

The 3rd Quarter FY2015 Summary of Financial Results

February 8, 2016

Sanki Engineering Co., Ltd.

Contents

Key points of Financial Results	03
The 3rd Quarter FY 2015 Results (Consolidated)	04
Orders Received by Segment (Consolidated)	05
Sales by Segment (Consolidated)	06
Ordinary income and loss by Segment (Consolidated)	07
Quarterly Results (Consolidated)	08
Operating Results over the Last 5 Years (Consolidated)	09
Orders Received by Industry (Consolidated)	10
Orders Received by Type	11
Major Projects	12
Major Projects over 1 billion yen	13
Increase and Decrease Factor of Ordinary income	14
Balance Sheet (Consolidated)	15
Statements of Cash Flows (Consolidated)	16
FY2015 Forecast (Consolidated)	17
FY2015 Orders Received Forecast by Segment (Consolidated)	18
FY2015 Sales Forecast by Segment (Consolidated)	19
Management Direction for Fiscal 2015	20
Management philosophy-Sanki Engineering Group	21

Key Points of Financial Results

〈Order received〉

Orders received of 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 because of large-scale project order received establishment of Machinery Systems and Environmental Systems.

〈Sales • Profit〉

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

【 Overall Results 】

The 3rd 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.

	December 2014	December 2015	Year on year	Rate of change(%)
Orders received	137,172	147,517	10,345	7.5
Balance carried forward	122,738	127,033	4,294	3.5
Sales	122,653	122,503	(149)	(0.1)
Completed construction contracts	121,670	121,264	(405)	(0.3)
Real Estate and Others	982	1,238	256	26.1
Gross profit	9,678	14,146	4,467	46.2
Completed construction contracts	9,433	13,845	4,411	46.8
Real Estate and Others	245	301	56	22.9
Operating profit margin(%)	7.9	11.5	3.6	—
Selling, general and administrative expenses	11,183	11,709	526	4.7
Operating income (loss)	(1,504)	2,436	3,941	—
Ordinary income (loss)	(713)	3,079	3,793	—
Profit attributable to owners of parent (loss)	(207)	2,045	2,253	—

*With accounting standards about the combine after the revision having been applied from the fiscal year, “profit attributable to owners of parent” in this consolidate account year expresses “net income” in previous consolidated account year. 4

【 Orders Received 】

Orders Received by Segment (Consolidated)

- Orders received of Industrial HVAC and Facility Systems was increased in Facilities construction business.
- Orders received of Machinery systems and Environmental Systems exceeded year-on-year basis.

(Millions of yen)

Segment	December 2014	December 2015	Year on year	Rate of change(%)
HVAC and plumbing for Buildings	57,864	56,509	(1,354)	(2.3)
Industrial HVAC	34,485	38,977	4,492	13.0
Electrical Systems	19,218	18,239	(979)	(5.1)
Facility Systems	7,120	8,745	1,625	22.8
Facilities Construction Business total	118,689	122,472	3,783	3.2
Machinery Systems	4,492	8,684	4,192	93.3
Environmental Systems	13,271	15,670	2,399	18.1
Plant & Machinery Systems Business total	17,763	24,355	6,591	37.1
Sub-total	136,453	146,827	10,374	7.6
Real Estate	912	1,148	236	26.0
Others	353	411	58	16.6
Adjustments	(546)	(870)	(324)	—
Total	137,172	147,517	10,345	7.5

*Adjustments eliminate inter segment transactions included in each segment.

【Sales】 Sales by Segment (Consolidated)

- Sales of Facility Systems was increased in Facilities construction business.
- Sales of Machinery Systems was decreased because of decrease of order received in last year. (Millions of yen)

Segment	December 2014	December 2015	Year on year	Rate of change(%)
HVAC and plumbing for Buildings	50,235	45,088	(5,146)	(10.2)
Industrial HVAC	33,154	35,880	2,726	8.2
Electrical Systems	14,449	15,573	1,123	7.8
Facility Systems	6,376	7,124	747	11.7
Facilities Construction Business total	104,215	103,667	(548)	(0.5)
Machinery Systems	7,437	5,811	(1,625)	(21.9)
Environmental Systems	10,256	12,038	1,781	17.4
Plant & Machinery Systems Business total	17,694	17,850	156	0.9
Sub-total	121,909	121,517	(392)	(0.3)
Real Estate	912	1,148	236	26.0
Others	364	401	37	10.3
Adjustments	(533)	(564)	(31)	—
Total	122,653	122,503	(149)	(0.1)

* Adjustments eliminate inter segment transactions included in each segment.

