

Status of Business Progress in the Medium-Term Management Plan

“Century 2025” Phase3 FY2023 2nd Quarter

November 10, 2023

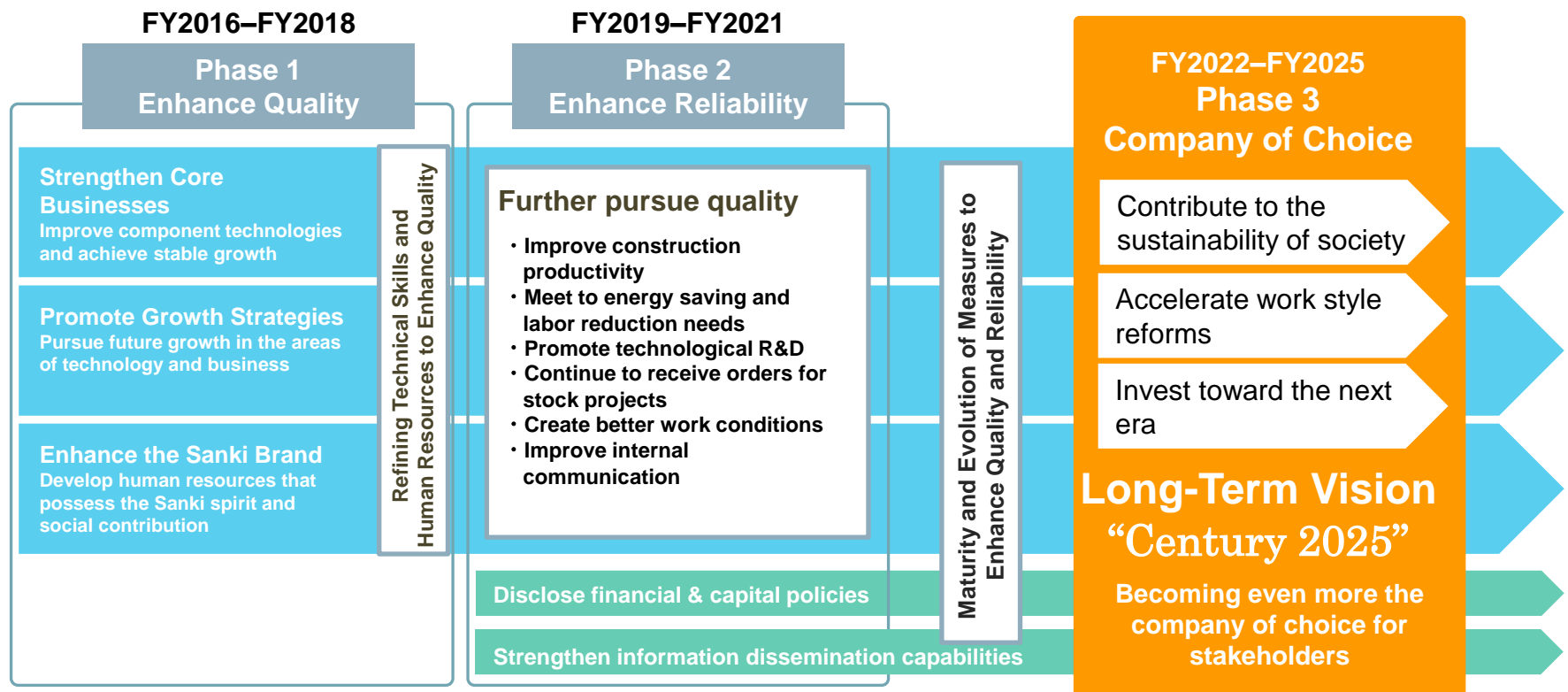
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Phase 3 Basic Policies

SANKI

The Phase 3 medium-term management plan will put the finishing touches on our “Century 2025” long-term vision. During this phase we will realize our ambition of becoming the company of choice through the maturation and evolution of measures taken up till now aimed at improving quality and reliability, and the addition of three new measures, namely: contribute to the sustainability of society, accelerate work style reforms, and invest toward the next era.



