encompassing the areas in which we should apply our basic technologies, including hospitals, schools, factories and automobile development.

(2) Measures for enhancing the profit ratio are centered on maintaining the quality of our operations as we expand the scope of our businesses while also reinforcing our sales and purchasing capabilities. Specifically, we will establish the Procurement Division to enhance our negotiating capabilities and support on-site purchasing operations through centralized management in order to reduce the work burden at each site. We will also establish an environment for concentrating on mission critical operations by opening a new Site-Documentation Support Center for on-site operations.

(3) We emphasize revitalizing communication as the foundation of all our business activities. Many of our employees work at construction sites across the country, presenting the challenge of communicating management intentions to on-site staff and bringing the voice of on-site staff to management. On the occasion of our 90th anniversary, we have upheld "Unity" as

SANKI VITAL PLAN 90th Key Initiatives for Fiscal 2014

Core Businesses	• Strengthen customer sales and proposal-based sales functions • Focus functions of the Sales Division on sales planning and sales development and work to gain customers • Continue promoting the Recovery Project and Hospital Project across the Company
Strategic Growth Businesses	• Expand our growth strategy including life cycle engineering (LCE) • Establish a subsidiary site in the Chugoku region and strengthen LCE with enhanced Group coordination
Unique New Businesses	• Strengthen "total engineering competency" and promote planning based on an action plan for measures in each division
Strengthening the Management Base	• Foster human resources that can take on the responsibility of developing business overseas • Enhance corporate value by bolstering risk management and corporate governance • Bolster compliance

SANKI VITAL PLAN 90th Key Initiatives for Fiscal 2015

Core Businesses	• Promote total engineering • Maintain a system of Group-wide cooperation by revitalizing divisional communication • Improve profitability by reducing the operational burden at site works ►Support site operations by opening the new Site-Documentation Support Center ►Support on-site purchasing operations by setting up the Procurement Division
Strategic Growth Businesses	• Strengthen the management base of the Thai Sanki Engineering and Construction Company Co., Ltd.
Unique New Businesses	• Promote planning based on an action plan for measures in each division
Strengthening the Management Base	• Enhance corporate value by bolstering risk management and corporate governance ►Improve governance by the Board of Directors in response to the Corporate Governance Code ►Promote constructive dialog with shareholders and other stakeholders • Enhance compliance ►Widely introduce a series of compliance programs based on the Sanki Engineering Group Compliance Declaration and the Sanki Engineering Group Behavioral Standards

our creed for boosting organizational capabilities by revitalizing lateral communication among staff, including those at cooperative companies, to generate new added value.

Recognizing compliance as the backbone of all our business activities, we will also conduct training in legal compliance related to the Construction Industry Act, Anti-Monopoly Act and other laws, as well as corporate ethics, and all Group executive officers and employees work to strictly and without compromise implement compliance.

In addition, we will consider ways for enhancing our governance system in response to Japan's Corporate Governance Code.

• Providing Comprehensive Returns to Our Shareholders

Sanki Engineering will examine comprehensive methods of shareholder return while effectively balancing business investments and returning profits to shareholders.

We view the return of profit to shareholders as a key management issue. Dividends form the basis of our policy of returning profit to shareholders, and while considering the balance between sustainable corporate development and short-term returns to shareholders, we have consistently sought to provide stable dividends as the basis of our policy and to provide additional dividends in accordance with our financial performance. We will continue to adhere to this policy and will examine comprehensive methods of shareholder return, including share buybacks, in light of demands from shareholders, investors and society at large.

For fiscal 2014, we paid a total dividend per share of ¥20.0, which included a regular dividend of ¥7.5 for the interim period and a regular dividend of ¥7.5 with an additional dividend of ¥5.0 to commemorate our 90th anniversary, totaling ¥12.5 at the year-end. In addition, we carried out a share buyback for the third consecutive year since fiscal 2012.

Dividend payments

	FY2011	FY2012	FY2013	FY2014	FY2015 (forecast)
Interim dividend (¥)	7.5	7.5	7.5	7.5	9.0
Year-end dividend (¥)	7.5	7.5	7.5	12.5	9.0
Consolidated payout ratio (%)	609.8	–	56.7	52.2	44.0

* Year-end dividend for FY2014 includes ¥7.5 in ordinary dividend and ¥5.0 in commemorative dividend.

• Looking toward Our 100th Anniversary

We will contribute to addressing social issues through the power of technology and take on the challenge of sustainable growth.

The Sanki Engineering Group's business activities are grounded in our relationship with stakeholders, including shareholders and investors, customers, cooperative companies, business partners, local communities and employees. Constructive stakeholder dialogues are convened to ensure transparent management and accurate decision-making on key issues by striving to understand and effectively incorporate into business management the opinions and desires of our stakeholders. In doing so, we fulfill our responsibilities to society and identify new needs arising from changes in the times and society to create new value based on the Group's management resources and strengths.

Sanki Engineering was founded in 1925, a year and a half after the Great Kanto Earthquake. At the time, reconstructing the capital city of Tokyo, devastated by the disaster, constituted a major social challenge in Japan. Sanki Engineering was founded to fulfill the mission of reconstructing the city following the tremendous disaster. Since then, we have consistently expanded our role in society, and to this day, in our 90th anniversary year, the contributions we make in addressing issues through engineering have continued to provide reasons for the existence of the Sanki Engineering Group.

The Sanki Engineering Group will continue to take on the challenge of achieving sound, sustainable growth with society by harnessing the power of our diverse technologies, which have been honed and passed down over nine decades, as a bridge to our 100th anniversary.

Business Report

Financial and Non-Financial Highlights

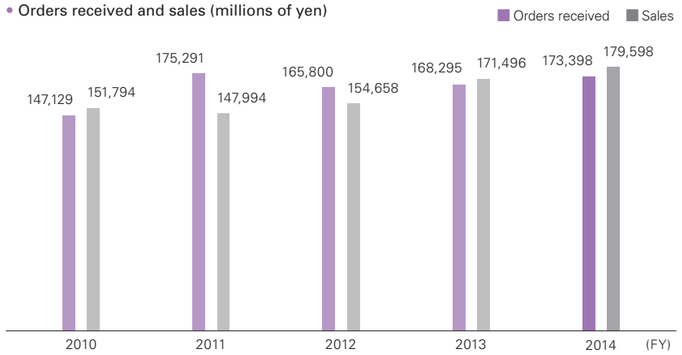
(Millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2015
Fiscal year					
Orders received	147,129	175,291	165,800	168,295	**173,398**
Sales	151,794	147,994	154,658	171,496	**179,598**
Selling, general and administrative expenses	15,763	15,712	15,199	15,604	**15,015**
Operating income	3,843	2,525	2,391	2,818	**2,951**
Ordinary income	4,239	2,268	2,680	3,146	**3,809**
Net income or loss	2,124	176	(4,992)	1,763	**2,461**
Cash flows from operating activities	11,554	(2,697)	9,729	(9,403)	**(139)**
Cash flows from investing activities	2,610	(1,046)	(9,481)	(3,506)	**3,440**
Cash flows from financing activities	(1,883)	(280)	(1,028)	(4,152)	**(2,901)**
Cash and cash equivalents at end of year	45,135	41,097	40,367	23,510	**23,667**
As of end of fiscal year under review					
Total assets	158,501	163,120	166,477	170,181	**176,382**
Net assets	79,833	79,662	76,932	74,917	**84,869**
Per share information					
Earnings per share (yen)	29.67	2.46	(71.04)	26.46	**38.30**
Book-value per share (yen)	1,115.41	1,113.70	1,106.32	1,142.74	**1,334.65**
Cash dividends (yen)	15.00	15.00	15.00	15.00	**20.00***
Other information					
Equity ratio (%)	50.3	48.8	46.2	44.0	**48.1**
Return on assets (%)	2.6	1.4	1.6	1.9	**2.2**
Return on equity (%)	2.7	0.2	(6.4)	2.3	**3.0**

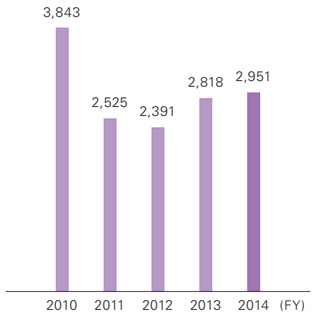
* Including the 90th anniversary commemorative dividend (5 yen per share)

	Scope of aggregation	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2015
Number of employees	Sanki Engineering Group	2,316	2,289	2,246	2,283	**2,282** **Male: 2,002** **Female: 280**
Number of accidents	Construction sites of Sanki Engineering	9	9	3	11	**5**
Frequency of accidents	Construction sites of Sanki Engineering	0.83	0.85	0.29	0.98	**0.42**
CO_2 emissions (t-CO_2)	Sanki Engineering Co., Ltd.	4,162	3,770	4,308	4,571	**4,235**
Waste emissions (t)	All Company construction sites and Yamato Engineering Center	12,034	12,070	13,757	15,869	**16,479**

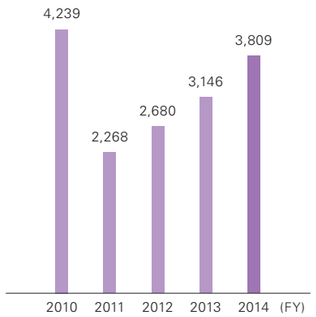
• Orders received and sales (millions of yen)



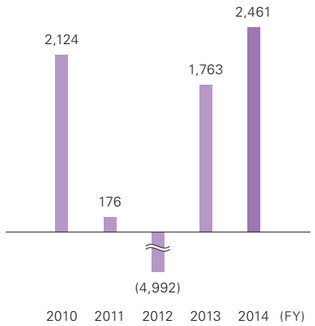
• Operating income (millions of yen)



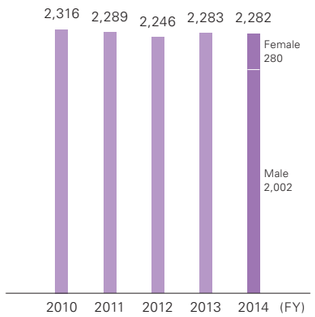
• Ordinary income (millions of yen)



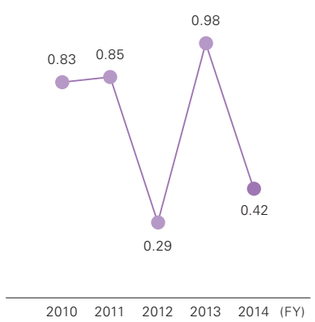
• Net income (millions of yen)



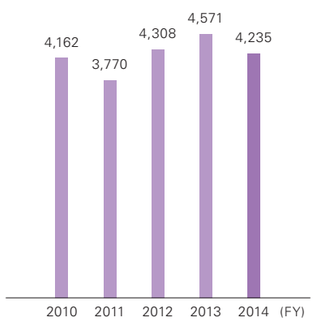
• Number of employees



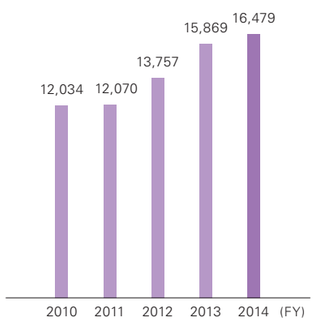
• Frequency of accidents



• CO_2 emissions (t-CO_2)



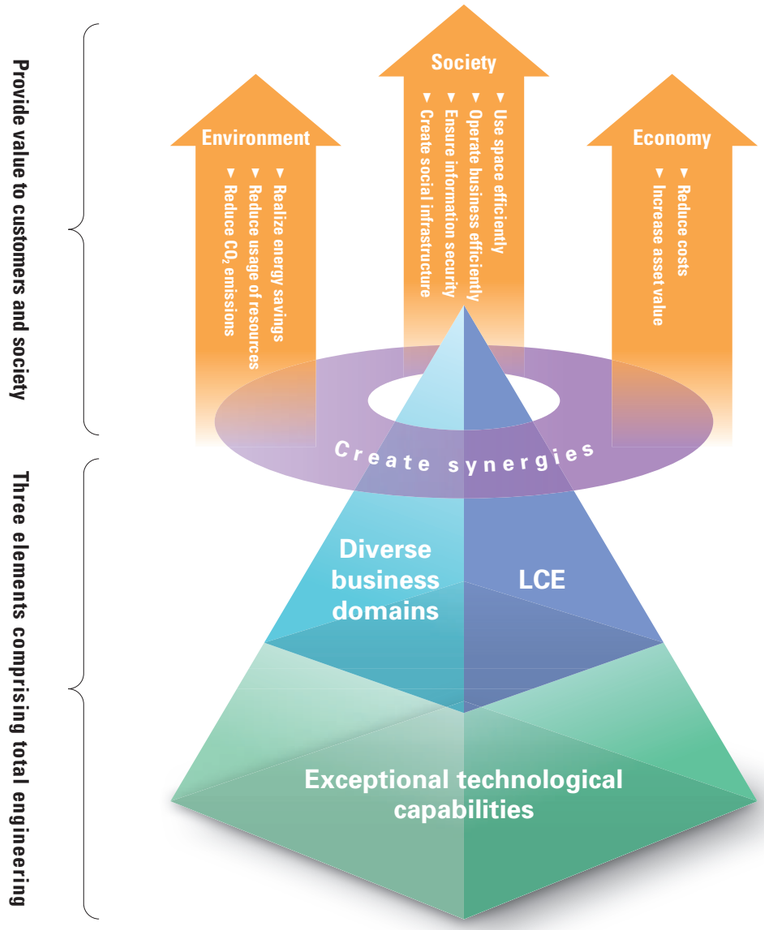
• Waste emissions (t)



Total Engineering

Create synergies through total engineering

"Total engineering" is one of the areas of comparative advantage of the Sanki Engineering Group. The term refers to our ability to provide optimal solutions throughout the overall life cycle of facilities in the numerous business domains the Group operates in, backed up by exceptional technological capabilities. By creating synergies through total engineering, we can further boost the value we provide to customers and society. The Sanki Engineering Group delivers systems with optimum added value in response to diverse needs related to the environment, society and economy.

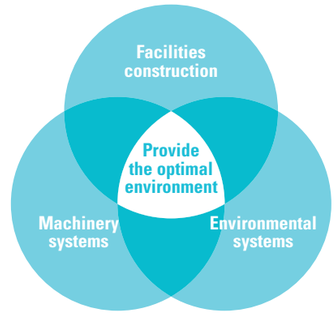


Diverse business domains

Provide an optimal environment utilizing wide-ranging business technologies

The Sanki Engineering Group covers a wide range of business areas, beginning with the Facilities Construction Business, which consists primarily of heating, ventilation and air conditioning, plumbing, electrical systems, kitchen systems and smart building solutions as well as facility systems. In addition, we are engaged in the Machinery Systems Business, consisting mainly of logistics systems and transportation equipment, and the Environmental Systems Business, comprising water and sewage treatment facilities and waste treatment facilities.

By effectively integrating these businesses, we can provide the optimal environment for our customers. This is the key element of total engineering.



Provide the optimal environment

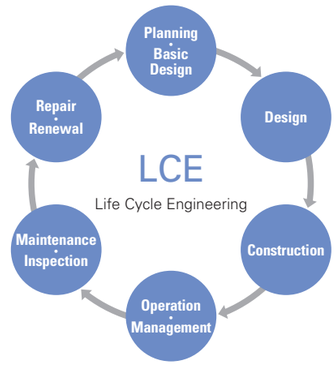
- Respond to every need in terms of building facilities and deliver one-stop solutions
- Propose optimal energy-saving measures from an all-round perspective
- Supply one-of-a-kind systems by optimizing needs

LCE

Respond to all needs throughout the life cycle

The comprehensive capabilities of the Sanki Engineering Group enable provision of optimal solutions at every stage with a focus on the entire life cycle of facilities, up to and including response to aging equipment, from planning, design and construction to maintenance, inspection, operation/management and renewal.

Life cycle engineering (LCE), into which we have been actively incorporating state-of-the-art technologies, as well as energy savings, is the second element of total engineering.



Responding to customer needs through LCE

- Integrate Group capabilities and provide optimal solutions in the life cycle of facilities
- Make multiple-perspective proposals aiming to reduce life cycle costs
- Provide steady support through professionals well-versed in customers' facilities

Exceptional technological capabilities

Definitive technology supporting total engineering

The third element is technological capability, which underpins our wide range of business domains and the creation of synergies through LCE.

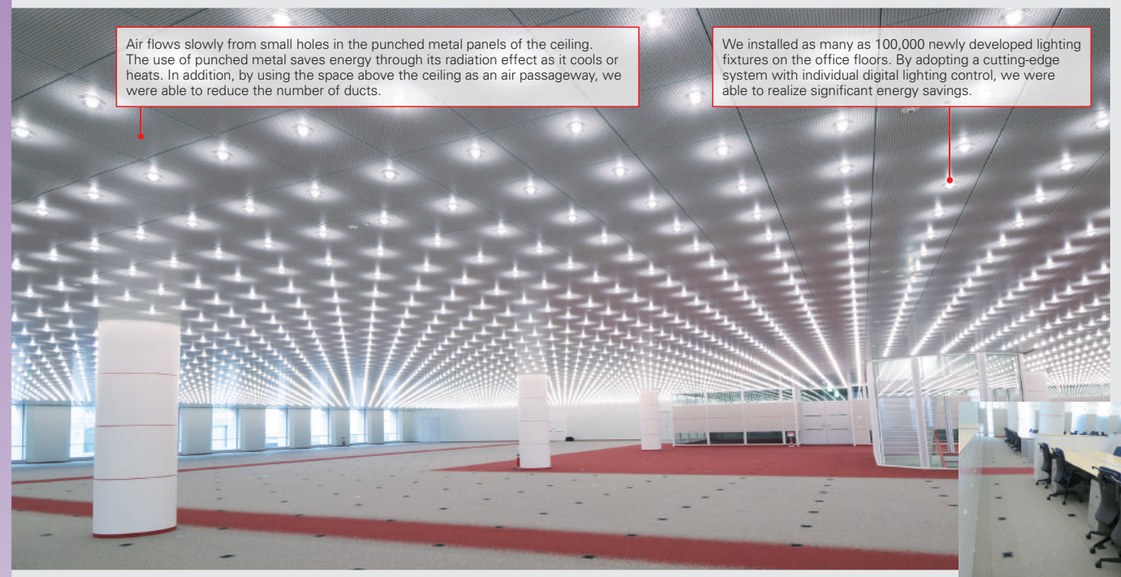
The Sanki Engineering Group can provide optimal solutions in line with customer needs through its multiple, unique and highly specialized technologies. We will maximize synergistic effects by integrating various technologies from diverse business domains and generating new value.

Creating value through total engineering competency

Creating comfort during operations and ensuring safety in times of emergency

"The kindest office building for women in Japan" – New East Building, Nippon Life Insurance Company Headquarters

In January 2015, the New East Building of the Headquarters of the Nippon Life Insurance Company was completed in Yodoyabashi, one of Osaka's leading business districts. The building houses their critical customer service divisions, with women representing about 90% of the staff. Under the concept of being "the kindest office building for women in Japan," Sanki Engineering's total engineering competency has been put to use to create a comfortable environment. At the same time, we also sought to ensure the security and safety of these female employees by creating a "Non-down Building," which does not stop functioning in the event of a large-scale disaster.



Air flows slowly from small holes in the punched metal panels of the ceiling. The use of punched metal saves energy through its radiation effect as it cools or heats. In addition, by using the space above the ceiling as an air passageway, we were able to reduce the number of ducts.

We installed as many as 100,000 newly developed lighting fixtures on the office floors. By adopting a cutting-edge system with individual digital lighting control, we were able to realize significant energy savings.

The air slowly descends from the ceiling and is drawn in by the floor suction chamber, thus controlling airflow and providing added comfort. By introducing the floor suction chamber, we were able to reduce the need for return air ducts by half as well as the amount of required construction work.

Originally appeared in "WAKUSUTA" on March 26, 2015 (Nikkei Business Publications, Inc.)

Overview of the building

14 floors above ground and 2 floors below ground (total floor area: 60,849.95 m²)

Special features
HVAC and plumbing facilities
- Full-ceiling radiation panel air conditioning system
- Gas absorption water chiller-heater system
- Air-cooled heat pump module chiller
- Cold water, cold/hot water 4-pipe air conditioning unit
- Rainwater filtering facility
- Emergency shutdown valves for the water receiving tank and elevated water tank
- Heat pump electric water heaters • Pre-action sprinklers

Electrical facilities
- Whole building LED lighting
- Cutting-edge, individual digital lighting control system
- Spatial illuminance design method • Motion sensors
- Solar power generating system • Emergency power generators
- Large-capacity lithium ion battery cell system

Integrated Network Facility
- Integrated network system • Wireless LAN system
- Mobile management system

Rated S-rank under CASBEE Osaka Mirai (Osaka City's environmental evaluation system for buildings)

Demonstrating total engineering competency in design and construction

Diverse business domains

Centralized coordination of facility arrangement and management of construction progress

Space and time limitations must be factored into arranging various types of facilities. Having responsibility for the entire facility allowed us to simultaneously undertake complex construction work with ease.

Advanced technological capabilities

Best solution based on a combination of technological capabilities and experience

We select and combine facilities to achieve the best arrangements. To generate high added value, the best solution is derived from our advanced technological capabilities and experience accumulated over many years.

The Sanki Engineering Group with its diverse business domains demonstrates total engineering from design to construction.

Electrical Room

Realizing a Comfortable Environment

Diverse business domains

Air conditioning facilities – Natural and soft flow of air

The office floor of this building has no outlets for air conditioning. We selected a full-ceiling radiation panel air conditioning system, through which air flows at 5 centimeters per second from the entire ceiling and gently spreads throughout the room. Women who stay in the office all day can work in comfort without feeling chilled.

Electric facilities – Lighting based on human perception of brightness

We decided to use ambient lighting to efficiently control LED lighting levels based on the human perception of brightness. By distributing light in a way that feels makes the actual luminosity seem brighter, we have been able to conserve energy.

Integrated network system – Controlling central monitoring units with mobile tablets

We have constructed a system to facilitate control of the integrated network system, which serves as the shared information infrastructure for the core functions of building management, including central monitoring, lighting control and security. We have also introduced a system by which the central monitoring environment can be carried around the building on mobile tablets, raising the efficiency of building management.

Central monitoring room responsible for the core functions of building management

Synergy effects of total engineering

Comfortable workplace for daily operations

Creating a comfortable environment
We support women's health and career development.

Contributing to higher productivity
A comfortable working environment also raises operational efficiency.

Ensuring Safety and Security in Times of Disaster

Diverse business domains

Plumbing facilities – Providing a 72-hour supply of water during a disaster

Emergency shutdown valves will be activated in the event of a disaster to provide a 72-hour supply of water.

Elevated water tank that can supply service water during an emergency

Plumbing facilities – Design for smooth post-disaster recovery

In addition to ensuring high quake resistance, we fitted the pipework with flexible anti-seismic joints so pipeline functions will continue to function in the event of a disaster and the burden of recovery work will subsequently be reduced.

Electric facilities – Storage cells and solar power generators activated during power outages

Along with emergency power generators that for 72 hours can supply a third of the electricity we normally require, we also installed one of the largest capacity lithium ion battery cell systems in Japan. The solar power generator will switch to standalone operation to serve as an independent power source in the event of a power outage.

Emergency power generators that are activated during a power outage

Synergy effects of total engineering

"Non-down Building" ensures safety and security even during a major disaster

Providing safety and security for working women
Operations will continue to function in the event of a disaster.

Protecting the core functions of a life insurance company
Servers and other critical systems remain operational during a disaster.

From disaster preparation to post-disaster recovery
Recovery factored into the design.

Overview of Our Businesses

Page 22

Facilities Construction Business

• Main Sales Items

HVAC systems
- HVAC systems
- Clean rooms
- Environmental control
- Freezing and refrigeration
- District heating and cooling plants
- Nuclear power-related facilities

Plumbing and drainage systems
- Water supply and drainage
- Kitchen systems
- Disaster prevention systems

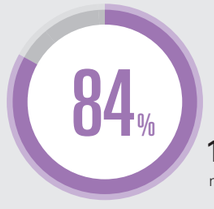
Facility systems
- Dealing rooms
- Office relocation
- Financial institution branches and offices

Electrical systems
- Electrical systems
- ICT facilities
- Instrumentation
- Electrical civil engineering

Smart building solutions
- Central monitoring and automated control systems
- IP solutions
- Network solutions

• FY2014 Results

Sales and sales composition ratio



151,169 million yen

• Social issues and value provided

Issues
- Global warming
- Energy resources
- Equipment deterioration
- Increased running costs
- Securing human resources for operations and management

Value
- Comfortable spaces
- Energy and resource conservation
- Extended-life and longer-life facilities
- Reduced life cycle costs
- Improved asset value

Page 26

Machinery Systems Business

• Main Sales Items

Conveyance systems
- Lightweight conveyers
- Environment-related conveyers
- Distribution-related conveyers
- Sorting devices
- Automated bucket warehouse

Material handling systems
- Clean conveyance systems
- Material handling systems
- Airport baggage and cargo handling systems
- FA systems
- Control and information systems

• FY2014 Results

Sales and sales composition ratio

9,953 million yen

• Social issues and value provided

Issues
- Eliminating product accidents
- Improving productivity
- Shortage of labor
- Improving the work environment
- Energy resources

Value
- Safe and secure product inspection
- Labor-saving solution
- Response to declining birthrate and aging society
- Comfortable work environment
- Reduced running costs
- Energy and resource conservation

Page 30

Environmental Systems Business

• Main Sales Items

Waste treatment
- Waste incineration facilities
- Landfill wastewater treatment facilities

Water treatment
- Water and sewage treatment facilities
- Industrial waste water treatment facilities
- Sludge treatment facilities
- Sludge incineration facilities
- Industrial plant facilities

• FY2014 Results

Sales and sales composition ratio

17,485 million yen

• Social issues and value provided

Issues
- Global warming
- Energy resources
- Aging facilities
- Constraints on final landfill sites
- Water resources

Value
- Energy and resource conservation
- Extended-life and longer-life facilities
- Appropriate waste disposal

Page 34

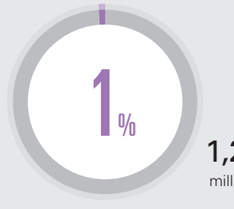
Real Estate Business

• Main Sales Items

Our real estate business includes operations in the areas of real estate leasing and building management. We are striving to expand into higher value-added real estate while taking advantage of our current technology.

• FY2014 Results

Sales and sales composition ratio



1,285 million yen

• Social issues and value provided

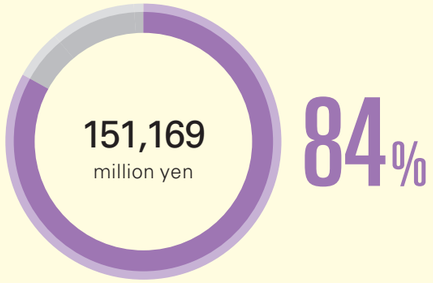
Issues
- Global warming
- Energy resources
- Aging facilities

Value
- Energy and resource conservation
- Extended-life and longer-life facilities
- Improved asset value
- Reduced running costs

Facilities Construction Business

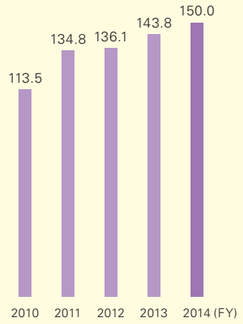
Sanki Engineering is creating facilities construction that is friendly to both people and the environment through systems that are convenient, comfortable and efficient and also save energy. We continue to aggressively pursue this business and its global expansion while developing unique new technologies.

• Sales and sales composition ratio for FY2014

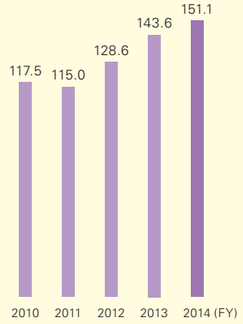


84%

• Orders (billions of yen)



• Sales (billions of yen)



Market environment for FY2014

- Increase in public works projects and recovery of the real estate market
- Turnaround in the industrial HVAC market due to decisions by some manufacturers to relocate to Japan
- Increased demand for building renovations and the expansion of production facilities

Risks

- Higher labor costs due to the shortage of workers and rising prices of resources, equipment and materials in the construction and manufacturing industries

Business opportunities

- Special demand for construction facilities for the 2020 Tokyo Olympics and Paralympics
- Expansion of demand for energy conservation in construction and production facilities

Sanki Engineering's strengths

- Total technological capabilities for realizing the optimal combination of energy conservation and comfortable environments

Medium-term management plan

Sales target for FY2015 **156.0** billion yen

Basic strategy for FY2015

- Strengthen sales capabilities
- Enhance cost competitiveness and construction capabilities
- Strengthen solution proposal capability and promote LCE

Summary of Results for Fiscal 2014

Orders in the Facilities Construction Business were 4.3% higher than the previous fiscal year at ¥150,032 million. Industrial HVAC is on track for a recovery, while the Electrical and Facility Systems businesses are maintaining steady performance. Sales rose 5.2% from the previous fiscal year to ¥151,169 million due to an increase in the completion and handover of large-scale properties.

