
FY 2014

Summary of Financial Results

May 13, 2015

Sanki Engineering Co., Ltd.

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FY 2014 Full-Year Results (Consolidated)

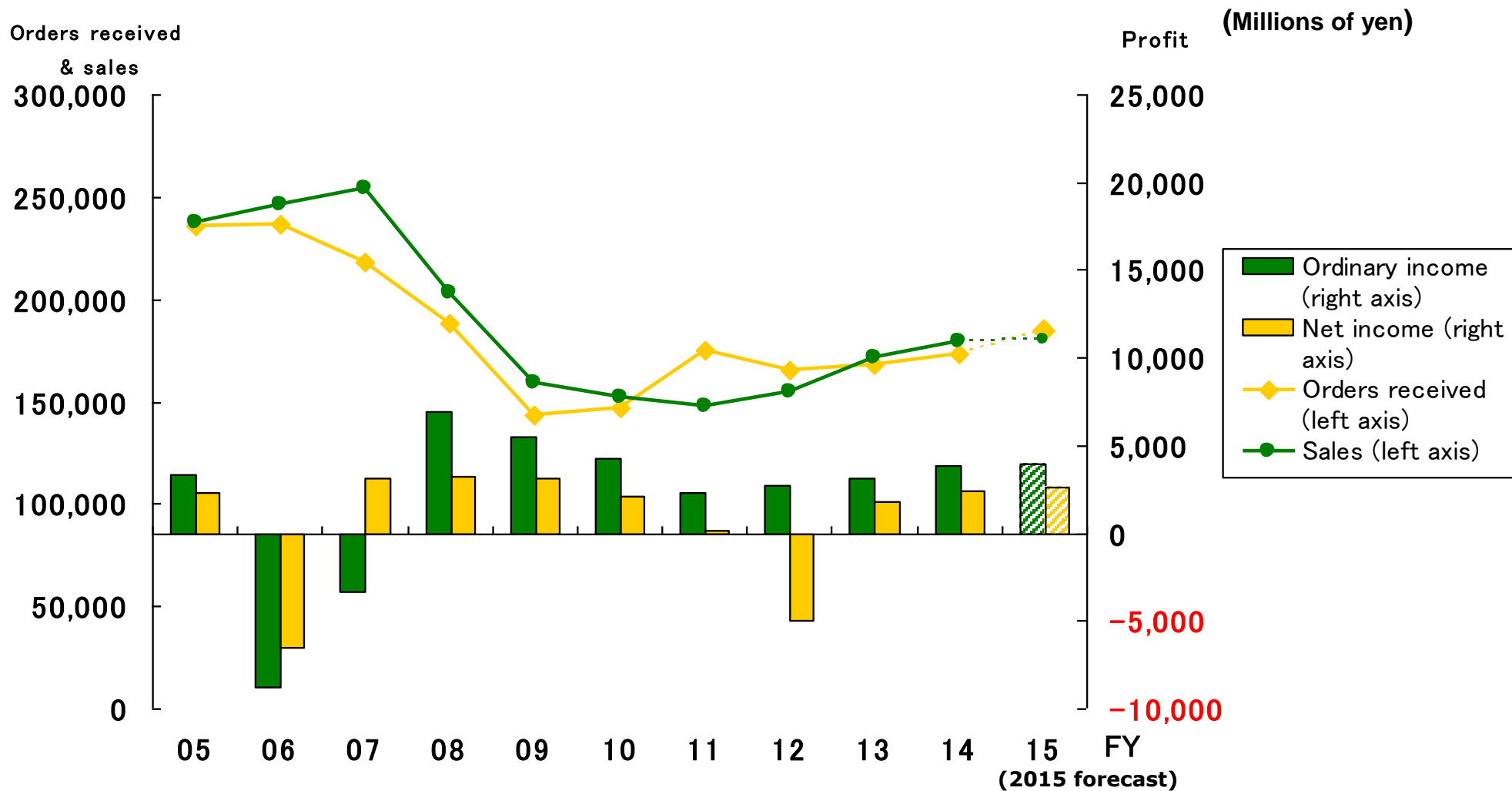
- Orders received and sales increased on a year-on-year basis.
- The gross profit margin was slightly less on a year-on-year basis but Operating income, Ordinary income and Net income increased in profit together.
- Ordinary income increased by 21.1% on a year-on-year basis

