

The 2nd Quarter FY2015 Summary of Financial Results

November 10, 2015

Sanki Engineering Co., Ltd.

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Key Points of Financial Results

〈Order received〉

Orders received at Facilities Construction Business increased because of result of industrial HVAC such as Electrical machinery and Automobile , etc. under the influence of manufactures returning to domestic. Orders received of Plant & Machinery Systems Business increased largely because of large-scale project order received establishment of Machinery Systems and Environmental Systems. Total of orders received exceed year-on-year basis and initial forecast.

〈Sales • Profit〉

Sales changed relatively flat on year-on-year basis , but Gross profit margin was improved by improvement of the order environment and thorough cost management. Gross profit largely exceeded year-on-year basis , Operating income , Ordinary income and Profit attributable to owners of parent increased and turned a profit.

【 Overall Results 】

The 2nd Quarter FY 2015 Results (Consolidated)

(Millions of yen)

- Orders received exceeded year-on-year basis , Sales changed relatively flat.
- Gross profit , Operating income , Ordinary income and Profit attributable to owners of parent were improved largely.

	September 2014	September 2015	Year on year	Rate of change(%)
Orders received	81,248	99,206	17,957	22.1
Balance carried forward	113,960	125,745	11,784	10.3
Sales	75,507	75,480	(27)	(0.0)
Completed construction contracts	74,912	74,668	(243)	(0.3)
Real Estate and Others	595	812	216	36.3
Gross profit	4,925	8,103	3,178	64.5
Completed construction contracts	4,755	7,918	3,162	66.5
Real Estate and Others	169	185	15	9.1
Operating profit margin(%)	6.5	10.7	4.2	64.5
Selling, general and administrative expenses	7,631	7,926	295	3.9
Operating income (loss)	(2,705)	176	2,882	—
Ordinary income (loss)	(2,325)	524	2,850	—
Profit attributable to owners of parent (loss)	(1,327)	255	1,582	—

*"The net income" of September 2014 changed to "the profit attributable to owners of parent".

【 Orders Received 】

Orders Received by Segment (Consolidated)

- Orders received of Industrial HVAC and Facility Systems were increased in Facilities construction business.
 - Orders received of Machinery systems and Environmental Systems exceeded year-on-year basis because of large-scale project order received establishment.
- (Millions of yen)

Segment	September 2014	September 2015	Year on year	Rate of change(%)
HVAC and plumbing for Buildings	31,396	34,023	2,627	8.4
Industrial HVAC	21,943	25,294	3,351	15.3
Electrical Systems	11,807	12,699	892	7.6
Facility Systems	4,803	6,623	1,820	37.9
Facilities Construction Business total	69,950	78,642	8,691	12.4
Machinery Systems	2,888	6,981	4,093	141.7
Environmental Systems	7,971	13,133	5,161	64.8
Plant & Machinery Systems Business total	10,859	20,115	9,255	85.2
Sub-total	80,810	98,757	17,947	22.2
Real Estate	550	766	216	39.3
Others	228	272	43	19.0
Adjustments	(340)	(590)	(249)	-
Total	81,248	99,206	17,957	22.1

*Adjustments eliminate inter segment transactions included in each segment.

【Sales】 Sales by Segment (Consolidated)

- Sales of Electrical Systems and Facility Systems were increased in Facilities construction business.
- Sales of Machinery Systems was decreased because of decrease of order received in last year.

(Millions of yen)

Segment	September 2014	September 2015	Year on year	Rate of change(%)
HVAC and plumbing for Buildings	31,051	28,255	(2,795)	(9.0)
Industrial HVAC	21,272	22,230	957	4.5
Electrical Systems	8,480	10,010	1,530	18.1
Facility Systems	3,945	4,884	939	23.8
Facilities Construction Business total	64,749	65,381	632	1.0
Machinery Systems	4,864	3,307	(1,556)	(32.0)
Environmental Systems	5,401	6,134	732	13.6
Plant & Machinery Systems Business total	10,265	9,441	(823)	(8.0)
Sub-total	75,014	74,823	(191)	(0.3)
Real Estate	550	766	216	39.3
Others	242	259	17	7.0
Adjustments	(300)	(368)	(68)	-
Total	75,507	75,480	(27)	(0.0)

* Adjustments eliminate inter segment transactions included in each segment.