The market environment has turned around as "Abenomics" and the weaker yen have encouraged Japanese manufacturers to bring their production operations back to Japan. This has led to reconstruction and renovation of buildings and new construction of production facilities, which is providing a steady stream of orders. On the other hand, the construction industry as a whole has begun to feel the effects of higher labor costs caused by the shortage of workers as well as the rising prices of resources, equipment and materials; delayed or prolonged construction periods; aging of workers at sites; and lack of experienced engineers.

Major projects

- Sendai City Hospital: HVAC systems (completed in July 2014)
- New East Building, Nippon Life Insurance Company Headquarters: HVAC, plumbing, electrical and integrated network systems (completed in January 2015)

Under these circumstances, we have been promoting life cycle engineering (LCE), in which we offer comprehensive proposals for entire facilities, encompassing building design and construction, management and maintenance, and repairs and renovation. In fiscal 2014, we sought to further raise our profitability, primarily through enhanced quality, and strengthened our worksite capabilities. In terms of skills, we expanded our training curriculum for every skill level and position at the Technical Training Center. In terms of operations, we constructed a support system that reduced site management workload, enabling managers to concentrate on construction management and other critical tasks; strengthened collaboration between sites and management and support divisions by improving operational processes; and implemented labor-saving projects to upgrade our construction methods. We also collected and analyzed Company-wide purchasing data to correct discrepancies among regions and suppliers toward bolstering our purchasing power.

Progress in the Medium-Term Management Plan

Strengthen Core Businesses

Increasing orders for proposed improvement projects

The Energy Solution Center develops and proposes diverse energy-saving technologies and offers proposals for renovation projects.

Expanding orders in strategic fields

We are seeking to expand orders for information-related facilities such as data centers and other facilities in non-manufacturing fields. In fiscal 2014, we focused on developing and introducing many new products and technologies related to medicine and pharmaceuticals.

Developing technology for next-generation energy-saving and new energies

The Energy Solution Center and the Technical Research & Development Institute are collaborating in the development of new technologies.

Strengthening and enhancing our bases in Southeast Asia

The Overseas Operations Control Office collaborates with the branches and branch offices to strengthen our overseas subsidiaries and develop its track record of construction projects.

Expand Strategic Growth Businesses

Life cycle engineering

We are collaborating with Group companies to expand our businesses by demonstrating our engineering competence based on advanced technological capabilities in every stage of the facility construction life cycle.

Renovation and integrated networks

The integration of two businesses into the Smart Building Solutions Business in fiscal 2012 has generated several benefits, such as enhancing the added value of buildings through advanced central monitoring and management.

Create Unique New Businesses

We are striving to develop unique, high value-added products through collaboration between our businesses that demonstrate our total engineering competence. In addition to providing safety for kitchen environments and food, we offer comprehensive proposals to food handling environments at food production factories, large-scale commercial complexes, and medical and welfare facilities for HVAC, plumbing, and electrical systems; material handling; water treatment and waste treatment.

Initiatives for Mid- to Long-Term Growth

This segment includes HVAC and plumbing systems for buildings, industrial HVAC systems, electrical systems, and the Smart Building Solutions and Facility Systems businesses, which are involved in various social infrastructure. To achieve mid- to long-term growth, we will seek to generate profits while contributing to the resolution of social issues, such as global warming, energy resources and aging facilities, mainly by pursuing our central initiatives: strengthened sales capability, enhanced cost competitiveness and construction capabilities, and stronger solution proposal capabilities, including the promotion of LCE. We will also seek to improve the profit ratio of our core businesses by boosting sales and purchasing capabilities while simultaneously making site improvements to reduce the site manager workload.

Strengthening our sales capability

We will strengthen our support to branches and branch offices and promote Company-wide, cross-departmental sales activities by reorganizing the functions of the Sales Division. In order to bolster individual sales capability, we hold sales training sessions for each management level. In terms of marketing, we will propose and expand sales of our highly original products such as Front Air®, a high-heat-generating server cooling system for data centers. In the fields of medicine and pharmaceuticals, where we were particularly successful in fiscal 2014, we will bolster sales of MEDIFORT™, a high-comfort HVAC, and the CPCube™ air flow improvement system for the regenerative medicine industry.

Front Air® high-heat-generating server cooling system for data centers

Securing profits by raising cost competitiveness and construction capability, and developing human resources

To strengthen our cost competitiveness, we will set up the Procurement Division to bolster our negotiating capability and support on-site purchasing operations through centralized management. We will also promote comprehensive cost reduction measures, including the reconstruction of our subcontracting system. Furthermore, the Site-Documentation Support Center, which expands on the work of our site support projects, will be established to support sites and enable managers to concentrate on construction work, consequently enhancing our construction management capability. As for bolstering our technological capability and developing human resources, we will continue to implement Group training for every skill level at the Technical Training Center and provide personal guidance by technical experts. We will upgrade the capabilities of our sales personnel by improving sales manuals and providing training to strengthen marketing capabilities in the Sales Division. With on-the-job training at the core, we will develop personnel with skills in information gathering and product development as well as customer relationships that will generate profit and more effectively respond to social needs.

Strengthening our solution proposal capability and promoting LCE

The main operations of our Facility Systems Business are design planning and project management services for the office or workplace, such as fitting-outs and relocation, and consulting services for workplaces. The Smart Building Solutions Business provides smart buildings that enhance energy-saving efficiency and comfort. Since both businesses undertake project proposal-based sales, we incorporated the Smart Building Solutions Business, one of our strategic growth businesses, into the Facility Systems Business in April 2015.

This action will expand opportunities for providing customers with Sanki Engineering technologies in the areas of instrument and control engineering and electrical and network systems engineering, while simultaneously strengthening the engineering capabilities of the Facility Systems Business Division. In addition, we will seek to expand the scope of our business and generate profit by providing customers with LCE that encompasses the entire process from planning and design to aftersales service, maintenance and management, representing a strength of the Sanki Engineering Group.

Focus 1

Building and facilities with seismic resistance and without city gas

Building A, Tamagawa Office, Canon Inc.

Features

- Saves space with a single-unit air-cooled heat pump
- Stronger seismic resistance based on design

Canon's Tamagawa Office was completed in October 2014, and Sanki Engineering was in charge of the heat source, HVAC systems, water supply and drainage, fire extinguishing systems, utility, water treatment and kitchen systems for Building A. Under the basic concept of incorporating seismic resistance and not using city gas, we utilized our diverse technologies in several key ways, including a single-unit facility for supplying cold and hot water to save space. Within a short actual construction period of six months, we were also able to enhance post-operation maintenance and reduce operating costs.

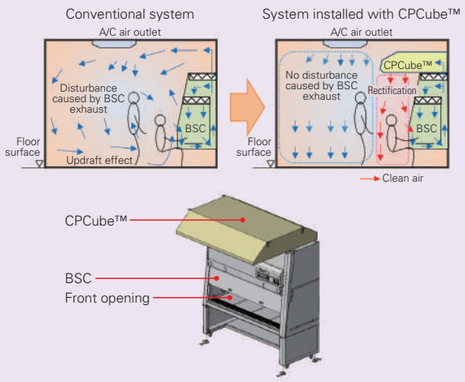
Value provided by Sanki Engineering

- Space saved through advanced technology and a reduction in operating costs
- Complex construction work completed within a short period

Focus 2

Contributing to an advanced medical field with innovative HVAC technology

CPCube™ air flow improvement system for the regenerative medicine industry



Feature

- Contributes to maintaining clean air flow at regenerative medicine worksites

Regenerative medicine worksites require a consistently clean air flow. Conventional biohazard safety cabinets (BSC) presented several challenges, including the risk of contamination from the opening sections and high costs to operate the clean room's HVAC system. In March 2015, Sanki Engineering developed the CPCube™ as a unique technology for rectifying air flow that achieves the same degree of cleanliness as conventional systems with 20% less air flow. The system has been introduced at Japan Tissue Engineering Co., Ltd. (J-TEC), the only company offering commercial regenerative medical services in Japan.

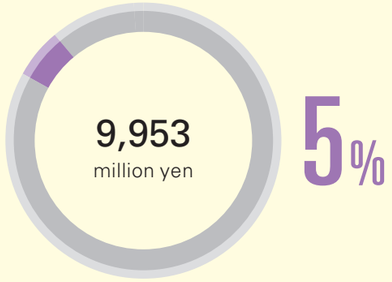
Value provided by Sanki Engineering

- Higher efficiency in maintaining cleanliness with a unique technology for controlling air flow

Machinery Systems Business

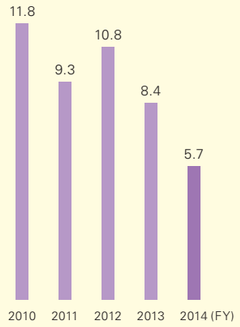
Sanki Engineering provides material handling systems that correspond with customer needs and challenges in supply chain management, and we also address issues facing society through the development of technology.

• Sales and sales composition ratio for FY2014

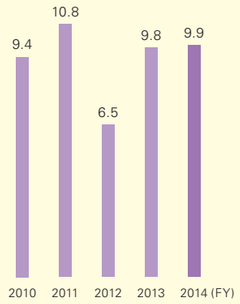


5%

• Orders (billions of yen)



• Sales (billions of yen)



Market environment for FY2014

- Private sector capital investment set to recover
- Rising need for automation due to decline in working population
- Growing demand for large-scale distribution facilities due to globalization of logistics and expansion in the online shopping market

Risks

- Intensifying price competition for standard equipment

Business opportunities

- Need to expand airport facilities ahead of the 2020 Tokyo Olympics and Paralympics
- Rising demand for energy conservation and automation in the non-manufacturing industry fields

Sanki Engineering's strengths

- High value-added, one-of-a-kind technology that can meet the needs of specific markets

Medium-term management plan

Sales target for FY2015 **15.0** billion yen

Basic strategy for FY2015

- Strengthen product appeal to expand profits in standard equipment businesses
- Expand sales in non-manufacturing fields
- Maintain maintenance contracts and expand renewal business

Summary of Results for Fiscal 2014

Orders in the Machinery Systems Business fell 32.6% from the previous fiscal year to ¥5,716 million, partly because we were unable to win an order for a large-scale material handling system. Sales increased 1.1% from the previous fiscal year to ¥9,953 million, maintaining levels roughly equivalent to the previous year.

In terms of market conditions, the declining birthrate and aging society have led to growing demand for automated facilities using robots in fields such as medicine, pharmaceuticals and nursing care. Meanwhile, although construction investment is rising ahead of the 2020 Tokyo Olympics and Paralympics, the number of experienced engineers in construction projects has continued to decline, creating a need for labor-saving technologies using new materials and new construction methods.

Under these circumstances, we have focused on strengthening product appeal to expand profits in standard equipment businesses, expanding sales in non-manufacturing industry fields such as medicine and pharmaceuticals and logistics, and strengthening our technological capabilities by incorporating robots. In our efforts to strengthen product appeal, we sought to meet customer needs by developing new food handling products in collaboration with other divisions. To expand sales in non-manufacturing industry fields, we developed and marketed new types of conveyors targeting the food products market in addition to the medical and logistics markets. As for strengthening our technological capabilities by incorporating robots, we opened the Industrial Robot Utilization Center in the Yamato Engineering Center as a facility capable of conducting demonstrations and experiments in response to customer requirements.

Major developments and projects

- Chilled food conveyor (developed in October 2014)
- High-luminance multicolor LED conveyor (developed in October 2014)
- AGV meal delivery cart (developed in November 2014)

Automatic Guided Vehicle (AGV) meal delivery cart for medical facilities

Progress in the Medium-Term Management Plan

Strengthen Core Businesses

Developing and marketing new-type conveyors for specific markets

We developed and marketed our cost-competitive light load handling conveyor called "Simple" as well as a chilled food conveyor and the high-luminance multicolor LED conveyor for the food products market. We plan to continue developing unique, high value-added products for specific markets to strengthen product appeal and differentiate our products from those of the competition.

Expanding Orders in Strategic Fields

System integrator for saving labor and energy

As the working population declines, we expect increased demand for labor-saving, energy-saving systems including industrial robots. To quickly address customer needs, we opened the Industrial Robot Utilization Center in the Yamato Engineering Center to establish a system for conducting demonstration experiments in 2014. Going forward, we intend to become a labor-saving, energy-saving system integrator and will hone our proprietary technologies and seek collaborations with other companies.

Establishing a base targeting the non-manufacturing industry fields

We will collaborate with other divisions to develop facilities and equipment for the medical and logistics-related industries. In the medical field, we installed a large-scale material handling system at a general hospital and followed up by developing an AGV meal delivery cart. We are preparing additional proposals for labor-saving systems in hospitals. In the logistics field, we will develop new models while also seeking to expand into overseas markets in collaboration with other companies.

Develop New Business Domains

Expanding into overseas markets

We have been delivering competitive products and technologies to countries such as Taiwan, South Korea and China and will be considering overseas expansion for our standard conveyors.

Initiatives for Mid- to Long-Term Growth

We intend to primarily focus on strengthening product appeal to expand profits in standard equipment businesses, identifying and concentrating on target markets, and strengthening planning and development capabilities. We will build on technologies accumulated over the years by adding technologies that are required to address social issues and establish unique technologies that will open pathways into the future.

Strengthening product appeal to expand profits in standard equipment businesses

With regard to standard products, we will continue to introduce cost-competitive products to the market, while promoting a shift to lower cost models of existing core products. We will also seek to expand the market by aggressively marketing high value-added products such as chilled food conveyors, conveyors that prevent hair contamination, and high-luminance LED conveyors. In addition, we will further strive to meet diversifying needs by developing value-added equipment other than conveyors and by expanding our product line-up through aggressive alliances.

In factory automation, we will strengthen the shift in our target markets from manufacturing to non-manufacturing industry fields and expand sales of newly developed products. In the area of airports, we will organize a task force to conduct sales activities targeting facility expansions at Haneda and Narita airports ahead of the 2020 Tokyo Olympics and Paralympics. In the medical field, we will continue developing products that address the needs of the medical device market to meet the demand for safe labor-saving devices, while conducting sales visits to new customers and opening new marketing channels. In the logistics market, we will expand sales of newly developed products such as the Cubic Sorter System and Cross-Belt Sorter.

As part of our efforts to open new marketing channels, we will set up a Web-based sales platform. We will also conduct market research and consult with overseas partners to establish a competitive foundation for expanding into overseas markets.

Identifying and concentrating on target markets

To meet the growing need for manpower and labor savings, we will strive to create and establish unique technologies that combine the material handling technology we have developed over the years with the handling technology of industrial robots. Furthermore, as a labor-saving system integrator, we will actively use the Industrial Robot Utilization Center and promote collaboration with the Technical Research & Development Institute to strengthen our technological capabilities by incorporating robots. At the same time, we will aggressively pursue collaboration with other companies and develop new markets such as logistics, online shopping and the food industry.

Strengthening planning and development capabilities

To construct a system for accurately grasping and quickly responding to the rapidly changing needs of our customers and markets, we are envisioning our role as a group of developers creating the future. Each individual will be aware of our shared concept that all employees are developers in the course of our planning and development processes.

To create the next new technology, we will use all available means to grasp the needs of customers and markets and quickly develop products aligned with our sales plans to sharpen our competitiveness.

We are also seeking to clearly identify our core technologies from among the varied technologies we possess in this business segment, including conveyance control, robotic hand and sensing, as well as suitable combinations, and are pursuing collaboration with the Material Handling Group at the Technical Research & Development Institute. In addition, we will strive to meet the diversifying needs of our customers and markets by developing unique products that differentiate us from the competition through participation in joint projects involving industry-academia-government collaboration.

Parallel link robot in operation at the Industrial Robot Utilization Center

Focus 1

Food serving line that places less stress on workers and the environment

Chilled food conveyor

Features

- Frees employees from the discomfort of working under Flow-temperature conditions
- Simple structure contributes to HVAC energy saving

Serving lines for chilled food products primarily depend on manual labor, and since the entire workroom must be kept at a low temperature to maintain food quality, workers are subject to significant physical discomfort. To address this challenge, we integrated our proprietary HVAC technology and material handling technology to limit the low-temperature zone to the manufacturing line, saving energy used by the HVAC and ensuring a comfortable working environment.

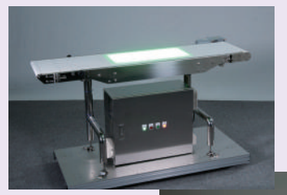
Value provided by Sanki Engineering

- Simultaneously reduces worker discomfort and energy consumption through total engineering
- Easier cleaning and maintenance

Focus 2

Contamination and quality inspection system using brightness and various colors that defy convention

High-luminance multicolor LED conveyor



Features

- Impressively high LED luminance of the working surface, up to 20,000 lux (as much as 13 times brighter than a conventional unit)
- Contamination inspection based on diverse colors as well as brightness

We developed a conveyor with LED lighting that can be adjusted for brightness and color. Given the growing importance of ensuring food product security and quality, the system can be used to inspect contamination by alien substances, hair or parasites, and also detect flaws. The system eliminates the flickering associated with conventional, fluorescent light systems, thereby reducing stress on the eyes of workers.

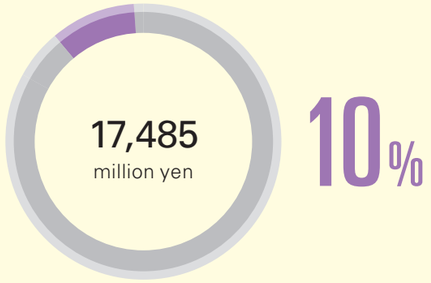
Value provided by Sanki Engineering

- High-luminance LED light facilitates highly accurate inspection
- Reduces stress on the eyes of workers due to uniform lighting
- Lower power consumption

Environmental Systems Business

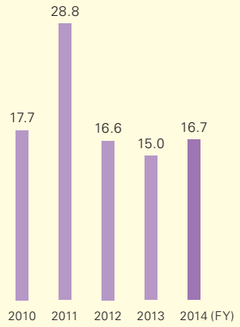
Sanki Engineering develops products and systems for water treatment and waste treatment facilities that conserve resources and lower greenhouse gas emissions toward creating a low-carbon society.

• Sales and sales composition ratio for FY2014

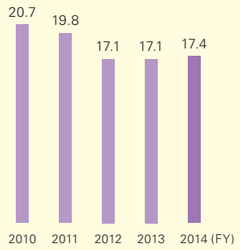


10%

• Orders (billions of yen)



• Sales (billions of yen)



Market environment for FY2014

- Expanded demand for energy-saving and energy creation systems
- Demand for facility life extension

Risks

- Fluctuations in the mid- to long-term supply of electricity
- Contraction in project scale and decline in capital investment due to fiscal restraint by municipal governments

Business opportunities

- Expanded demand for energy-saving and energy creation systems at sewage and waste treatment facilities
- Need for extending the life of facilities

Sanki Engineering's strengths

- Life cycle engineering based on synergies with Group companies

Medium-term management plan

Sales target for FY2015 **24.0** billion yen

Basic strategy for FY2015

- Strengthen proposal capability through collaboration with Group companies
- Installation and development of new strategic products by the task force

Summary of Results for Fiscal 2014

Orders in the Environmental Systems Business rose 11.6% from the previous fiscal year to ¥16,767 million, based on a large-scale project. Sales were 1.8% higher than the previous fiscal year at ¥17,485 million, roughly the same level as the previous year.

In public works such as sewage treatment and waste treatment facilities, key markets in the Environmental Systems Business, a marked decline in new capital investment and a contraction in project scale was observed as municipal governments exercised fiscal restraint. Conversely, there is accelerated demand for applying life extension measures to facilities that have entered a period of mass upgrades, realizing energy savings for entire treatment facilities and installing energy-generating facilities to ensure a stable supply of electricity over the mid- to long-term. With regard to private sector industrial plants, while capital investment remained subdued due to the economic slump and the shift to overseas production, there have been signs that the weakness of the yen is encouraging some Japanese manufacturers to return their production operations to Japan.

Under these circumstances, we focused on developing and expanding sales of products that meet the continuing needs for energy saving and energy creation. We proposed the supercharged (turbocharged) fluidized bed incinerator and the energy-saving AEROWING air diffuser for sewage treatment facilities, and the small-scale binary cycle and other types of power-generating systems for waste treatment facilities and private-sector factories that generate exhaust heat. In private-sector projects, we bolstered our overall proposal for water and wastewater treatment systems for the medical and pharmaceutical fields. With regard to facility upgrades and life extension needs, we offered optimal life cycle engineering to customers by harnessing the synergies with Group companies.

Major projects

- Chain flight sludge collector with anti-seismic functions (completed in February 2015)
- Supercharged (turbocharged) fluidized bed incinerator (completed in March 2015)
- Energy-saving centrifugal dehydrator (delivered in March 2015)

Progress in the medium-term management plan

Strengthen Core Businesses

Expanding orders for strategic energy-saving products for sewage treatment facilities

We are pursuing development and sales expansion of strategic products such as the AEROWING II, which contributes to reducing power consumption at sewage treatment facilities, the energy-saving centrifugal dehydrator and the chain flight sludge collector with anti-seismic functions. We are also striving to win more orders by raising our score under the comprehensive bidding evaluation method and presenting technical proposals for large-scale projects.

Energy-saving air diffuser AEROWING II

Expanding our marketing networks overseas

AEROWING is a strategic product manufactured by AQUACONSULT Anlagenbau GmbH (a wholly owned subsidiary) based in Austria, and we have concluded a sales alliance for the North American market with OVIVO USA, LLC, a leading plant manufacturer. We are currently enjoying brisk sales in developed countries in North America and Europe and are planning to expand our sales channels in emerging countries in Asia as well as in untapped markets.

Create Unique New Businesses

Developing technology for next-generation energy saving and new energies

We are expanding the development and sales of products that meet the growing needs for conserving and creating energy. Since fiscal 2013, we have commercialized a small-scale binary cycle power generation system that can generate power using unused waste heat at low to medium temperatures discharged from private-sector factories, geothermal heat, and hot spring heat. While large-scale systems have already been commissioned, the reduced scale of our system is expected to fill applications in diverse heat sources. The first system delivered by the Sanki Engineering Group in fiscal 2013 has already begun generating power at a private company. Our system boasts exceptional features such as high power generation efficiency and ease of maintenance, and we are planning to further expand sales over the coming years.

Initiatives for mid- to long-term growth

In the Environmental Systems Business, we will maintain our efforts to develop unique water treatment and waste treatment facilities and systems to save energy and reduce emissions of greenhouse gases, which will contribute to enhancing the quality of life and realizing a low-carbon society.

Strengthening the core engineering business

Water supply and sewage systems and waste treatment facilities in Japan will collectively enter a renewal phase between 2020 and 2030, thereby accelerating demand for system upgrades and life extensions. Meanwhile, the volatility of electricity supply has also led to an ever-greater need to conserve and create energy.

Under these circumstances, we will continue to expand the sales of strategic products, such as the AEROWING II energy-saving centrifugal dehydrator and small-scale binary cycle power generating system in our water supply and sewage systems business, while also seeking to boost efficiency by strengthening collaboration with Group companies. Moreover, we will strive to meet the need for technologies that reduce power consumption while maintaining processed water quality by continuing to develop products and systems for saving and generating energy.

In our waste business, we will seek to secure and increase business opportunities by establishing and reconstructing the systems for receiving orders. Also, we will pursue proposal-based sales for new projects and large-scale repair of projects implemented in the past.

Small-scale binary cycle power generating system

Cultivating new markets

We will reinforce our efforts to launch strategic products in the private sector, such as the fields of medicine and pharmaceuticals as well as the food products field. We will present total proposals on drainage systems for hospitals and pharmaceutical companies to create opportunities for new businesses and undertake rapid, ongoing product development and market introduction. To that end, we will organize a task force responsible for the installation and development of new strategic products that meet market needs. Using the synergies with other divisions and subsidiaries, we will respond to diverse needs by demonstrating the strength of the Sanki Engineering Group to provide customers with life cycle engineering encompassing the entire process from facility planning to design, construction, follow-up service, maintenance and management.

Developing human resources

Due to part to the adoption of comprehensive bidding evaluation methods by municipal governments, there is now a greater need to enhance the level of technical proposals and appropriately allocate engineers. As we work to reinforce and pass on technical skills, we will also formulate plans for human resource development that incorporate the attainment of qualifications to raise the capabilities of every employee. Furthermore, to address the pressing need to develop personnel who can demonstrate their talents in new business domains, such as industrial plants and overseas business, we will strengthen the development of enterprising personnel, such as searching for emerging business "seeds" and giving material form to products, developing overseas business, and undertaking proposal-based sales.

We will seek to further strengthen our engineering capabilities through three initiatives and continue to contribute to realizing a low-carbon society.

Focus 1

Slim design for slim energy consumption

SANDEC G3 energy-saving centrifugal dehydrator

Features

- Saving energy through energy recovery
- Low moisture content of dehydrated cake made possible by high centrifugal force

We developed an energy-saving centrifugal dehydrator with a structure based on an innovative concept. In April 2014, the first sludge dehydrator system began operating at the Kachinishi wastewater treatment plant in Kasugai City, Aichi Prefecture. The system not only realizes low moisture content through third-generation, high-centrifugal operation at 3,000 G but also has a remarkably slim design compared to conventional systems, a significant contribution to saving energy and space.

Value provided by Sanki Engineering

- Energy-saving operations and space-saving based on unique technologies
- Facilitates maintenance and management through enhanced operability and workability

Focus 2

Contributing to reliable water safety and security with robust anti-seismic functions

Chain flight sludge collector with Sanki anti-seismic features

Features

- Robust anti-seismic function based on a new type of wear shoe and chain
- Suitable for the replacement of parts of systems

In February 2015, we delivered the chain flight sludge collector with Sanki anti-seismic features to the Northern Kumamoto Sanitation Center in Kumamoto Prefecture as the first such system commissioned by a sewage treatment facility in Japan. Following the Great East Japan Earthquake, there were many reports of damaged sludge collectors at sewage treatment facilities. In response, we developed a new type of sludge collector that reduces the occurrence of derailing and damage during an earthquake.

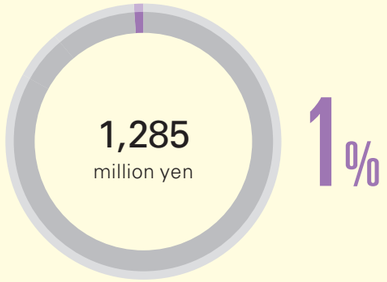
Value provided by Sanki Engineering

- Social infrastructure is preserved during large-scale disasters

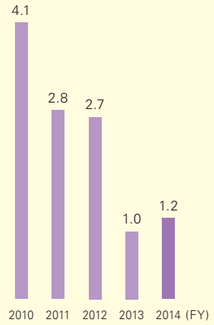
Real Estate Business

Our Real Estate Business is engaged in leasing operations and building management and is striving to increase the added value of our properties.

• Sales and sales composition ratio for FY2014



• Sales (billions of yen)



Basic strategy for FY2015

- Maintenance and management of portfolio assets
- Effective use of portfolio properties
- Raised revenues from stock-based business by accumulating leasing operations
- Disposal of non-performing assets

Summary of Results for Fiscal 2014

In the Real Estate Business, sales rose 19.3% from the previous fiscal year to ¥1,285 million. The higher sales were due to a change in October 2014 in the management structure of a commercial complex owned by Sanki Engineering. In an accompanying move, the name of the complex was changed from "LaLaport Moriyama" to "Molive."

In the office leasing segment of Japan's real estate sector, the recovery in corporate performance due to "Abenomics" has lowered the vacancy rate in metropolitan Tokyo to around 5%, with similar decreases in outlying regions. Meanwhile, there is a growing need in regard to real estate facilities, including for energy- and resource-saving features, extending the life of aging facilities, and the installation of long-life facilities. Under these circumstances, we increased the added value of our commercial facilities in fiscal 2014 by renewing lighting fixtures with LED lighting, upgrading water heaters and coolers in HVAC systems, and repairing external walls. We also sought to secure stable revenues by restructuring our business, which included utilizing idle assets.

Initiatives for fiscal 2015

In fiscal 2015, we will strive to offer real estate with high added value by undertaking the maintenance and management of portfolio assets through the use of Sanki Engineering's technologies and know-how, and thereby more effectively concentrate our leasing operations to generate higher revenues from stock-type business and bolster our business.

During the first half of the fiscal year, we will start a leased parking lot operation as a more effective utilization of our properties in the Haneda area of Tokyo.

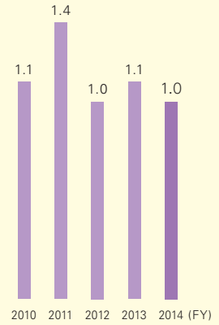
With regard to the Sanki Yamato Building, we are considering offering the entire building for rent or seeking tenants for separate sections of the building while we effectively use it as well. In addition, we will review the current use of space in regard to our other assets to consider more effective means of increasing income from our leasing operations.

Molive shopping center
(Shiga Prefecture)

Research and Development

Sanki Engineering conducts a variety of research and development activities to ensure our business operations meet customer needs and address issues faced by society.