(Millions of yen)

	FY 2010	FY 2011	FY 2012	FY 2013 A	FY 2014 B	Year on year B - A	Rate of change (%)
Orders received	147,129	175,291	165,800	168,295	173,398	5,103	3.0
Balance carried forward	72,976	100,272	111,414	108,219	102,019	(6,199)	(5.7)
Sales	151,794	147,994	154,658	171,496	179,598	8,102	4.7
Gross profit	19,607	18,237	17,590	18,423	17,966	(456)	(2.5)
Gross profit margin	12.9%	12.3%	11.4%	10.7%	10.0%	(0.7)%	—
Selling, general and administrative expenses	15,763	15,712	15,199	15,604	15,015	(589)	(3.8)
Operating income	3,843	2,525	2,391	2,818	2,951	132	4.7
Ordinary income	4,239	2,268	2,680	3,146	3,809	662	21.1
Net income	2,124	176	(4,992)	1,763	2,461	698	39.6

* For FY 2011, increased amount is 8,065 million yen due to the effect on the result of prior fiscal year blanket order.

Operating Results over the Last 10 Years (2015 forecast)



Orders Received by Segment (Consolidated)

(Millions of yen)

Segment		FY 2010	FY 2011	FY 2012	FY 2013 A	FY 2014 B	Year on year B - A	Rate of change(%)
Orders received	Facilities Construction	113,502	134,878	136,144	143,839	150,032	6,193	4.3
	Machinery Systems	11,886	9,361	10,817	8,482	5,716	(2,766)	(32.6)
	Environmental Systems	17,740	28,833	16,623	15,029	16,767	1,737	11.6
	Sub-total	143,128	173,072	163,585	167,352	172,516	5,163	3.1
	Real Estate	4,154	2,824	2,747	1,077	1,285	208	19.3
	Others	—	—	—	583	481	(101)	(17.4)
	Adjustments	(154)	(606)	(533)	(717)	(884)	(167)	—
	Total	147,129	175,291	165,800	168,295	173,398	5,103	3.0
Orders carried forward	Facilities Construction	61,217	81,075	88,594	88,735	87,599	(1,136)	(1.3)
	Machinery Systems	4,177	2,715	7,030	5,666	1,429	(4,237)	(74.8)
	Environmental Systems	7,617	16,625	16,104	13,964	13,245	(718)	(5.1)
	Sub-total	73,012	100,416	111,728	108,367	102,275	(6,092)	(5.6)
	Real Estate	—	—	—	—	—	—	—
	Others	—	—	—	94	68	(26)	(27.8)
	Adjustments	(36)	(143)	(314)	(242)	(323)	(81)	—
	Total	72,976	100,272	111,414	108,219	102,019	(6,199)	(5.7)

* 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).

Orders Received by Business Area (Consolidated)

(Millions of yen)

Business	FY 2013	FY 2014	Year on year	Rate of change (%)
HVAC and plumbing	74,921	70,778	(4,143)	(5.5)
Industrial HVAC	39,870	46,765	6,895	17.3
Electrical Systems	19,328	23,215	3,887	20.1
Smart Building Solutions	4,834	3,076	(1,758)	(36.4)
Facility Systems	4,884	6,196	1,311	26.9
Facilities Construction Business total	143,839	150,032	6,193	4.3
Machinery Systems	8,482	5,716	(2,766)	(32.6)
Environmental Systems	15,029	16,767	1,737	11.6
Plant & Machinery Systems Business total	23,512	22,483	(1,029)	(4.4)
Sub-total	167,352	172,516	5,163	3.1
Real Estate	1,077	1,285	208	19.3
Others	583	481	(101)	(17.4)
Adjustments	(717)	(884)	(167)	—
Total	168,295	173,398	5,103	3.0

* Adjustments eliminate inter-segment transactions included in each segment.

