

The 1st Quarter FY2015 Summary of Financial Results

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Sanki Engineering Co., Ltd.

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Key Points of Financial Results.

Orders received and Sales amount exceed on year-on-year basis because of result of industrial HVAC such as Electrical machinery and Automobile, etc under the influence of same as previous fiscal year, manufactures returning to domestic.

Gross profit increased drastically on year-on-year basis because of increased income and improvement of the profit ratio, and also, operating income, ordinary income and net income increased in profit all together.

【 Overall Results 】

The 1st Quarter FY 2015 Results (Consolidated)

(Millions of yen)

	June 2014	June 2015	Year on year	Rate of change (%)
Orders received	42,489	46,385	3,896	9.2
Balance carried forward	117,883	113,910	(3,973)	(3.4)
Sales	32,825	34,495	1,669	5.1
Completed construction contracts	32,533	34,089	1,556	4.8
Real Estate and Others	292	406	113	38.8
Gross profit	1,700	3,291	1,590	93.5
Completed construction contracts	1,614	3,190	1,576	97.6
Real Estate and Others	85	100	14	16.5
Operating profit margin(%)	5.2	9.5	4.3	—
Selling, general and administrative expenses	3,786	3,921	134	3.6
Operating income (loss)	(2,085)	(630)	1,455	—
Ordinary income (loss)	(1,846)	(254)	1,592	—
Profit attributable to owners of parent (loss)	(1,215)	(266)	948	—

* The net income of FY2014 ,1Q is recalculated and changed to the profit attributable to owners of parent (loss).

【 Orders Received 】

Orders Received by Segment (Consolidated)

(Millions of yen)

Segment	June 2014	June 2015	Year on year	Rate of change (%)
HVAC and plumbing for Buildings	18,077	13,674	(4,403)	(24.4)
Industrial HVAC	10,568	13,896	3,328	31.5
Electrical Systems	6,183	5,126	(1,056)	(17.1)
Smart Building Solutions	766	1,274	508	66.3
Facility Systems	1,838	2,704	865	47.1
Facilities Construction Business total	37,434	36,677	(757)	(2.0)
Machinery Systems	1,579	4,477	2,897	183.4
Environmental Systems	3,233	4,842	1,608	49.7
Plant & Machinery Systems Business total	4,813	9,320	4,506	93.6
Sub-total	42,248	45,997	3,748	8.9
Real Estate	270	381	111	41.2
Others	122	142	20	16.6
Adjustments	(151)	(135)	15	—
Total	42,489	46,385	3,896	9.2

*Adjustments eliminate inter segment transactions included in each segment.

【Sales】 Sales by Segment (Consolidated)

(Millions of yen)

Segment	June 2014	June 2015	Year on year	Rate of change (%)
HVAC and plumbing for Buildings	13,785	13,572	(213)	(1.5)
Industrial HVAC	9,087	9,923	836	9.2
Electrical Systems	4,006	4,759	753	18.8
Smart Building Solutions	770	513	(257)	(33.4)
Facility Systems	715	1,443	728	101.8
Facilities Construction Business total	28,365	30,213	1,847	6.5
Machinery Systems	2,061	1,587	(473)	(23.0)
Environmental Systems	2,141	2,331	190	8.9
Plant & Machinery Systems Business total	4,202	3,919	(283)	(6.7)
Sub-total	32,567	34,132	1,564	4.8
Real Estate	270	381	111	41.2
Others	109	125	15	14.4
Adjustments	(122)	(144)	(21)	—
Total	32,825	34,495	1,669	5.1

*Adjustments eliminate inter segment transactions included in each segment.