• R&D Expenditures (billions of yen)



R&D activities

- Refinement and application development for proprietary technologies
- Promotion of higher quality
- Pursuit of energy conservation
- Investigation of new technologies and R&D

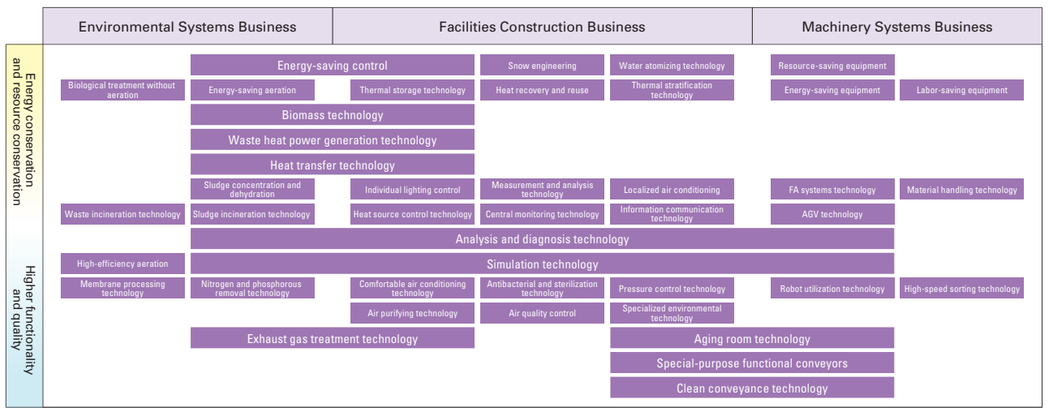
Initiatives in new fields

- Meeting labor-saving needs associated with the decline in the working population while maintaining construction quality
- Applying our technologies to the fields of medicine, pharmaceuticals, automotives, and new technologies

Basic approach

We engage in research and development relevant to our diverse business activities toward our goal of providing high-value-added solutions that contribute to the creation of a sustainable society. We develop innovative technologies by highly expert engineers; refine our proprietary technologies to expand practical applications through demonstration experiments, analysis and evaluation; and conduct basic research and investigate new technologies.

R&D technology map



R&D system

Centered on our Technical Research & Development Institute, we conduct research and development for all business domains of the Sanki Engineering Group in collaboration with the planning and development departments of each business division. In addition, we enhance cross-divisional collaboration by actively sharing information and exchanging views across business boundaries and fields of expertise in order to create new value.

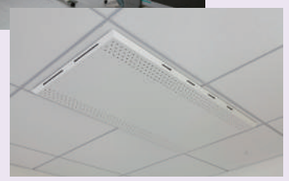
Intellectual property initiatives

The Intellectual Property Department responsibly manages intellectual property in accordance with our established rules. To strengthen our oversight of intellectual property, a liaison person is assigned to each business division to identify intellectual property through activities to improve construction methods and share information from meetings with intellectual property officials across the Company. We also address risks by maintaining and making available Group-wide a database of Company intellectual property as well as patent summaries and public notifications. In addition to providing intellectual property training for new recruits, we began organizing Group training on risk management for employees in their third and seventh years, starting in fiscal 2014. By sharing information and implementing regular training and education, we are working to enhance awareness in order to protect our own technology and ensure that we do not infringe upon the intellectual property rights of other companies.

Focus 1

Comfortable air conditioning system for hospitals that eases the effect of air currents

MEDIFORT™



Features

- Provides the comfort of radiation air conditioning, with sufficient warming and cooling
- No drafts over the beds of patients
- Quiet operation compared to convection air conditioning
- Can be installed in both new and renovated buildings

Convection air conditioning in hospital heating and cooling systems can cause uncomfortable drafts for patients. On the other hand, radiation air conditioning has not been able to provide sufficient warming or cooling, and it also carries the risk of water leakage and poor ventilation, besides being costly. In November 2014, we addressed these issues by developing MEDIFORT™, a system that combines the advantages of convection and radiation air conditioning. Its proprietary nozzle creates a gentle, quiet ambience for patients without directly exposing them to air currents, and provides refreshing air circulation for medical staff.

Value provided by Sanki Engineering

- Meets multiple needs, such as the differing sense of comfort expected by patients and medical staff, quiet operation, sufficient warming and cooling, and cost efficiency
- Suitable for both new and renovated buildings

VOICE

We will create new value through continued evolution by passing on technological expertise as our corporate DNA

We have celebrated our 90th anniversary, and if we are to go on enhancing our corporate value into our centennial, we must pass on the technological expertise that our predecessors cultivated over many decades while we also embrace new ideas to facilitate continued evolution.

An effective way to do this is by having every engineer continuously maintain an open mind, without being constrained by their prejudices, positions or backgrounds, and to share information, opinions and ideas across their fields of expertise and departments as they strive to maintain and pass on our technological expertise. To create an environment where communication is stimulated and breakthroughs are encouraged, we have been consolidating working spaces, creating common areas for gathering and promoting effective meetings. Thanks to this initiative, we have observed an increase in the number of product development efforts that leverage Group strengths. We also provide opportunities for reporting results, such as academic conference presentations, and engage in collaborations in several fields, including joint research with universities to develop new technologies. Our active efforts to communicate outside the Company have provided a stimulus for engineers, leading to new ideas and technologies.

We will further strengthen these initiatives to create new value and contribute to the development of a sustainable society.

Hirotoshi Fukui
Executive Officer, Chief Director of Technical Research & Development Institute

CSR Report

Corporate Governance

Basic Philosophy

The Sanki Engineering Group conducts management with the goal of contributing to society through engineering, communicating with our shareholders and other stakeholders, and engaging in business activities that make us a company both valued and trusted by the community. We believe the key management challenge for attaining this goal is to build on a foundation of thorough compliance in order to establish a corporate structure that enhances our performance by raising management efficiency.

Corporate Governance System

In order to increase management efficiency and speed up the decision-making process, we are employing an executive officer system in which we divide management functions between the Board of Directors, which is responsible for decision-making and supervision functions, and executive officers, who are responsible for the execution of business affairs. We also have a system by means of which the decision-making process of our Board of Directors and the execution of business affairs by our executive officers are subject to multifaceted monitoring and restraints from external executive officers, a Board of Company Auditors (including external auditors), the Internal Audit Department, and an accounting auditor in order to ensure the system of legality and appropriateness of our business procedures.

Internal Controls

Basic policy and system for internal controls

Sanki Engineering adopted its Basic Policy on Internal Financial Control at a meeting of the Board of Directors in May 2006 to set up a system of internal controls for ensuring the legality, soundness and transparency of its management. Since then, we have sought to establish and manage the system in accordance with the policies adopted by the Board of Directors by continuously revising this policy as necessary.

In April 2014, we revised the policy to further boost our system for promoting business operations in a Group-wide effort on legal compliance. In June of that year, we also revised the Sanki Engineering Group's Code of Conduct and Action Guidelines, which guide us in practicing the Company Credos and accomplishing our social responsibility as an organization.

In May 2015, we revised the Basic Policy on Internal Financial Control in response to the revision in the Companies Act to establish a system that enables Sanki Engineering to supervise its subsidiaries and improve the functionality of the system of auditing conducted by auditors.

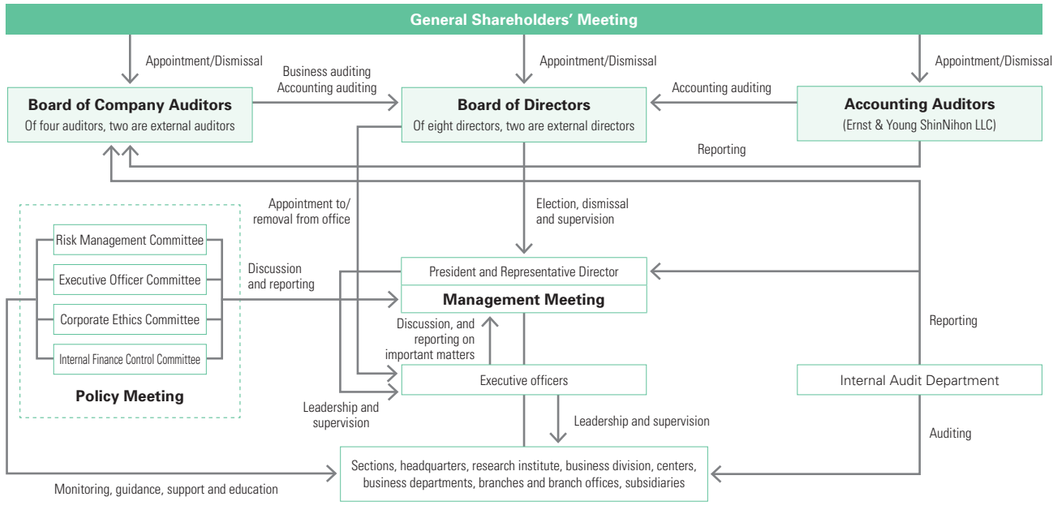
WEB **Basic Policy for Internal Financial Control**
http://www.sanki.co.jp/en/corporate/governance/

Ensuring the reliability of financial reporting

We have established an Internal Finance Control Committee to conduct our financial reporting in accordance with the internal control framework stipulated by the Financial Services Agency standards and are seeking to bolster this system. Moreover, we are promoting the establishment and appropriate management of an internal control system to safeguard the reliability of our financial reporting with respect to the committee's assessment of and response to material risks within each department and subsidiary. Under the system, a report is produced to ensure that internal controls related to financial reporting are being exercised effectively. In the report for fiscal 2014, auditors confirmed that our financial reports have been presented in a reliable manner in all material aspects.

Framework of the corporate governance system

(As of June 25, 2015)



• Business execution system

Board of Directors
The Board of Directors meets at least once a month in order to deliberate on important matters and supervise the status of execution of business affairs.

Management Meeting
The meeting consists of directors and executive officers nominated by the president and meets weekly to deliberate on important matters, including those to be discussed by the Board of Directors.

Policy Meeting
Risk Management Committee: See page 45

Executive Officer Committee
Made up of executive officers, the committee meets at least once every three months to discuss the policies expressed by the president and executive officers responsible for departments and to report on the status of business execution by each executive officer.

Corporate Ethics Committee
The president serves as the chairperson and nominates executive officers as officers responsible for corporate ethics, who oversee all matters related to corporate ethics through this committee. The committee is made up of executive officers, heads of divisions and the presidents of branches and branch offices, and the CSR Promotion Division functions as the secretariat. The committee deliberates on action plans and other measures to achieve further penetration and stricter observance of the Company's Code of Conduct and Action Guidelines at two regularly scheduled meetings per year.

Internal Finance Control Committee
Chaired by the president, this committee's central role is company-wide control, including review and decision-making concerning important matters regarding internal controls for financial reporting.

• Auditing and supervision system

Board of Company Auditors
Convening at least six times a year, the auditors attend board meetings and other important meetings and offer opinions as necessary. The board conducts accounting auditing and business auditing activities in cooperation with the accounting auditors, the Internal Audit Department, and the Internal Controls Departments. In June 2012, a supplementary external auditor was appointed to fill potential future vacancies in the board.

Internal Audit Department
This department conducts internal audits of the operations of each of the Company's business divisions in accordance with the Auditing Plan for that fiscal year. It verifies the internal management system including its appropriateness and efficiency. As necessary, the Internal Auditing Department exchanges opinions with or makes proposals concerning the improvement or correction of a problem to the internal controls departments of the Administration Division and other divisions. The department reports the results of its audits to the president, responsible executive officers and auditors.

Executives of the Sanki Engineering Group (As of June 25, 2015)

Full-time Auditor	Director	Director	Director	Director	Full-time Auditor
Toshikatsu Yasunaga	Takashi Motomatsu	Nobuo Kumura	Hidemi Fujii	Yoshio Kawabe	Masato Komura
External Auditor	**External Director**	**Representative Director**	**Representative Director**	**External Director**	**External Auditor**
Takeo Inokuchi	Yukiteru Yamamoto	Takuichi Kajiura	Tsutomu Hasegawa	Hiroki Nishio	Mamoru Norisada

Representative Director	Chairman	Takuichi Kajiura
	President	Tsutomu Hasegawa
Director	Senior Executive Officer, and General Manager, CSR Promotion Division	Nobuo Kumura
	Senior Executive Officer, and General Manager, Mechanical & Electrical Contracting Headquarters	Hidemi Fujii
	Managing Executive Officer, and General Manager, Plants & Machinery Systems Headquarters	Takashi Motomatsu
	Executive Officer, and General Manager, Administration Division	Yoshio Kawabe
External Director		Yukiteru Yamamoto*
		Hiroki Nishio*
Full-time Auditor		Toshikatsu Yasunaga
		Masato Komura
External Auditor		Takeo Inokuchi
		Mamoru Norisada*

* Independent directors have been appointed in accordance with the listing rules of the Tokyo Stock Exchange.

The Sanki Engineering Group's Code of Conduct and Action Guidelines

Formulated on December 1, 2002
Revised on May 1, 2012
Revised again on June 2, 2014

(The colored sentences (1–8) are our Code of Conduct; sentences in black print (①–㉞) are our Action Guidelines.)

Contribution to society through business activities

1. Always taking our customers' perspective, we will provide safe and useful products and services that satisfy our customers and earn their trust, and we will contribute to the development of society through Total Engineering.

① Taking our customers' needs seriously, we will present solutions based on our superior technological capacity as engineering professionals, enabling us to provide safe and useful products and services.
② We will strictly manage confidential information belonging to our customers that we have access to in the course of our work, and we will only use such information for legitimate purposes.
③ In the course of our business activities, we will present accurate information concerning our products and services, and we will not make any statements that might potentially be misunderstood by our customers.

Disclosure of company information

2. Recognizing our social responsibility as a listed corporation, we will disclose the company information necessary to increasing our management transparency in an appropriate and timely manner, improving our level of communication with our stakeholders and earning their trust.

④ We will disclose company information, including information concerning our business activities and our financial status, to our stakeholders in a timely and appropriate manner.
⑤ We will prioritize communication with our stakeholders in order to live up to the trust placed in us by society.
⑥ We will not engage in insider trading or any form of buying or selling of shares, etc., that may arouse suspicions of insider trading.

Fair market competition and trading

3. In seeking to win contracts, we will observe the rules of fair market competition, and in issuing contracts we will build fair, equal and transparent business relationships with all of our business partners*, and we will conduct honest transactions, in accordance with the stipulations of the related laws and regulations and the relevant contracts.

* Business partners: Subcontractors and companies from which we purchase materials, etc.

⑦ We will pursue profits by means of free and fair competition, observing the stipulations of the Anti-Monopoly Act and other relevant laws and regulations.
⑧ We will not make decisions based on discussion of prospective recipients of contracts or the method of selection of prospective recipients of contracts with companies involved in the contract bidding process, and we will not exchange information concerning the granting of contracts.
⑨ We will always adopt a fair and unbiased viewpoint in our dealings with business partners, and we will conduct honest transactions in accordance with the stipulations of the related laws and regulations and the relevant contracts.
⑩ We will not exploit our position as the contracting party in order to coerce our business partners to engage in any improper actions.
⑪ In negotiating the offering of contracts, etc., we will not pursue individual profit.
⑫ We will not accept any entertainment, gifts, or other economic benefits from our business partners that exceed the bounds of ordinary social etiquette.

Respect for human rights

4. In all of our business activities, we will respect the human rights of every individual with whom we have dealings, and we will eliminate discrimination and any actions that impair the dignity of the individual.

⑬ We will ensure that every individual is able to work safely and healthily at all of our worksites, including construction sites.
⑭ We will not discriminate or perform any action that impairs the dignity of the individual on the basis of sex, age, place of birth, nationality, race, ethnicity, creed, religion, physical characteristics, disabilities, etc.
⑮ We will not benefit from child labor or forced labor in our business activities.
⑯ In the course of our business activities, we will consider our impact on human rights, and we will deal with any potential human rights violations.
⑰ We will eliminate sexual harassment and power harassment from the workplace, and we will prevent any deterioration in the working environment.
⑱ We will respect the privacy, individuality, and diversity of each person, and we will work to harmonize work and life.

Management of company finances

5. We will work to manage and protect company rights and assets, both tangible and intangible, and will not use these for inappropriate purposes such as personal use; in addition, we will respect the rights and assets of others.

⑲ We will manage company assets appropriately and in accordance with the rules, and we will not use them for other than business purposes.
⑳ We will secure and preserve company rights and assets, including intellectual property rights, and we will also respect the rights and assets of others and avoid violating those rights.
㉑ We will manage information appropriately, based on our information systems use standards.
㉒ In addition to protecting information provided by customers, we will treat all personal information that we receive appropriately and manage it safely.
㉓ We will strictly manage company confidential information; during their period of employment our employees will ensure that there are no leaks or disclosures of information, and will continue to do so after having left employment, without observing fixed procedures. The same holds true for the confidential information of others.

Protection of the global environment

6. We will make active efforts for the protection of regional environments and the global environment.

㉔ In our design of facilities, etc., we will contribute to the realization of a low-carbon society by actively proposing means of conserving resources and energy.
㉕ In our respective workplaces, we will strive to prevent pollution and environmental contamination, and we will work to promote conservation of resources and energy, reduction of industrial waste, and recycling.
㉖ In our business activities, we will always consider our impact on the environment, and we will respect environment-related laws and regulations and actively work toward the resolution of environmental problems.

Prevention of association with anti-social elements

7. We will resolutely reject advances from anti-social elements that threaten the order and safety of civil society, and we will have no association with such elements.

㉗ If we receive improper requests or demands from anti-social elements or groups that represent a threat to the order and safety of civil society, we will not yield to these requests or demands but will resolutely reject them. In addition, we will not conduct any transaction with anti-social elements or groups, or individuals associated with such elements or groups, for any reason whatsoever, and will break off any contact with such elements or groups.

Respect for social rules

8. Maintaining a constant awareness that we are members of society, we will follow social rules and actively contribute to society, working to win the trust of the community.

㉘ In the performance of our work duties, we will observe the stipulations of the Construction Industry Act and other relevant laws and regulations, our Code of Conduct and Action Guidelines, and our company regulations, and we will follow social rules, maintaining a constant awareness that we are members of society.
㉙ When we stand to gain from such activities, we will not offer any favors such as entertainment or gifts to public officials or any equivalent person (including foreign public officials), and even when we do not stand to gain we will not offer entertainment, gifts, etc., to such persons that exceed the bounds of ordinary social intercourse. We will not provide any economic benefits such as entertainment or gifts that exceed the bounds of ordinary social common sense to the executives or employees of our customers. In addition, when the company rules of our customers prohibit the provision of entertainment, we will follow those rules.
㉚ We will not perform any actions that damage the good name or prestige of our company.
㉛ We will work to contribute to society as a good corporate citizen and member of society, seeking to contribute to the development of local communities.
㉜ When we engage in business activities overseas, we will respect both the rules of the area in which we are conducting business and the international code of conduct.
㉝ We will make our business partners aware of this Code of Conduct and these Action Guidelines, and we will request their observance of them.
㉞ All personnel in managerial positions will actively practice the precepts of this Code of Conduct and these Action Guidelines, and will provide instructions and engage in supervision to ensure that the personnel under their management also observe them.

Compliance

Basic Philosophy

The Sanki Engineering Group strives to maintain legally compliant behavior based on corporate ethics across all aspects of its operations by upholding the Sanki Engineering Group Compliance Declaration and the Sanki Engineering Group Behavioral Standards.

Reference Sanki Engineering Group Compliance Declaration and Sanki Engineering Group Behavioral Standards
P. 44

Compliance Promotion System

We have established a Corporate Ethics Committee, chaired by the president, who nominates officers responsible for corporate ethics to oversee the committee's activities. In principle, the committee meets twice a year to review, monitor and provide guidance with respect to compliance guidelines and action plans for the entire Group. The committee was convened twice in fiscal 2014.

Compliance Promotion Activities

Corporate ethics hotlines (whistleblowing system)

We have set up corporate ethics hotlines both within and outside the Company. The internal hotline goes to the CSR Promotion Division, while the external hotline goes to our consulting attorney's office. We act with haste to resolve the issues that are reported, with consideration for the protection of anyone seeking consultation or providing information. All of the reported information is presented to the executives responsible for corporate ethics, and important information is reported to the Management Meeting. In fiscal 2014, there were seven reported incidents (six internally and one externally), and all incidents were appropriately handled.

We are also distributing a corporate ethics hotline card in order to raise awareness of this system throughout the entire Group.

Receipt of compliance confirmation sheets from all executives and employees

In order to refresh the awareness of all Group executives and employees of the responsibilities that they must fulfill in their respective positions and roles, compliance confirmation sheets covering items such as observance of the Code of Conduct and Action Guidelines, and eliminating criminal elements and groups, are submitted at the beginning of each fiscal year using the e-Learning method.

Number of persons submitting compliance confirmation sheets (fiscal 2015)

	Sanki Engineering (relevant employees)	Subsidiaries (relevant employees)
Compliance confirmation sheets concerning performance of duties	33 (33)	25 (25)
Compliance confirmation sheets	1,968 (1,997)	338 (345)

- Compliance confirmation sheets concerning performance of duties are submitted by directors and executive officers.
- Individuals who have not submitted compliance confirmation sheets are on maternity leave, receiving medical treatment, etc.

Corporate ethics training

Sanki Engineering conducts corporate ethics training on a regular basis in order to ensure thorough compliance with the Code of Conduct and Action Guidelines.

Results of corporate ethics training (fiscal 2014)

Course	Theme	Target	Frequency and participation
Corporate ethics training	Anti-Monopoly Act Compliance Program, prevention of association with antisocial elements, illegal drugs, labor management	All employees	33 times/2,258 employees
Special corporate ethics training	Compliance with the Anti-Monopoly Act	All employees	47 times/2,098 employees

Compliance awareness survey

We conduct an annual awareness survey on issues such as compliance and CSR targeting all executive officers and employees. Survey results are used to monitor and improve the effectiveness of CSR activities.

Results of questionnaire regarding compliance awareness for 2015

Survey period: April and May, 2015
Participants: All Group executive officers and employees

Q. Do you think Company initiatives concerning compliance are adequate?

Yes, they are adequate.	Fiscal 2014	80.6%
	Fiscal 2015	83.4%

Q. Has your awareness on compliance changed since attending the special corporate ethics training?

I was aware of the issues before the training.	51.0%
My awareness changed after attending.	38.5%
Other	10.5%

Strengthening Anti-Monopoly Act Compliance

Concerning breach of the Anti-Monopoly Act in the Hokuriku Shinkansen construction project

Sanki Engineering breached the Anti-Monopoly Act in bidding for the Hokuriku Shinkansen construction project. In order to regain society's trust, we are steadfastly and thoroughly enforcing measures to prevent recurrence.

Measures carried out in fiscal 2013 to prevent recurrence

We carried out the following measures in fiscal 2013 to prevent recurrence.

- Formulated the Sanki Engineering Group Compliance Declaration and Sanki Engineering Group Behavioral Standards (October 2013).
- Held special training on corporate ethics for all executive officers of the Group as a means to redouble efforts concerning the Anti-Monopoly Act and submitted a pledge outlining compliance with the act (October through December 2013).
- Distributed the Compliance Handbook to all executive officers of the Group in order to boost awareness and informed them again of the compliance whistleblowing system (November 2013).
- Assigned a compliance manager to each operational department (February 2014).

Measures carried out in fiscal 2014 to prevent recurrence

To strengthen the effectiveness of our measures to prevent recurrence, we established a comprehensive, Group-wide Anti-Monopoly Act Compliance Program at a meeting of the Board of Directors and carried out the following measures.

- Assigned a compliance manager in each department to ensure compliance in public works projects, and we began supervising the process for deciding on the bid amount and operating a compulsory system of advance approval and reporting when attending a meeting with any companies in the same industry (April 2014).
- Introduced regular rotations for sales staff assignments (April 2014).
- Issued an Anti-Monopoly Act Compliance Manual (June 2014).
- Established a Compliance Risk Subcommittee within the Risk Management Committee to prevent risks from materializing (June 2014).
- Clearly stipulated breaches of laws such as the Anti-Monopoly Act as grounds for disciplinary action (July 2014).
- Top management visited all business bases to hold special corporate ethics training sessions using the Anti-Monopoly Act Compliance Manual through direct exchange with all of the Group's executives and employees. A total of 2,098 participants attended 47 sessions (November 2014–February 2015).
- Reconsidered membership in outside groups (March 2015).

We will continue these efforts in fiscal 2015 to further reinforce compliance and thoroughly implement measures to prevent recurrence.

VOICE

Recognizing corporate ethics as the bedrock of our actions, we will spare no effort in continuing to maintain the highest standards

Sustained by the trust of our customers and the efforts of our forerunners, the Sanki Engineering Group was able to celebrate the 90th anniversary of its founding. As the officer responsible for corporate ethics, I believe that every executive officer and employee must attain an even higher level of awareness of corporate ethics if we are to retain the public's trust. In view of the gravity of our breach of the Anti-Monopoly Act in the Hokuriku Shinkansen construction project, I am working to prevent recurrence by recognizing compliance as a priority issue in our management.

The relative superiority of our technologies would be rendered absolutely meaningless if we were to violate our Compliance Declaration and codes of conduct. To raise our awareness of corporate ethics and to ensure we maintain our standing as a responsible corporate citizen, I intend to advance our work on establishing rules and standards as the direction for all Group executive officers and employees. While this is no easy task, I am convinced we can continue to merit the trust of customers and remain a company needed by society through a consistent effort.

For the Sanki Engineering Group to be a sustainable enterprise with top priority on ethics, every Group member, including executive officers, must deepen their understanding of corporate ethics and take action toward earning even deeper trust from stakeholders as we pursue our corporate ethics initiatives into the future.

Nobuo Kumura
Director, Senior Executive Officer
General Manager, CSR Promotion Division and officer responsible for corporate ethics

Risk Management

Sanki Engineering Group Compliance Declaration and Sanki Engineering Group Behavioral Standards

In order to never again cause reason for suspicion of a breach of compliance, we formulated the Sanki Engineering Group Compliance Declaration and the Sanki Engineering Group Behavioral Standards to ensure that business activities adhere to behavioral norms and guidelines based on compliance with laws and regulations and corporate ethics, throughout the Group and across all businesses.

Sanki Engineering Group Compliance Declaration

Formulated: October 21, 2013

A policy of conducting business activities in compliance with laws and regulations and based on corporate ethics is the major premise behind the operations undertaken by the Sanki Engineering Group, and is set forth in the Sanki Engineering Group Code of Conduct and Action Guidelines.

Activities related to the granting of contracts are also subject to this and the third provision of the Code of Conduct stipulates, "In seeking to win contracts, we will observe the rules of fair market competition."

Nonetheless, we have formulated the Sanki Engineering Group Behavioral Standards in order to clarify the above points in line with changes in the environment surrounding the Company in recent times.

Essential components of bidding for any contract include acting as an honest and fair competitor, or in other words, acting in accordance with the independent judgments of the Company. Employees must strictly refrain from behavior swayed by the intentions of other companies or that impacts the actions of another company. When bidding for a contract, it is unethical to talk with other bidders or take action to force an adjustment, actions which breach the Company's policy.

Accordingly, we declare as Company policy that all Sanki Engineering Group executive officers and employees shall comply faithfully with the items stipulated in the Sanki Engineering Group Behavioral Standards.

Sanki Engineering Group Behavioral Standards

Formulated: October 21, 2013

Sanki Engineering Group Behavioral Standards
Formulated: October 21, 2013

1. No discussion, exchange of information, adjustment, or decision upon the following between businesses shall take place.
   (1) Method of selecting prospective candidates for a contract
   (2) Prospective contract candidates
   (3) Bidding price
   (4) Estimated price
   (5) Eagerness for contract, results of sales activities, contract results, number of times nominated, etc.
   (6) Order amount in stock, order reserve
2. Approval shall be gained from your superior before attending a meeting between businesses in the same industry. Following the meeting, record of the content must be made and shall be reported to your superior.
3. Such meetings shall not be attended if knowledge has been obtained in advance that the topic of the meeting between businesses will concern a matter related to any of the items in Provision 1 above.
4. Even when decisions on method of selecting prospective contract candidates, prospective contract candidates, or bidding price are made based on the guidance or at the request of the public office offering the contract, you must not adhere to this since it is a violation of the Anti-Monopoly Act.
5. When setting up a joint-venture group to participate in a tender bid, you must not negotiate or exchange opinions regarding the formation of said group in a manner that includes persons aside from those that may be involved as partners.
6. A subcontractor transaction or transaction that may be seen as giving benefits must not be undertaken between the successful tender bidder and another participating bidder for a property since this may lead to suspicions of bid-rigging in the background.
7. Actions that in any way that hinders or excludes participation in a bid on the part of other businesses or force another business to withdraw from a bid shall not be taken.
8. These standards shall apply to the following cases as well.
   (1) When a trade association acts as agent
   (2) When the public office offering the contract offers an agreement based on a method of estimate adjustment
9. In the case that you come into contact with a fact or information that suggests the existence of bid-rigging in the Company's business activities, you must report this to your superior or via the reporting system (corporate ethics hotline) irrespective of whether or not it concerns you.
10. In the case that a doubt arises over the application of these standards, you shall make judgment based on the "Guidelines Concerning the Activities of Firms and Trade Associations with Regard to Public Bids" (Public Bidding Guideline) issued by the Japan Fair Trade Commission on January 1, 2010.
    Additional clause: These standards shall be implemented as of October 21, 2013.