* HVAC : Heating, Ventilation, and Air Conditioning.

Orders Received by Type

(%. Millions of yen)

	FY 2013	FY 2014	Year on year
* Construction orders received from general contractor (Non-Consolidated)	53.7	48.0	(5.7)
Construction orders received from overseas project (Consolidated)	3,055	2,931	(124)
Rate of Construction orders received from overseas project (Consolidated)	1.8	1.7	(0.1)
Renewal construction (Consolidated)	52.6	53.8	1.2
<Ref.> Orders received for renewal construction (Consolidated)	88,473	93,339	4,866
<Ref.> Sales for renewal construction (Consolidated)	98,024	96,468	(1,556)

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

Major Projects

- Nihonbashi 2-Chome Urban Redevelopment Project C・D Block
 (Plumbing works and electrical works) < new construction work >
- Nihonbashi 2-Chome Urban Redevelopment Project B Block
 (Heating, Ventilation, and Air Conditioning(HVAC) works,
 plumbing works and electrical works) < renovation work >
- Fukuoka High, District, Family and Summary Court government
 building
 (HVAC works and plumbing works) < new construction work >
- Takamatsu Sunport government building (South Hall)
 (HVAC works and plumbing works) < new construction work >
- Tsuyuhashi Water Prossing Center
 (Water and sewage plant works) < overall renovation work >

Sales and Profit Trends (Consolidated)

- The gross profit margin decreased by 0.7% on a year-on-year basis because of increase provision for loss on construction contracts of several projects and so on. (Millions of yen)

	FY 2010	FY 2011	FY 2012	FY 2013 A	FY 2014 B	Year on year B-A
Total sales	151,794	147,994	154,658	171,496	179,598	8,102
Gross profit	19,607	18,237	17,590	18,423	17,966	(456)
Facilities Construction Business and Plants & Machinery Systems Business*	17,009	16,844	16,163	18,111	17,648	(463)
Real Estate Business and others	2,597	1,392	1,426	311	318	6
Gross profit margin	12.9%	12.3%	11.4%	10.7%	10.0%	(0.7)%
Facilities Construction Business and Plants & Machinery Systems Business*	11.5%	11.6%	10.6%	10.6%	9.9%	(0.7)%
Selling, general and administrative expenses	15,763	15,712	15,199	15,604	15,015	(589)
Operating income (loss)	3,843	2,525	2,391	2,818	2,951	132
Operating profit margin	2.5%	1.7%	1.5%	1.6%	1.6%	—
Ordinary income (loss)	4,239	2,268	2,680	3,146	3,809	662
Extraordinary income (gain)	463	617	7,271	(8)	446	455
Net income (net loss)	2,124	176	(4,992)	1,763	2,461	698

Profit and loss by Segment (Consolidated)

(Millions of yen)

Segment		FY 2010	FY 2011	FY 2012	FY 2013 A	FY 2014 B	Year on year B - A	Rate of change (%)
Sales	Facilities Construction	117,556	115,019	128,626	143,697	151,169	7,471	5.2
	Machinery Systems	9,486	10,823	6,501	9,846	9,953	106	1.1
	Environmental Systems	20,714	19,825	17,145	17,169	17,485	316	1.8
	Sub-total	147,758	145,669	152,273	170,713	178,608	7,894	4.6
	Real Estate	4,154	2,824	2,747	1,077	1,285	208	19.3
	Others	—	—	—	607	508	(99)	(16.4)
	Adjustments	(118)	(498)	(362)	(902)	(803)	98	—
	Total	151,794	147,994	154,658	171,496	179,598	8,102	4.7
Segment Profit (loss)	Facilities Construction	1,540	(561)	1,196	3,260	2,943	(316)	(9.7)
	Machinery Systems	(675)	(187)	(1,119)	(287)	105	392	—
	Environmental Systems	984	879	689	(23)	24	48	—
	Sub-total	1,849	130	766	2,949	3,073	123	4.2
	Real Estate	2,547	1,331	1,305	147	207	60	41.4
	Others	—	—	—	63	48	(14)	(22.6)
	Adjustments	(157)	806	608	(13)	479	492	—
	Total	4,239	2,268	2,680	3,146	3,809	662	21.1

* 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).