【Profit】

Ordinary income and loss by Segment (Consolidated)

(Millions of yen)

Segment		September 2014	September 2015	Year on year	Rate of change(%)
Segment Profit (loss)	Facilities Construction	(2,011)	866	2,878	-
	Machinery Systems	(54)	(251)	(196)	-
	Environmental Systems	(931)	(941)	(10)	-
	Sub-total	(2,996)	(325)	2,670	-
	Real Estate	111	114	3	2.7
	Others	22	17	(4)	(18.7)
	Adjustments	537	718	180	33.6
	Total	(2,325)	524	2,850	-

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

【Overall Result】

Quarterly Results (Consolidated)

- Gross profit , Operating income , Ordinary income and Profit attributable to owner of parent turned a profit because of improvement of order environment and thorough cost management. (Millions of yen)

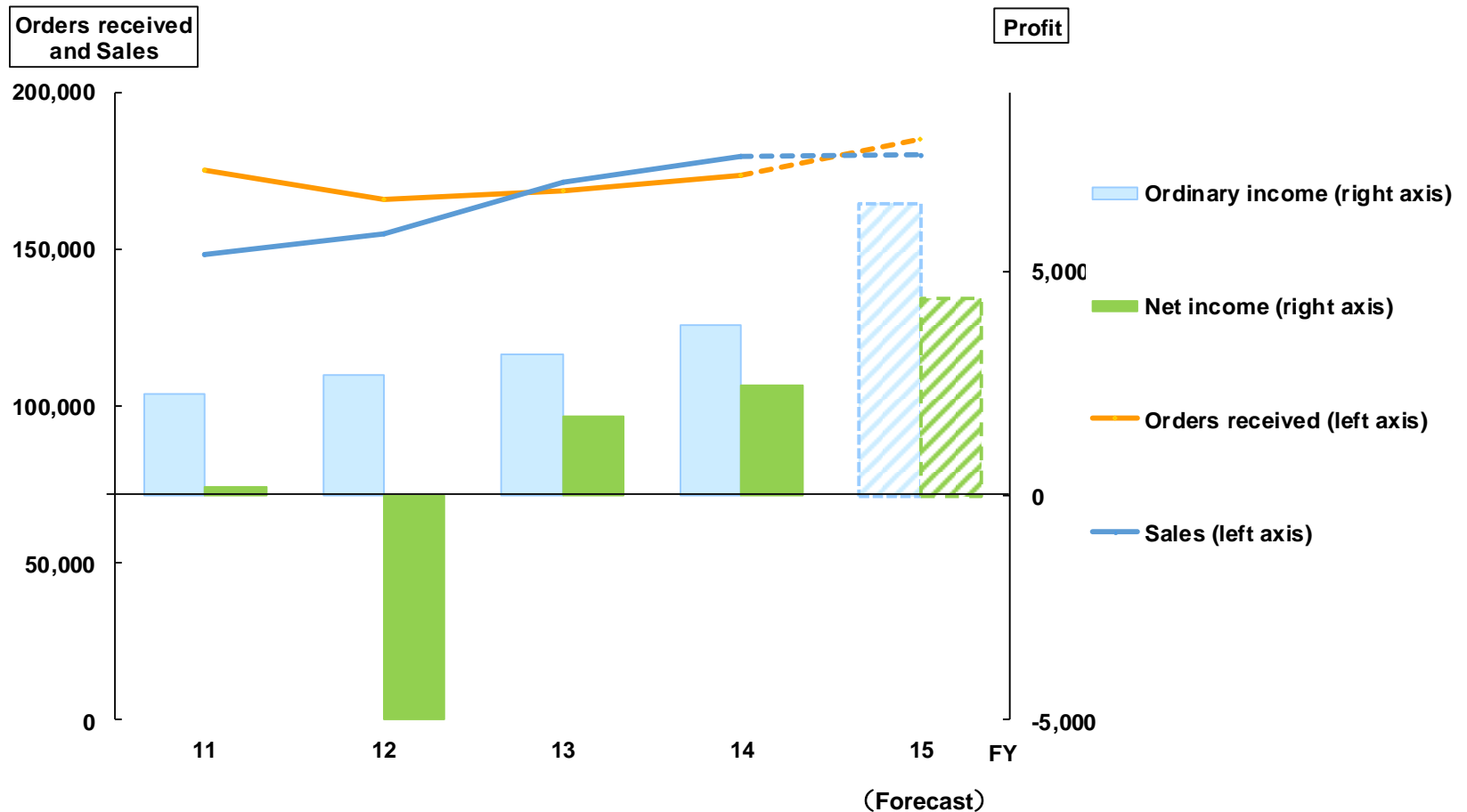
	FY 2014				FY 2015	
	1Q	2Q	3Q	4Q	1Q	2Q
Orders received	42,489	38,758	55,923	36,226	46,385	52,820
Sales	32,825	42,682	47,145	56,945	34,495	40,985
Gross profit	1,700	3,224	4,753	8,287	3,291	4,812
Gross profit margin	5.2	7.6	10.1	14.6	9.5	11.7
Selling, general and administrative expenses	3,786	3,845	3,552	3,831	3,921	4,005
Operating income (loss)	(2,085)	(620)	1,201	4,456	(630)	807
Operating profit margin	(6.4)	(1.5)	2.5	7.8	(1.8)	2.0
Ordinary income (loss)	(1,846)	(478)	1,612	4,522	(254)	778
Extraordinary income (gain)	-	18	116	312	55	(30)
Profit attributable to owners of parent (loss)	(1,215)	(111)	1,119	2,669	(266)	521
Provision for loss on construction contracts (balance at the end of period)	724	1,236	989	1,314	1,045	777
Provision (or reversal of provision) for loss (gain) on construction contracts	157	511	(246)	324	(269)	(267)
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	1,661