【Profit】

Ordinary income and loss by Segment (Consolidated)

(Millions of yen)

Segment		December 2014	December 2015	Year on year	Rate of change(%)
Segment Profit (loss)	Facilities Construction	(987)	2,869	3,856	—
	Machinery Systems	20	(77)	(97)	—
	Environmental Systems	(797)	(867)	(70)	—
	Sub-total	(1,763)	1,924	3,688	—
	Real Estate	176	164	(11)	(6.8)
	Others	35	52	16	46.8
	Adjustments	838	938	100	12.0
	Total	(713)	3,079	3,793	—

* 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 margin was improved intermittently by thorough cost management and improvement of the order environment. (Millions of yen)

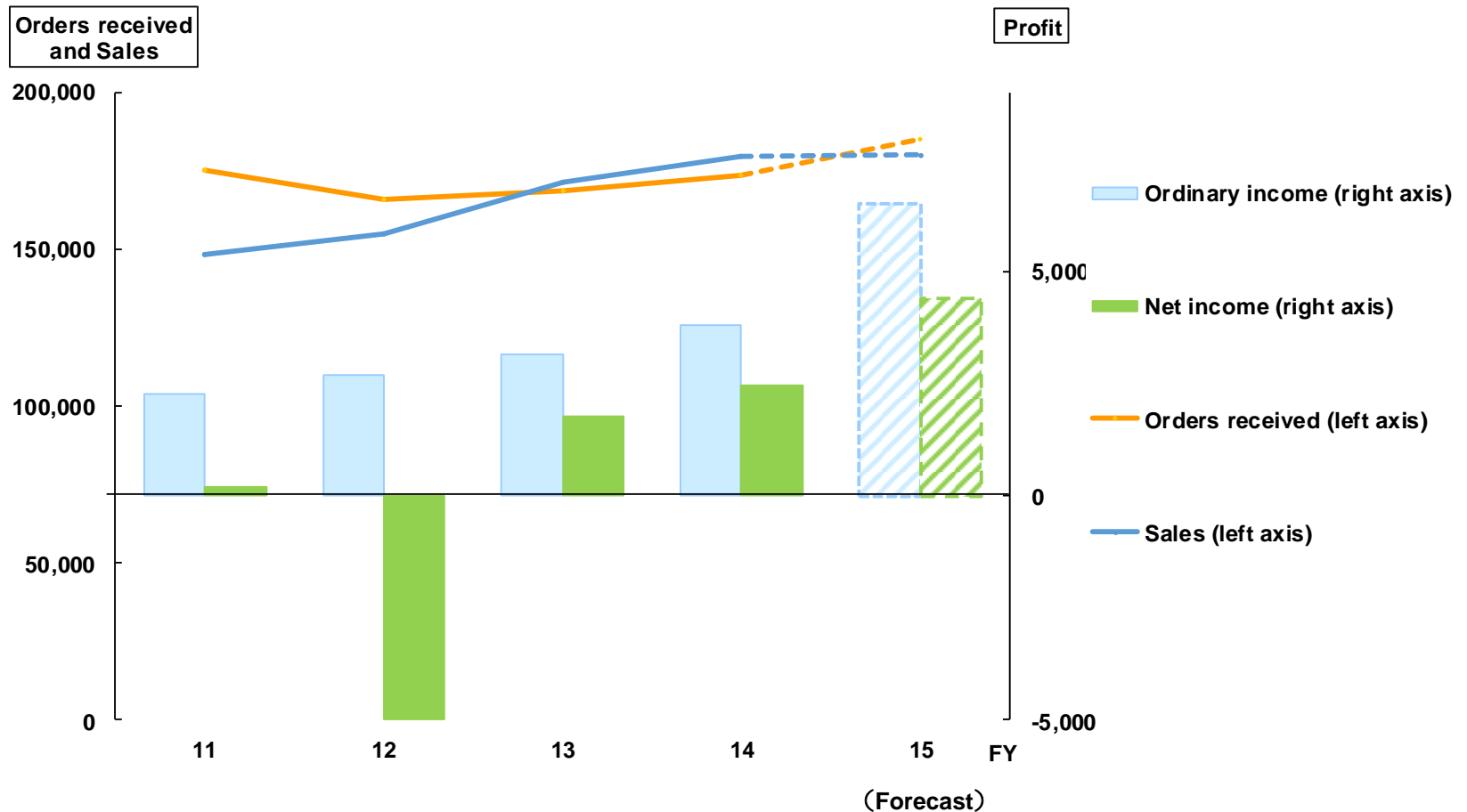
	FY 2014				FY 2015		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Orders received	42,489	38,758	55,923	36,226	46,385	52,820	48,311
Sales	32,825	42,682	47,145	56,945	34,495	40,985	47,022
Gross profit	1,700	3,224	4,753	8,287	3,291	4,812	6,043
Gross profit margin	5.2	7.6	10.1	14.6	9.5	11.7	12.9
Selling, general and administrative expenses	3,786	3,845	3,552	3,831	3,921	4,005	3,783
Operating income (loss)	(2,085)	(620)	1,201	4,456	(630)	807	2,259
Operating profit margin	(6.4)	(1.5)	2.5	7.8	(1.8)	2.0	4.8
Ordinary income (loss)	(1,846)	(478)	1,612	4,522	(254)	778	2,554
Extraordinary income (gain)	-	18	116	312	55	(30)	(96)
Profit attributable to owners of parent (loss)	(1,215)	(111)	1,119	2,669	(266)	521	1,790
Provision for loss on construction contracts (balance at the end of period)	724	1,236	989	1,314	1,045	777	828
Provision (or reversal of provision) for loss (gain) on construction contracts	157	511	(246)	324	(269)	(267)	50
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	1,090