Quarterly Results (Consolidated)

(Millions of yen)

	FY 2013				FY 2014			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Orders received	40,928	45,740	35,543	46,083	42,489	38,758	55,923	36,226
Sales	29,463	37,544	41,281	63,206	32,825	42,682	47,145	56,945
Gross profit	1,771	3,381	4,134	9,135	1,700	3,224	4,753	8,287
Gross profit margin	6.0%	9.0%	10.0%	14.5%	5.2%	7.6%	10.1%	14.6%
Selling, general and administrative expenses	3,809	3,884	3,579	4,330	3,786	3,845	3,552	3,831
Operating income (loss)	(2,037)	(503)	554	4,805	(2,085)	(620)	1,201	4,456
Operating profit margin	(6.9)%	(1.3)%	1.3%	7.6%	(6.4)%	(1.5)%	2.5%	7.8%
Ordinary income (loss)	(1,713)	(406)	567	4,699	(1,846)	(478)	1,612	4,522
Extraordinary income (gain)	6	(42)	(1)	29	-	18	116	312
Net income (net loss)	(1,043)	(244)	363	2,687	(1,215)	(111)	1,119	2,669
Provision for loss on construction contracts (balance at the end of period)	481	577	600	567	724	1,236	989	1,314
Provision (or reversal of provision) for loss (gain) on construction contracts	(319)	95	22	(33)	157	511	(246)	324
Balance carried forward (at the end of period) subjected to provision for loss on construction contracts	4,300	5,100	4,900	5,500	7,300	8,100	5,300	4,300

Balance Sheet (Consolidated)

- Book-value per share increased because of decrease number of outstanding share with share buyback.
- Composition of finances is strong keeping 48.1% capital adequacy ratio.

(Millions of yen)

	End of FY 2010	End of FY 2011	End of FY 2012	End of FY 2013 A	End of FY 2014 B	Year on year B - A	Rate of change (%)
Current assets	110,677	114,866	111,146	115,941	116,224	282	0.2
Non-current assets	47,824	48,254	55,331	54,239	60,157	5,917	10.9
Investment securities	14,727	16,672	27,946	31,283	39,704	8,420	26.9
Current liabilities	61,544	65,860	73,540	78,736	72,106	(6,630)	(8.4)
Provision for loss on construction contracts	222	497	801	567	1,314	747	131.9
Non-current liabilities	17,123	17,597	16,004	16,526	19,406	2,879	17.4
Net assets	79,833	79,662	76,932	74,917	84,869	9,952	13.3
Valuation difference on available-for-sale securities	1,740	2,538	6,631	9,095	15,332	6,236	68.6
Total net assets	158,501	163,120	166,477	170,181	176,382	6,200	3.6
Book-value per share (yen)	1,115.41	1,113.70	1,106.32	1,142.74	1,334.65	191.91	16.8
Capital adequacy ratio (%)	50.3	48.8	46.2	44.0	48.1	4.1	—
Interest-bearing liabilities (consolidated)	5,508	6,329	7,240	6,576	5,672	(904)	(13.7)

Statements of Cash Flows (Consolidated)

-Cash and cash equivalent at end of year secured enough liquidity.

