
FY 2013

Summary of Financial Results

May 13, 2014

Sanki Engineering Co., Ltd.

Contents

FY 2013 Full-Year Results (Consolidated)	03
Operating Results over the Last 10 Years (2014 forecast)	04
Orders Received by Segment (Consolidated)	05
Orders Received by Business Area (Consolidated)	06
Orders Received by Type	07
Major Projects	08
Sales and Profit Trends (Consolidated)	09
Profit and loss by Segment (Consolidated)	10
Quarterly Results (Consolidated)	11
Balance Sheet (Consolidated)	12
Statements of Cash Flows (Consolidated)	13
Dividends and Payout Ratio	14
Midterm Management Plan	
“SANKI VITAL PLAN 90th” priority measures of 4rd Year	15
FY 2014 Forecast (Consolidated)	16
FY 2014 Forecast by Segment (Consolidated)	17
【Appendix】	
Statement of profit and loss (Consolidated)	19
Statement of profit and loss (Non-consolidated)	20

FY 2013 Full-Year Results (Consolidated)

Increase both in sales and profit

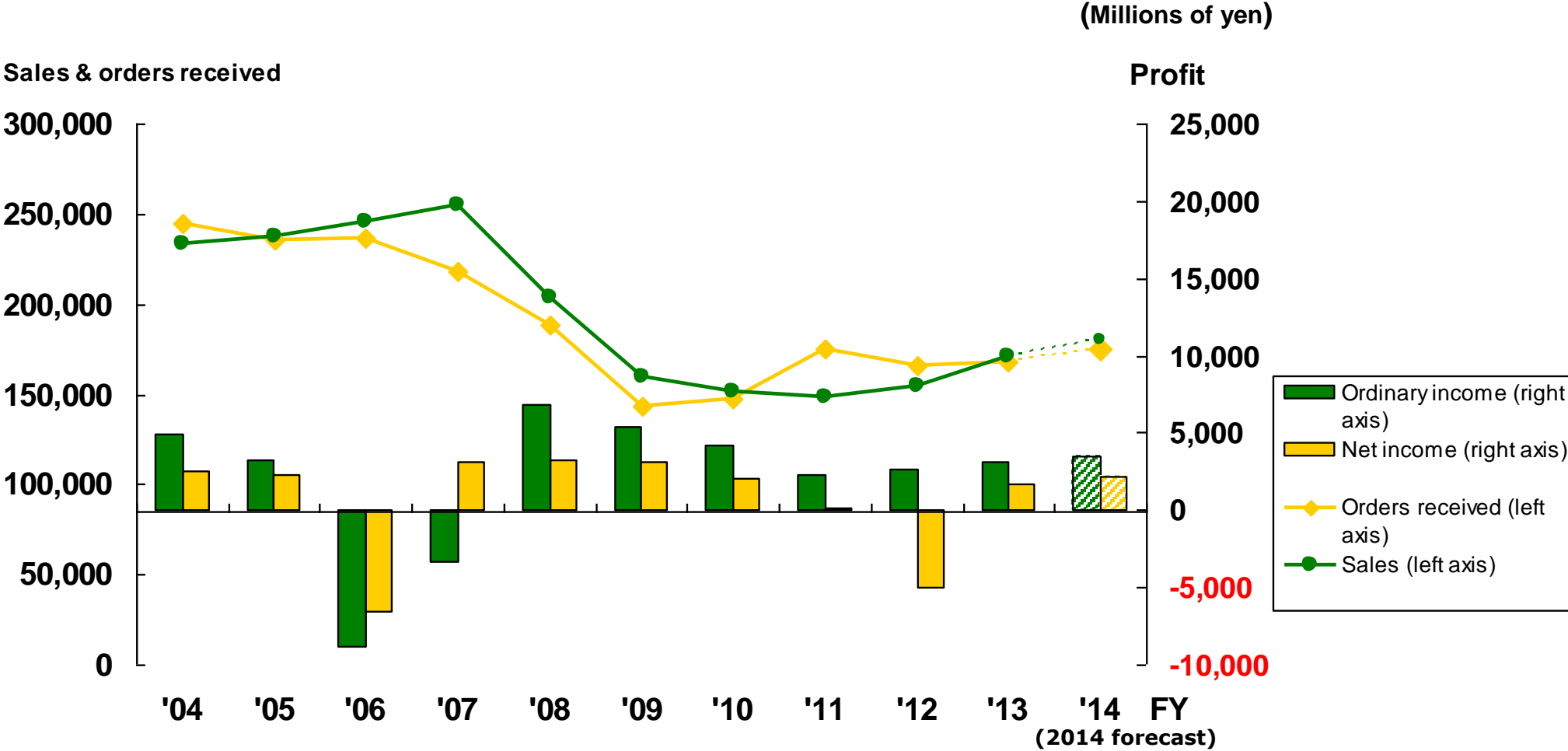
Increase both sales and profit of Facilities Construction Business compensates declining profit of Real Estate Business. Ordinary income shows 17.4% over the previous year's due to significant increase profit of consolidated subsidiary.