* "The net income" of September 2014 changed to "the profit attributable to owners of parent".

【 Operating Results 】

Operating Results over the Last 5 Years (Consolidated)

(Millions of yen)

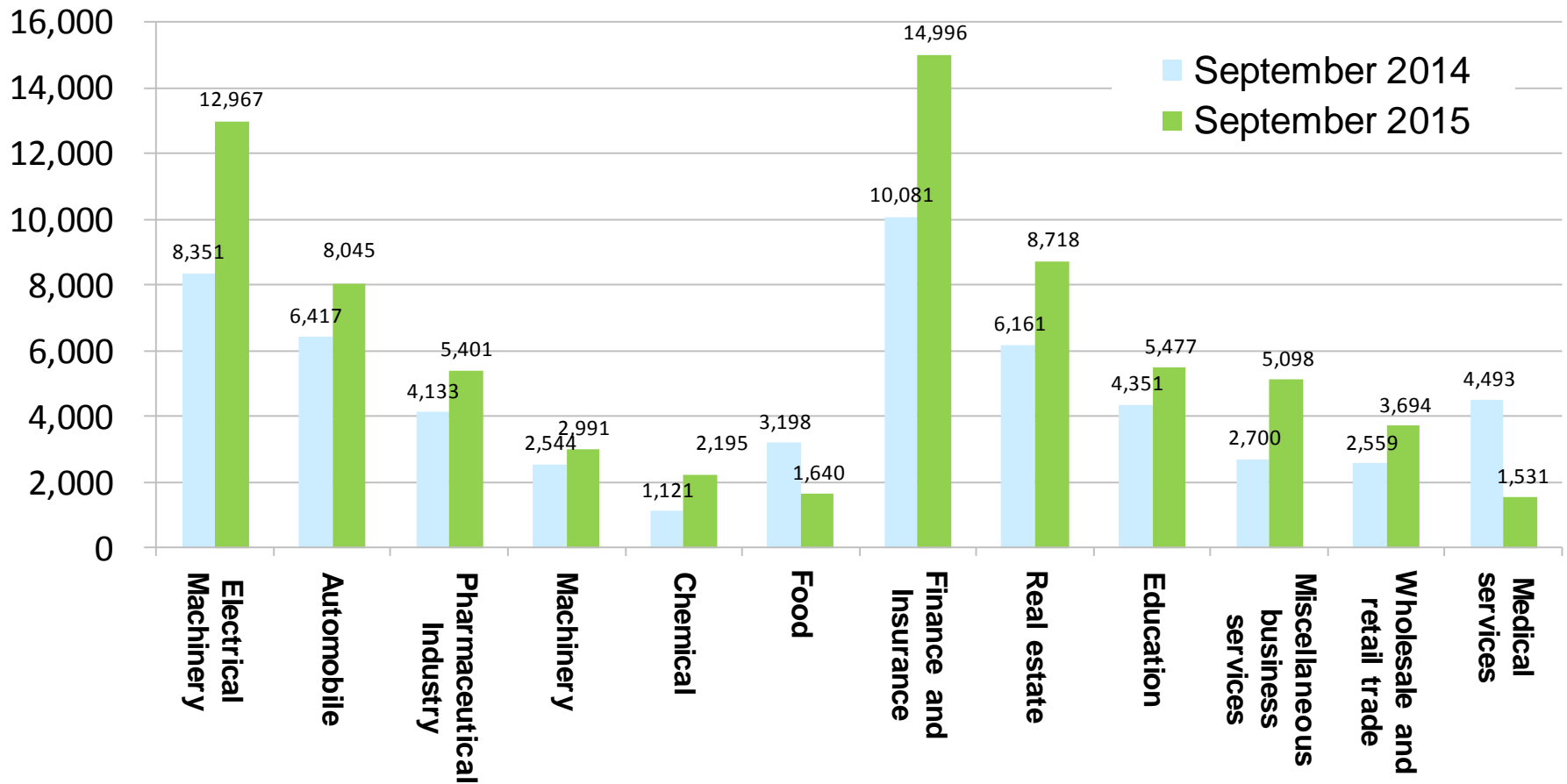


* the net income of FY2011~ FY2014 changed to the profit attributable to owners of parent .

【Orders received】

Orders Received by Industry(Consolidated)

(Millions of yen)



【Orders Received】

Order Received by Type

(Millions of yen)

	FY2012	FY2013	FY2014	September 2014	September 2015	Diff.
* Construction orders received from General contractor (Non-consolidated)	49.3	53.7	48.0	51.3	52.6	1.3
Construction orders received from overseas project (Consolidated)	1,347	3,055	2,931	1,549	1,280	(269)
Rate of Construction orders received from overseas project (Consolidated)	0.8	1.8	1.7	1.9	1.3	(0.6)
Renewal construction (Consolidated)	56.9	52.6	53.8	53.8	54.6	0.8
<Ref.> Orders received for renewal construction (Consolidated)	94,402	88,473	93,339	43,692	54,202	10,510
<Ref.> Sales for renewal construction (Consolidated)	87,533	98,024	96,468	35,116	37,372	2,256