【Profit】 Profit and Loss by Segment (Consolidated)

(Millions of yen)

Segment		June 2014	June 2015	Year on year	Rate of change (%)
Segment Profit (loss)	Facilities Construction	(1,363)	121	1,484	—
	Machinery Systems	(138)	(171)	(32)	—
	Environmental Systems	(623)	(689)	(65)	—
	Sub-total	(2,125)	(739)	1,385	—
	Real Estate	58	66	7	13.6
	Others	7	10	3	43.8
	Adjustments	212	407	195	92.0
	Total	(1,846)	(254)	1,592	—

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

【Overall Result】

Quarterly Results (Consolidated)

(Millions of yen)

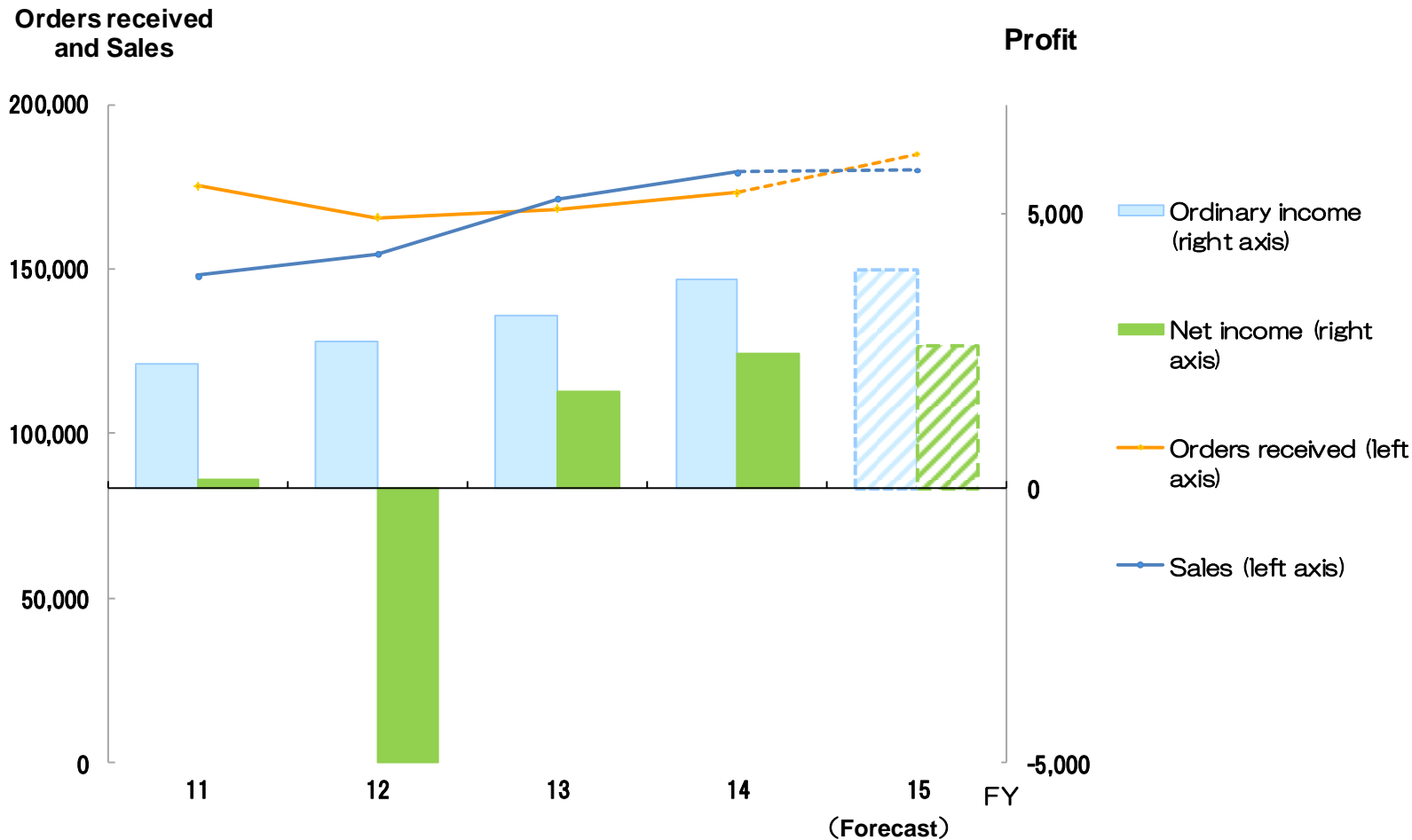
	FY 2014				FY 2015
	1Q	2Q	3Q	4Q	1Q
Orders received	42,489	38,758	55,923	36,226	46,385
Sales	32,825	42,682	47,145	56,945	34,495
Gross profit	1,700	3,224	4,753	8,287	3,291
Gross profit margin	5.2%	7.6%	10.1%	14.6%	9.5%
Selling, general and administrative expenses	3,786	3,845	3,552	3,831	3,921
Operating income (loss)	(2,085)	(620)	1,201	4,456	(630)
Operating profit margin	(6.4)%	(1.5)%	2.5%	7.8%	(1.8)%
Ordinary income (loss)	(1,846)	(478)	1,612	4,522	(254)
Extraordinary income (gain)	-	18	116	312	55
Profit attributable to owners of parent (loss)	(1,215)	(111)	1,119	2,669	(266)
Provision for loss on construction contracts (balance at the end of period)	724	1,236	989	1,314	1,045
Provision (or reversal of provision) for loss (gain) on construction contracts	157	511	(246)	324	(269)
Balance carried forward (at the end of period) subjected to provision for loss on construction contracts	7,329	8,131	5,376	4,388	2,451