* With accounting standards about the combine after the revision having been applied from the fiscal year, “profit attributable to owners of parent” in this consolidate account year expresses “net income” of December 2014 in previous consolidated account year. 8

【 Operating Results 】

Operating Results over the Last 5 Years (Consolidated)

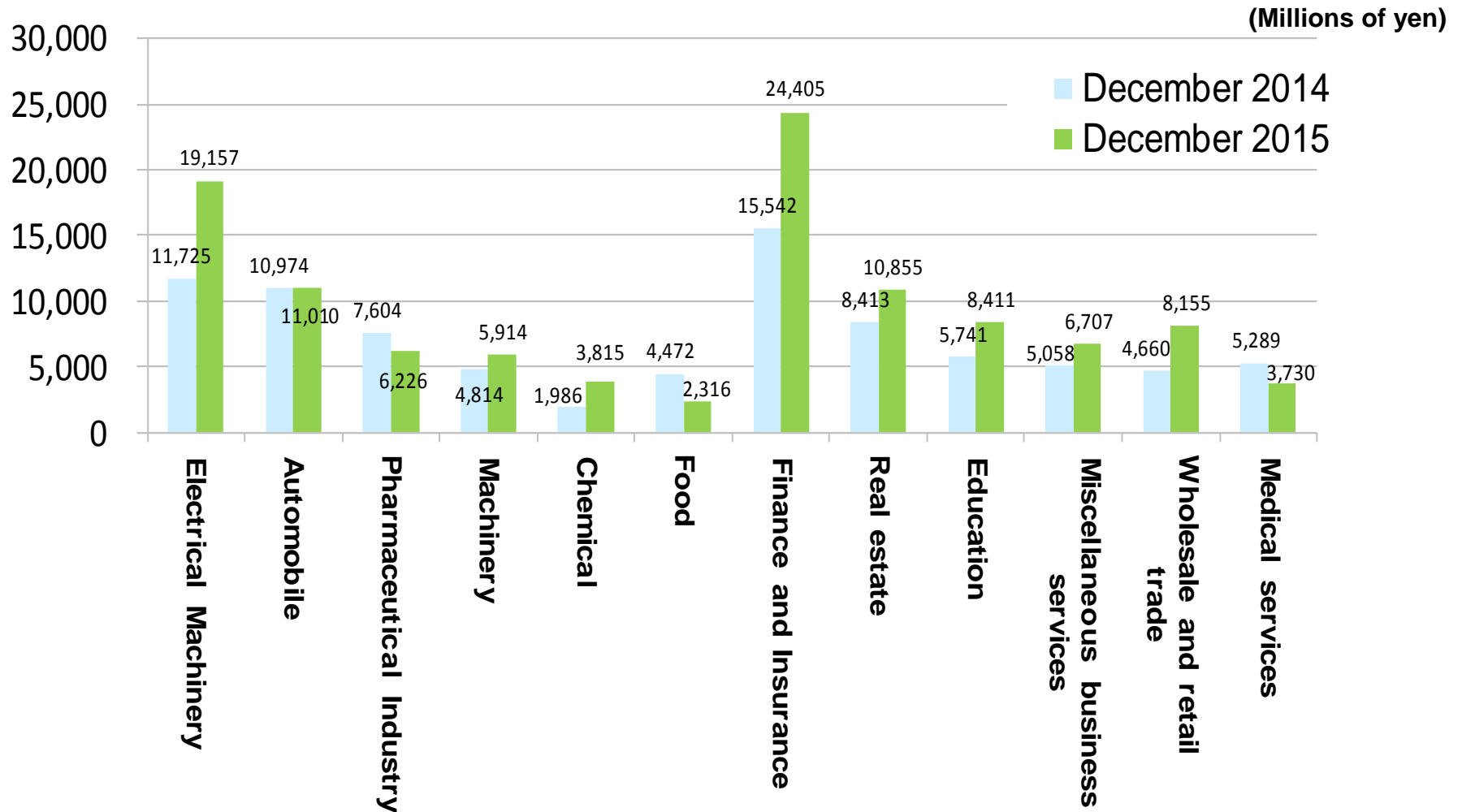
(Millions of yen)