Risk Management Policy and System

Sanki Engineering has established a Company-wide risk management system based on its Risk Management Rules to comprehensively identify and manage risk relevant to the Group and prevent the risk event from occurring, and to minimize loss in the case that it does occur.

We have set up a Risk Management Committee, chaired by a risk management officer, to centrally manage Group-wide risk and implement an organized response. In principle, the committee convenes once every quarter to monitor important risk throughout the Group, formulate control plans, and monitor risk reported from subcommittees and divisions.

To enhance the effectiveness of our risk assessment and control, we have set up risk management subcommittees to address specific risks under the Risk Management Committee. In addition, the Internal Audit Department conducts audits on the status of risk management as required.

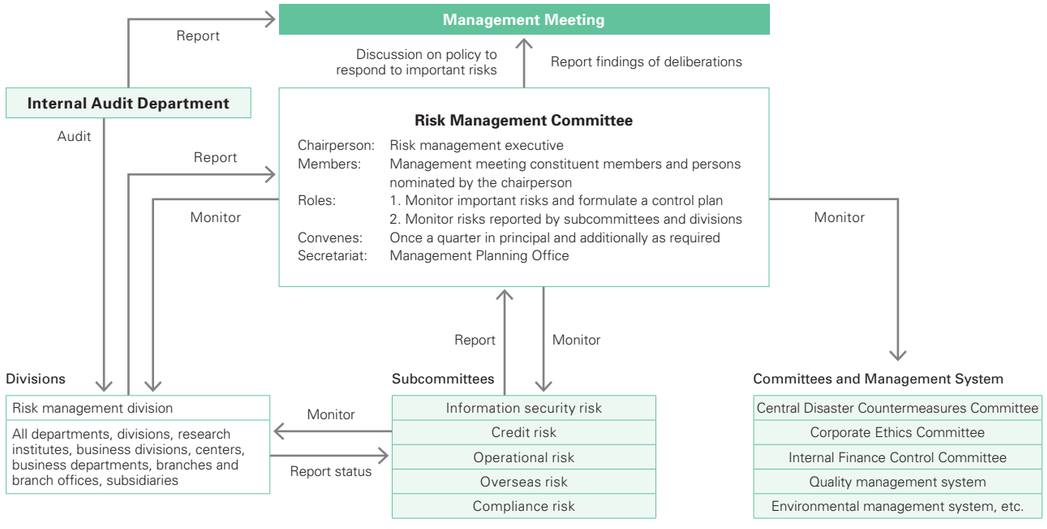
Risk Management Activities

Each fiscal year, the Risk Management Committee identifies risks that affect business activities and conducts a risk assessment based on frequency of occurrence and impact on management. The Committee receives reports from the risk management subcommittees to monitor risks and consider necessary countermeasures, provides instructions and confirms the status of progress. The Risk Management Committee convened four times in fiscal 2014 to assess the impact of each risk in order to prevent their occurrence, discuss countermeasures and confirm progress.

Major countermeasures carried out in fiscal 2014

Risk	Countermeasures
Information Security	• Formulate Guidelines for Information Security Countermeasures • Bolster measures for employees of subcontractors • Hold a simulation drill for handling Advanced Persistent Threats
Credit	• Monitor and controlled credit risks related to customers and suppliers
Business Continuity Plan (BCP)	• Integrate the BCPs of Group companies to establish a BCP for the Sanki Engineering Group
Overseas	• Expand the scope of risks to be addressed, revised and issued the Overseas Crisis Management Manual and Overseas Safety Measures Manual
Compliance	• Issue the Anti-Monopoly Act Compliance Manual • Hold corporate ethics training

Framework of the risk management system



CSR Management

Responses to Disaster Risk (Formulating a BCP)

Sanki Engineering's business continuity plan (BCP) aims to ensure the safety of all related persons, including employees, based on the integrated effort of all divisions and employees. The Company has also formulated a framework to contribute to customers and society through swift business restoration in collaboration with business partners. We continuously conduct drills and develop internal systems and procedures (system maintenance starting under ordinary conditions and clarification of behavioral standards and division of roles in a disaster) so that restoration activities can be implemented more promptly.

In fiscal 2014, we developed the Group BCP by integrating the BCPs of subsidiaries and the Company in order to further enhance effectiveness. We conducted eight BCP drills in fiscal 2014, thereby completing drills for all branches and branch offices.

Strengthening Risk Management in Overseas Operations

Consistently efficient international business operations require stronger measures for controlling a wide range of overseas risks in regard to both prevention and remediation. The Risk Management Committee issued and revised the "Risk Management Manual for Overseas Operations (for the head office and overseas bases)" and the "Manual to Ensure Safety in Foreign Countries (for overseas employees, overseas business trippers and their families)" in 2014.

The "Risk Management Manual for Overseas Operations" stipulates rules and response procedures for crises that could occur in foreign countries. The manual was revised due to an expansion of the scope of area covered, from preventing physical harm to overseas employees and other people, to encompassing steps to address violations of laws, responding to mass media and dealing with matters concerning lawsuits. The "Manual to Ensure Safety in Foreign Countries" was compiled as a practical guide and includes actual situations and checklists that cover actions required in the event of a terrorist attack or natural disaster, the prevention of damage from crime and other risk, compliance with anti-corruption laws, personnel/labor management of locally employed staff, religion and other related matters to help overseas employees and other people reduce risk and respond to emergencies.

Initiatives to Ensure Information Security

The Group handles information provided by customers in accordance with our Information Security Risk Management Rules. We have established an information security risk subcommittee within the Risk Management Committee as a management system. Through this system, we can control information security measures Company-wide and manage risk related to information security in an integrated manner. Our activities in fiscal 2014 include developing the Information Security Guidelines, strengthening measures for cooperating companies, and conducting training simulations for targeted mail attacks.

Key information security measures

Type	Actions
Dissemination of rules	• All Group executive officers and employees take an e-Learning course
Information device management	• Encryption of information terminals
Prevention of unauthorized use	• ID and password management, secure room access • Confirmation using asset management tools • Corporate ethics training, submission of confirmation notes
Prevention of unauthorized use	• Antivirus measures, automatic updating of security patches • Web filtering, countermeasures against unsolicited emails

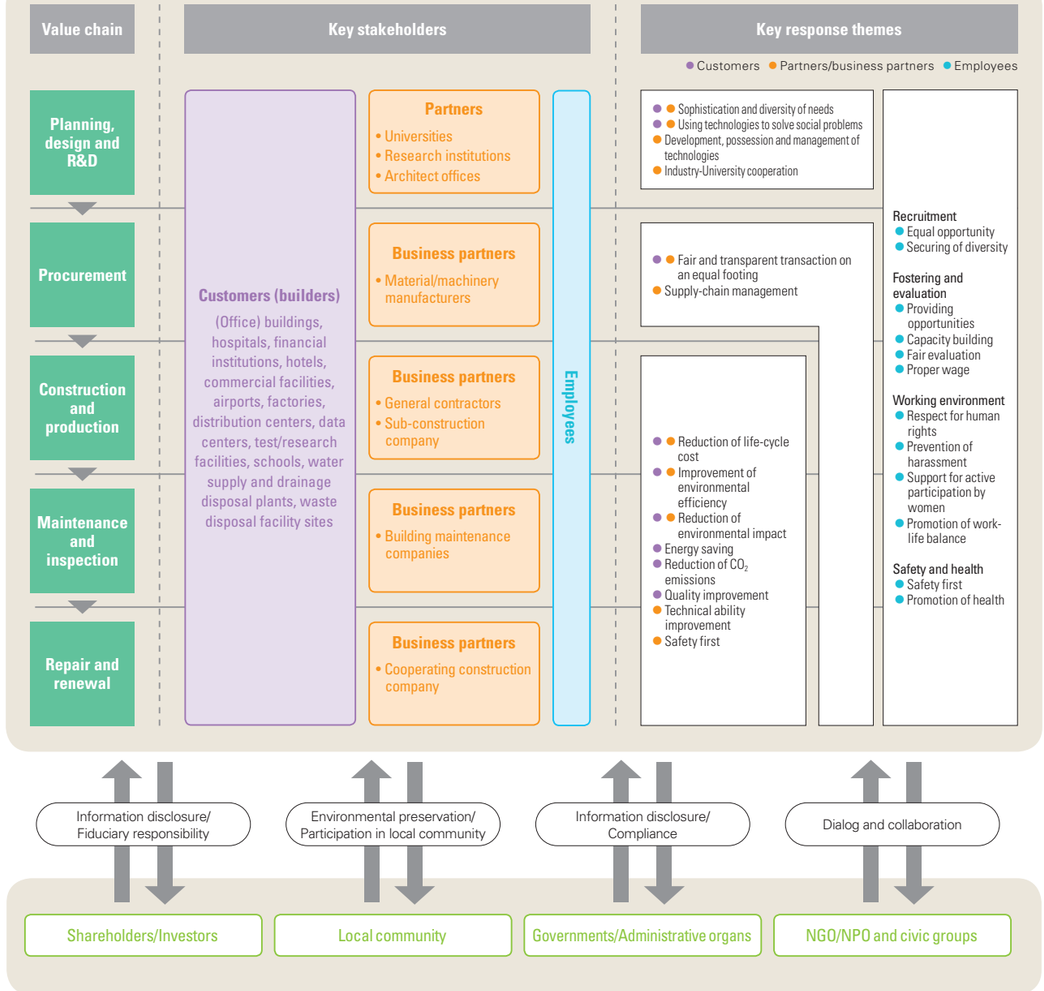
Social Media Initiatives

Social media continues to grow rapidly in today's society, and using it requires care due to the significant social impact that it can have irrespective of the user's intentions. We formulated the Guidelines for Utilization of Social Media for Group employees and have been promoting the understanding and adoption of these guidelines while at the same time making efforts to enhance the level of information security, including that related to social media.

Response to ESG Issues in Value Chain

The CSR Promotion Division is responsible for promotion of CSR activities of the Group based on the Code of Conduct and Action Guidelines. Deliberations and review of important matters concerning CSR are conducted by the Corporate Ethics Committee. Under this system, while ensuring communication with diverse stakeholders and reflecting societal demands on business activities, we are addressing ESG (Environment, Society and Governance) challenges at each stage of our value chain.

Value chain and stakeholders



Relationship with Customers

Important Issues

- More effectively respond to increasingly sophisticated and diversified customer needs
- Enhance the accuracy of quality management
- Improve construction quality and pass on technologies

Major Initiatives for Fiscal 2014

- Strengthen proposal-making capabilities through the reorganization of the Sales Division
- Improve the efficiency of construction management skills and reinforce supervision at key initiative sites
- Promote on-the-job training and quality-improvement activities by technical experts

Responses to Sophisticated and Diversified Customer Needs

In fiscal 2014, we focused the Sales Division functions into sales planning and sales development functions to provide customers with more effective solutions. Since we have entered fiscal 2015, we have narrowed down our target customers to further streamline operations. By honing our proposal-making capabilities based on our total engineering competency, we will be able to continue responding to increasingly sophisticated and diversified customer needs and thereby continue to earn their trust and appreciation.

Communication with Our Customers

Sanki Engineering actively participates in exhibitions so that customers can become familiar with our unique technology utilizing comprehensive engineering and in order to open up new sales opportunities.

Exhibition participation in fiscal 2014

Exhibition	Exhibited products
Health Ingredients & Safety and Technology Japan 2014	Total engineering for food factories, total food factory design, chilled food conveyer, LED conveyer, chilled line booth
Data Center Expo (Autumn)	Data center solution, Front Air®, high-density air-conditioning system, performance evaluation of data center HVAC
Hospex Japan 2014	Total medical facility support, hospital food service system, AGV meal cart system, MEDIFORT™, energy-saving solution for medical facilities, BCP
Interphex Japan (Osaka)	Solution utilizing a fusion of Sanki's core technologies, clean units for the regenerative medicine industry, AGV meal delivery cart
Sewage Works Exhibition '14	Energy-saving centrifugal dehydrator, membrane panel-type air diffuser, supercharged fluidized bed incinerator, sludge collector with anti-seismic features

Initiatives to Ensure Quality

Philosophy on quality and the quality management system

The corporate philosophy at Sanki Engineering, focusing on quality, effective quality management and ongoing operational improvements, is realized in accordance with the specific quality policies for each division. As a result, we have been able to ensure the provision of high-quality products and technical services and deliver greater customer satisfaction.

Our facilities construction, machinery, environmental and facility systems have obtained ISO 9001 certification, and we conduct quality management on the basis of these standards. The external audit conducted in fiscal 2014 found no instances of non-compliance, and we were commended on our connection with customers, pre-examination processes (including a design review, assessment for the commencement of work, and operation of the Health and Safety Committee), tests and inspections. We are striving to strengthen the practical application of our management system by further improving the efficiency of operational controls by integrating ISO 14001 and ISO 9001.

A meeting of the external audit team

Quality management activities

Fiscal 2014 represented a period for getting back to the basics of ISO standards. In order to improve overall operations, we began reducing workloads in favor of achieving more efficient construction management.

First, we gathered feedback directly from the worksites to identify the issues of highest priority and can be resolved within a short time. We then analyzed the causes of problems, with the related divisions, to implement remedial actions. We have eliminated redundant forms in multiple sections while also simplifying and consolidating other required documentation. Interviews were held a total of 94 times over the course of the year, resulting in about 133 specific responses. Consequently, documentation procedures and controls have been improving, which is leading to a more focused use of resources that will in turn raise quality. We intend to keep working on the issues that must be addressed over the medium term.

Launch of preparations for a worksite support structure

We learned from the on-site interviews on quality control that the amount of documentation site engineers were responsible for was impeding them from concentrating on areas of higher priority, such as construction management, and was thus creating a potential quality risk. Our Tokyo branch therefore started a preliminary project in January 2015 to support worksites and has since processed all documents on their behalf. In addition, we plan to establish a Site-Documentation Support Center in fiscal 2015 that will provide even more support to our worksites.

Share information on problems and complaints and ensure swift resolution

We share our quality-related experiences across the Company through technical documents (manuals, information, and memos) to prevent incidents or complaints related to quality from occurring or, in the event that they do occur, quickly and effectively handle them.

Information about problems and complaints are distributed to construction engineers through a flash bulletin, the "weekly bulletin" (a meeting held once a week to evaluate problems and complaints), and the "monthly bulletin," along with updates on the causes of issues, corrective measures and preventive measures. Distribution of the weekly bulletin was extended in fiscal 2014 to facilitate access to accurate information for site managers.

We monitor the number of problems and complaints during construction as a key indicator of quality control. One of our fiscal 2014 goals was to reduce the total number of incidents and complaints by 10 percent compared to fiscal 2013, and we successfully achieved the target despite the increase in construction orders. This improvement is attributed to the enhanced audits and instructions at the key initiative sites and to a more extensive, horizontal sharing of information through the wider distribution of bulletins.

Quality management activities by technical experts

In fiscal 2014, we restructured the Technical Master System into the Technical Expert System. In the earlier structure, persons with high technical skills and management at a branch or branch office visited worksites to do such work as construction audits or quality reviews to prevent problems and complaints while also mentoring junior employees. Under the new system all technical experts belong to the Quality Assurance Administrator Office, so activities are more focused and cooperation is stronger. Consequently, the superiority of our Group's comprehensive engineering capacity can be more effectively exercised at the worksites. Moreover, as of April 1, 2015, there are 24 technical experts providing on-the-job training and making quality improvements at these sites.

Technical expert supervising construction work

Construction Method Improvement Award and other technical awards

We present the Construction Method Improvement Award every year to commend innovations in construction techniques at worksites. In fiscal 2014, we received 1,038 proposals; 2 received the Construction Method Improvement Special Award, 4 received the Construction Method Improvement Award, and 2 received the Contribution to Customers Award.

Changes in the number of personnel with quality-related qualifications (total number as of April 1 for each fiscal year)

Qualification	FY2013	FY2014	FY2015
Professional engineer	90	92	89
Project management technician (civil works/construction/electrical construction/ pipe-laying work)	1,170	1,154	1,126
Architect	40	41	43
Facilities construction architect	235	221	210
Electrical engineer	168	169	175
Chief electrical engineer	34	33	30
First class instrument engineer	284	299	309
Fire protection engineer	691	690	696
Qualified management engineer (total)	1,624	1,650	2,236

Fostering human resources to sustain our technological level

Sanki Engineering provides education at our Technical Training Center to improve basic knowledge, enhance construction management skills, and promote the attainment of qualifications. Participants in the skill level training course, a hands-on program that focuses on practice, develop skills such as preparing working drawings, responding in different ways to problems and claims, and preventing problems through risk prediction.

Technical Training at the Shonan Training Center

Major human resources development activities in fiscal 2014

Initiatives	Training	Details of training	Results
Initiatives at the Technology Research Institute	Workshop on acquiring qualification	Training sessions on test preparation for becoming a project management technician or construction equipment engineer	125 participants
	Step up workshop 1. Inexperienced, amateurs 2. Person with basic qualification 3. Person with actual qualification	Training according to the amount of actual experience or technical level of the trainee	153 participants
Initiatives to pass on technology	Strengthen training for construction management	• Strengthen training for design and facilities construction using actual equipment in the Shonan Training Center • Strengthen training for facilities construction such as for construction drawings and supporting metallic materials • Establish training for automated control	Aggregate total of 303 participants
	Continuation of technical expert system	Highly skilled engineers with managerial experience at branches and branch offices pass on technological expertise to junior engineers through on-the-job training.	–
Enhance technology at Group companies and affiliates	Introduce cases at briefings and liaison meetings held at branches and branch offices	Introduce cases of claims that have occurred	Tokyo: 12 times Kansai: 3 times Hokkaido: 12 times Chugoku: 1 time Hokuriku: 6 times
	Conference on electrical construction quality for all stores (Shonan Training Center)	Grant internally certified qualification Sanki Engineering-certified Class A Electrical Engineer to participants who took part in practical tests involving timed competition of skills and written exams using materials on actual claims against the company.	19 affiliates and 19 electrical engineers participated

Relationship with Shareholders and Investors

Important Issues

- Timely and appropriate information disclosure
- Shareholder return

Major Initiatives for Fiscal 2014

- Renewal of investor relations section of our website
- Dividend payment commemorating our 90th anniversary
- Purchase and retirement of treasury stock

Timely and Appropriate Information Disclosure

Our disclosure policy

Sanki Engineering aims to disclose required corporate information in an easy-to-understand, fair, speedy, timely and appropriate manner pursuant to the stipulations of our Disclosure Policy. We also disclose information when not obliged to do so by law if we deem it useful to shareholders and investors and in order to ensure management transparency.

WEB **Disclosure Policy**
http://www.sanki.co.jp/en/ir/disclosure/

Communication with shareholders and investors

We hold events including results briefings for investment analysts and institutional investors (twice a year; a total of 69 people participated in fiscal 2014), individual meetings as necessary in response to requests, and tours of the Technical Research & Development Institute. So that more of our shareholders can attend our general shareholders' meeting, we schedule it for a date on which most other companies will not be holding their meetings. We work to increase convenience for our shareholders in other ways as well, such as by publishing notification of the meeting on our website. The feedback we receive from investors through our IR activities are relayed to management in an effort to maintain two-way communication.

Result briefing

Enhancing information disclosure on the Web

The investor relations section of our Japanese language website was redesigned in August 2014 to expand disclosure of financial highlights and segment information and introduce the new "Sanki for Beginners — Fast Facts Index," an easy-to-understand outline and characteristics of our business. And we disclose the same quarterly financial data on our English language website for overseas investors.

Our Basic Policy Concerning Returns to Shareholders

At Sanki Engineering, dividends form the basis of our policy to return profit to shareholders and we view this return of profit as a key management issue. We aim to provide stable dividends and balance sustainable corporate development with short-term returns to shareholders in accordance with our basic policy of shareholder return. In light of demands from shareholders, investors and society at large, we examine comprehensive methods of shareholder return, including purchase of treasury stock. Accordingly, we purchased 2 million shares and retired 3 million shares. We invest internal retained earnings in new businesses and technological development in order to strengthen competitiveness and create a basis for business development with the objective of continually boosting corporate value. For the fiscal year ended March 2015, we paid a total dividend per share of ¥20.0, which included a regular dividend of ¥7.5 for the interim period and a regular dividend of ¥7.5 with an additional dividend of ¥5.0 for our 90th anniversary, for a full-year dividend of ¥12.5.

Relationship with Business Partners

Important Issues

- Thoroughly enforce equal, fair and transparent transactions
- Improve quality through cooperation with business partners

Major Initiatives for Fiscal 2014

- Strengthen supervision over fair and proper transactions
- Convene Liaison Meetings for Subcontractor Groups
- Established Sanki Super Meister System

Basic Principle

The Sanki Group Code of Conduct and Action Guidelines stipulates the conduct of fair transactions with all business partners. We therefore conduct business with our partners in order to promote free market competition and in accordance with the relevant laws and individual contracts.

Under this basic policy, we endeavor to build trust with our business partners in order to jointly provide high-quality equipment and services to customers.

Building Fair, Equal, and Transparent Business Relationships

Full enforcement of fair and proper transactions

Sanki Engineering is committed to building equal, fair and transparent relationships with our business partners. Our Code of Conduct clearly specifies the nature of our relationship with business partners, and we strive to keep everyone informed through in-house training and the distribution of contract procedure manuals, which prohibit the abuse of a superior bargaining position.

Signed basic construction contracts are required before any transactions take place. Once we have reached agreement on the conditions of an individual contract, we scrupulously follow through on its execution through the issuance of purchase orders and order confirmation documents. Transactions are based on a wide array of objective criteria, including the effectiveness of quality and environmental management systems, construction ability, management status, quality, previous work performance, and cost.

Handling of anti-social forces

We avoid any involvement with anti-social forces in our procurement activities. Consequently, we only conduct transactions with companies that have no involvement with anti-social forces, and we request all of our business partners to submit a letter pledging the avoidance of involvement with anti-social forces. As of March 31, 2015, we received pledge letters from 3,546 companies.

Whistleblowing hotline for business partners

Seeking to prevent any improper transactions, we operate a whistleblowing hotline for business partners. Posters for the hotline are displayed in places that catch the eyes of suppliers such as on-site offices in an effort to promote use of the reporting system.

Strengthening Cooperation with Business Partners

Evaluation feedback to business partners

We strive to enhance quality and improve operations throughout the supply chain by conducting annual surveys on the status of dealings with business partners. Under this initiative, we create a construction results evaluation table that assesses items such as quality, price, delivery and safety based on ISO 9001 quality management standards. We report the results to business partners and exchange information on a timely basis to make improvements.

Joint improvement activities with the subcontractors groups

Sanki Engineering has established a subcontractors group at each division, branch and branch office as part of our effort to enhance our construction capabilities. In addition to monthly liaison meetings, we hold joint labor-saving projects and sessions, providing yet another opportunity for us to improve our technical skills and enhance supervision of worksite safety and health. We also review and guide group members on safety and health issues through training or qualification courses led by our employees, or by conducting joint patrols. In October 2014, the first “Liaison Meeting for Subcontractor Groups” was convened, with the participation of 17 subcontractors from across the country, who shared information or opinions about worksite safety and health as well as the acceptance and management of foreign workers.

Liaison Meeting for Subcontractor Groups

Sanki Super Meister System

The Sanki Super Meister System was created in fiscal 2014 to honor on an annual basis the foremen of Group subcontractors whose superior construction techniques have significantly contributed to elevating the quality of our construction work. A selection committee nominates those to be recognized based on ten criteria, including technical skill, proposal-making capability, worksite safety management and leadership. Fifteen foremen received the award in fiscal 2014. We believe our Group’s technical foundation will be further strengthened by these certified experts, who will pass on their outstanding skills and knowledge to coming generations.

Support system for the acquisition of qualifications

To support subcontractors in upgrading their technical skills, we subsidize the acquisition of qualifications. In fiscal 2014 we promoted the Central Safety and Health Committee’s system to encourage its use.

VOICE

Akihiro Igarashi
(piping engineer),
Sankyo Co., Ltd. (left)

Masayuki Sano
(duct engineer),
Shinei Duct industry Co., Ltd.
(right)

Orange helmets symbolize our pride and responsibility for the ongoing improvement of on-site performance.

Igarashi: I always pay close attention to the continuing evolution of piping and machinery equipment technologies. Communication is vital at large-scale worksites, where many different subcontractors are carrying out their work at the same time. Labor-saving efforts through integration of pipes and devices and material sharing to conserve resources require solid collaboration of subcontractors. I believe my mission is to place things where they don’t fit well. The harder the task, the greater my motivation. Looking ahead, I would also like to help foster the younger engineers of Sankyo as well as Sanki Engineering, and I want to see Sankyo become Sanki’s No. 1 subcontractor.

Sano: I see my customers as people who will be working in the next stage, and I really care about their ability to work efficiently after I’ve played my role in preparing their worksite. I try to keep my skills up-to-date by studying or training for qualifications so I can be useful at worksites and contribute to improvements in quality and efficiency. Before every morning meeting, I walk around the site to gauge its overall status and conduct my own KY (danger prediction) activities. I intend to focus more energy on passing on my skills, and have the highest hopes for the site workers of Sanki Engineering and its subcontractors.


Helmet worn at worksites by Sanki Super Meister

Health and Safety at Worksites

Important Issues

- Rising demand in the construction industry
- Shortage of construction workers, and the aging and shrinking of the skilled workforce
- Growing risk of work accidents due to overworked laborers or lack of experience

Major Initiatives for Fiscal 2014

- Implement accident prevention measures for operational managers
- Provide training for workers with less experience
- Increase communication opportunities for passing on expertise and skills

Health and Safety Environment of the Construction Industry

Demand for construction in Japan has been growing due to the economic boom fueled by Abenomics, earthquake disaster reconstruction, and the need to address aging public and private infrastructure. Meanwhile, the balance of labor supply and demand in this industry has been worsening because of the shrinking workforce and especially due to an aging skilled workforce. A shortage of workers and experts can lead to a risk of work-related accidents, and in fact, the number of industrial work accidents has risen. In addition, natural disasters believed to be the result of climate change, including those caused by heat waves in summer, typhoons and localized heavy rainfall, are occurring more frequently. Sanki Engineering has been engaged in health and safety activities that take into account all of these changes surrounding the industry.

Health and Safety Policy and Structure

We introduced an occupational health and safety management system (Sanki OHSMS) in 2001, one of the first in the construction facilities industry, and have since worked on it together with our business partners. A Company-wide health and safety activities plan is prepared based on the Health and Safety Guidelines, which is established under the Health and Safety Principles every year in order to increase transparency of our PDCA cycles, including the identification of risk factors and implementation of remedial and preventive actions.

WEB Sanki Engineering Group Basic Health and Safety Principles
https://www.sanki.co.jp/en/csr/safety/

Initiatives in Fiscal 2014

Key items implemented in fiscal 2014

An analysis of accidents occurring in 2013 found that neither falls nor tumbles were eliminated, that accidents occurred consecutively in September and October, and that year-long maintenance of awareness, knowledge, experience and communication were insufficient. In consideration of these findings, we worked on three key actions in fiscal 2014.

Outline of activities in fiscal 2014

Policy of the Central Safety and Health Committee Chairperson

- Slogan
  "Work Procedures: Discuss Thoroughly. Colleagues' Opinions: Listen Carefully"
- Subtitle
  "Communicate! Experience, Technique and Onsite Risk"

Key actions

1. Eliminate risk that leads to accidents from falling or tumbling
   - Conducted scaffolding-related education including experiential training in order to boost the capabilities of site managers and employees with less experience.
   - Launched a Company-wide campaign to prevent falls and tumbles.
2. Take steps to prevent accidents in the summer and autumn
   - Launched a "seasonal leaflet" campaign in the autumn to prevent accidents.
3. Increase capabilities through education
   - Presented an e-Learning lecture on asbestos (with 100% attendance by target staff).
   - Distributed material on the handling of PCBs, CFCs, halons, etc.
   - Trained all branch safety managers on dealing with dangerous situations.

The "Kotowaza" booklet, a collection of safety advice with proverbs, was produced to raise awareness of health and safety and promote intergenerational communication.

Safety conventions and safety patrols

Every year in June – the preparatory month for National Safety Week – Sanki Engineering holds safety conventions at each branch and branch office with the participation of top management. We also conduct a variety of safety patrols to raise safety awareness. All directors, including the president, participate in joint summer and year-end patrols, visiting approximately 100 worksites.

Health and safety training

For employees and business partners, Sanki Engineering provides health and safety training led by in-house instructors or at designated training institutes. The in-house instructors are dispatched by the Branch Education Support Team of the Labor Safety, Quality Control & Environment Promotion Office. Our initiatives also include a health and safety orientation using health and safety handbooks and, at our worksites, joint training sessions for new workers with the Sanki Health and Safety Cooperative Association.

Number of participants in health and safety training (fiscal 2014)

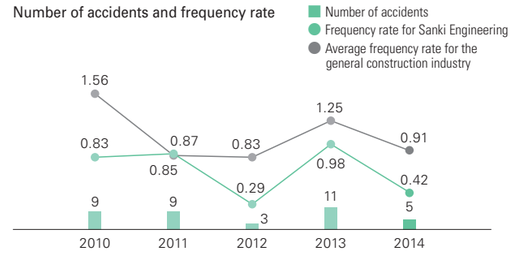
Type	Number of participants (from subcontractors)	
Special education	1,295	(1,122)
Health and safety training, including foremen	166	(131)
Total	1,461	(1,253)

Limited to training by in-house instructors of Sanki Engineering and training provided by the Sanki Health and Safety Cooperative Associations, and it does not include training at designated educational institutions.