* The net income of FY2014 is recalculated and changed to the profit attributable to owners of parent (loss).

【 Operating Results 】

Operating Results over the Last 5 Years (Consolidated)

(Millions of yen)

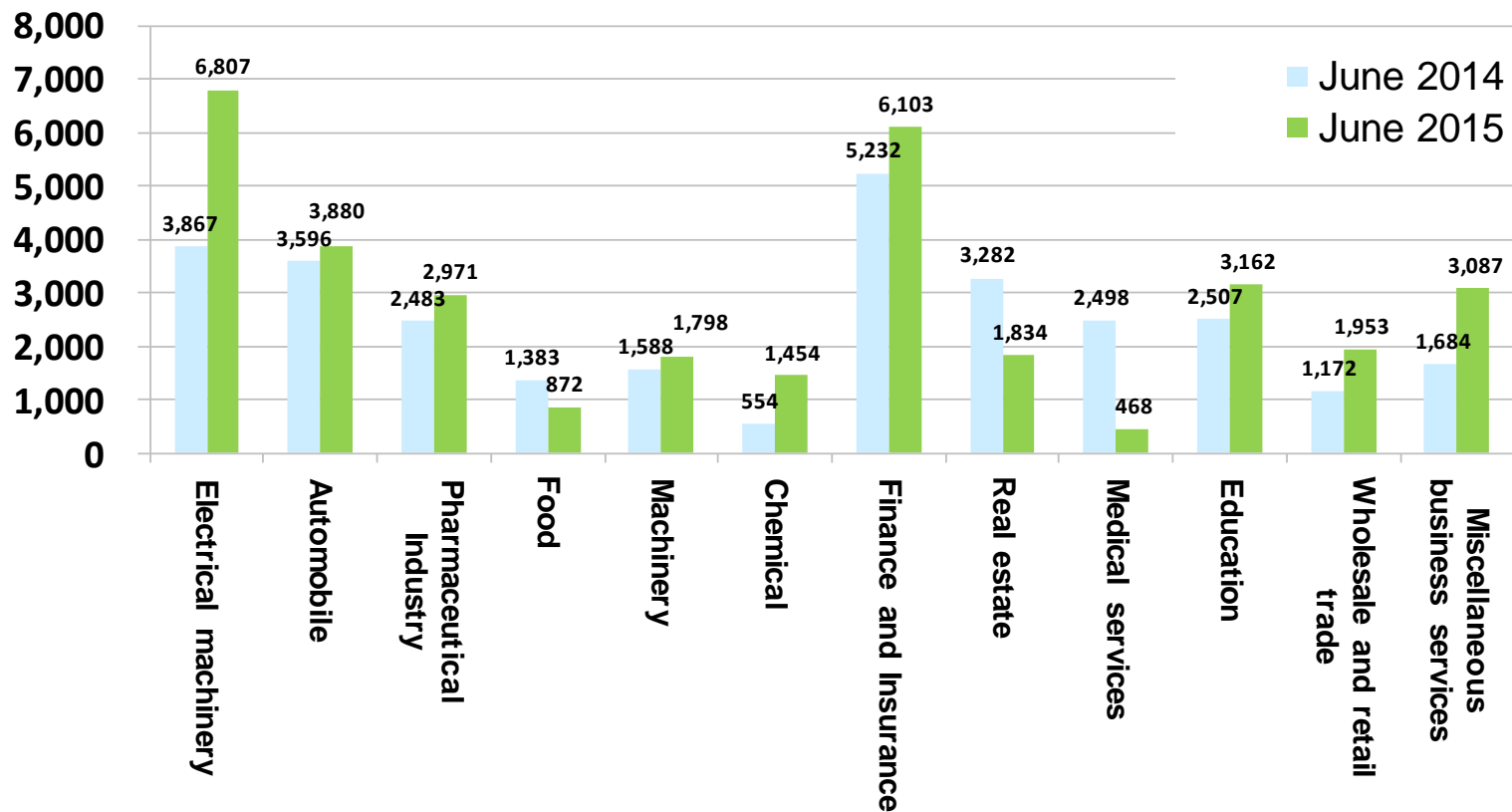


* the net income of FY2011~ FY2014 in recalculated and changed to the profit attributable to owners of parent .

【Orders received】

Orders Received by Industry(Consolidated)

(Millions of yen)



【Orders Received】

Order Received byType

(Millions of yen)

	FY2012	FY2013	FY2014	June 2014	June 2015	Diff.
* Construction orders received from General contractor (Non-consolidated)	49.3	53.7	48.0	59.5	47.9	(11.6)
Construction orders received from overseas project (Consolidated)	1,347	3,055	2,931	930	547	(383)
Rate of Construction orders received from overseas project (Consolidated)	0.8	1.8	1.7	2.2	1.2	(1.0)
Renewal construction (Consolidated)	56.9	52.6	53.8	47.6	52.5	4.9
<Ref.> Orders received for renewal construction (Consolidated)	94,402	88,473	93,339	20,217	24,355	4,138
<Ref.> Sales for renewal construction (Consolidated)	87,533	98,024	96,468	14,702	18,255	3,553

* The ratios and amounts are those in Facilities construction business unit.

【Orders Received】

Major Project

- Asahi Nakanoshima Western Division tower new construction
(Air Conditioning (HVAC) works) 〈 new construction work 〉