* 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 >
- **Nihonbashi Muromachi 3chome area The 1srt urban Redevelopment BusinessA new construction work**
 (Plumbing works) < new construction work >
- **Research institute X**
 (Air Conditioning (HVAC) works and electrical works <renovation works >)
- **Hospital X**
 (Air Conditioning (HVAC) works • Plumbing works • electrical works)
 <new construction work >
- **Factory X**
 (conveyance systems) < new construction work >
- **Syuutou Environmental hygiene association cleaning center**
 (Waste treatment works) <overall renovation work>
- **Nomi bika Center**
 (waste treatment works) <renovation work>
- **Minamisouma City Clean Haramachi Center**
 (waste treatment works) < renovation work >

【Orders Received】

Major Project over 1 billion yen(By industry)

	September 2014		September 2015	
Office	—	4Projects (5,430million yen) *Construction orders received from Costumer : 1 Project *Construction orders received from General contractor : 3 Projects	2	9Projects (16,683million yen) *Construction orders received from Costumer : 3 Project *Construction orders received from General contractor : 6 Projects
Hospital	2		1	
Research institute	1		1	
Factory	—		2	
Waste processing facility	—		3	
Water and sewage treatment facility	1		—	

【Profit】

Increase and Decrease Factor of Ordinary Income (Consolidated)

(Millions of yen)

September 2014		(2,325)
Improvement of Gross profit margin		1,971
Decrease Provision for loss on construction contracts		1,206
Increase Selling , General and Administrative expenses		(295)
Decrease Non-operating income		(32)
Total Ordinary Income		2,850
September 2015		524

【 Profit 】

Profit improvement factor and measure

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

【Financial condition】

Balance Sheet (Consolidated)

- Improvement of the capital adequacy ratio by decreasing Current liabilities and Non-current liabilities.
(Millions of yen)

	End of 2014	September 2015	Diff.	Rate of change(%)	September 2014
Current assets	116,224	93,720	(22,503)	(19.4)	100,365
Non-current assets	60,157	56,405	(3,752)	(6.2)	53,777
Investment securities	39,704	36,223	(3,480)	(8.8)	33,805
Current liabilities	72,106	54,146	(17,960)	(24.9)	61,247
Provision for loss on construction contracts	1,314	777	(537)	(40.9)	1,236
Non-current liabilities	19,406	13,841	(5,564)	(28.7)	16,566
Net assets	84,869	82,137	(2,731)	(3.2)	76,329
Unrealized gains on available-for-sale securities	15,332	13,031	(2,301)	(15.0)	10,804
Total net assets	176,382	150,126	(26,256)	(14.9)	154,143
Book-value per share (yen)	1,334.65	1,290.56	(44.09)	(3.3)	1,200.45
Capital adequacy ratio (%)	48.1	54.6	6.5	-	49.5
Interest-bearing liabilities (consolidated)	6,332	6,164	(168)	(2.7)	6,464

【CF】

Statements of Cash Flows (Consolidated)

- Decrease in operating activities cash flows by additional contribution to retirement benefit trust fund and to corporate income taxes paid.
- Increase in investment activities cash flows by refund of time deposits.
- Decrease in financing activities by cash dividends paid.

(Millions of yen)

	FY 2011	FY 2012	FY 2013	FY 2014	September 2014	September 2015	Year on Year
Cash flows from operating activities	(2,697)	9,729	(9,403)	(139)	1,535	(1,330)	(2,866)
Cash flows from investing activities	(1,046)	(9,481)	(3,506)	3,440	27	5,599	5,572
Cash flows from financing activities	(280)	(1,028)	(4,152)	(2,901)	(2,247)	(1,010)	1,236
Cash and cash equivalent at end of year	41,097	40,367	23,510	23,667	22,732	26,877	4,145

Capital investment	815	645	545	395	125	218	93
Depreciation and amortization	1,339	1,207	740	723	355	343	(12)

Dividends and Payout Ratio

- Plan to pay a larger dividend on stocks to 18yen from 15yen a year in a regular dividend.