Accidents during 2014

In 2014, 22 accidents occurred (5 lost workday accidents, and 17 with no lost workdays), representing a slight decrease from 2013, during which 23 accidents occurred (11 lost workday accidents and 12 with no lost workdays). Of the 22 accidents in 2014, 6 involved falling or tumbling (compared to 6 in 2013) and 7 involved being caught or trapped in machinery (11 in 2013). Since these two types of accidents constituted the majority of all causes, we believe that preventing these incidents is essential for eliminating work-related accidents.

Number of accidents and frequency rate



Scope: Sanki Engineering worksites
Number of accidents: interrupted work for 1 day or longer
Source for average frequency rate for the general construction industry: Survey on Industrial Accidents, Ministry of Health, Labor and Welfare
- The period for the data was changed from the fiscal year to the calendar year. Accordingly, data for previous years have been retroactively revised.
- Frequency rate: Calculated as the number of deaths and injuries caused by accidents in the worksite per one million working hours; this figure indicates the frequency with which accidents occur.

Activities Plans for Fiscal 2015

Considering the social and industry environment as well as the number and nature of accidents in 2014, we are focusing on these key action areas in fiscal 2015: (1) deploying measures against the two major categories of accidents (caught/trapped and falls/tumbles); (2) implementing preventive measures against recurrent accidents; and (3) skill improvement through training.

VOICE

I have high expectations for Sanki's approach to tackling accidents through its commitment to the "Never give up on our goal of zero accidents" campaign

Various approaches have been adopted for different types of work involving the so-called KY (or danger prediction) activities, part of an essential industrial accident prevention initiative. It must be said, however, that recent trends in industrial accidents indicate that these activities have lost substance and are thus an indirect cause of many, if not all, accidents; action for the sake of action without regard for the ultimate goal cannot bring about a desired result, in this case a safe and sound worksite.

The other problem I can see is that KY activities are not being used by colleagues at worksites to share awareness of dangers, which is presumably the result of insufficient communication.

Sanki Engineering and its business partners have been swift to address these issues, implement various measures and achieve solid results. Please continue to exercise your ingenuity to promote even further the "Never give up on our goal of zero accidents" campaign.

Yasumasa Murata
Former head of the Central Labor Standards Inspection Office

Relationship with Employees



Important Issues

- Promote diversity
- Develop and appropriately allocate human resources

Major Initiatives for Fiscal 2014

- Respect diversity in recruitment
- Implement personnel measures based on the new personnel system

Our Commitment to Employees

Our Company Credo contains the phrase "Act in a considered manner, and always in a spirit of good fellowship," and on the basis of this concept we strive to create a working environment and a corporate culture in which all employees grow together with the Company, respect each other's individuality, and are able to succeed and thrive. The technical capabilities and skills of each employee are precious assets of the Company and we believe that human resources are indispensable to an organization. We are therefore creating an environment that fosters the development of human resources so that employees can work to their full potential.

Promoting Diversity

We believe that creating working environments in which diverse personnel are able to demonstrate their particular talents leads to increased company value, and we are therefore promoting diversity in regard to the ways employees work and think, and actively working to establish a variety of systems to make this a reality.

Respecting diversity in recruitment

We seek to bring on board human resources that differ in gender and nationality as well as in talent and personality. Of the 95 new graduates hired in fiscal 2014, 17 are women and 78 are men. The recruitment of foreign nationals is part of our mid-term plan, which includes the goal of cultivating human resources who can play an active role on the world stage. Twelve people from China, Peru, South Korea, Thailand and the U.K. are working for us as of April 1, 2015.

Promoting women's roles

We believe that creating working environments in which our female employees can exercise their abilities to the fullest improves corporate value. We therefore continue to upgrade our personnel system and introduce new systems, and have taken the following major measures.

FY2007	Introduced a career change system that allows female employees to change their career type from general office to major career track.
FY2009	Launched a full-scale recruitment of new female graduates as career-track employees.
FY2013	Eliminated all general-office positions by shifting them into regional positions and conducted special training for those in regional positions. Acquired the Kurumin mark, a certificate granted to companies that support childcare and based on the Act on Advancement of Measures to Support Raising Next-Generation Children.
FY2014	Conducted a skill improvement program for employees who moved into regional positions.

VOICE

My current goal is to become indispensable at construction sites

Aya Suzuki
The 3rd Air-conditioning & Plumbing Field Engineering Department, Tokyo Branch

I am currently working as an on-site manager on a new construction project. I meet with the general contractor and other project partners every day and then discuss these meetings with our subcontractors to coordinate work or provide instruction and guidance. It's always thrilling to see the hard work that went into our drawings transformed into something real at the hands of the workers. But things don't always go well at construction sites, so I try to benefit from each failure with the faith that my skills will improve through trial and error. My goal now is to become indispensable at worksites. There aren't many women working in these places. I'm trying to communicate as much as possible with the workers of other contractors and participate in the activities or events of the foremen's association. I intend to keep working hard until the day I can take on the role of onsite representative.

We take part in the Action Plan on Women's Active Participation in the Workforce of the Keidanren (Japan Business Federation) so that we can continue to identify issues that need to be addressed and establish a structure for addressing them. Our voluntary actions related to the appointment of female executives and managers is published on the federation's website.

Voluntary Action on the Appointment of Female Executives and Managers

(1) Establish a working environment for female engineers employed at construction sites.
(2) Create a framework under which the work of female office employees can be recognized as contributing to construction sites.
(3) Enhance the system to more effectively support female employees returning from childcare leave.
(4) Conduct training program workshops for promoting the appointment of female executives and the full use of female resources.
(5) Cultivate awareness among female employees of proactively participating in management.

Changes in employee data (As of March 31, 2015)

		FY 2010	FY 2011	FY 2012	FY 2013	FY2014 Male	FY2014 Female	FY2014 Total
Number of employees	Consolidated	2,316	2,289	2,246	2,283	2,002	280	2,282
	Non-consolidated	2,001	1,965	1,918	1,908	1,668	240	1,908
	Number of managerial-level employees	–	–	–	–	497	3	500
Average age		42.5	42.8	42.7	42.7	43.5	35.8	42.6
Average number of years of employment		18.5	18.6	18.4	18.2	19.0	12.7	18.2
Number of new recruits		98	63	55	92	78	17	95
Number of employees on childcare leave		12	15	10	16	0	9	9
Number of reemployed post-retirement-age employees		43	53	55	38	–	–	41
Employment of people with disabilities	Number of employees with disabilities	37	35	36	39	–	–	37
	Ratio of employees with disabilities (%)	1.98	1.80	1.97	2.13	–	–	2.11

Scope of aggregation: Sanki Engineering Co., Ltd., except for the consolidated number of employees.

Employees by age (non-consolidated) (As of March 31, 2015)

	10s	20s	30s	40s	50s	60s	70s	80s	Total
Male	0	301	332	524	286	224	0	1	1,668
Female	3	83	69	66	15	4	0	0	240
Total	3	384	401	590	301	228	0	1	1,908

Career change system

Sanki Engineering introduced a career change system to increase opportunities for employees in regional positions so they can demonstrate their abilities and expand their scope of responsibility. As of April 1, 2015, a total of 35 employees who have changed their career type are successfully working nationwide in major career-track positions.

Employing people with disabilities

We are working to create an environment in which employees with disabilities can work comfortably over long periods.

In July 2014, we held the 2nd Exchange Meeting for the Hearing-impaired Employees. Participants gathered to talk about recent workplace improvements and to raise additional issues or proposals through discussion with colleagues who do not have a disability.

System for reemploying workers following retirement

Seeking to provide employment opportunities for older employees with advanced skills and expertise, we led the industry by introducing a system for the reemployment of employees following retirement. Forty-one employees used this system in fiscal 2014.

Developing and Evaluating Human Resources

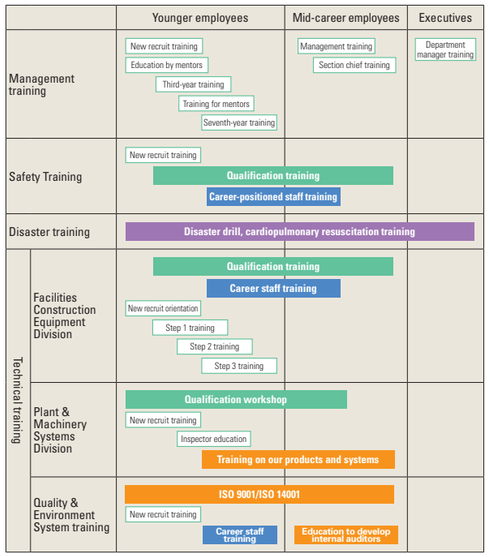
Implementing personnel measures based on a new personnel system

In fiscal 2013, we introduced a new personnel system to become a company in which people grow in line with the key theme of our medium-term management plan to "develop and appropriately allocate human resources." The personnel system was instituted to ensure that every employee is equally provided with opportunities and the right to fair evaluation and treatment. As part of this, the "early career system" for employees in their 20s was introduced to provide them with experiences in different jobs early on in their career development. We intend to continue implementing personnel measures as an organization in which the Company and its employees grow together.

Fostering human resources

We maintain training systems associated with each career path, such as management training, technical training and training by field in order to strengthen specialized skills, technical skills and management skills and boost personal growth. We also operate an overseas language and job-training program, designed to develop human resources that are adaptable to diverse environments. Through this program, two employees were dispatched to locations outside Japan in fiscal 2014.

Training system



Fostering a Comfortable Working Environment

Promoting work-life balance

We endeavor to provide our male and female employees with systems that support their work-and-life balance so that they can continue to work, worry-free, as they experience various life events.

Major systems supporting work-life balance (non-consolidated)

Area	System	Details
Work	Refresh leave system	A system under which employees are able to take five consecutive days of leave for each five years of employment using their reserved leave
	Consecutive leave for on-site workers (construction site workers)	Three consecutive days of leave after staying at a worksite for more than six months or before moving to another worksite
Childcare and nursing care	Reserved leave system	A system that allows for the use of reserved days off as leave for childcare or elderly care
	Short-time working system	A system that allows for the reduction of scheduled working hours or the delay of starting/finishing times for childcare or elderly care

Acquiring the Kurumin mark and recognition for supporting childcare by the City of Nagoya

In 2013 we acquired the Kurumin mark, a certificate granted by the Tokyo Labor Bureau of the Ministry of Health, Labour and Welfare and based on the Act on Advancement of Measures to Support Raising Next-Generation Children, for meeting certain criteria as a company supporting childcare. In 2014 the Chubu Branch was recognized by the City of Nagoya as a company supporting childcare, becoming the first construction equipment company to receive this certification.

The Kurumin mark for support of raising next-generation children

City of Nagoya certification for companies supporting childcare

Respect for human rights

We declared our respect for human rights in the Sanki Group Code of Conduct and Action Guidelines, which prohibits discrimination based on nationality, gender, age and disability and endeavors to instill respect for human rights across the Company through various means, such as educational programs. Guidelines for preventing sexual harassment are stated and a system offering consultation on sexual or power harassment and other workplace issues is established at each branch and branch office. A counter staffed by qualified external counselors has also been set up to make it easy for employees to seek consultation.

Maintaining and improving employee health

To ensure that our employees and their families are able to work in good health, both mentally and physically, we introduced a 24-hour telephone health consultation service. The service was set up outside the Company and enables employees and their families to receive consultation on mental and physical concerns, as well as medical-, nursing- and childcare-related issues, free of charge. The privacy of callers is strictly protected.

Sound employer-employee relationships

The human resources department and the employees union at Sanki Engineering meet monthly to discuss improvements in the workplace environment and the development or operation of Company systems. We also provide the employees union with opportunities to present their proposals or requests to management.

Relationship with the Environment

Important Issues

- Protect the global environment by means of our exceptional technological capability
- Minimize the environmental burden caused by our business activities

Major Initiatives for Fiscal 2014

- Review our environmental education program
- Properly dispose and reduce industrial waste

Environmental Management at Sanki Engineering

Promoting environmental management

Sanki Engineering believes that environmental problems represent an important management issue, and so we therefore promote environmental management with the aim of fulfilling two missions.

Environmental management at Sanki Engineering: Two missions

To protect the global environment by means of our advanced technological capability

- Development and introduction of technologies for exploitation of energy
- Development and introduction of technologies for the effective use of energy
- Development and introduction of technologies enabling reuse of resources

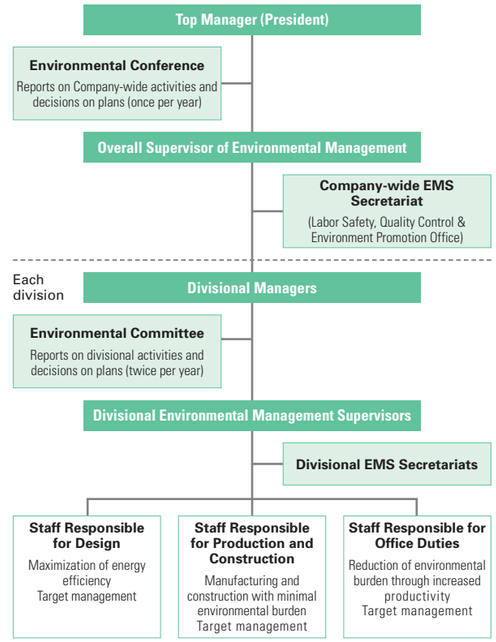
To minimize the environmental burden caused by our business activities

- Minimization of consumption of energy and resources
- Reduction of waste and promotion of recycling
- Provision of environmental education for employees

Environmental management system

We have constructed a system for implementing environmental management, with our president as the overall director. At Company-wide environmental conferences, convened once a year, each of our divisions reports on its activities and we decide on future plans. The entire Company has received ISO 14001 certification, including two of our subsidiaries (Sanki Kakou Kensetsu Co., Ltd. and Sanki Kankyo Service Co., Ltd.). In fiscal 2014, we aligned the schedule of the internal and external audits of the systems for environmental management and quality management for consistency and improved efficiency as well as the systems' operational effectiveness. The external audit found no issues of non-compliance. In addition, there were no incidents of legal violations by the Company in fiscal 2014.

System for promotion of environmental management



Developing environmental leaders

We encourage employees to acquire environment-related qualifications toward enhancing our response capabilities for business. In particular, we are planning to increase the number of managers of special controlled wastes.

Number of employees with environment-related qualifications (As of April 1 of each year)

	FY2013	FY2014	FY2015
Certified environmental measurer	7	7	7
Supervisor of management of industrial waste subject to special control	127	130	145
Pollution prevention manager	73	71	68


Participants in planting event

To strengthen our environmental management system, we provide introductory training on our environmental management system (EMS) and other forms of education every year to new recruits, as well as midcareer recruits. In fiscal 2014, 72 employees received training to become internal environmental auditors, bringing the total number of people qualified to conduct internal environmental audits to 975 on a non-consolidated basis and 983 on a consolidated basis.

Environmental education

We emphasize environmental education in response to a forecasted increase in emissions of construction waste containing asbestos as well as the revised Air Pollution Control Act (enforced in June 2014.) We implemented an e-Learning program about asbestos and distributed tools for disseminating appropriate on-site treatment of asbestos, PCBs, CFCs and halon to all Group employees in cooperation with safety and health managers. In addition, the Labor Safety, Quality Control & Environment Promotion Office implemented special education on asbestos for employees of the Group company Sanki Techno Support Co., Ltd.

In order to gain basic environmental knowledge and deepen understanding of environmental issues, we conducted Company-wide lectures using a video conference system and communicate relevant information through the intranet. In addition, to ensure the proper handling of asbestos and other substances that are dangerous to people's health and the environment, we set up the Hazardous Substance Management Group within the Labor Safety, Quality Control & Environment Promotion Office in fiscal 2015. We will conduct training, raise awareness and disseminate information on hazardous substances in cooperation with the Hazardous Substance Management Group and other related departments.

Major environmental training programs in fiscal 2014

Type	Theme	Period	Number of participants
e-Learning	Education on asbestos "Learn about the dangers of asbestos"	April to May 2014	2,383 (all targeted employees)
Environmental lectures	Eco-business Industrial waste treatment business – asbestos	June 2014	245

Initiatives to Prevent Global Warming and Save Energy

Contributing to conservation of the global environment with our exceptional technological capabilities

One mission of our environmental management is to develop and introduce technologies and products that lead to energy conservation and the reduction of CO_2 and lifecycle costs by improving functionality and comfort through the technology of each of our businesses. In addition, the Energy Solutions Center is working to improve activities on an ongoing basis by collecting energy-related information and supporting technical development and proposals to customers.

Proposals for CO_2 reduction and outcomes

	FY2012		FY2013		FY2014	
	Number	CO_2 reduction	Number	CO_2 reduction	Number	CO_2 reduction
Proposals	366	78,549	322	48,817	430	50,449
Received orders	136	18,889	124	11,273	213	21,059

• CO_2 reduction unit: t-CO_2/year

Technological developments that have contributed to conservation of the global environment

Trans Heat containers for simplified transport
This technology, developed through a project commissioned by the Ministry of the Environment, reduces initial and operating costs through the use of smaller containers without having to use new or upgraded infrastructure, and thereby promotes the effective use of exhaust heat from waste incineration and other facilities and contributes to the reduction of greenhouse gas emissions.

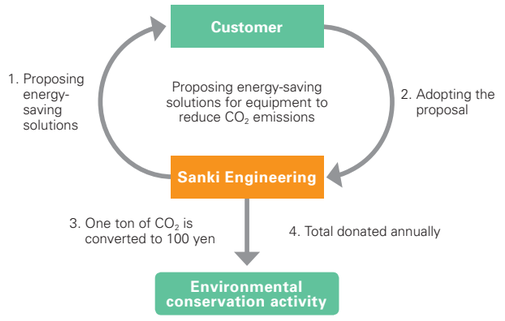
Front Air® cooling system for high-heat-generating server in data centers
This cooling system supplies air from the front of the server to cool its racks as a countermeasure against increased heat from high density. The improved cooling efficiency allows for energy saving in the air conditioning system.

AEROWING II, a low-pressure drop membrane panel-type air diffuser
This air diffuser features lower pressure loss and maintains the high oxygen transfer efficiency of AEROWING. AEROWING II contributes to conserving energy at sewage treatment plants by reducing the electric energy used by blowers that supply air to reaction tanks, accounting for 30% to 50% of power consumption at these facilities.

SANKI YOU Eco Contribution Point System

We launched the SANKI YOU Eco Contribution Point System in October 2010. Under the system, when we propose an energy-saving solution that reduces CO_2 emissions to a customer, and that proposal is adopted, the amount of the achieved emissions reduction is converted to Eco Contribution Points (100 yen per one-ton-CO_2 reduction), which are used to subsidize environmental conservation activities. In the second half of fiscal 2013, customers adopted 81 of our proposals, resulting in donations totaling 778,300 yen (equivalent to a 7,783-ton-CO_2 reduction). In the first half of fiscal 2014, 63 proposals were adopted, leading to donations totaling 880,400 yen (equivalent to an 8,804-ton-CO_2 reduction), raising the overall total of donations since the start of the program in fiscal 2010 to 8,956,800 yen.

SANKI YOU Eco Contribution Point System



• Donations to tree-planting projects

Recipients of donations were selected from the framework of global environmental preservation activities mainly handled by private non-profit organizations. In fiscal 2014, we donated to two projects and our employees participated in the activities.

The NPO Laboratory of Earth Conscious Life plans to return vacant pasture land that is not currently being used to its former beech forest by replanting beech tree saplings growing along the edges of the site. These activities are highly praised as an ideal method of preserving biodiversity, including genetic diversity. NPO Environmental Relation cultivates fish-breeding forests by planting trees near a river source. These activities contribute to a culture that has protected forests with the belief that forests attract fish and to conserving the biodiversity of coastal forests and marine life.

Donation history for tree-planting projects

Recipient	Projects	Amount donated
NPO Laboratory of Earth Conscious Life	Tree planting to create a beech forest (Kijimadaira, Nagano Prefecture)	778,300 yen in the second half of FY2013
		530,400 yen in the first half of FY2014
NPO Environmental Relation	Cultivation of fish-breeding forests and tree planting in a disaster-affected area (Miyako City, Iwate Prefecture)	350,000 yen in the first half of FY2014

Initiatives in the Office

• Energy conservation activities

Sanki Engineering promotes energy-saving activities based on a Company-wide objective for its EMS activities to reduce energy consumption by 6% compared to fiscal 2012 over a five-year period from fiscal 2013 to fiscal 2017. In fiscal 2014, we achieved a reduction of 2.8% from the 2013 level in energy consumption Company-wide. In addition, the Company has developed the SSOM lighting control system, enabling office workers to individually control single light sources. The system is designed to cut power consumption of ceiling lights in the office. It has been introduced to a part of the head office (St. Luke's Tower), leading to a 60% reduction in power consumption from lighting. And in fiscal 2014, the Company developed a self-powered switch system that generates power and transmits at the press of a button, thus eliminating the need for batteries even for the switches, making it easier to use.

• Campaign to reduce copy paper

The volume of copy paper purchased continued to increase up to fiscal 2013. To accurately grasp the state of copy paper consumption, we have been surveying inventory and consumption at the end of each fiscal year and compiling results into data sets since fiscal 2014. The number of sheets of copy paper used in fiscal 2014, the first year surveyed, was around 20,035,000. We will continue managing paper consumption and efforts to reduce usage, including paperless meetings.

Proper Disposal of Waste

Proper disposal and reduction of industrial waste

We took action to reduce industrial waste generated at construction sites as well as to ensure proper disposal. In fiscal 2014, we started setting and managing numerical goals at eight offices across the country, setting targets for material and equipment reductions through improved methods in Tokyo, Kansai, Chubu, Kyushu, Tohoku and Hokuriku, mixed waste generation rate in Hokkaido and recycle ratio in Chugoku. Although Hokuriku, Chubu, Chugoku and Kyushu Offices achieved their respective targets, we were unable to reduce total industrial waste discharge. Among the eight offices, Chugoku was the best performer, achieving a 97% waste recycling rate, exceeding its target of 95%. Hokkaido's mixed waste generation rate was 15%, compared to its goal of 5%. The volume of industrial waste generated in fiscal 2014 rose by 3.8% compared to the previous fiscal year. This rate of increase, however, was lower than the 15.4% in fiscal 2013 and 14.0% in fiscal 2012. The rate of increase over the previous fiscal year was also lower than that of the completed construction revenue in fiscal 2014, which was 5.0%. We will continue our efforts to reduce total waste discharge. All asbestos-containing waste generated through the demolishing of buildings or repair work was properly disposed of in fiscal 2014.

Introduction of a digital manifest

With the aim of ensuring the proper disposal of industrial waste, we are pushing ahead with the introduction of a digital manifest. As a result, 7 departments, including 3 branches and 2 branch offices, as well as one Group company have introduced the digital manifest system as of April 2015 (including partial introduction.) We will continue our efforts to improve the rate of introduction in individual departments.

Dispatching engineers to the Japanese Antarctic Research Expedition

Sanki Engineering has been cooperating with Antarctic research by dispatching 10 engineers to oversee environmental conservation at the Japanese Antarctic Research Expedition since 1991, when the Protocol on Environmental Protection to the Antarctic Treaty was adopted. An eleventh member of the Company is currently working in the 56th Antarctic Research Expedition team. Company technologies are contributing to environmental conservation at the Showa Station in Antarctica.

Working on the startup and operation of a new wastewater treatment facility at Showa Station

VOICE

In February 2015, life for 26 members of the 56th overwintering expedition began at Showa Station. I am in charge of environmental protection for the construction team. My primary duties are the operation and maintenance of equipment for the treatment of domestic wastewater discharged from the station, the collection of waste brought back, and the disposal of waste treated locally.

One of my major duties at the 56th expedition is to start up and operate a new wastewater treatment facility. Although the facility was delivered to the National Institute of Polar Research by Sanki Engineering in fiscal 2011 and installed by the 53rd expedition team at Showa Station, the facility did not immediately go into operation. This is because Ice Breaker Shirase, laden with necessary materials and equipment, could not approach the station. Shirase, however, was able to approach the station during the 55th and 56th expeditions and completed transportation of all necessary materials and equipment. I am now proceeding with the startup and operation of the facility along with members in charge of mechanical and electrical work.

Due to persistent bad weather since we began wintering, we have been very busy removing snow from station materials, equipment and buildings to prevent them from being buried. In the meantime, my mind has been calmed by the beautiful appearance of the aurora in the shape of curtains or spirals, large snow crystals that can be seen even with the naked eye, and other natural phenomena unique to Antarctica. My life has been full and satisfying every day, stimulated by my colleagues who are experts and professionals in many different fields such as meteorological observation and machinery.

Kotaro Shigematsu
In charge of environmental protection for the 56th Japanese Antarctic Research Expedition



Photos by Shigematsu, a member of the 56th Japanese Antarctic Research Expedition

Environmental Accounting

To enable us to proceed with our environmental protection initiatives efficiently and effectively, we determine and publish the cost of environmental protection in our business activities and the outcomes of our environmental protection initiatives.

Scope of aggregation: Sanki Engineering as a whole, or designated sections
Period: April 2014–March 2015
Guidelines for reference: (1) Environmental Accounting Guidelines, Ministry of the Environment (2005 edition),
(2) Environmental Accounting Guidelines for the Construction Industry (2002 edition)

Environmental protection costs (aggregated expenditures for environmental protection in our business activities)

(Unit: 1,000 yen)

Details of main initiatives		Environmental protection costs
Global environmental protection costs	Cost of disposal of waste CFCs and halons	35,137
Resource recycling costs	Cost of waste disposal (construction sites)	431,685
Management costs	Cost of operating under ISO 14001	4,814
	Cost of environment-related education	204
	Cost of exhibiting in exhibitions/publishing materials	35,993
	Cost of cutting back vegetation at Yamato Engineering Center/Cost of maintaining Nature Park	2,975
R&D costs	Cost of environmental protection-related R&D	323,910
Social activities costs	Donations to environmental protection-related organizations	2,669
	Cost of participating in environmental protection activities and supporting education	3,735

Effects of environmental protection (annual comparison of resources consumed, emitted gas, green purchasing results and waste products)

Details		FY2010	FY2011	FY2012	FY2013	FY2014
Resources consumed	Number of sheets of copy paper purchased for offices (1,000 sheets)	18,696	18,768	20,511	19,632*	20,194
	Number of sheets of copy paper used (1,000 sheets)	–	–	–	–	20,035
	Volume of water used at Yamato Engineering Center (m^3)	12,120	15,828	15,506	17,187	22,945
Energy consumed	Energy consumed by offices (crude oil equivalent; kl)	2,056	1,922	1,853	1,691	1,643
CO_2 emissions (t-CO_2) (The CO_2 emission factor has been increasing since FY 2012)	As a result of energy consumption in offices	3,146	2,931	3,419	3,490	3,402
	As a result of energy consumption at worksites	1,016	839	889	1,081	833
Volume of industrial waste	Amount of industrial waste from Company-wide construction sites and Yamato Engineering Center (t)	12,034	12,070	13,757	15,869	16,479
Green purchasing of stationery (1,000 yen)		32,506	28,537	31,453	31,762	33,155

* Sheets of copy paper purchased in fiscal 2013 have been recalculated due to a change in the scope of aggregation.

Economic effects of environmental protection measures

(Unit: 1,000 yen)

Related departments	Details	FY2010	FY2011	FY2012	FY2013	FY2014
Construction sites	Profit from sale of scrap, etc.	66,615*	88,238*	138,390	143,463	138,042
Yamato Engineering Center	Profit from sale of scrap, etc.	98	327	398	295	548
Company-wide	Subsidy to introduce eco-cars (ended FY2012)	–	–	2,700	–	–

* Figures have been recalculated due to a change in the computation method.

Relationship with Local Communities

Important Issues

- Coordination with local communities
- Contribution to society as a corporate citizen

Major Initiatives for Fiscal 2014

- Regional disaster prevention
- Conservation of the local environment
- Supporting the development of the next generation
- Blood donations
- Donations and contributions

Our Approach to Local Communities

As stated in our Group Action Guidelines, "We seek to contribute to society in order to aid in the development of local communities as a good corporate citizen and member of society," and our activities reflect this principle. Looking ahead, we will continue to fulfill our corporate social responsibility while maintaining active communication with stakeholders in the communities where we operate.

Coordination with Local Communities

Agreement for the provision of facilities in times of disaster

In fiscal 2013, as a means for preventing disasters and reducing damage, Yamato City in Kanagawa Prefecture concluded an agreement with the Company, which maintains large-scale facilities in the city. Under the terms of the agreement, we will provide facilities as temporary shelters for those unable to return home in the event of a disaster. Moreover, we will make the Yamato Engineering Center available and provide water, toilets and a stockpile of emergency provisions, including potable water, blankets and mats, and food. We intend to partner with Yamato City in planning and conducting training in coordination with local public transport providers.