- The second factory of the IKEDA MOHANDO CO.,LTD.
(Air Conditioning (HVAC) works) 〈 new construction work 〉
- Research institute X
(HVAC works and electrical works) 〈renovation works〉
- Syuutou Environmental hygiene association cleaning center
(Waste treatment works) 〈overall renovation work〉
- Factory X
(conveyance systems) 〈 new construction work 〉

【Orders Received】

Major Project more than 1 billion yen

	June 2014		June 2015	
Office	—	<p>2 Projects (2,250million yen)</p> <p>* Construction orders received from Customer : 0 Project</p> <p>* Construction orders received from General contractor : 2 Projects</p>	1	<p>5 Projects (6,379million yen)</p> <p>* Construction orders received from Customer : 1 Project</p> <p>* Construction orders received from General contractor : 4 Projects</p>
Hospital	1		—	
Factory	—		2	
Research institute	1		1	
Waste processing facility	—		1	

【Profit】

Increase and Decrease Factor of Ordinary Income

(Millions of yen)

June 2014 (1,846)	
Increase in Profit and Improvement of Gross profit margin	1,162
Decrease Provision for loss on Construction contracts	427
Increase Non-operating income	136
Increase Selling , General and Administrative expenses.	(134)
Total Ordinary Income	1,592
June 2015 (254)	

【Financial condition】

Balance Sheet (Consolidated)

(Millions of yen)