(Millions of yen)

	FY 2011	FY 2012	FY 2013	FY 2014	September 2015
Earnings per share (yen)	2.46	(71.04)	26.46	38.30	4.01
Cash dividend per share regular dividend(yen)	15	15	15	15	9
Cash dividend per share commemorative dividend (yen)	-	-	-	5	-
Cash dividend per share (yen)	15	15	15	20	9
Payout ratio (consolidated) (%)	609.8	-	56.7	52.2	224.4
Number of shareholders at year end	4,015	4,169	3,598	3,375	3,302
Stock price at year end (yen)	447	492	654	930	900
Acquisition of treasury stock (thousand shares)	-	1,988	4,000	2,000	-
Retirement of treasury stock (thousand shares)	-	-	4,800	3,000	-

<Reference>

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

【Overall forecast】 FY 2015 Forecast (Consolidated)

(Millions of yen)

	Forecast August 7,2015			Forecast November 10,2015			Diff.		
	The1st Quarter ~ The2st Quarter	The 3st Quarter ~ The 4st Quarter	Full Year	The1st Quarter ~ The2st Quarter	The 3st Quarter ~ The 4st Quarter	Full Year	The1st Quarter ~ The2st Quarter	The 3st Quarter ~ The 4st Quarter	Full Year
Order received	91,000	94,000	185,000	99,206	85,794	185,000	8,260	(8,206)	—
Sales	76,000	104,000	180,000	75,480	104,520	180,000	(520)	520	—
Operating income(loss)	(1,900)	5,400	3,500	176	5,824	6,000	2,076	424	2,500
Ordinary income(loss)	(1,700)	5,700	4,000	524	5,976	6,500	2,224	276	2,500
Profit attributable to owners of parent (loss)	(1,200)	3,800	2,600	255	4,145	4,400	1,455	345	1,800

* Forecast August 7 ,2015 didn't changed from initial forecast May 13,2015.

【Order Received forecast】

FY2015 Orders Received Forecast by Segment (Consolidated)

(Millions of yen)

Segment		Forecast August 7,2015	Forecast November 10,2015	Diff.
	HVAC and plumbing for Buildings	73,200	72,700	(500)
	Industrial HVAC	54,000	52,000	(2,000)
	Electrical Systems	19,000	20,000	1,000
	Facility Systems	9,500	11,000	1,500
Facilities Construction Business total		155,700	155,700	—
	Machinery Systems	8,000	8,000	—
	Environmental Systems	20,000	20,000	—
Plant & Machinery Systems Business total		28,000	28,000	—
Sub-total		183,700	183,700	—
Real Estate		1,200	1,200	—
Others		600	600	—
Adjustments		(500)	(500)	—
Total		185,000	185,000	—

* Adjustments eliminate inter segment transactions included in each segment.

* Forecast August 7 ,2015 didn't changed from initial forecast May 13,2015.

【Sale forecast】

FY2015 Sales Forecast by Segment (Consolidated)

(Millions of yen)

Segment		Forecast August 7,2015	Forecast November 10,2015	Diff.
	HVAC and plumbing for Buildings	69,200	66,700	(2,500)
	Industrial HVAC	54,000	52,000	(2,000)
	Electrical Systems	21,000	21,000	—
	Facility Systems	9,500	11,000	1,500
Facilities Construction Business total		153,700	150,700	(3,000)
	Machinery Systems	8,000	9,000	1,000
	Environmental Systems	17,000	19,000	2,000
Plant & Machinery Systems Business total		25,000	28,000	3,000
Sub-total		178,700	178,700	—
Real Estate		1,200	1,200	—
Others		600	600	—
Adjustments		(500)	(500)	—
Total		180,000	180,000	—

* Adjustments eliminate inter segment transactions included in each segment.

* Forecast August 7 ,2015 didn't changed from initial forecast May 13,2015.

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 November 10, 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>

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

For inquiries please contact:

Corporate Communications
Department

TEL : +81-3-6367-7041