Evacuation drill for a large-scale disaster

An evacuation drill for a large-scale disaster was conducted in the Chuorinkan area of Yamato City under a disaster management agreement between the city and the Company concluded in March 2015. During the drill, our Yamato Engineering Center served as a temporary shelter for those who were "unable to return home" and accepted 54 "evacuees." Also, our employees demonstrated a central responsibility as they provided guidance, received evacuees, issued reports and handled other tasks as members of the team overseeing the mock evacuation.

Training on receiving evacuees at the Yamato Engineering Center

Dispatching lecturers for community safety and health education

As a member of the Chuo-Chiyoda-Bunkyo Branch of the Japan Construction Occupational Safety and Health Association, the Company contributes to community safety and health education by dispatching employees as lecturers for courses on heat stroke prevention, safety and other issues.

Cleanup and Environmental Beautification Activities

Each branch, branch office and Group company participates in cleanup activities in areas around their offices or worksites as well as environmental beautification activities organized by local governments. In fiscal 2014, we took part in a variety of activities that included a cleanup around our head office and a beautification project for a river near the Yamato Engineering Center, and the Hokkaido branch joined the "Love Earth Clean-Up in Hokkaido" event on Ishikari Beach.

Trimming grass near a Yamagata prefectural psychiatric medical center

Participants in the "Love Earth Clean-Up in Hokkaido"

Enriching the Public Experience and Value of Sanki Nature Park

At the Yamato Engineering Center, the Sanki Nature Park biotope maximizes natural purification capacity. This 1,000-square-meter park was opened to the public in 2005 and consists of a large pond, small ponds, a marsh, a stream, walking paths and other features that contribute to preserving biodiversity by providing wildlife with a resting and breeding place in this area. Spot-billed ducks have migrated to the park since 2013 and have also hatched ducklings there.

In February 2015, the Sanki Nature Park recorded its 5,000th visitor since opening to the public. This milestone was achieved by a visitor living near the center, who received a commemorative gift. The park is also used by neighborhood nursery schools that do not have playgrounds as a place for nurturing the community's next generation.

Welcoming Social Studies Tours by Local Schools

As part of its social contribution activities, the Yamato Engineering Center participates in local cleanup activities and events organized by Yamato City as well as parent-child seminars. In addition, it has been conducting social study tours twice a year for local elementary schools since fiscal 2008.

In July and November 2014, a total of 203 fifth-grade students from Kitayamato Elementary School and 105 third-grade students from Chuorinkan Elementary School took the tour, respectively. They got a look at the factory inside the premises and learned about the equipment that the Company provides to airport facilities for use in transporting hand luggage. At Sanki Nature Park, where spot-billed ducks have been observed breeding, the children listened attentively to the tour guide's stories about four ducklings that had flown from their nest.

Summertime Family Environmental Class

Also in November 2014, nine students in the first grade at the Tsuchiura 1st High School in Ibaraki Prefecture visited the Sanki Global Environment Plaza to observe corporate activities.

Elementary school social studies tour

Donating Blood

Our head office began encouraging employees to donate blood in 2013. Since blood for transfusions cannot be artificially produced or stored for an extended period, we will cooperate on an ongoing basis with the corporate blood donation program as a volunteer activity in which employees can readily take part. In fiscal 2014, 65 employees at the head office and 51 employees at the Yamato Engineering Center donated blood in November 2014 and January 2015, respectively.

Employees donating blood

Donations and Contributions

In addition to making donations to universities and research institutes, we also supported cultural activities through donations to the Japan Philharmonic Orchestra, the Japan Chamber Music Foundation and other institutions. In addition, each of our branches and Group companies take part in a variety of activities in which anyone can get involved, such as by donating used stamps and cards and collecting bottle caps for ecological and charitable purposes.

Third-Party Opinion

Yoshinao Kozuma
Professor, Faculty of Economics, Sophia University

1. Creative Efforts for Reader-Friendliness

Sanki Engineering has nearly completed its pilot phase in establishing a content framework for an integrated report, and I felt that this year's report was indeed structured to promote greater understanding among readers, with careful consideration given to enhancing the quality of information and making the content easier to read. I particularly commend the addition of value chain mapping, which has advanced the process of identifying the environmental, social and governance issues associated with the Company's total engineering business model.

Many other modifications were made throughout the report to alleviate the impact of the massive volume of information that was added in transitioning to an integrated report. For example, important issues and major initiatives for the fiscal year under review were categorized by stakeholder, key performance indicators were added to the segment information, and the effective arrangement of "Voice" columns softens the overall impression of the otherwise one-sided presentation of information. In addition, the effective layout of large photographs, diagrams and columns has enhanced the overall look of the SANKI REPORT, making it much more reader-friendly.

2. Strengthening the Compliance System

As in previous reports, this year's publication provides information on follow-up activities for the Company's initiatives related to compliance with the Anti-Monopoly Act, which have continued since 2013. It is particularly noteworthy that compliance managers have been assigned to all operational departments and that a violation of the Anti-Monopoly Act has been clearly stated as the reason for disciplinary action, which indicate the strong stand taken by Sanki Engineering on compliance with this act.

I am somewhat concerned, however, about the results of the compliance awareness survey conducted in fiscal 2014 after the Company was subject to an on-site inspection by the Japan Fair Trade Commission. Approximately 80% of the respondents indicated that the Company's "initiatives concerning compliance are adequate," and for the fiscal 2015 survey, conducted after progress had been made in compliance education, the percentage was even higher. This is fine as long as these results are reflecting an organization-wide effort to raise compliance awareness. I hope the Company will continue to strengthen its compliance system so that it prevents complacency from creeping into the organizational culture.

3. Social Contribution from Antarctica

Participation in the overwintering expedition to Antarctica is a symbolic CSR activity of Sanki Engineering and has continued for a quarter of a century. While this social contribution is based on the Company's advanced environmental technologies, it also benefits Sanki Engineering's business operations since feedback on polar activity experiences can be received and students who want to be dispatched to the region will seek employment at the Company. This is another initiative that I hope the Company will maintain into the future.

4. Full Commitment to PDCA Management

As for the results of environmental activities, the Company has taken a remarkable step forward in its contribution to reducing CO_2 emissions. The data covering the past three fiscal years indicate a significant rise in the proportion of orders received in relation to the number of proposals on CO_2 reductions. In fiscal 2014, over 40% of the proposed volume of CO_2 reductions was realized. I highly commend the Company's steadfast efforts in continuously offering these proposals.

On the other hand, the Company did not seem to make much progress in reducing waste emissions. Initiatives are explained by emphasizing the decline in the ratio of year-on-year increases and comparisons with completed construction revenues, but changes over time show that industrial waste emissions have basically moved in step with completed construction revenues, and the Company's reduction efforts have not been reflected well enough in its performance results.

I would like to see the Company further enhance its organizational rules on PDCA management by concurrently strengthening its information disclosure by, for example, reporting results against targets.

5. Effective Application of G4

In this year's report, the G4 Sustainability Reporting Guidelines have been added to the reference guidelines. G4 is based on a strong commitment to compliance; incorporating compliance benchmarks into core disclosure themes could lead to significant improvements in the initiatives and transparency. I hope the Company will effectively apply G4-based checklists for reviewing and assessing CSR management.

Response to Third-Party Opinion

Thank you very much for your valuable opinions on the SANKI REPORT.

Four years have passed since we began compiling these integrated reports, and we have received high marks for the care we have taken to raise the quality of information and make the report easier to read. Sanki Engineering will maintain these efforts with the intention of continually publishing reports that are useful and appealing. We will also continue our efforts to strengthen our compliance system, as pointed out by the experts, toward firmly establishing compliance within our organizational culture.

With respect to waste reduction, we will transform our reduction practice of setting targets at each site into a Company-wide initiative and actively disclose information, including the results of these activities in an effort to improve them. The company will also consider more effectively applying the fourth edition of the Global Reporting Initiative guidelines (GRI G4) to its CSR management as a whole and strive to enhance its initiatives and increase transparency even further.

We are resolved to make use of the SANKI REPORT in our future activities toward realizing a comfortable society through our business activities.

Nobuo Kumura
Director, Senior Executive Officer, and General Manager, CSR Promotion Division

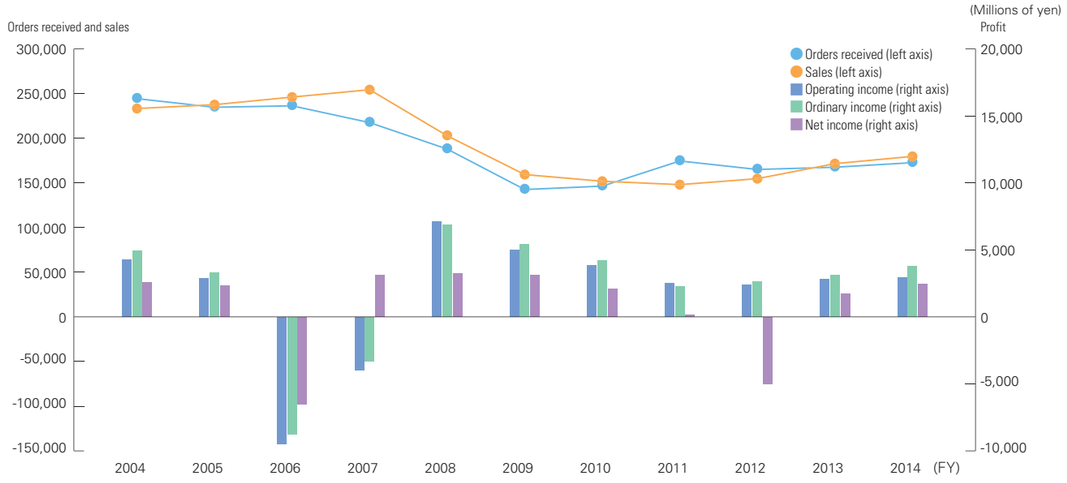
Financial Report

Financial Report

11-year Consolidated Financial Summary

(Millions of yen)

	Year ended March 31, 2005	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2015
Fiscal year											
Orders received	¥ 245,047	¥ 235,401	¥ 237,022	¥ 218,256	¥ 188,653	¥ 143,348	¥ 147,129	¥ 175,291	¥ 165,800	¥ 168,295	**¥ 173,398**
Balance carried forward	155,876	153,593	144,456	108,253	93,566	77,641	72,976	100,272	111,414	108,219	**102,019**
Sales	233,170	237,684	246,159	254,460	203,340	159,273	151,794	147,994	154,658	171,496	**179,598**
Selling, general and administrative expenses	14,948	14,426	13,994	13,962	14,978	15,419	15,763	15,712	15,199	15,604	**15,015**
Operating income or loss	4,281	2,892	(9,502)	(3,958)	7,125	5,027	3,843	2,525	2,391	2,818	**2,951**
Ordinary income or loss	4,946	3,319	(8,782)	(3,307)	6,900	5,456	4,239	2,268	2,680	3,146	**3,809**
Net income or loss	2,600	2,355	(6,536)	3,134	3,283	3,141	2,124	176	(4,992)	1,763	**2,461**
Cash flows from operating activities	(3,151)	(5,557)	(2,819)	(4,097)	19,177	1,294	11,554	(2,697)	9,729	(9,403)	**(139)**
Cash flows from investing activities	7,662	(1,024)	2,833	11,511	1,726	(1,664)	2,610	(1,046)	(9,481)	(3,506)	**3,440**
Cash flows from financing activities	(3,315)	(3,067)	(2,697)	(3,812)	(4,377)	(2,936)	(1,883)	(280)	(1,028)	(4,152)	**(2,901)**
Cash and cash equivalents at end of year	¥ 28,365	¥ 18,717	¥ 16,018	¥ 19,617	¥ 36,142	¥ 32,825	¥ 45,135	¥ 41,097	¥ 40,367	¥ 23,510	**¥ 23,667**
As of end of fiscal year under review											
Total assets	240,234	245,367	251,323	215,680	176,664	163,307	158,501	163,120	166,477	170,181	**176,382**
Net assets	87,774	98,333	88,943	80,276	78,780	80,498	79,833	79,662	76,932	74,917	**84,869**
Number of employees	2,327	2,332	2,179	2,225	2,239	2,272	2,316	2,289	2,246	2,283	**2,282**
Per share information											
Earnings per share (yen)	34.49	31.46	(88.47)	42.42	44.45	42.86	29.67	2.46	(71.04)	26.46	**38.30**
Book-value per share (yen)	1,187.36	1,330.41	1,203.57	1,086.02	1,065.77	1,119.40	1,115.41	1,113.70	1,106.32	1,142.74	**1,334.65**
Cash dividends (yen)	18.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	**20.00**
Other information											
Equity ratio (%)	36.5	40.1	35.4	37.2	44.6	49.3	50.3	48.8	46.2	44.0	**48.1**
Return on assets (%)	2.1	1.4	(3.5)	(1.4)	3.5	3.2	2.6	1.4	1.6	1.9	**2.2**
Return on equity (%)	3.0	2.5	(7.0)	3.7	4.1	3.9	2.7	0.2	(6.4)	2.3	**3.0**



Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2014	As of March 31, 2015
Assets		
Current assets:		
Cash and deposits *(Note 1)*	¥ 23,510	**¥ 29,267**
Notes and accounts receivable on completed construction contracts and other	76,779	**74,781**
Electronically recorded monetary claims	1,321	**2,607**
Securities	3,998	**–**
Inventories:		
Costs on uncompleted construction contracts	1,863	**2,471**
Raw materials and supplies	417	**476**
Deferred tax assets	1,661	**1,965**
Other	6,715	**4,754**
Allowance for doubtful accounts	(328)	**(99)**
Total current assets	115,941	**116,224**
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	39,795	**39,289**
Accumulated depreciation	(34,860)	**(34,846)**
Buildings and structures, net	4,934	**4,442**
Machinery, equipment, vehicles, and tools, furniture and fixtures	3,756	**3,560**
Accumulated depreciation	(3,310)	**(3,154)**
Machinery, equipment, vehicles, and tools, furniture and fixtures, net	445	**406**
Land	4,124	**3,964**
Lease assets	509	**629**
Accumulated depreciation	(134)	**(176)**
Lease assets, net	374	**453**
Construction in progress	–	**3**
Total property, plant and equipment	9,878	**9,269**
Intangible assets	436	**370**
Investments and other assets:		
Investment securities *(Note 1)*	31,283	**39,704**
Long-term loans receivable	258	**197**
Asset for retirement benefits	3,587	**6,709**
Deferred tax assets	130	**206**
Lease and guarantee deposits	1,080	**1,121**
Insurance funds	241	**345**
Other *(Note 1)*	8,463	**3,077**
Allowance for doubtful accounts	(1,121)	**(845)**
Total investments and other assets	43,924	**50,517**
Total noncurrent assets	54,239	**60,157**
Total assets	¥ 170,181	**¥ 176,382**

(Millions of yen)

	As of March 31, 2014	As of March 31, 2015
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Notes and accounts payable on construction contracts and other	¥ 57,888	**¥ 56,137**
Short-term loans payable	6,576	**5,672**
Lease obligations	72	**80**
Income taxes payable	625	**806**
Deferred tax liabilities	27	**23**
Advances received on uncompleted construction contracts	5,489	**2,636**
Provision for bonuses	2,286	**2,176**
Provision for directors' bonuses	75	**80**
Provision for warranty costs	428	**459**
Provision for loss on construction contracts	567	**1,314**
Other	4,698	**2,717**
Total current liabilities	78,736	**72,106**
Noncurrent liabilities:		
Long-term loans payable	–	**660**
Lease obligations	363	**424**
Deferred tax liabilities	2,260	**6,843**
Liability for retirement benefits	8,231	**5,384**
Provision for directors' retirement benefits	219	**122**
Provision for loss on guarantees	29	**34**
Provision for loss on compensations	–	**471**
Other	5,422	**5,465**
Total noncurrent liabilities	16,526	**19,406**
Total liabilities	95,263	**91,512**
Net assets:		
Shareholders' equity:		
Capital stock	8,105	**8,105**
Capital surplus	4,181	**4,181**
Retained earnings	58,935	**61,659**
Treasury stock	(2,444)	**(2,267)**
Total shareholders' equity	68,777	**71,678**
Accumulated other comprehensive income:		
Unrealized gains on available-for-sale securities	9,095	**15,332**
Foreign currency translation adjustment	29	**48**
Retirement benefits asset and liability adjustments	(3,011)	**(2,253)**
Total accumulated other comprehensive income	6,114	**13,127**
Subscription right to shares	25	**51**
Minority interests	–	**12**
Total net assets	74,917	**84,869**
Total liabilities and net assets	¥ 170,181	**¥ 176,382**

See notes to consolidated financial statements.

Consolidated Statement of Income and Comprehensive Income

(Millions of yen)

	Year ended March 31, 2014	Year ended March 31, 2015
Net sales:		
Net sales of completed construction contracts	¥ 170,336	**¥ 178,220**
Net sales of real estate business and other	1,159	**1,378**
Total net sales	171,496	**179,598**
Cost of sales:		
Cost of sales of completed construction contracts *(Notes 1 and 2)*	152,224	**160,572**
Cost of sales on real estate business and other	848	**1,059**
Total cost of sales	153,072	**161,632**
Gross profit:		
Gross profit on completed construction contracts	18,111	**17,648**
Gross profit on real estate business and other	311	**318**
Total gross profit	18,423	**17,966**
Selling, general and administrative expenses:		
Employees' salaries and allowances	6,022	**5,963**
Provision for bonuses	1,006	**926**
Provision for directors' bonuses	75	**80**
Retirement benefit expenses	497	**588**
Provision of allowance for doubtful accounts	42	**–**
Depreciation	398	**371**
Other (Note 1)	7,559	**7,085**
Total selling, general and administrative expenses	15,604	**15,015**
Operating income	2,818	**2,951**
Non-operating income:		
Interest income	45	**43**
Dividends income	506	**592**
Insurance income	105	**169**
Foreign exchange gains, net	–	**143**
Reversal of allowance for doubtful accounts	–	**273**
Other	350	**386**
Total non-operating income	1,007	**1,607**
Non-operating expenses:		
Interest expense	96	**89**
Equity in losses of affiliates	107	**295**
Foreign exchange losses, net	126	**–**
Provision of allowance for doubtful accounts	37	**–**
Other	311	**364**
Total non-operating expenses	679	**749**
Ordinary income	3,146	**3,809**
Extraordinary income:		
Gain on sales of noncurrent assets	181	**–**
Gain on sales of investment securities	163	**290**
Total extraordinary income	345	**290**
Extraordinary loss:		
Impairment loss *(Note 3)*	143	**189**
Loss on sales of noncurrent assets	8	**51**
Loss on retirement of noncurrent assets	30	**25**
Loss on valuation of stock of unconsolidated subsidiaries	153	**–**
Provision for loss on compensations	–	**471**
Total extraordinary losses	336	**737**
Income before income taxes and minority interests	3,154	**3,362**
Income taxes:		
Income taxes-current	959	**1,245**
Income taxes-deferred	431	**(384)**
Total income taxes	1,391	**861**
Income before minority interests	1,763	**2,501**
Minority interests	–	**39**
Net income	1,763	**2,461**
Minority interests	–	**39**
Income before minority interests	1,763	**2,501**
Other comprehensive income *(Note 4)*:		
Unrealized gains on available-for-sale securities	2,464	**6,236**
Foreign currency translation adjustment	120	**(8)**
Remeasurements of defined benefit plans	–	**758**
Total other comprehensive income	2,584	**6,986**
Comprehensive income	¥ 4,348	**¥ 9,487**
Comprehensive income attributable to:		
Shareholders of Sanki Engineering Co., Ltd.	¥ 4,348	**¥ 9,474**
Minority interests	¥ –	**¥ 12**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

[For the year ended March 31, 2014]

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	¥ 8,105	¥ 4,181	¥ 60,855	¥ (2,750)	¥ 70,391
Changes in items during the period					
Dividends from surplus			(1,013)		(1,013)
Net income			1,763		1,763
Change in scope of consolidation			44		44
Purchase of treasury stock				(2,408)	(2,408)
Retirement of treasury stock			(2,714)	2,714	–
Net changes in items other than shareholders' equity					
Total changes in items during the period	–	–	(1,919)	305	(1,614)
Balance at the end of current period	¥ 8,105	¥ 4,181	¥ 58,935	¥ (2,444)	¥ 68,777

	Accumulated other comprehensive income						
	Unrealized gains on available-for-sale securities	Foreign currency translation adjustment	Retirement benefits asset and liability adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at the beginning of current period	¥ 6,631	¥ (90)	¥ –	¥ 6,540	¥ –	¥ –	¥ 76,932
Changes in items during the period							
Dividends from surplus							(1,013)
Net income							1,763
Change in scope of consolidation							44
Purchase of treasury stock							(2,408)
Retirement of treasury stock							–
Net changes in items other than shareholders' equity	2,464	120	(3,011)	(426)	25	–	(401)
Total changes in items during the period	2,464	120	(3,011)	(426)	25	–	(2,015)
Balance at the end of current period	¥ 9,095	¥ 29	¥ (3,011)	¥ 6,114	¥ 25	¥ –	¥ 74,917

[For the year ended March 31, 2015]

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	**¥ 8,105**	**¥ 4,181**	**¥ 58,935**	**¥ (2,444)**	**¥ 68,777**
Cumulative effect of change in accounting principle			**3,008**		**3,008**
Restated balance at the beginning of current period	**8,105**	**4,181**	**61,943**	**(2,444)**	**71,785**
Changes in items during the period					
Dividends from surplus			**(968)**		**(968)**
Net (loss) income			**2,461**		**2,461**
Change in scope of consolidation					**–**
Purchase of treasury stock				**(1,604)**	**(1,604)**
Disposal of treasury stock		**(0)**		**3**	**3**
Transfer of loss on disposal of treasury stock		**0**	**(0)**		**–**
Retirement of treasury stock			**(1,778)**	**1,778**	**–**
Net changes in items other than shareholders' equity					
Total changes in items during the period	**–**	**–**	**(284)**	**177**	**(107)**
Balance at the end of current period	**¥ 8,105**	**¥ 4,181**	**¥ 61,659**	**¥ (2,267)**	**¥ 71,678**

	Accumulated other comprehensive income						
	Unrealized gains on available-for-sale securities	Foreign currency translation adjustment	Retirement benefits asset and liability adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at the beginning of current period	**¥ 9,095**	**¥ 29**	**¥ (3,011)**	**¥ 6,114**	**¥ 25**	**¥ –**	**¥ 74,917**
Cumulative effect of change in accounting principle							**3,008**
Restated balance at the beginning of current period	**9,095**	**29**	**(3,011)**	**6,114**	**25**	**–**	**77,925**
Changes in items during the period							
Dividends from surplus							**(968)**
Net (loss) income							**2,461**
Change in scope of consolidation							**–**
Purchase of treasury stock							**(1,604)**
Disposal of treasury stock							**3**
Transfer of loss on disposal of treasury stock							**–**
Retirement of treasury stock							**–**
Net changes in items other than shareholders' equity	**6,236**	**18**	**758**	**7,013**	**25**	**12**	**7,051**
Total changes in items during the period	**6,236**	**18**	**758**	**7,013**	**25**	**12**	**6,944**
Balance at the end of current period	**¥ 15,332**	**¥ 48**	**¥ (2,253)**	**¥ 13,127**	**¥ 51**	**¥ 12**	**¥ 84,869**

Consolidated Statement of Cash Flows

(Millions of yen)

	Year ended March 31, 2014	Year ended March 31, 2015
Cash flows from operating activities:		
Income before income taxes and minority interests	¥ 3,154	**¥ 3,362**
Depreciation and amortization	740	**723**
Impairment loss	143	**189**
Increase (decrease) in allowance for doubtful accounts	46	**(588)**
(Decrease) increase in liability for retirement benefits	(35)	**54**
Decrease in provision for directors' retirement benefits	(60)	**(97)**
(Decrease) increase in provision for loss on construction contracts	(233)	**747**
Increase in provision for loss on compensations	–	**471**
Interest and dividends income	(551)	**(635)**
Interest expense	96	**89**
Equity in losses of affiliates	107	**295**
(Gain) loss on sales of property, plant and equipment	(172)	**51**
Gain on sales of investment securities	(163)	**(290)**
(Increase) decrease in notes and accounts receivable on completed construction contracts and other	(14,613)	**1,041**
Increase in costs on uncompleted construction contracts	(314)	**(607)**
Increase (decrease) in notes and accounts payable on construction contracts and other	5,989	**(1,766)**
Increase (decrease) in advances received on uncompleted construction contracts	144	**(2,866)**
Increase (decrease) in other current liabilities	998	**(1,607)**
Other	(1,588)	**1,091**
Subtotal	(6,311)	**(340)**
Interest and dividends received	554	**632**
Interest paid	(95)	**(89)**
Income taxes paid	(3,554)	**(1,135)**
Income taxes refunded	2	**792**
Net cash used in operating activities	¥ (9,403)	**¥ (139)**
Cash flows from investing activities:		
Payments into time deposits	¥ (600)	**¥ (1,100)**
Proceeds from withdrawal of time deposits	–	**500**
Purchase of securities	(3,998)	**(6,997)**
Proceeds from redemption of securities	–	**11,000**
Purchase of property, plant and equipment	(549)	**(202)**
Proceeds from sales of property, plant and equipment	287	**147**
Purchase of investment securities	(139)	**(133)**
Proceeds from sales of investment securities	407	**642**
Proceeds from redemption of investment securities	200	**–**
Execution of loan	(9)	**(67)**
Collection of loans receivable	194	**59**
Proceeds from maturity of insurance funds	844	**8**
Other	(141)	**(416)**
Net cash (used in) provided by investing activities	(3,506)	**3,440**
Cash flows from financing activities:		
Net decrease in short-term loans payable	(323)	**(924)**
Proceeds from long-term loans payable	–	**1,000**
Repayments of long-term loans payable	(340)	**(320)**
Purchase of treasury stock	(2,408)	**(1,604)**
Proceeds from exercise of stock options	–	**0**
Repayments of lease obligations	(66)	**(84)**
Cash dividends paid	(1,013)	**(968)**
Net cash used in financing activities	(4,152)	**(2,901)**
Effect of exchange rate changes on cash and cash equivalents	108	**(242)**
Net (decrease) increase in cash and cash equivalents	(16,953)	**156**
Cash and cash equivalents at beginning of period	40,367	**23,510**
Increase in cash and cash equivalents due to inclusion in consolidation	96	**–**
Cash and cash equivalents at end of period *(Note 1)*	¥ 23,510	**¥ 23,667**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Basis of Preparation of Consolidated Financial Statements

1. Basis of Preparation

Sanki Engineering Co., Ltd. (the "Company") and its domestic subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan, and its foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required under the Financial Instruments and Exchange Law of Japan and, therefore, have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

As permitted, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

2. Scope of consolidation

(1) Number of consolidated subsidiaries: 7

Names of consolidated subsidiaries:
Sanki Techno Support Co., Ltd.
THAI SANKI ENGINEERING & CONSTRUCTION CO., LTD.
Sanki Sangyo Setsubi Co., Ltd.
Sanki Kako Kensetsu Co., Ltd.
Sanki Kankyo Services Co., Ltd.
AQUACONSULT Anlagenbau GmbH
Shin-yu Services Co., Ltd.

(2) Number of unconsolidated subsidiaries: 3

Names of unconsolidated subsidiaries:
Tomakomai Netsu Services Co., Ltd.
Sanki Construction Engineering (Shanghai) Co., Ltd.
AEROSTRIP Corporation

(3) Reasons for exclusion of unconsolidated subsidiaries from consolidation

The three unconsolidated subsidiaries above were excluded from consolidation because their total assets and sales and the Company's equity in their net income and retained earnings were not material to the consolidated financial statements.

3. Application of the equity method

(1) Number of companies to which the equity method of accounting has been applied:

Unconsolidated subsidiaries: –
Affiliates: 2
Akita Eco Plash Co., Ltd.
Ou Clean Technology Co., Ltd.

(2) Number of companies excluded from application of the equity method:

Unconsolidated subsidiaries: 3
Affiliates: 1
Names of unconsolidated subsidiaries and affiliates:
Tomakomai Netsu Services Co., Ltd.
Sanki Construction Engineering (Shanghai) Co., Ltd.
AEROSTRIP Corporation
PFI Okubo Techno Resource Co., Ltd.
* SHUN HING-SANKI JV LIMITED, an affiliate which had been excluded from application of the equity method for the year ended March 31, 2014, was dissolved in this fiscal year.

(3) Reasons for exclusion of unconsolidated subsidiaries and affiliates from the equity method of accounting

The three unconsolidated subsidiaries and one affiliate referred to above were excluded from being accounted for by the equity method because the Company's equity in their net income and retained earnings were not material to the consolidated financial statements.

4. Fiscal year end of the consolidated subsidiaries

Names and the fiscal year end of the consolidated subsidiaries whose fiscal year end is different from that of the consolidated financial statements:

Name	Fiscal year end
AQUACONSULT Anlagenbau GmbH	December 31
THAI SANKI ENGINEERING & CONSTRUCTION CO., LTD.	December 31

Financial statements of the above subsidiaries were consolidated on the basis of its own fiscal year end. However, the necessary adjustments were made to reflect any significant transactions from the fiscal year end of the subsidiary to that of the consolidated financial statements.