(Millions of yen)

	FY 2009	FY 2010	FY 2011	FY 2012 A	FY 2013 B	Year on year B - A	Rate of change (%)
Orders received	143,348	147,129	175,291	165,800	168,295	2,495	1.5
Balance carried forward	77,641	72,976	100,272	111,414	108,219	(3,195)	(2.9)
Sales	159,273	151,794	147,994	154,658	171,496	16,837	10.9
Gross profit	20,447	19,607	18,237	17,590	18,423	833	4.7
Gross profit margin	12.8%	12.9%	12.3%	11.4%	10.7%	(0.7%)	—
Selling, general and administrative expenses	15,419	15,763	15,712	15,199	15,604	405	2.7
Operating income	5,027	3,843	2,525	2,391	2,818	427	17.9
Ordinary income	5,456	4,239	2,268	2,680	3,146	466	17.4
Net income	3,141	2,124	176	(4,992)	1,763	6,755	—

- For FY 2011, increased amount is 8,065 million yen due to the effect on the result of prior fiscal year blanket order.
- Shin-yu Service Co., Ltd.(Orders received 80 million yen, Sales 82 million yen, Gross profit 75 million yen) is included Consolidated from FY 2013.

Operating Results over the Last 10 Years



Orders Received by Segment (Consolidated)

(Millions of yen)

Segment		FY 2009	FY 2010	FY 2011	FY 2012 A	FY 2013 B	Year on year B - A	Rate of change (%)
Orders received	Facilities Construction	115,874	113,502	134,878	136,144	143,839	7,694	5.7
	Machinery Systems	4,774	11,886	9,361	10,817	8,482	(2,334)	(21.6)
	Environmental Systems	18,661	17,740	28,833	16,623	15,029	(1,593)	(9.6)
	Sub-total	139,310	143,128	173,072	163,585	167,352	3,766	2.3
	Real Estate	4,171	4,154	2,824	2,747	1,077	(1,670)	(60.8)
	Others	—	—	—	—	583	583	—
	Adjustments	(133)	(154)	(606)	(533)	(717)	(184)	—
Total		143,348	147,129	175,291	165,800	168,295	2,495	1.5
Orders carried forward	Facilities Construction	65,271	61,217	81,075	88,594	88,735	141	0.2
	Machinery Systems	1,777	4,177	2,715	7,030	5,666	(1,363)	(19.4)
	Environmental Systems	10,592	7,617	16,625	16,104	13,964	(2,139)	(13.3)
	Sub-total	77,641	73,012	100,416	111,728	108,367	(3,361)	(3.0)
	Real Estate	—	—	—	—	—	—	—
	Others	—	—	—	—	94	94	—
	Adjustments	—	(36)	(143)	(314)	(242)	71	—
Total		77,641	72,976	100,272	111,414	108,219	(3,195)	(2.9)

- For FY2011, the effect on the result of prior fiscal year blanket order of 8,065 million yen is included in Facilities Construction Business(1,215 million yen) and in Environmental Systems Business(6,850 million yen).
- Shin-yu Service Co., Ltd. is included Consolidated, indicated in "others".

Orders Received by Business Area (Consolidated)

- Orders Received of Facilities Construction Business is increased.