* With accounting standards about the combine after the revision having been applied from the fiscal year, “profit attributable to owners of parent” in this consolidate account year expresses “net income” of FY2011~ FY2014. 9

【Orders received】

Orders Received by Industry(Consolidated)



【Orders Received】

Order Received by Type

(Millions of yen)

	FY2012	FY2013	FY2014	December 2014	December 2015	Diff.
* Construction orders received from General contractor (Non-consolidated)	49.3	53.7	48.0	50.7	50.8	0.1
Construction orders received from overseas project (Consolidated)	1,347	3,055	2,931	2,188	1,744	(444)
Rate of Construction orders received from overseas project (Consolidated)	0.8	1.8	1.7	1.6	1.2	(0.4)
Renewal construction (Consolidated)	56.9	52.6	53.8	54.9	51.4	(3.5)
<Ref.> Orders received for renewal construction (Consolidated)	94,402	88,473	93,339	75,370	75,847	477
<Ref.> Sales for renewal construction (Consolidated)	87,533	98,024	96,468	59,043	62,858	3,815

* 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 1st urban Redevelopment BusinessA new construction work**
(Plumbing works) < New construction work >
- **TDK Corporation Ferrite mother factory**
(Air Conditioning (HVAC) works and Plumbing works) < 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 >

Other 8 projects

【Orders Received】

Major Project over 1 billion yen(By industry)

	December 2014		December 2015	
Office	1	<p>9Projects (16,733million yen)</p> <p>* Construction orders received from Customer : 2 Projects</p> <p>* Construction orders received from General contractor : 7 Projects</p>	3	<p>16Projects (27,856million yen)</p> <p>* Construction orders received from Customer : 5 Projects</p> <p>* Construction orders received from General contractor : 11 Projects</p>
Complex building	—		1	
Commercial facility	1		1	
Factory	—		3	
School	—		1	
Hospital	2		2	
Research institute	2		1	
Government office building	1		—	
Waste processing facility	1		3	
Water and sewage treatment facility	1		—	
Other	—		1	

【Profit】

Increase and Decrease Factor of Ordinary Income (Consolidated)

(Millions of yen)

December 2014		(713)
Improvement of Gross profit margin		3,557
Decrease Provision for loss on construction contracts		910
Increase Selling , General and Administrative expenses		(526)
Decrease Non-operating income		(148)
Total Ordinary Income		3,793
December 2015		3,079