(Millions of yen)

	FY 2010	FY 2011	FY 2012	FY 2013 A	FY 2014 B	Year on year B - A
Cash flows from operating activities	11,554	(2,697)	9,729	(9,403)	(139)	9,264
Cash flows from investing activities	2,610	(1,046)	(9,481)	(3,506)	3,440	6,946
Cash flows from financing activities	(1,883)	(280)	(1,028)	(4,152)	(2,901)	1,251
Cash and cash equivalent at end of year	45,135	41,097	40,367	23,510	23,667	156

【 Breakdown of cash flows from operating activities 】

Ordinary income (loss)	4,239	2,268	2,680	3,146	3,809	662
Decrease (increase) in notes and accounts receivable - trade	5,196	(7,668)	2,348	(14,613)	1,041	15,655
Increase (decrease) in notes and accounts payable - trade	(254)	6,404	480	5,989	(1,766)	(7,755)
Other	2,373	(3,702)	4,220	(3,926)	(3,224)	701

Dividends and Payout Ratio

- The Dividend schedules 20 yen including 90th anniversary commemorative dividend of 5 yen and regular dividend of 15 yen.
- Share holder return with share buyback have been carried out consecutive thee yeas, also treasury stock erasure have been carried out secondary to the last year.
- 1,000 share of unit stocks was changed to 100 share of unit stocks on September 1,2014.

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Earnings per share (yen)	29.67	2.46	(71.04)	26.46	38.30
Cash dividend per share regular dividend(yen)	15	15	15	15	15
Cash dividend per share commemorative dividend (yen)	-	-	-	-	5
Cash dividend per share (yen)	15	15	15	15	20
Payout ratio (consolidated) (%)	50.6	609.8	-	56.7	52.2
Number of shareholders at year end	3,881	4,015	4,169	3,598	3,375
Stock price at year end (yen)	524	447	492	654	930
Acquisition of treasury stock (thousand shares)	-	-	1,988	4,000	2,000
Retirement of treasury stock (thousand shares)	-	-	-	4,800	3,000

<Reference>

ROE (Return on Equity)	2.7%	0.2%	(6.4)%	2.3%	3.0%
ROA (Return on Assets)	2.6%	1.4%	1.6%	1.9%	2.2%

Midterm Management Plan

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

1. Promoting total engineering strength

Maintenance of the company-wide cooperation system by information sharing and communication among divisions / departments.

2. Improvement of the earning capacity by reduction of burden on site work

- Site work support by establishment Site-Documentation support Center.
- Site purchasing support by establishment Procurement Division.

3. Corporate vale improvement by corporate governance cord

- improvement of governance with board of directors to follow a corporate governance cord.
- Promoting constructive dialogue with the stakeholder including the stockholder.

4. Expand overseas businesses

Strengthen management base of the THAI SANKI ENGINEERING & CONSTRUCTION Co., Ltd.

5. Enhancement of compliance

Penetration of the compliance program by basis of 「Sanki Engineering Group Compliance Declaration」 and 「Sanki Engineering Group Behavioral Standards」.

FY 2015 Forecast (Consolidated)

(Millions of yen)

	FY 2011	FY 2012	FY 2013	FY 2014 A	FY 2015 Forecast B	Increase/ decrease B - A	Rate of change (%)
Orders received	175,291	165,800	168,295	173,398	185,000	11,602	6.7
Balance carried forward	100,272	111,414	108,219	102,019	107,019	5,000	4.9
Sales	147,994	154,658	171,496	179,598	180,000	402	0.2
Gross profit	18,237	17,590	18,423	17,966	19,200	1,234	6.9
Facilities Construction Business and Plants & Machinery Systems Business	16,844	16,163	18,111	17,648	18,900	1,252	7.1
Gross profit margin	12.3%	11.4%	10.7%	10.0%	10.7%	0.7%	-
Facilities Construction Business and Plants & Machinery Systems Business	11.6%	10.6%	10.6%	9.9%	10.6%	0.7%	-
Operating income	2,525	2,391	2,818	2,951	3,500	549	18.6
Ordinary income	2,268	2,680	3,146	3,809	4,000	191	5.0
Net income	176	(4,992)	1,763	2,461	2,600	139	5.6

* The net income column of FY2015 lists net income belong to a parent company stockholder.