	End of 2014	June 2015	Diff.	Rate of change(%)	June 2014
Current assets	116,224	100,946	(15,277)	(13.1)	103,278
Non-current assets	60,157	60,272	114	0.2	57,728
Investment securities	39,704	39,967	263	0.7	32,751
Current liabilities	72,106	57,764	(14,342)	(19.9)	67,384
Provision for loss on construction contracts	1,314	1,045	(269)	(20.5)	724
Non-current liabilities	19,406	19,493	87	0.5	16,330
Net assets	84,869	83,960	(908)	(1.1)	77,292
Valuation difference on available-for-sale securities	15,332	15,575	242	1.6	10,125
Total net assets	176,382	161,218	(15,163)	(8.6)	161,007
Book-value per share (yen)	1,334.65	1,320.46	(14.19)	(1.1)	1,178.99
Capital adequacy ratio (%)	48.1	52.0	3.9	—	48.0
Interest-bearing liabilities (consolidated)	6,332	5,272	(1,060)	(16.7)	5,472

【Earnings forecast】 FY2015 Forecast (Consolidated)

(Millions of yen)

	FY 2014 Results			FY 2015 Forecast			Year on year		
	First half year	Second half year	total	First half year	Second half year	total	First half year	Second half year	total
Order received	81,248	92,149	173,398	91,000	94,000	185,000	9,752	1,851	11,602
Sales	75,507	104,090	179,598	76,000	104,000	180,000	493	(90)	402
Operating income(loss)	(2,705)	5,657	2,951	(1,900)	5,400	3,500	805	(257)	549
Ordinary income(loss)	(2,325)	6,134	3,809	(1,700)	5,700	4,000	625	(434)	191
Profit attributable to owners of parent (loss)	(1,327)	3,788	2,461	(1,200)	3,800	2,600	127	12	139

* The net income of FY2014 results is recalculated and changed to the profit attributable to owners of parent (loss).

【Earnings forecast】 FY2015 Orders Received Forecast by Segment (Consolidated)

(Millions of yen)

Segment		FY 2014 Results	FY 2015 Forecast	Year in year
	HVAC and Plumbing for Buildings	70,778	73,200	2,422
	Industrial HVAC	46,765	54,000	7,235
	Electrical Systems	23,215	19,000	(4,215)
	Smart Building Solutions	3,076	4,500	1,424
	Facility Systems	6,196	5,000	(1,196)
Facilities Construction Business total		150,032	155,700	5,668
	Machinery Systems	5,716	8,000	2,284
	Environmental Systems	16,767	20,000	3,233
Plant & Machinery Systems Business total		22,483	28,000	5,517
Sub-total		172,516	183,700	11,184
Real Estate		1,285	1,200	(85)
Others		481	600	119
Adjustments		(884)	(500)	384
Total		173,398	185,000	11,602

*Adjustments eliminate inter segment transactions included in each segment.

【Earnings forecast】 FY2015 Sales Forecast by Segment (Consolidated)

(Millions of yen)

Segment		FY 2014 Results	FY 2015 Forecast	Year on year
	HVAC and Plumbing for Buildings	72,371	69,200	(3,171)
	Industrial HVAC	47,015	54,000	6,985
	Electrical Systems	21,884	21,000	(884)
	Smart Building Solutions	4,399	4,000	(399)
	Facility Systems	5,497	5,500	3
Facilities Construction Business total		151,169	153,700	2,531
	Machinery Systems	9,953	8,000	(1,953)
	Environmental Systems	17,485	17,000	(485)
Plant & Machinery Systems Business total		27,439	25,000	(2,439)
Sub-total		178,608	178,700	92
Real Estate		1,285	1,200	(85)
Others		508	600	92
Adjustments		(803)	(500)	303
Total		179,598	180,000	402

* Adjustments eliminate inter segment transactions included in each segment.

Management Direction for Fiscal 2015

Slogan of 90th anniversary

「Unity-Thanks to the past 90 years and building a bridge to the 100th year」

Promote total engineering.
Enhance the profit ratio.
Revitalize Communication.

- Strengthen divisional collaboration and promote proposal – based sales.
- Reduce the work burden at worksites by establishment the site – documentation support center and the procurement division.
- Improve profitability maintaining the quality of works.
- Raster compliance.
- Enhance corporate value by bolstering corporate governance.

Thank you for your kind attention.

Remarks on Business Forecast

The descriptions contained in this material, except for those as to past or present facts, are based on anticipations, assumptions, evaluations and estimations in light of the information available as of August.7, 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.

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