【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	December 2015	Diff.	Rate of change(%)	December 2014
Current assets	116,224	103,887	(12,337)	(10.6)	108,881
Non-current assets	60,157	59,026	(1,130)	(1.9)	55,602
Investment securities	39,704	38,618	(1,085)	(2.7)	36,172
Current liabilities	72,106	61,970	(10,136)	(14.1)	68,849
Provision for loss on construction contracts	1,314	828	(486)	(37.0)	989
Non-current liabilities	19,406	15,241	(4,164)	(21.5)	17,131
Net assets	84,869	85,701	832	1.0	78,503
Unrealized gains on available-for-sale securities	15,332	15,322	(9)	(0.1)	12,279
Total net assets	176,382	162,913	(13,468)	(7.6)	164,484
Book-value per share (yen)	1,334.65	1,346.73	12.08	0.9	1,234.65
Capital adequacy ratio (%)	48.1	52.5	4.4	—	47.7
Interest-bearing liabilities (consolidated)	6,332	5,308	(1,024)	(16.2)	5,662

【CF】

Statements of Cash Flows (Consolidated)

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

(Millions of yen)

	FY 2011	FY 2012	FY 2013	FY 2014	December 2014	December 2015	Year on Year
Cash flows from operating activities	(2,697)	9,729	(9,403)	(139)	(981)	(1,383)	(402)
Cash flows from investing activities	(1,046)	(9,481)	(3,506)	3,440	226	6,620	6,393
Cash flows from financing activities	(280)	(1,028)	(4,152)	(2,901)	(3,547)	(2,474)	1,072
Cash and cash equivalent at end of year	41,097	40,367	23,510	23,667	18,930	26,370	7,439

【Overall forecast】

FY 2015 Forecast (Consolidated)

(Millions of yen)

	Forecast November 10,2015			Forecast February 8,2016					Diff.		
	First half year results	Second half year Forecast	Full Year Forecast	First half year results	3Q results		Second half year Forecast	Full Year Forecast	First half year	Second half year	Full Year
						4Q Forecast					
Order received	99,206	85,794	185,000	99,206	48,311	37,483	85,794	185,000	-	-	-
Sales	75,480	104,520	180,000	75,480	47,022	57,497	104,520	180,000	-	-	-
Operating income(loss)	176	5,824	6,000	176	2,259	3,564	5,824	6,000	-	-	-
Ordinary income(loss)	524	5,976	6,500	524	2,554	3,421	5,976	6,500	-	-	-
Profit attributable to owners of parent (loss)	255	4,145	4,400	255	1,790	2,355	4,145	4,400	-	-	-

【Order Received forecast】

FY2015 Orders Received Forecast by Segment (Consolidated)

(Millions of yen)

Segment		Forecast November 10,2015	Forecast February 8,2016	Diff.
	HVAC and plumbing for Buildings	72,700	70,700	(2,000)
	Industrial HVAC	52,000	52,000	—
	Electrical Systems	20,000	21,000	1,000
	Facility Systems	11,000	11,000	—
Facilities Construction Business total		155,700	154,700	(1,000)
	Machinery Systems	8,000	10,000	2,000
	Environmental Systems	20,000	19,000	(1,000)
Plant & Machinery Systems Business total		28,000	29,000	1,000
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.

【Sale forecast】

FY2015 Sales Forecast by Segment (Consolidated)

(Millions of yen)

Segment		Forecast November 10,2015	Forecast February 8,2016	Diff.
	HVAC and plumbing for Buildings	66,700	63,700	(3,000)
	Industrial HVAC	52,000	54,000	2,000
	Electrical Systems	21,000	22,000	1,000
	Facility Systems	11,000	11,000	—
Facilities Construction Business total		150,700	150,700	—
	Machinery Systems	9,000	9,000	—
	Environmental Systems	19,000	19,000	—
Plant & Machinery Systems Business total		28,000	28,000	—
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.

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.

Management philosophy

We inherited mind of "Company Credos" established in 1980 to step forward to the coming one step for the 100th anniversary on the foundation 90th anniversary and established "Management Philosophy – Sanki engineering Group" indicating the Value that the place our group aimed at , the significance of existence in the society and our group officer, an employee should share.

< Management Philosophy –Sanki Engineering Group >

We create comfortable environment through engineering and widely contribute to social development

- To polish skill and wisdom and try to increase client's satisfaction
- To place significance on communication and respect each other
- To be conscious of a member of society and act accordingly

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 February 8, 2016.

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.

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