5. Accounting policies

(1) Valuation policies for significant assets

Securities
Held-to-maturity securities:
Held-to-maturity securities are stated at cost and amortized by the straight-line method.
Available-for-sale securities:
Marketable securities are stated at fair value with any changes in unrealized gain or loss, net of the applicable income taxes, included directly in net assets. Cost of securities sold is determined by the moving average method.
Nonmarketable securities are stated at cost determined by the moving average method.

Derivatives
Derivatives are stated at fair value.

Inventories
Costs on uncompleted construction contracts:
Costs on uncompleted construction contracts are stated at cost by the individual identification method.
Raw materials and supplies:
Raw materials and supplies are carried at cost determined by the moving average method (in the case that the net selling value falls below the cost at the end of the period, the book value on the balance sheet is carried at the net selling value on the balance sheet, regarded as decreased profitability of assets).

(2) Depreciation of significant assets
Property, plant and equipment (excluding lease assets)
Depreciation is calculated by the declining-balance method, except for property, plant and equipment of the foreign consolidated subsidiaries which are depreciated by the straight-line method. The useful lives and the residual value are primarily in accordance with those stipulated in the Corporation Tax Law.

Intangible assets (excluding lease assets)
Depreciation is calculated by the straight-line method. Depreciation of the software for internal use is computed by the straight-line method over the useful life of the software (principally 5 years).

Lease assets
Finance lease assets which transfer ownership title to the lessee
Depreciation of finance lease assets which transfer ownership titles to the lessee is calculated by the same method as that for property, plant and equipment owned.

Finance lease assets which do not transfer ownership title to the lessee
Depreciation of finance leases assets which do not transfer ownership title to the lessee is calculated by the straight-line method over the respective lease terms with a nil residual value.
Finance leases which do not transfer ownership title to the lessee, entered into on or before March 31, 2008, are accounted for as operating leases.

(3) Significant provisions and allowances
Allowance for doubtful accounts
Allowance for doubtful accounts is provided at an amount sufficient to cover possible losses on collection. The allowance consists of an estimate of the uncollectible amounts with respect to specific receivables plus a percentage based on historical losses on accounts receivable.

Provision for bonuses
Provision for bonuses are stated at an estimate of the amounts to be paid by the Company and its consolidated subsidiaries for services rendered by the balance sheet date.

Provision for directors' bonuses
Provision for directors' bonuses are stated at an estimate of the amounts to be paid by the Company and its consolidated subsidiaries for services rendered by the balance sheet date.

Provision for warranty costs
Provision for warranty costs are provided at an estimated amount based on historical experience and certain other factors.

Provision for loss on construction contracts
Provision for loss on construction contracts is provided at an amount of estimated loss if a significant amount of loss is expected to occur for uncompleted construction contracts and the amount of the loss can be reasonably estimated.

Provision for directors' retirement benefits
Provision for directors' retirement benefits are stated at 100% of the amount which would be required to be paid if all directors and corporate auditors resigned their positions at the balance sheet date.

(Additional information)
At the meetings of board of directors of the Company and its domestic consolidated subsidiaries held in March 2012, it was resolved that their retirement benefit plans for directors and corporate auditors be terminated on March 31, 2012. Subsequently, at the ordinary general meeting of shareholders of each company held in June 2012, it was resolved that retirement benefits shall be paid to directors and corporate auditors, who were incumbent as of the close of the said shareholders' meeting, for their individual service periods to March 31, 2012. It was also resolved that retirement benefits shall be paid at the time of their individual retirement and that the amount to be paid and the payment method for directors would be determined at the meeting of the board of directors and for corporate auditors by mutual agreement among the corporate auditors.
As a result, the estimated amount of retirement benefits to be paid to directors and corporate auditors of those companies is included in accrued directors' retirement benefits on the consolidated balance sheet as of March 31, 2015.

Provision for loss on guarantees
Provision for loss on guarantees is provided at an amount of estimated loss on fulfillment of guarantee obligations.

Provision for loss on compensations
Provision for loss on compensations is provided at an amount of estimated loss on acceptance of claims for damages.

(4) Accounting for retirement benefits
Method of attributing expected benefits to periods of service
The retirement benefit obligation for employees is attributed to each period by the benefit formula method.
Method of amortization for actuarial gain or loss, and prior service cost
Prior service cost is amortized by the straight-line method over a period (10 years) within the average estimated remaining years of service of the eligible employees.
Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over a period (10 years) within the average estimated remaining years of service of the eligible employees.
Adoption of simplified method for small-scale corporation
The liability for retirement benefits and the retirement benefit expenses for each consolidated subsidiary are calculated based on the retirement benefit obligation which is stated at the amount that would be paid if all eligible employees voluntarily terminated their employment at the end of the period.

(5) Recognition criteria for significant revenues and expenses
Recognition criteria for revenues and costs of construction contracts
Construction contracts, of which the percentage of completion can be reliably estimated:
Revenues and costs of construction contracts, of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost.
Other construction contracts:
Revenues and costs of construction contracts, of which the percentage of completion cannot be reliably estimated, are recognized by the completed-contract method.
For the year ended March 31, 2015, net sales of completed construction contracts of ¥107,486 million was recognized by the percentage-of-completion method.

(6) Foreign currency translation
Monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing at the year-end date of the consolidated financial statements, with the resulting translation gains and losses credited or charged to income.
Receivables and payables denominated in foreign currencies hedged by the forward exchange contracts which qualify for the assigning method of hedge accounting are translated into yen at their respective forward exchange contract rates.
The assets and liabilities and the revenue and expense accounts of the foreign subsidiaries are translated into yen at the exchange rates prevailing at the fiscal year-end date of those respective companies. The resulting translation adjustments are included in foreign currency translation adjustment and minority interests in net assets.

(7) Hedge accounting
Principally, deferral hedge accounting is applied for derivatives which qualify as hedges. For the forward exchange contracts which meet certain criteria, the assigning method is applied.
Hedging instruments are the forward exchange contracts, and hedged items are receivables, payables and forecasted transactions denominated in foreign currencies.
The Company uses the forward exchange contracts for the purpose of mitigating risks arising from fluctuations in foreign currency exchange rates. The Company does not enter into derivative transactions for speculation.
Hedge effectiveness is assessed quarterly by matching changes in market prices/rates or cash flows of hedged items with those of hedging instruments. Hedge effective is not assessed if the substantial terms and conditions of the forward exchange contracts and the hedged items are the same because their correlation in future fluctuation in exchange rates is ensured.

(8) Scope of cash and cash equivalents in the consolidated statement of cash flows
The scope of cash and cash equivalents in the consolidated statement of cash flows covers cash on hand, deposits which can be easily withdrawn at any time, and highly liquid investments with a maturity of three months or less when purchased.

(9) Other
Consumption taxes:
Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.
However, non-deductible consumption taxes charged on assets are recognized as expenses for the period when the related transactions have occurred.

Accounting Changes

Application of accounting standards for retirement benefits

The Company and its domestic subsidiaries have applied ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" (released on May 17, 2012, hereinafter the "Standard") and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits" (released on March 26, 2015, hereinafter the "Guidance") effective from this fiscal year, in accordance with the provisions stated in Paragraph 35 of the Standard and Paragraph 67 of the Guidance. As a result, the methods for calculating the retirement benefit obligation and service cost have been revised in the following respects: the method for attributing projected benefits to each period has been changed from the straight-line method to the benefit formula method, and the method for determining the discount rate has been changed from using years, for a bond term as a basis of determining the discount rate, which approximate the average estimated remaining years of service of the eligible employees to using a single weighted-average discount rate which reflects the expected timing and amount of benefit payments.
The effect of changing the method for calculating the retirement benefit obligation and service cost was recognized by adjusting retained earnings at the beginning of the fiscal year ended March 31, 2015, in accordance with the transitional treatment provided in Paragraph 37 of the Standard.
As a result, the liability for retirement benefits decreased by ¥2,439 million, and the asset for retirement benefits and retained earnings increased by ¥2,234 million and ¥3,008 million, respectively, at the beginning of the fiscal year ended March 31, 2015. The effect of this change on operating income, ordinary income and income before income taxes and minority interests for the year ended March 31, 2015 was immaterial.
The effect of this change on the amount per share is explained in "Per Share Data" of "Notes to Consolidated Financial Statements".

Changes in Presentation of Consolidated Financial Statements

Consolidated Balance Sheet

"Electronically recorded monetary claims", which was included in "Notes and accounts receivable on completed construction contracts and other" in the prior fiscal year, has been separately presented in the current fiscal year due to its increased financial materiality.
To reflect this change in presentation, the consolidated balance sheet has been reclassified, and as a result, "Notes and accounts receivable on completed construction contracts and other" of ¥78,101 million in the prior fiscal year has been reclassified into "Notes and accounts receivable on completed construction contracts and other" of ¥76,779 million and "Electronically recorded monetary claims" of ¥1,321 million in the consolidated balance sheet for the prior fiscal year provided herein.

Consolidated Statement of Income and Comprehensive Income

"Gain on sales of waste materials", which was separately presented in the prior fiscal year, has been included in "Non-operating income-Other" in the current fiscal year due to its decreased financial materiality.
To reflect this change in presentation, the consolidated statement of income and comprehensive income has been reclassified, and as a result, "Gain on sales of waste materials" of ¥123 million and "Non-operating income-Other" of ¥226 million that were separately presented under "Non-operating income in the prior fiscal year have been reclassified into "Non-operating income-Other" of ¥350 million in the consolidated statement of income and comprehensive income for the prior fiscal year provided herein.

Notes to Consolidated Balance Sheet

(Note 1)
1) The following assets have been pledged for opening the letter of credits:

(Millions of yen)

	FY2013	FY2014
Cash and deposits (time deposits)	¥ –	¥ 5,300
Investments and other assets (time deposits)	4,500	–

2) The following assets have been pledged as collateral for loans payable of the affiliates and others:

(Millions of yen)

	FY2013	FY2014
Investment securities	¥ 5	¥ 5

3) The following assets have been pledged as guarantees for the payment of trade payable by the consolidated subsidiaries:

(Millions of yen)

	FY2013	FY2014
Investments and other assets (time deposits)	¥ 33	¥ 33

4) The following assets have been pledged as guarantees for losses regarding capital investments in the consolidated subsidiaries:

(Millions of yen)

	FY2013	FY2014
Investments and other assets (time deposits)	¥ 10	¥ 10

(Note 2)
The following guarantees have been provided to the loans:

(Millions of yen)

	FY2013	FY2014
Guarantee for borrowings by Kokyuki･Allergy Center ESCO Co., Ltd.	¥ 9	¥ 6

The above amounts represent the Company's share of the joint liability on the guarantee.

Notes to Consolidated Statement of Income and Comprehensive Income

(Note 1)
Research and development expenses included in selling, general and administrative expenses and cost of sales for the years ended March 31, 2014 and 2015 are as follows:

(Millions of yen)

FY2013	FY2014
¥ 1,171	¥ 1,014

(Note 2)
Provision for loss on construction contracts included in cost of sales for the years ended March 31, 2014 and 2015 are as follows:

(Millions of yen)

FY2013	FY2014
¥ (233)	¥ 747

(Note 3)

Impairment losses were recognized for the following assets for the year ended March 31, 2014:

(Millions of yen)

Location	Use	Asset class	Amount
Osaka-shi, Osaka	Business-use assets	Land, Buildings, Structures	¥ 143

The Company groups its business-use fixed assets based on the three business segments (facilities construction, machinery systems and environmental systems) to perform assessments of impairment losses. For idle assets and assets used for the real estate business, the Company determines whether or not indications of impairment exist on an individual asset basis. Fixed assets of its consolidated subsidiaries are grouped as one unit for each company.

The net book value of the business-use assets was reduced to their respective net realizable value (i.e., expected sales amount) since the Company decided to sell these assets. The reduction was recognized as the impairment loss in the extraordinary losses.

Impairment losses were recognized for the following assets for the year ended March 31, 2015:

(Millions of yen)

Location	Use	Asset class	Amount
Ota-ku, Tokyo	Business-use assets	Buildings, Structures,Tools, furniture and fixture	¥ 102
Hatsukaichi-shi, Hiroshima, and others	Assets used for the real estate business	Land, Buildings	86

The Company groups its business-use fixed assets based on the three business segments (facilities construction, machinery systems and environmental systems) to perform assessments of impairment losses. For idle assets and assets used for the real estate business, the Company determines whether or not indications of impairment exist on an individual asset basis. Fixed assets of its consolidated subsidiaries are grouped as one unit for each company.

The net book value of the business-use assets was reduced to zero since the Company decided to dispose these assets. The reduction of ¥60 million for buildings and the removal cost of ¥41 million have been recognized as the impairment loss in the extraordinary losses.

The net book value of the assets used for the real estate business was reduced to their respective recoverable amount (i.e., estimated based on the real estate appraisal value) because the recoverable amount of these assets was lowered significantly due to changes of their usage. The reduction of ¥30 million for land and ¥56 million for buildings were recognized as the impairment loss in the extraordinary losses.

(Note 4)

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2014 and 2015:

(Millions of yen)

	FY2013	FY2014
Unrealized gains on available-for-sale securities:		
Amount arising during the year	¥ 3,969	**¥ 8,851**
Reclassification adjustments for gains and losses included in net income	(163)	**(288)**
Amount before tax effect	3,806	**8,562**
Tax effect	(1,342)	**(2,326)**
Unrealized gains on available-for-sale securities	2,464	**6,236**
Foreign currency translation adjustment:		
Amount arising during the year	120	**(8)**
Remeasurements of defined benefit plans:		
Amount arising during the year	–	**956**
Reclassification adjustments for gains and losses included in net income	–	**394**
Amount before tax effect	–	**1,350**
Tax effect	–	**(592)**
Remeasurements of defined benefit plans	–	**758**
Total other comprehensive income	¥ 2,584	**¥ 6,986**

Notes to Consolidated Statement of Changes in Net Assets

[For the year ended March 31, 2014]

1. Types and total number of shares issued were as follows:

(Shares)

Type of shares	As of April 1, 2013	Increase	Decrease	As of March 31, 2014
Common stock	74,461,156	–	4,800,000	69,661,156

(Note) Decrease of 4,800,000 shares was due to retirement of treasury shares by resolution of the board of directors.

2. Types and number of treasury shares were as follows:

(Shares)

Type of shares	As of April 1, 2013	Increase	Decrease	As of March 31, 2014
Common stock	4,921,983	4,002,221	4,800,000	4,124,204

(Note) Increase of 4,002,221 shares was due to purchase of treasury shares of 4,000,000 by resolution of the board of directors and repurchase of fractional shares of 2,221. Decrease of 4,800,000 shares was due to retirement of treasury shares by resolution of the board of directors.

3. Details of subscription rights to shares were as follows:

(Millions of yen)

	Type of subscription rights to shares	Balance as of March 31, 2014
The Company (Parent company)	Stock options	25
Total		25

4. Dividends

(1) Dividends paid by the Company were as follows:

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 26, 2013 Ordinary general meeting of shareholders	Common stock	521	7.50	March 31, 2013	June 27, 2013
November 8, 2013 Meeting of board of directors	Common stock	491	7.50	September 30, 2013	December 10, 2013

(2) Dividends with the record date within this fiscal year and the effective date after the end of this fiscal year were as follows:

Resolution	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
June 26, 2014 Ordinary general meeting of shareholders	Common stock	491	Retained earnings	7.50	March 31, 2014	June 27, 2014

[For the year ended March 31, 2015]

1. Types and total number of shares issued were as follows:

(Shares)

Type of shares	As of April 1, 2014	Increase	Decrease	As of March 31, 2015
Common stock	69,661,156	–	3,000,000	66,661,156

(Note) Decrease of 3,000,000 shares was due to retirement of treasury shares by resolution of the board of directors.

2. Types and number of treasury shares were as follows:

(Shares)

Type of shares	As of April 1, 2014	Increase	Decrease	As of March 31, 2015
Common stock	4,124,204	2,001,264	3,006,000	3,119,468

(Note) Increase of 2,001,264 shares was due to purchase of treasury shares of 2,000,000 by resolution of the board of directors and repurchase of fractional shares of 1,264. Decrease of 3,006,000 shares was due to retirement of treasury shares of 3,000,000 by resolution of the board of directors and disposal of treasury shares of 6,000 upon exercise of share subscription rights under the stock option plans.

3. Details of subscription rights to shares were as follows: (Millions of yen)

	Type of subscription rights to shares	Balance as of March 31, 2015
The Company (Parent company)	Stock options	51
Total		51

4. Dividends

(1) Dividends paid by the Company were as follows:

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 26, 2014 Ordinary general meeting of shareholders	Common stock	491	7.50	March 31, 2014	June 27, 2014
November 10 2014 Meeting of board of directors	Common stock	476	7.50	September 30, 2014	December 10, 2014

(2) Dividends with the record date within this fiscal year and the effective date after the end of this fiscal year were as follows:

Resolution	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
June 25, 2015 Ordinary general meeting of shareholders	Common stock	794	Retained earnings	12.50	March 31, 2015	June 26, 2015

(Note) Dividends of ¥12.50 per share include a commemorative dividend of ¥5.00 for the 90th anniversary of the Company's foundation.

Notes to Consolidated Statement of Cash Flows

(Note 1)

Reconciliation of cash and deposits to cash and cash equivalents:

(Millions of yen)

	FY2013	FY2014
Cash and deposits	¥ 23,510	**¥ 29,267**
Time deposits with maturities of more than three months	–	**(5,600)**
Cash and cash equivalents	¥ 23,510	**¥ 23,667**

Financial Instruments

1. Overview

1) Policy for financial instruments

The Company and its consolidated subsidiaries (collectively, the "Group") invest funds in financial instruments such as debt securities with high credit ratings and with low risk for loss of principal. The Group raises funds through borrowings from banks and life insurance companies.

The Group uses derivatives for the purpose of reducing the foreign currency exchange risk arising from the receivables and payables denominated in foreign currencies and the interest rate fluctuation risk for borrowings. The Group does not enter into derivative transactions for speculative purposes.

2) Types of financial instruments and related risks, and risk management for financial instruments

Trade receivables - notes and accounts receivable on completed construction contracts and other, and electronically recorded monetary claims - are exposed to credit risk in relation to customers. To manage credit risk arising from trade receivables, each related division of the Group monitors due dates and outstanding balances by individual customer. Further, it periodically monitors credit worthiness of the main customers.

Securities and investment securities are composed mainly of held-to-maturity debt securities and the shares of common stock of other companies with which the Group has business relations. These investment securities are exposed to market fluctuation risk. The Group periodically reviews the fair values of such investment securities and the financial position of the issuers.

Most of the trade payables - notes and accounts payable on construction contracts and other - have payment due dates within one year.

Regarding derivative transactions, the Group uses derivatives for the purpose of reducing the foreign currency exchange risk arising from the receivables and payables denominated in foreign currencies and the interest rate fluctuation risk for borrowing.

Those derivative transactions are entered into based on actual needs for hedging risks and not for speculative or trading purposes.

In conducting derivative transactions, the Group follows the internal policies established by the financial division, which set forth delegation of authority and maximum upper limit on position.

In addition, to mitigate the credit risk of derivatives, the Group transacts only with financial institutions which have a high credit rating.

Trade payables and borrowings are exposed to liquidity risk. Each company of the Group prepares and updates its cash flow plans monthly to manage liquidity risk.

3) Supplementary explanation of the estimated fair value of financial instruments

The notional amounts of derivatives in "Derivatives" of "Notes to Consolidated Financial Statements" are not necessarily indicative of the actual market risk involved in derivative transactions.

2. Estimated fair value of financial instruments

Carrying value of financial instruments on the consolidated balance sheets, estimated fair value and unrealized gain (loss) are summarized in the following table. The following table does not include financial instruments for which it is extremely difficult to determine fair value. (Please refer to Note 2 below.)

(Millions of yen)

	FY2013			FY2014		
	Carrying value	Estimated fair value	Unrealized gain (loss)	**Carrying value**	**Estimated fair value**	**Unrealized gain (loss)**
Assets:						
1) Cash and deposits	¥ 23,510	¥ 23,510	¥ –	**¥ 29,267**	**¥ 29,267**	**¥ –**
2) Notes and accounts receivable on completed construction contracts and other	76,779	76,779	–	**74,781**	**74,781**	**–**
3) Electronically recorded monetary claims:	1,321	1,321		**2,607**	**2,607**	
4) Securities and investment securities:						
Held-to-maturity debt securities	4,302	4,310	7	**303**	**310**	**7**
Available-for-sale securities	28,516	28,516	–	**36,858**	**36,858**	**–**
Total assets	134,431	134,439	7	**143,818**	**143,825**	**7**
Liabilities:						
Notes and accounts payable on construction contracts and other	(57,888)	(57,888)	–	**(56,137)**	**(56,137)**	**–**
Total liabilities	(57,888)	(57,888)	–	**(56,137)**	**(56,137)**	**–**
Derivative transactions*	¥ (301)	¥ (301)	¥ –	**¥ (5)**	**¥ (5)**	**¥ –**

*The value of assets and liabilities arising from derivatives is shown at net value, and with the amount in parentheses representing net liability position.

(Note 1) Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

Assets:

1) Cash and deposits

Since all the deposits are short-term, their carrying value approximates the fair value.

2) Notes and accounts receivable on completed construction contracts and other, and 3) Electronically recorded monetary claims

The fair value of these receivables and claims is based on the present value of the receivables categorized by age, discounted by a discount rate that reflects the remaining term and the credit risk. It was determined that, as of March 31, 2015, the fair value of these receivables and claims was almost equal to their carrying value.

4) Securities and investment securities

The fair value of stocks is based on quoted market prices. The fair value of debt securities is based on either quoted prices or prices provided by the financial institutions making markets in those securities. For information on securities classified by holding purpose, please refer to "Securities" of "Notes to Consolidated Financial Statements."

Liabilities:

Notes and accounts payable on construction contracts and other

Since these payables are settled in a short period of time, their carrying value approximates the fair value.

Derivatives:

Please refer to "Derivatives" of "Notes to Consolidated Financial Statements."

(Note 2) Carrying value of financial instruments for which it is extremely difficult to determine the fair value

(Millions of yen)

Type	Carrying Value	
	FY2013	FY2014
Unlisted stocks	¥ 2,462	**¥ 2,542**

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in "Assets: 4) Securities and investment securities" of the above table.

(Note 3) Redemption schedule for receivables, claims and securities with maturities

(Millions of yen)

	FY2013				FY2014			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 23,449	¥ –	¥ –	¥ –	**¥ 28,694**	**¥ –**	**¥ –**	**¥ –**
Notes and accounts receivable on completed construction contracts and other	76,779	–	–	–	**74,781**	**–**	**–**	**–**
Electronically recorded monetary claims	1,321	–	–	–	**2,607**	**–**	**–**	**–**
Securities and investment securities:								
Held-to-maturity securities (corporate bonds)	3,998	–	303	–	**–**	**103**	**200**	**–**
Available-for-sale securities with maturity date (corporate bonds)	–	–	–	106	**–**	**101**	**–**	**–**
Total	¥ 105,549	¥ –	¥ 303	¥ 106	**¥ 106,082**	**¥ 204**	**¥ 200**	**¥ –**

(Note 4) Redemption schedule for long-term loans payable, lease obligations and other interest-bearing debts

(Millions of yen)

	FY2013						FY2014					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term loans payable	¥ 6,256	¥ –	¥ –	¥ –	¥ –	¥ –	**¥ 5,332**	**¥ –**	**¥ –**	**¥ –**	**¥ –**	**¥ –**
Long-term loans payable	320	–	–	–	–	–	**340**	**340**	**320**	**–**	**–**	**–**
Lease obligations	72	52	35	28	21	225	**80**	**62**	**55**	**48**	**247**	**10**
Total	¥ 6,649	¥ 52	¥ 35	¥ 28	¥ 21	¥ 225	**¥ 5,752**	**¥ 402**	**¥ 375**	**¥ 48**	**¥ 247**	**¥ 10**

Securities

1) Trading securities

Not applicable, because the Company and its consolidated subsidiaries had no trading securities both at March 31, 2014 and 2015.

2) Held-to-maturity debt securities

(Millions of yen)

Type	FY2013			FY2014		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Securities whose fair value exceeded their carrying value						
Government bonds	¥ –	¥ –	¥ –	**¥ –**	**¥ –**	**¥ –**
Corporate bonds	303	312	8	**303**	**310**	**7**
Other	–	–	–	**–**	**–**	**–**
Subtotal	303	312	8	**303**	**310**	**7**
Securities whose carrying value exceeded their fair value						
Government bonds	–	–	–	**–**	**–**	**–**
Corporate bonds	3,998	3,997	(1)	**–**	**–**	**–**
Other	–	–	–	**–**	**–**	**–**
Subtotal	3,998	3,997	(1)	**–**	**–**	**–**
Total	¥ 4,302	¥ 4,310	¥ 7	**¥ 303**	**¥ 310**	**¥ 7**

3) Available-for-sale securities

(Millions of yen)

Type	FY2013			FY2014		
	Carrying value	Acquisition cost	Difference	Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeded their acquisition cost						
Stock	¥ 28,194	¥ 14,348	¥ 13,846	**¥ 36,621**	**¥ 14,230**	**¥ 22,390**
Bonds	–	–	–	**–**	**–**	**–**
Other	1	0	0	**5**	**4**	**1**
Subtotal	28,195	14,349	13,846	**36,626**	**14,234**	**22,391**
Securities whose acquisition cost exceeded their carrying value						
Stock	213	233	(20)	**130**	**132**	**(2)**
Bonds	106	107	(0)	**101**	**103**	**(1)**
Other	0	0	(0)	**–**	**–**	**–**
Subtotal	321	342	(21)	**232**	**235**	**(3)**
Total	¥ 28,516	¥ 14,691	¥ 13,825	**¥ 36,858**	**¥ 14,470**	**¥ 22,388**

4) Information regarding sales of securities classified as available–for-sale securities:

(Millions of yen)

Type	FY2013			FY2014		
	Proceeds from sales	Gross realized gain on sales	Gross realized loss on sales	Proceeds from sales	Gross realized gain on sales	Gross realized loss on sales
Stock	¥299	¥ 162	¥ 0	**¥ 538**	**¥ 290**	**¥ 0**
Bonds	108	1	–	**105**	**–**	**2**
Other	–	–	–	**–**	**–**	**–**
Total	¥407	¥ 163	¥ 0	**¥ 643**	**¥ 290**	**¥ 2**

(Note) "Securities classified as available-for-sale securities" presented above include securities for which it is extremely difficult to determine the fair value.

5) Impairment loss on securities

An impairment loss on investment securities of ¥153 million (stock of unconsolidated subsidiaries with no market value of ¥153 million) was recorded for the year ended March 31, 2014, and an impairment loss on investment securities of ¥0 million (available-for-sale securities for which it is deemed extremely difficult to determine the fair value of ¥0 million) was recorded for the year ended March 31, 2015.

For securities with market value, if the fair value of each security has declined by more than 30% from the acquisition cost, the Company and its consolidated subsidiaries recognize an impairment loss after considering the potential recoverability. For securities for which it is deemed extremely difficult to determine the fair value, if the net assets per share of each security based on the issuer's most recent financial statements available has declined by more than 50% from the acquisition cost, the Company and its consolidated subsidiaries recognize an impairment loss after considering the potential recoverability.

Derivatives

1) Derivative transactions, to which hedge accounting is not applied

1. Currency-related transactions

[For the year ended March 31, 2014]

(Millions of yen)

Type of transactions	Type of derivatives	Notional amounts		Fair value	Unrealized gain (loss)
		(total)	(over one year)		
Transactions outside of market	Forward exchange contracts Sell: U.S.Dollars	¥ 1,240	–	¥ (301) (Note)	¥ (301)

(Note) Fair value was estimated based on the price information provided by the financial institutions.

[For the year ended March 31, 2015]

(Millions of yen)

Type of transactions	Type of derivatives	Notional amounts		Fair value	Unrealized gain (loss)
		(total)	(over one year)		
Transactions outside of market	Forward exchange contracts Sell: U.S.Dollars	¥ 954	–	¥ (5) (Note)	¥ (5)

(Note) Fair value was estimated based on the price information provided by the financial institutions.

2. Interest-related transactions

Not applicable both for the years ended March 31, 2014 and 2015

2) Derivative transactions, to which hedge accounting is applied

1. Currency-related transactions

Not applicable both for the years ended March 31, 2014 and 2015

2. Interest-related transactions

Not applicable both for the years ended March 31, 2014 and 2015

Retirement Benefits

1) Summary of retirement benefit plans for employees

The Company has funded defined benefit plans as well as a defined contribution plan. Its consolidated subsidiaries including foreign subsidiaries have unfunded defined benefit plans.

Under the defined-benefit corporate pension plan, which is a funded plan, covered employees are entitled to lump-sum or annuity payments based on their basic rates of pay and length of service. For the defined-benefit corporate pension plan, a retirement benefit trust has been established.

Under the lump-sum payment plans, covered employees are entitled to lump-sum payments based on their basic rates of pay and length of service. The lump-sum payment plans are principally unfunded plans. However, the Company's lump-sum payment plan has funded status as a result of establishment of a retirement benefit trust.

The Company and its consolidated subsidiaries may pay additional retirement benefits under certain circumstances.

For the lump-sum payment plans of the consolidated subsidiaries, liabilities and expenses for retirement benefits are calculated using the simplified method.