(Millions of yen)

Business	FY 2012	FY 2013	Year on year	Rate of change (%)
HVAC and plumbing	68,476	74,921	6,445	9.4
Industrial HVAC	39,828	39,870	42	0.1
Electrical Systems	19,103	19,328	224	1.2
Smart Building Solutions	4,705	4,834	129	2.7
Facility Systems	4,030	4,884	853	21.2
Facilities Construction Business total	136,144	143,839	7,694	5.7
Machinery Systems	10,817	8,482	(2,334)	(21.6)
Environmental Systems	16,623	15,029	(1,593)	(9.6)
Plant & Machinery Systems Business total	27,440	23,512	(3,928)	(14.3)
Sub-total	163,585	167,352	3,766	2.3
Real Estate	2,747	1,077	(1,670)	(60.8)
Others	—	583	583	—
Adjustments	(533)	(717)	(184)	—
Total	165,800	168,295	2,495	1.5

- Adjustments eliminate inter-segment transactions included in each segment.
- Shin-yu Service Co., Ltd. is included Consolidated, indicated in "others".
- HVAC : Heating, Ventilation, and Air Conditioning.

Orders Received by Type

(%. Millions of yen)

	FY 2012	FY 2013	Year on year
* Construction orders received from general contractor (Non-Consolidated)	49.3	53.7	4.4
Construction orders received from overseas project (Consolidated)	1,347	3,055	1,707
Rate of Construction orders received from overseas project (Consolidated)	0.8	1.8	1.0
Renewal construction (Consolidated)	56.9	52.6	(4.3)
<Ref.> Orders received for renewal construction (Consolidated)	94,402	88,473	(5,929)
<Ref.> Sales for renewal construction (Consolidated)	87,533	98,024	10,491

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

Major Projects

- Kyorin University Inogashira Campus
(Heating, Ventilation, and Air Conditioning(HVAC) works, plumbing works and electrical works) < new construction work >
- Shin-Hibiya projects
(Plumbing works) < new construction work >
- Fujita Health University Hospital new ward
(HVAC works and plumbing works) < new construction work >
- Yamaha Motor Co., Ltd. marine experiment building
(HVAC works and plumbing works) < renovation work >
- NARITA Passenger Terminal Building fix gate extension
(HVAC works and plumbing works) < new construction work >
- Nitto Denko Corporation Onomichi W1 Phase2
(HVAC works) < new construction work >

Sales and Profit Trends (Consolidated)

- Gross profit margin down due to declining profit of Real Estate Business.
- Gross profit margin of Facilities Construction Business and Plants & Machinery Systems Business* keep same as year-on-year due to increasing both sales and profit.

(Millions of yen)

	FY 2009	FY 2010	FY 2011	FY 2012 A	FY 2013 B	Year on year B - A
Total sales	159,273	151,794	147,994	154,658	171,496	16,837
Facilities Construction Business and Plants & Machinery Systems Business*	17,920	17,009	16,844	16,163	18,111	1,948
Real Estate Business and others	2,526	2,597	1,392	1,426	311	(1,114)
Gross profit	20,447	19,607	18,237	17,590	18,423	833
Facilities Construction Business and Plants & Machinery Systems Business*	11.6%	11.5%	11.6%	10.6%	10.6%	—
Gross profit margin	12.8%	12.9%	12.3%	11.4%	10.7%	(0.7%)
Selling, general and administrative expenses	15,419	15,763	15,712	15,199	15,604	405
Operating income (loss)	5,027	3,843	2,525	2,391	2,818	427
Operating profit margin	3.2%	2.5%	1.7%	1.5%	1.6%	0.1%
Ordinary income (loss)	5,456	4,239	2,268	2,680	3,146	466
Extraordinary income (gain)	137	463	617	7,271	(8)	7,279
Net income (net loss)	3,141	2,124	176	(4,992)	1,763	6,755

• Profit and Sales of Real Estate Business and others are included in Profit and Sales of consolidated subsidiary (Shin-yu Service Co., Ltd. Sales 82 million yen, Profit 75 million yen.)

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

Profit and loss by Segment (Consolidated)

(Millions of yen)