FY 2015 Forecast by Segment (Consolidated)

(Millions of yen)

	Orders received			Sales		
	FY 2014 (result)	FY 2015 (forecast)	Diff.	FY 2014 (result)	FY 2015 (forecast)	Diff.
Facilities Construction	150,032	155,700	5,668	151,169	153,700	2,531
Machinery Systems	5,716	8,000	2,284	9,953	8,000	(1,953)
Environmental Systems	16,767	20,000	3,233	17,485	17,000	(485)
Facilities Construction Business and Plants & Machinery Systems Business total	172,516	183,700	11,184	178,608	178,700	92
Real Estate	1,285	1,200	(85)	1,285	1,200	(85)
Other	481	600	119	508	600	92
Adjustments	(884)	(500)	384	(803)	(500)	303
Total	173,398	185,000	11,602	179,598	180,000	402

Statement of Profit and loss (Consolidated)

(Millions of yen)

	FY 2013	Ratio (%)	FY 2014	Ratio (%)	Diff.	Rate of change (%)
Sales	171,496	100.0 ^(A)	179,598	100.0 ^(D)	8,102	4.7
Completed construction contracts ⁽¹⁾	170,336	99.3 ^(B)	178,220	99.2 ^(E)	7,883	4.6
Real estate and others ⁽²⁾	1,159	0.7 ^(C)	1,378	0.8 ^(F)	218	18.8
Gross profit	18,423	10.7	17,966	10.0	(456)	(2.5)
Completed construction contracts ⁽³⁾	18,111	10.6 ^{*1}	17,648	9.9 ^{*3}	(463)	(2.6)
Real estate and others ⁽⁴⁾	311	26.9 ^{*2}	318	23.1 ^{*4}	6	2.2
Selling, general and administrative expenses	15,604	9.1	15,015	8.4	(589)	(3.8)
Operating income	2,818	1.6	2,951	1.6	132	4.7
Non-operating income	1,007	0.6	1,607	0.9	600	59.6
Non-operating expenses	679	0.4	749	0.4	69	10.3
Ordinary income	3,146	1.8	3,809	2.1	662	21.1
Extraordinary gains	345	0.2	290	0.2	(54)	(15.7)
Extraordinary losses	336	0.2	737	0.4	400	119.0
Income before income taxes and minority interests	3,154	1.8	3,362	1.9	207	6.6
Net income	1,763	1.0	2,461	1.4	698	39.6

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

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

Statement of Profit and loss (Non-consolidated)

(Millions of yen)

	FY 2013	Ratio (%)	FY 2014	Ratio (%)	Diff.	Rate of change (%)
Sales	156,007	100.0^(A)	164,007	100.0^(D)	7,999	5.1
Completed construction contracts ⁽¹⁾	154,930	99.3 ^(B)	162,721	99.2 ^(E)	7,791	5.0
Real estate and others ⁽²⁾	1,077	0.7 ^(C)	1,285	0.8 ^(F)	208	19.3
Gross profit	15,300	9.8	14,830	9.0	(469)	(3.1)
Completed construction contracts ⁽³⁾	15,064	9.7 ^{*1}	14,600	9.0 ^{*3}	(463)	(3.1)
Real estate and others ⁽⁴⁾	235	21.9 ^{*2}	230	17.9 ^{*4}	(5)	(2.3)
Selling, general and administrative expenses	14,373	9.2	13,708	8.3	(665)	(4.6)
Operating income	926	0.6	1,122	0.7	195	21.1
Non-operating income	1,385	0.9	2,047	1.2	661	47.8
Non-operating expenses	714	0.5	736	0.4	21	3.0
Ordinary income	1,596	1.0	2,432	1.5	836	52.4
Extraordinary gains	345	0.2	290	0.2	(54)	(15.7)
Extraordinary losses	336	0.2	737	0.5	400	119.1
Income before income taxes and minority interests	1,605	1.0	1,986	1.2	380	23.7
Net income	933	0.6	1,673	1.0	740	79.4

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

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

Thank you for your kind attention.

Remarks on Business Forecast

The descriptions contained in this material, except for those as to past or present facts, are based on anticipations, assumptions, evaluations and estimations in light of the information available as of May.13, 2015.

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