2) Defined benefit plans (including plans accounted for using the simplified method)

1. The changes in the retirement benefit obligation for the years ended March 31, 2014 and 2015 are as follows:

(Millions of yen)

	FY2013	FY2014
Balance at the beginning of the year	¥ 25,170	**¥ 25,316**
Cumulative effect of change in accounting policy	–	**(4,673)**
Restated balance at the beginning of the year	25,170	**20,642**
Service cost	940	**1,008**
Interest cost	297	**243**
Actuarial loss	491	**170**
Retirement benefit paid	(1,585)	**(2,023)**
Other	1	**0**
Balance at the end of the year	¥ 25,316	**¥ 20,041**

(Note) Retirement benefit expenses of the consolidated subsidiaries applying a simplified method have been included in the service cost.

2. The changes in the plan assets for the years ended March 31, 2014 and 2015 are as follows:

(Millions of yen)

	FY2013	FY2014
Balance at the beginning of the year	¥ 20,334	**¥ 20,672**
Expected return on plan assets	326	**410**
Actuarial gain	544	**1,126**
Contributions by employers	–	**–**
Retirement benefits paid	(532)	**(842)**
Balance at the end of the year	¥ 20,672	**¥ 21,366**

3. The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets at March 31, 2014 and 2015 for the Company's and its consolidated subsidiaries' defined benefit plans:

(Millions of yen)

	FY2013	FY2014
Retirement benefit obligation under the funded plans	¥ 24,961	**¥ 19,647**
Plan assets at fair value	(20,672)	**(21,366)**
	4,289	**(1,719)**
Retirement benefit obligation under the unfunded plans	354	**393**
Net liability for retirement benefits	4,644	**(1,325)**
Liability for retirement benefits in the balance sheet	8,231	**5,384**
Asset for retirement benefits in the balance sheet	(3,587)	**(6,709)**
Net liability for retirement benefits	¥ 4,644	**¥ (1,325)**

4. The components of retirement benefit expenses for the years ended March 31, 2014 and 2015 are as follows:

(Millions of yen)

	FY2013	FY2014
Service cost	¥ 940	¥ 1,008
Interest cost	297	243
Expected return on plan assets	(326)	(410)
Amortization of actuarial loss	306	583
Amortization of prior service cost	(202)	(188)
Other	18	19
Retirement benefit expenses	¥ 1,034	¥ 1,255

(Note) The consolidated subsidiaries' retirement benefit expenses have been included in the service cost.

5. The components of retirement benefits asset and liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2014 and 2015 are as follows:

(Millions of yen)

	FY2013	FY2014
Prior service cost	¥ –	¥ (188)
Actuarial loss	–	1,539
Total	¥ –	¥ 1,350

6. The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2014 and 2015 are as follows:

(Millions of yen)

	FY2013	FY2014
Unrecognized prior service cost	¥ (232)	¥ (43)
Unrecognized actuarial loss	4,911	3,371
Total	¥ 4,679	¥ 3,328

7. The fair value of plan assets, by major category, as a percentage of total plan assets at March 31, 2014 and 2015 are as follows:

(Millions of yen)

	FY2013	FY2014
Bonds	37%	37%
Stocks	21	22
Short-term funds	5	7
Life insurance general accounts	21	22
Other	16	12
Total	100%	100%

(Note) The plan assets included the retirement benefit trust for the corporate pension plans, which comprised 22% and 18% of the total at March 31, 2014 and 2015, respectively, as well as the retirement benefit trust for the lump-sum payment plans, which comprised 11% of the total both at March 31, 2014 and 2015.

The expected return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

8. The assumptions used in accounting for the above plans are as follows:

	FY2013	FY2014
Discount rate	1.2%*	1.2%*
Expected long-term rate of return on plan assets (principally)	2.5%*	2.5%*

* The weighted average rate is presented.

3) Defined contribution plans
The amount contributed to the defined contribution plan by the Company for the years ended March 31, 2014 and 2015 was ¥98 million and ¥106 million, respectively.

Stock Options

1) Stock option expenses were included in "Selling, general and administrative expenses" for the years ended March 31, 2014 and 2015 were ¥25 million and ¥29 million, respectively.

2) 1. Description of the stock option plans:

Stock option plans	2013 Stock option (Share subscription rights)	2014 Stock option (Share subscription rights)
Name of company	The Company	The Company
Resolution date	June 26, 2013	June 26, 2014
Title and number of individuals covered by the plan:		
Directors (except external directors)	8	6
Corporate officers (except persons concurrently serving as a director)	20	20
Type and number of shares to be issued upon exercise of the share subscription rights	Common stock 44,000 shares	Common stock 42,000 shares
Grant date	July 11, 2013	July 11, 2014
Conditions for being vested	None	None
Required service period	None	None
Exercise period (Note)	July 12,2013 to July 11, 2043	July 12, 2014 to July 11, 2044

(Note) An individual to whom the share subscription rights are granted (a "Holder") can exercise the rights only for the period of 10 days following the date of his retirement from the position of a director and/or corporate officer. All the share subscription rights of a Holder must be exercised at one time.
In the event that a Holder died, one of his heirs, spouse or one of first-degree family, can exercise the share subscription rights in place of the Holder. In that case, all the rights must be exercised at one time.

2. The following table summarizes stock option activity under the stock option plans referred to above during the year ended March 31, 2015:

Stock option activity	2013 Stock option (Share subscription rights)	2014 Stock option (Share subscription rights)
Share subscription rights which are not yet vested (Number of shares):		
Outstanding at March 31, 2014	–	–
Granted	–	42,000 shares
Forfeited	–	–
Vested	–	42,000 shares
Outstanding at March 31, 2015	–	–
Share subscription rights which have already been vested (Number of shares):		
Outstanding at March 31, 2014	44,000 shares	–
Vested	–	42,000 shares
Exercised	6,000 shares	–
Forfeited	–	–
Outstanding at March 31, 2015	38,000 shares	42,000 shares
Exercise price (Yen)	¥ 1	¥ 1
Weighted average exercise price (Yen)	¥ 792	–
Fair value per stock at the grant date (Yen)	¥ 579	¥ 695

3) Fair value at the grant date for stock options which were issued during the year ended March 31, 2015 was estimated using the Black-Scholes option pricing model with the following assumptions.

	2014 Stock option (Share subscription rights)
Expected volatility (Note 1)	28.372%
Expected holding period (Note 2)	3.1 years
Expected dividend (Note 3)	¥ 15 per share
Risk-free rate (Note 4)	0.077%

(Note1) The volatility of the share price is estimated based on the market prices of the Company's stock from June 5, 2011 to July 11, 2014.

(Note2) The expected holding period is estimated based on the weighted average period of the grant date to the date when the share subscription rights become exercisable, that is the date of each Holder's retirement from the position of a director and/or corporate officer, assuming that each Holder exercises his rights as soon as the rights become exercisable.

(Note3) The expected dividend is based on the dividends paid for the year ended March 31, 2014.

(Note4) Risk-free interest rate is the yield on government bonds for the period that corresponds to the remaining life of the option.

4) Because it is difficult to reasonably estimate the number of options that will expire in the future, the number of vested options is calculated only based on the number of options that have actually forfeited .

Tax-effect Accounting

1) The significant components of deferred tax assets and liabilities at March 31, 2014 and 2015 were as follows:

(Millions of yen)

	FY2013	FY2014
1. Deferred tax assets		
Allowance for doubtful accounts	¥ 431	¥ 178
Provision for bonuses	819	722
Accrued business taxes	50	85
Impairment loss	2,355	2,013
Provision for warranty costs	151	149
Provision for loss on construction contracts	202	430
Liability for retirement benefits	4,074	1,545
Provision for directors' retirement benefits	85	45
Loss on devaluation of investment securities	621	468
Loss on devaluation of utility rights	165	141
Other	1,027	1,241
Subtotal	9,986	7,023
Valuation allowance for deferred tax assets	(3,312)	(2,517)
Total deferred tax assets	6,673	4,506
2. Deferred tax liabilities		
Deferred capital gains for tax purposes	(832)	(739)
Gain on valuation of investment securities	(1,470)	(1,332)
Unrealized gains on available-for-sale securities	(4,729)	(7,055)
Other	(135)	(73)
Total deferred tax liabilities	(7,167)	(9,201)
Net deferred tax liabilities	¥ (494)	¥ (4,695)

2) The reconciliations of the significant difference between the statutory tax rates and the effective tax rates reflected in the consolidated statement of income and comprehensive income for the years ended March 31, 2014 and 2015 are presented as follows:

	FY2013	FY2014
Statutory tax rate	38.0 %	35.6 %
Items permanently not deductible for tax purposes	4.6	3.8
Items permanently not taxable	(3.5)	(6.6)
Inhabitants' per capita taxes	3.0	2.8
Valuation allowance	(1.3)	(12.2)
Effect of changes in effective statutory tax rate	4.2	2.0
Equity in losses of affiliates	1.3	3.1
Research and development tax credit	(1.3)	(1.9)
Other	(0.9)	(1.0)
Effective tax rates	44.1 %	25.6 %

3) Due to the promulgation of the "Act for Partial Amendment of the Income Tax Act, etc." and the "Act for Partial Amendment of the Local Tax Act, etc." on March 31, 2015, the statutory tax rate used for calculating deferred tax assets and liabilities has been changed from 35.6% for the prior fiscal year to 33.1% and 32.3% for the temporary differences expected to be realized or settled in the fiscal year beginning on April 1, 2015, and for those expected to be realized or settled in the fiscal year beginning on or after April 1, 2016, respectively.
These tax rate changes resulted in a decrease of ¥550 million in deferred tax liabilities (after deducting deferred tax assets), an increase of ¥67 million in income taxes-deferred, an increase of ¥729 million in unrealized gains on available-for-sale securities and a decrease of ¥111 million in remeasurements of defined benefit plans.

Investment and Rental Properties

The Company owns commercial facilities and housing for rent in Kanagawa Prefecture and other areas. Profit from renting those real estate properties was ¥235 million and ¥230 million for the years ended March 31, 2014 and 2015, respectively. Rental revenues were recorded as net sales of real estate business and other, and rental expenses as cost of sales on real estate business and other. In addition, impairment loss on rental real estate properties of ¥86 million was recorded as extraordinary loss for the year ended March 31, 2015.
Carrying value on the consolidated balance sheets and corresponding fair value of those rental real estate properties for the years ended March 31, 2014 and 2015 were as follows:

(Millions of yen)

	FY2013	FY2014
Carrying value		
At beginning of the year	¥ 3,521	¥ 3,559
Net change during the year	37	308
At end of the year	3,559	3,868
Fair value at end of the year	¥ 13,188	¥ 13,518

Notes:
1) The carrying value represents the acquisition cost less accumulated depreciation and impairment loss.
2) Increase in the carrying value included in the net change during the year was mainly due to acquisition of rental real estate properties of ¥280 million, and decrease in the carrying value mainly due to depreciation of ¥234 million, for the year ended March 31, 2014. Increase in the carrying value included in the net change during the year was mainly due to acquisition of rental real estate properties of ¥114 million and transfer of properties of ¥534 million resulting from changes of their usage, and decrease in the carrying value mainly due to impairment loss of ¥86 million and depreciation of ¥250 million, for the year ended March 31, 2015.
3) The fair value is estimated for major rental properties based on the appraisal value obtained from outside real estate appraisers with reasonable adjustments for timing and for the other rental properties based on the assessed value for fixed-asset taxes.

Segment Information

(Segment Information)

1. Outline of reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Executive Committee to make decisions on resource allocation and to assess performance.

The Group's business divisions are based on the activities of the Company. The consolidated subsidiaries of the Company conduct their respective business operations in cooperation with the relevant business divisions of the parent.

Thus, the Group consists of the segments based on the Company's business divisions. It has four reportable segments: "Facilities construction" offers general facilities construction services, "Machinery systems" offers services of industrial facilities such as FA systems, logistics systems and conveyor equipment, "Environmental systems" offers services of environmental sanitation equipment such as equipment for cleaning sewers, and "Real estate" offers services of rental and administration of real estate.

2. Calculation method for sales, profits or losses and other items by reportable segment

Accounting policies of the segments are substantially the same as those described in "Basis of Preparation of Consolidated Financial Statements." Segment performance is evaluated based on ordinary income or loss.

Intersegment sales and transfers are recorded at the same prices used in transactions with third parties.

Segment assets and liabilities are not disclosed because they are not reviewed to make decisions on resource allocation or to assess performance.

The methods for calculating the retirement benefit obligation and service cost in the reportable segments have been revised in the same way as stated in "Accounting Changes" effective from April 1, 2014.

The effect of this change on segment profit was immaterial.

3. Sales, profits or losses and other items by reportable segment

[For the year ended March 31, 2014]

(Millions of yen)

	Reportable segments								
	Facilities construction	Machinery systems	Environmental systems	Real estate	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Sales :									
Sales to third parties	¥ 143,361	¥ 9,846	¥ 17,067	¥ 1,077	¥ 171,352	¥ 132	¥ 171,484	¥ 11	¥ 171,496
Inter-segment sales and transfers	336	0	101	–	438	475	914	(914)	–
Total sales	¥ 143,697	¥ 9,846	¥ 17,169	¥ 1,077	¥ 171,791	¥ 607	¥ 172,398	¥ (902)	¥ 171,496
Segment profit (loss)	¥ 3,260	¥ (287)	¥ (23)	¥ 147	¥ 3,096	¥ 63	¥ 3,159	¥ (13)	¥ 3,146
Other items:									
Depreciation	¥ 347	¥ 60	¥ 76	¥ 235	¥ 719	¥ 0	¥ 719	¥ 21	¥ 740
Interest income	16	0	5	–	22	0	22	23	45
Interest expenses	48	0	5	–	54	–	54	41	96
Equity in earnings (losses) of affiliates	–	–	1	–	1	–	1	(108)	(107)

(Note 1)
The category of "Other" includes business segments which are not reportable segments, such as leasing services, insurance agency services and others.
Business segment of Shin-yu Services Co., Ltd., which has been newly consolidated since the fiscal year ended March 31, 2014, was included in "Other".

(Note 2)
Adjustments for segment profit or loss of ¥13 million for the year ended March 31, 2014 included corporate general losses of ¥224 million which were not allocable to the reportable segments such as foreign exchange losses and reversal of interest expenses of ¥211 million which had been allocated to each of the reportable segments for administrative purpose.

(Note 3)
Segment profit was adjusted to be equal to ordinary income in the consolidated financial statements.

[For the year ended March 31, 2015]

(Millions of yen)

	Reportable segments								
	Facilities construction	Machinery systems	Environmental systems	Real estate	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Sales :									
Sales to third parties	¥ 150,838	¥ 9,953	¥ 17,387	¥ 1,285	¥ 179,464	¥ 124	¥ 179,588	¥ 9	¥ 170,598
Inter-segment sales and transfers	330	0	98	–	429	383	813	(813)	–
Total sales	¥ 151,169	¥ 9,953	¥ 17,485	¥ 1,285	¥ 179,893	¥ 508	¥ 180,402	¥ (803)	¥ 179,598
Segment profit (loss)	¥ 2,943	¥ 105	¥ 24	¥ 207	¥ 3,281	¥ 48	¥ 3,330	¥ 479	¥ 3,809
Other items:									
Depreciation	¥ 322	¥ 51	¥ 79	¥ 251	¥ 705	¥ 0	¥ 705	¥ 18	¥ 723
Interest income	17	0	5	–	22	0	22	20	43
Interest expenses	47	0	5	–	53	–	53	36	89
Equity in earnings (losses) of affiliates	–	–	(35)	–	(35)	–	(35)	(259)	(295)

(Note 1)
The category of "Other" includes business segments which are not reportable segments, such as leasing services, insurance agency services and others.

(Note 2)
Adjustments for segment profit or loss of ¥479 million for the year ended March 31, 2015 included corporate general profit of ¥229 million which were not allocable to the reportable segments such as interest income and dividends income and reversal of interest expenses of ¥249 million which had been allocated to each of the reportable segments for administrative purpose.

(Note 3)
Segment profit was adjusted to be equal to ordinary income in the consolidated financial statements.

(Other Information)

[For the years ended March 31, 2014 and 2015]

1. Product and service information

Disclosure of product and service information has been omitted because similar information was disclosed in "Segment information."

2. Geographical information

(1) Sales

Disclosure of geographical sales information has been omitted because the sales to third parties of the Japan operation accounted for over 90% of the sales in the consolidated statements of income and comprehensive income.

(2) Property, plant and equipment

Disclosure of property, plant and equipment information has been omitted because property, plant and equipment located in Japan accounted for over 90% of property, plant and equipment in the consolidated balance sheets.

3. Major customer information

Disclosure of major customer information has been omitted because the sales to any specific customers of third parties did not account for over 10% of the sales in the consolidated statements of income and comprehensive income.

(Information about impairment losses on tangible fixed assets by reportable segment)

[For the year ended March 31, 2014]

(Millions of yen)

	Facilities construction	Machinery systems	Environmental systems	Real estate	Total	Adjustments (Note)	Consolidated
Impairment loss	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 143	¥ 143

(Note)
Adjustments of ¥143 million were impairment loss on welfare facilities to be sold.

[For the year ended March 31, 2015]

(Millions of yen)

	Facilities construction	Machinery systems	Environmental systems	Real estate	Other	Total	Adjustments (Note)	Consolidated
Impairment loss	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 189	¥ 189

(Note)
Adjustments of ¥189 million were impairment loss on welfare facilities of ¥102 million to be disposed of and impairment loss on rental properties of ¥86 million.

(Information about amortization and balance of goodwill by reportable segment)

[For the years ended March 31, 2014 and 2015]
Not applicable

(Information about gain on negative goodwill by reportable segment)

[For the years ended March 31, 2014 and 2015]
Not applicable

Per Share Data

	FY2013	FY2014
Net assets per share	¥ 1,142.74	**¥ 1,334.65**
Net income per share	¥ 26.46	**¥ 38.30**
Diluted net income per share	¥ 26.45	**¥ 38.26**

Basis for the calculation of net income per share and diluted net income per share is summarized as follows:

(Millions of yen)

	FY2013	FY2014
Basic:		
Net income	¥ 1,763	**¥ 2,461**
Amount not attributable to shareholders of common stock	–	**–**
Net income attributable to common stock	¥ 1,763	**¥ 2,461**
Average number of shares of common stock outstanding	66,637 thousand shares	**64,275 thousand shares**
Diluted:		
Adjustments to net income	–	**–**
Increase in shares of common stock (Of which, exercise of stock subscription rights)	31 thousand shares (31 thousand shares)	**69 thousand shares** **(69 thousand shares)**
Outline of dilutive potential which was not included in calculation of diluted net income per share due to non-dilutive effect	–	**–**

As stated in "Accounting Changes" of "Notes to Consolidated Financial Statements", the Company has applied "Accounting Standard for Retirement Benefits" and has followed the transitional treatment provided in Paragraph 37 of the standard for application thereof.
As a result of this change, net assets per share increased by ¥47.57 for the current fiscal year.
The effect of this change on net income and diluted net income per share for the year ended march 31, 2015 was immaterial.

Ernst & Young ShinNihon LLC

Building a better working world

Independent Auditor's Report

The Board of Directors
Sanki Engineering Co., Ltd.

We have audited the accompanying consolidated financial statements of Sanki Engineering Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statements of income and comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sanki Engineering Co., Ltd. and its consolidated subsidiaries as at March 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

June 25, 2015
Fukuoka, Japan

Ernst & Young Shinnihon LLC

A member firm of Ernst & Young Global Limited

Corporate Information and Share Information

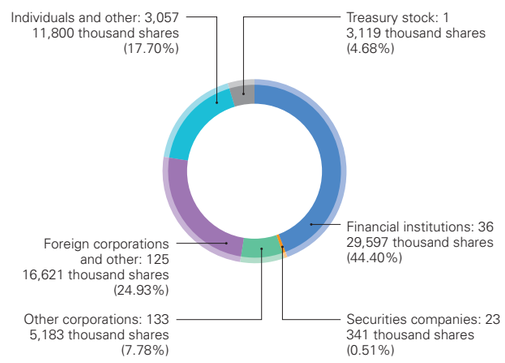
Corporate information (as of March 31, 2015)

Company name	Sanki Engineering Co., Ltd.
Date of establishment	April 22, 1925
Stated capital	8,105.18 million yen
Representative	Tsutomu Hasegawa, President (from April 1, 2015)
Principal lines of business	Facilities construction, plant and machinery systems, real estate
Number of employees	Consolidated: 2,282, Non-consolidated: 1,908
Offices	Branches: 3, Branch offices: 15, Laboratory: 1
Head office	8-1, Akashicho, Chuo-ku, Tokyo

Share information (as of March 31, 2015)

Fiscal year	April 1 to March 31 of the following year
Annual general meeting of shareholders	Late June of every year
Trading unit	100 shares (changed to 100 shares from 1,000 shares on September 1, 2014)
Number of shares authorized	192,945,000
Number of shares issued	66,661,156
Number of shareholders	3,375
Transfer agent and special account management institution	Sumitomo Mitsui Trust Bank, Limited
	1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Stock exchange listing	Tokyo Stock Exchange
Securities code	1961

• Ownership statistics



• Major shareholders

Name of shareholder	Number of shares held (thousand shares)	Shareholding ratio (%)
Mitsui Life Insurance Company, Limited	6,300	9.91
Meiji Yasuda Life Insurance Company	5,700	8.97
Nippon Life Insurance Company	4,672	7.35
Sanki Kyoueikai	2,775	4.37
Japan Trustee Services Bank, Ltd. (Trust account)	2,525	3.97
The Master Trust Bank of Japan, Ltd. (Trust account) State Street Bank and Trust Company	2,261	3.56
State Street Bank and Trust Company 505223	1,801	2.83
CBNY DFA International Cap Value Portfolio	1,536	2.42
JP Morgan Chase Bank 385093	1,392	2.19
Northern Trust Co. (AVFC) Re. U.S. Tax Exempted Pension Funds Security Lending	1,298	2.04

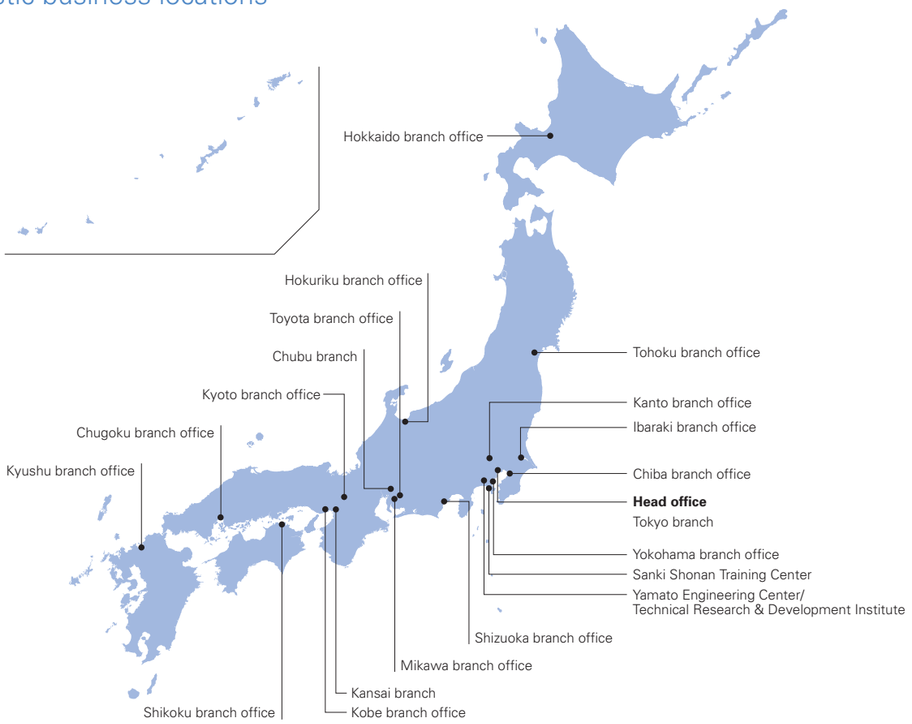
Although the Company holds 3,119 thousand shares of treasury stock, it is excluded from the major shareholders listed above.
Shareholding ratio is calculated excluding treasury stock.

List of Business Locations and Introduction to Group Companies

The Sanki Engineering Group aims to build a comfortable environment for people and the Earth by leveraging "total engineering competency" in a wide range of regions and business domains. Together with our customers, we will strive as a group to contribute to the realization of a sustainable society.

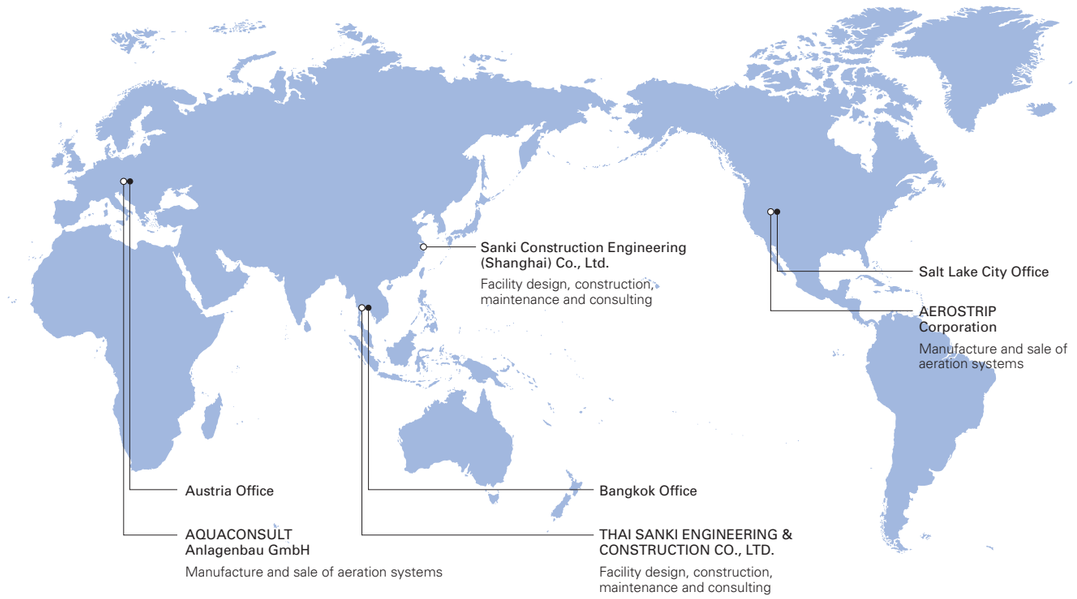
(As of June 30, 2015)

Domestic business locations



Representative offices and Group companies overseas

● Representative office
○ Group company



Consolidated subsidiaries

Sanki Techno Support Co., Ltd.
Established April 1, 1980
Capital 100 million yen
Business areas
- Design, construction, operation/management, repair and maintenance of HVAC, plumbing and electricity work
- Energy saving diagnosis and consulting
- Building IP phone systems, call center systems and networks

Sanki Sangyo Setsubi Co., Ltd.
Established May 1, 1980
Capital 20 million yen
Business areas
- Installation, relocation, removal and altering of general equipment (production, transportation, etc.)
- Electrical wiring, instrumentation work and computer software changes

Sanki Kako Kensetsu Co., Ltd.
Established September 1, 1980
Capital 80 million yen
Business areas
- Design, construction, operation/management, maintenance, upgrading and improving of waste treatment facilities
- Manufacture, sale and installation of solid-liquid separators
- Design, construction and maintenance/management of water/wastewater treatment facilities

Sanki Kankyo Service Co., Ltd.
Established June 29, 1990
Capital 50 million yen
Business areas
- Design, construction, management and work contracting of environmental protection facilities, including water supply and sewage facilities and waste treatment facilities, etc.
- Operation, maintenance and management, and sale of chemical products for these facilities

THAI SANKI ENGINEERING & CONSTRUCTION CO., LTD.
Established June 2008
Capital 16 million baht
Business areas Facility design, construction, maintenance and consulting

AQUACONSULT Anlagenbau GmbH
Acquired a controlling interest in September 2006
Capital 18 thousand euro
Business areas Manufacture and sale of aeration systems

Shin-yu Service Co., Ltd.
Established August 1, 1980
Capital 10 million yen
Business areas Insurance agency and leasing

Non-consolidated subsidiaries

Tomakomai Netsu Service Co., Ltd.
Established July 20, 1971
Capital 200 million yen
Business areas Heat supply to multi-unit housing, and operation and maintenance of cleaning center facilities

Sanki Construction Engineering (Shanghai) Co., Ltd.
Established July 2005
Capital 12.4 million US dollars
Business areas Facility design, construction, maintenance and consulting

AEROSTRIP Corporation
Established September 2006
Capital 100 US dollars
Business areas Manufacturing and sale of aeration systems

Affiliate accounted for by the equity method

Ou Clean Technology Co., Ltd.
Established February 1, 2005
Capital 494.825 million yen
Business areas Treatment and incineration of industrial and general waste and supply of heat

Affiliate not accounted for by the equity method

PFI Okubo Techno Resource Co., Ltd.
Established December 3, 2004
Capital 10 million yen
Business areas Updating, maintenance, management and operation of wastewater treatment facilities and emergency generators at the Okubo Water Purification Plant, Saitama Prefecture
Period of business 3 years and 4 months for design and construction; 20 years for operation, maintenance and management