Segment		FY 2009	FY 2010	FY 2011	FY 2012 A	FY 2013 B	Year on year B - A	Rate of change (%)
Sales	Facilities Construction	125,567	117,556	115,019	128,626	143,697	15,071	11.7
	Machinery Systems	11,374	9,486	10,823	6,501	9,846	3,344	51.4
	Environmental Systems	18,497	20,714	19,825	17,145	17,169	24	0.1
	Sub-total	155,439	147,758	145,669	152,273	170,713	18,440	12.1
	Real Estate	4,171	4,154	2,824	2,747	1,077	(1,670)	(60.8)
	Others	—	—	—	—	607	607	—
	Adjustments	(337)	(118)	(498)	(362)	(902)	(540)	—
	Total	159,273	151,794	147,994	154,658	171,496	16,837	10.9
Segment Profit (loss)	Facilities Construction	2,355	1,540	(561)	1,196	3,260	2,064	172.6
	Machinery Systems	140	(675)	(187)	(1,119)	(287)	832	—
	Environmental Systems	823	984	879	689	(23)	(712)	—
	Sub-total	3,318	1,849	130	766	2,949	2,183	285.0
	Real Estate	2,477	2,547	1,331	1,305	147	(1,158)	(88.7)
	Others	—	—	—	—	63	63	—
	Adjustments	(339)	(157)	806	608	(13)	(621)	—
	Total	5,456	4,239	2,268	2,680	3,146	466	17.4

- For FY2011, the effect on the result of prior fiscal year blanket order of 8,065 million yen is included in Facilities Construction Business(1,215 million yen) and in Environmental Systems Business(6,850 million yen).
- Shin-yu Service Co., Ltd. is included Consolidated, indicated in "others".

Quarterly Results (Consolidated)

(Millions of yen)

	FY 2012				FY 2013			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Orders received	38,810	43,431	36,770	46,788	40,928	45,740	35,543	46,083
Sales	29,592	34,347	38,244	52,473	29,463	37,544	41,281	63,206
Gross profit	2,395	3,145	4,321	7,727	1,771	3,381	4,134	9,135
Gross profit margin	8.1%	9.2%	11.3%	14.7%	6.0%	9.0%	10.0%	14.5%
Selling, general and administrative expenses	3,842	3,633	3,659	4,064	3,809	3,884	3,579	4,330
Operating income (loss)	(1,446)	(487)	662	3,662	(2,037)	(503)	554	4,805
Operating profit margin	(4.9%)	(1.4%)	1.7%	7.0%	(6.9%)	(1.3%)	1.3%	7.6%
Ordinary income (loss)	(1,240)	(467)	600	3,787	(1,713)	(406)	567	4,699
Extraordinary income (gain)	120	121	(18)	7,047	6	(42)	(1)	29
Net income (net loss)	(865)	(403)	248	(3,971)	(1,043)	(244)	363	2,687
Provision for loss on construction contracts (balance at the end of period)	474	593	586	801	481	577	600	567
Provision (or reversal of provision) for loss (gain) on construction contracts	(23)	118	(6)	214	(319)	95	22	(33)
Balance carried forward (at the end of period) subjected to provision for loss on construction contracts	2,700	3,700	3,600	5,300	4,300	5,100	4,900	5,500

Balance Sheet (Consolidated)

- Current assets increase due to higher Sales of end of FY 2013.
- Book-value per share increase due to share buyback.
- Composition of finances is strong keeping 44% capital adequacy ratio.

(Millions of yen)

	End of FY 2009	End of FY 2010	End of FY 2011	End of FY 2012 A	End of FY 2013 B	Year on year B - A	Rate of change (%)
Current assets	109,535	110,677	114,866	111,146	115,941	4,795	4.3
Non-current assets	53,771	47,824	48,254	55,331	54,239	(1,091)	(2.0)
Investment securities	17,821	14,727	16,672	27,946	31,283	3,336	11.9
Current liabilities	63,800	61,544	65,860	73,540	78,736	5,196	7.1
Provision for loss on construction contracts	376	222	497	801	567	(233)	(29.2)
Non-current liabilities	19,007	17,123	17,597	16,004	16,526	521	3.3
Net assets	80,498	79,833	79,662	76,932	74,917	(2,015)	(2.6)
Valuation difference on available-for-sale securities	3,155	1,740	2,538	6,631	9,095	2,464	37.2
Total net assets	163,307	158,501	163,120	166,477	170,181	3,703	2.2
Book-value per share (yen)	1,119.40	1,115.41	1,113.70	1,106.32	1,142.74	36.42	3.3
Capital adequacy ratio (%)	49.3	50.3	48.8	46.2	44.0	(2.2)	—
Interest-bearing liabilities (consolidated)	6,076	5,508	6,329	7,240	6,576	(663)	(9.2)

Statements of Cash Flows (Consolidated)

- Cash flow from operating activities goes negative due to demand increasing of operating funds with higher sales.
- Though down turn of Cash and cash equivalent at end of year, Stable liquidity is kept.

(Millions of yen)

	FY 2009	FY 2010	FY 2011	FY 2012 A	FY 2013 B	Year on year B - A
Cash flows from operating activities	1,294	11,554	(2,697)	9,729	(9,403)	(19,133)
Cash flows from investing activities	(1,664)	2,610	(1,046)	(9,481)	(3,506)	5,975
Cash flows from financing activities	(2,936)	(1,883)	(280)	(1,028)	(4,152)	(3,123)
Cash and cash equivalent at end of year	32,825	45,135	41,097	40,367	23,510	(16,857)

[Breakdown of cash flows from operating activities]

Ordinary income (loss)	5,456	4,239	2,268	2,680	3,146	466
Decrease (increase) in notes and accounts receivable - trade	2,546	5,196	(7,668)	2,348	(14,613)	(16,961)
Increase (decrease) in notes and accounts payable - trade	(10,973)	(254)	6,404	480	5,989	5,509
Other	4,265	2,373	(3,702)	4,220	(3,926)	(8,146)

Dividends and Payout Ratio

- Continuing stable dividend (15 yen / year).
- Share holder return with share buyback (4,000,000 shares, total 2,407 million yen).

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Earnings per share (yen)	42.86	29.67	2.46	(71.04)	26.46
Cash dividend per share (yen)	15	15	15	15	15
Payout ratio (consolidated) (%)	35.0	50.6	609.8	-	56.7
Number of shareholders at year end	3,699	3,881	4,015	4,169	3,598
Stock price at year end (yen)	658	524	447	492	654
Acquisition of treasury stock (thousand shares)	2,000	-	-	1,988	4,000
Retirement of treasury stock (thousand shares)	3,000	-	-	-	4,800

<Reference>

ROE (Return on Equity)	3.9%	2.7%	0.2%	(6.4%)	2.3%
ROA (Return on Assets)	3.2%	2.6%	1.4%	1.6%	1.9%

Midterm Management Plan

“SANKI VITAL PLAN 90th” priority measures of 4th Year

1. Promoting total engineering strength.

Promote the plan based on action plans of each department.

2. Enhancement sales of cross-sectional the SANKI Group.

Reform function of Sales Division and enhance Sales Marketing and Proposed Sales for customer due to specialized business planning function and business strategy function.

Remote Earthquake Recovery project and Hospital facility project.

3. Expansion of growth strategy business such as Life Cycle Engineering.

Enhance and expand Life Cycle Engineering with the SANKI Group cooperation by expanding the number of subsidiary office.

4. Expand overseas businesses.

On going training system overseas and cultivate human resources who can play and on active role in the world stage.

5. Improvement corporate value by strengthening corporate governance and risk management.

Strengthen management in each item of risk which exposed by the risk management committee.

6. Enhancement of compliance

Eradication of law violation by observance of laws and regulations based on “The SANKI Engineering Group Compliance Manifesto” and “The SANKI Group standard rule of Conduct and Action”.

Financial performance targets

Fiscal 2015 consolidated sales: 200 billion yen Consolidated ordinary income: 10 billion yen

FY 2014 Forecast (Consolidated)

(Millions of yen)

	FY 2010	FY 2011	FY 2012	FY 2013 A	FY 2014 Forecast B	Increase/ decrease B - A	Rate of change (%)
Orders received	147,129	175,291	165,800	168,295	175,000	6,705	4.0
Balance carried forward	72,976	100,272	111,414	108,219	103,219	(5,000)	(4.6)
Sales	151,794	147,994	154,658	171,496	180,000	8,504	5.0
Facilities Construction Business and Plants & Machinery Systems Business	17,009	16,844	16,163	18,111	18,700	589	3.3
Gross profit	19,607	18,237	17,590	18,423	18,800	377	2.0
Facilities Construction Business and Plants & Machinery Systems Business	11.5%	11.6%	10.6%	10.6%	10.5%	(0.1%)	-
Gross profit margin	12.9%	12.3%	11.4%	10.7%	10.4%	(0.3%)	-
Operating income	3,843	2,525	2,391	2,818	3,200	382	13.6
Ordinary income	4,239	2,268	2,680	3,146	3,500	354	11.3
Net income	2,124	176	(4,992)	1,763	2,200	437	24.8

FY 2014 Forecast by Segment (Consolidated)

(Millions of yen)

	Orders received			Sales		
	FY 2013 (result)	FY 2014 (forecast)	Diff.	FY 2013 (result)	FY 2014 (forecast)	Diff.
Facilities Construction	143,839	147,900	4,061	143,697	149,900	6,203
Machinery Systems	8,482	9,000	518	9,846	10,000	154
Environmental Systems	15,029	17,000	1,971	17,169	19,000	1,831
Facilities Construction Business and Plants & Machinery Systems Business total	167,352	173,900	6,548	170,713	178,900	8,187
Real Estate	1,077	1,100	23	1,077	1,100	23
Other	583	600	17	607	600	(7)
Adjustments	(717)	(600)	117	(902)	(600)	302
Total	168,295	175,000	6,705	171,496	180,000	8,504

Thank you for your kind attention.

Remarks on Business Forecast

The descriptions contained in this material, except for those as to past or present facts, are based on anticipations, assumptions, evaluations and estimations in light of the information available as of May 13, 2014.

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

<Major factors>

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

For inquiries please contact:
Corporate Communications Department
TEL: +81-3-6367-7041

【Appendix】

Statement of profit and loss (Consolidated)

(Millions of yen)

	FY 2012	Ratio (%)	FY 2013	Ratio (%)	Diff.	Rate of change (%)
Completed construction contracts ⁽¹⁾	151,910	98.2 ^(A)	170,336	99.3 ^(D)	18,425	12.1
Real Estate and Others ⁽²⁾	2,747	1.8 ^(B)	1,159	0.7 ^(E)	(1,587)	(57.8)
Sales	154,658	100.0^(C)	171,496	100.0^(F)	16,837	10.9
Completed construction contracts ⁽³⁾	16,163	10.6 ^{*1}	18,111	10.6 ^{*3}	1,948	12.1
Real Estate and Others ⁽⁴⁾	1,426	51.9 ^{*2}	311	26.9 ^{*4}	(1,114)	(78.2)
Gross profit	17,590	11.4	18,423	10.7	833	4.7
Selling, general and administrative expenses	15,199	9.9	15,604	9.1	405	2.7
Operating income	2,391	1.5	2,818	1.6	427	17.9
Non-operating income	951	0.6	1,007	0.6	55	5.8
Non-operating expenses	662	0.4	679	0.4	16	2.5
Ordinary income	2,680	1.7	3,146	1.8	466	17.4
Extraordinary gains	74	0.0	345	0.2	271	365.6
Extraordinary losses	7,345	4.7	336	0.2	(7,008)	(95.4)
Income before income taxes and minority interests	(4,591)	(3.0)	3,154	1.8	7,746	—
Net income	(4,992)	(3.2)	1,763	1.0	6,755	—

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

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

Sales and Profit Trends (Non-consolidated)

(Millions of yen)

	FY 2012	Ratio (%)	FY 2013	Ratio (%)	Diff.	Rate of change (%)
Completed construction contracts ⁽¹⁾	138,158	98.1 ^(A)	154,930	99.3 ^(D)	16,771	12.1
Real Estate and Others ⁽²⁾	2,747	1.9 ^(B)	1,077	0.7 ^(E)	(1,670)	(60.8)
Sales	140,906	100.0^(C)	156,007	100.0^(F)	15,101	10.7
Completed construction contracts ⁽³⁾	13,809	10.0 ^{*1}	15,064	9.7 ^{*3}	1,254	9.1
Real Estate and Others ⁽⁴⁾	1,426	51.9 ^{*2}	235	21.9 ^{*4}	(1,190)	(83.5)
Gross profit	15,236	10.8	15,300	9.8	64	0.4
Selling, general and administrative expenses	14,154	10.0	14,373	9.2	219	1.5
Operating income	1,081	0.8	926	0.6	(154)	(14.3)
Non-operating income	1,222	0.8	1,385	0.9	162	13.3
Non-operating expenses	751	0.5	714	0.5	(36)	(4.8)
Ordinary income	1,552	1.1	1,596	1.0	43	2.8
Extraordinary gains	74	0.0	345	0.2	270	365.5
Extraordinary losses	7,344	5.2	336	0.2	(7,008)	(95.4)
Income before income taxes and minority interests	(5,717)	(4.1)	1,605	1.0	7,322	—
Net income	(5,587)	(4.0)	933	0.6	6,520	—

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

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