Phase 3 Performance Targets and Progress SANKI

	Phase 3 targets By FY2025	FY2022 Results	FY2023 Forecast	FY2023 1H Results
Net Sales	¥220.0bn	¥190.8bn	¥215.0bn	¥89.4bn
Gross profit [ratio]	¥36.0bn (16.5%)	¥27.0bn (14.2%)	¥32.5bn (15.1%)	¥11.9bn (13.4%)
Ordinary profit [margin]	¥12.0bn (5.5%)	¥6.2bn (3.3%)	¥10.0bn (4.7%)	¥1.8bn (2.1%)

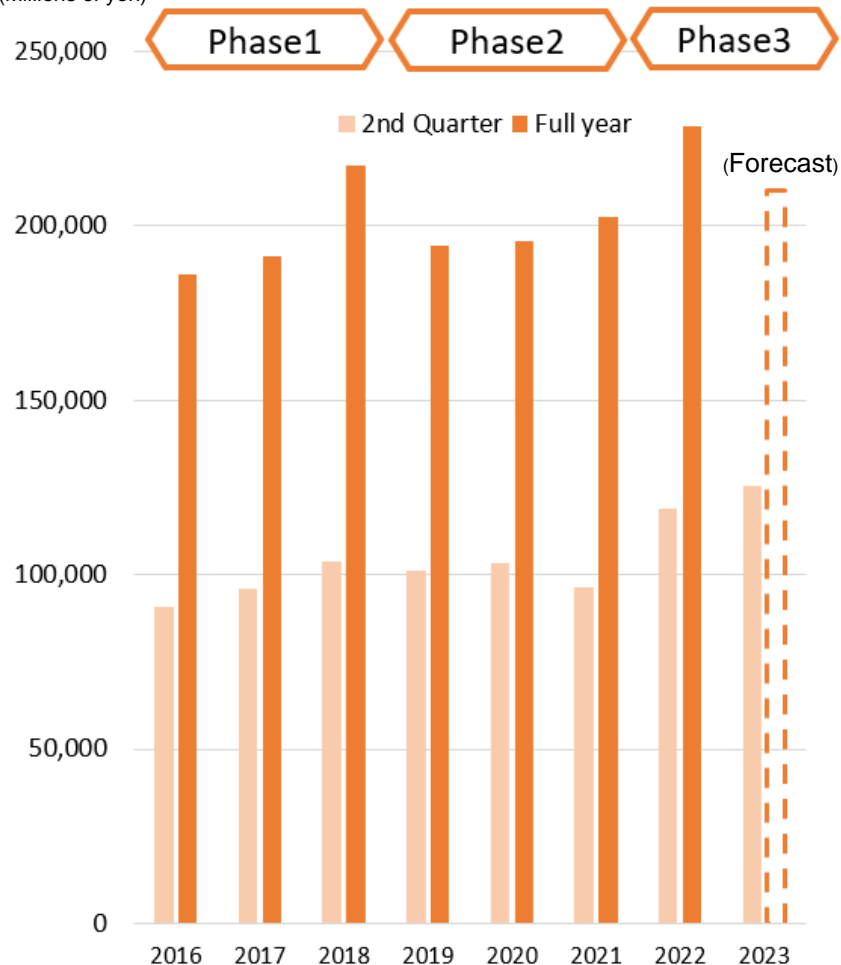
	Phase 3 targets By FY2025	FY2022 Results	FY2023 1H Results
Ordinary profit margin	5.0% or more	3.3%	2.1%
Dividend policy	Dividend payout ratio 50% or more Annual dividend per share of ¥70 or more	Dividend payout ratio 87.4% Annual dividend per share of ¥75	At the time of the interim dividend Dividend payout ratio: announced for the full year Dividend per share of ¥35
Acquisition of treasury stock	About 5 million shares*	1.5 million shares (Cumulative total of 1.5 million shares)	Acquisition of 1.5 million shares planned** (Cumulative total of 3.0 million shares)
ROE	8.0% or more	5.1%	Announced for the full year
Growth investment	About ¥20bn*	¥3.2bn (Cumulative total of ¥3.2bn)	Announced for the full year

* Cumulative total during period of plan

** 48 thousand shares repurchased as of September 30

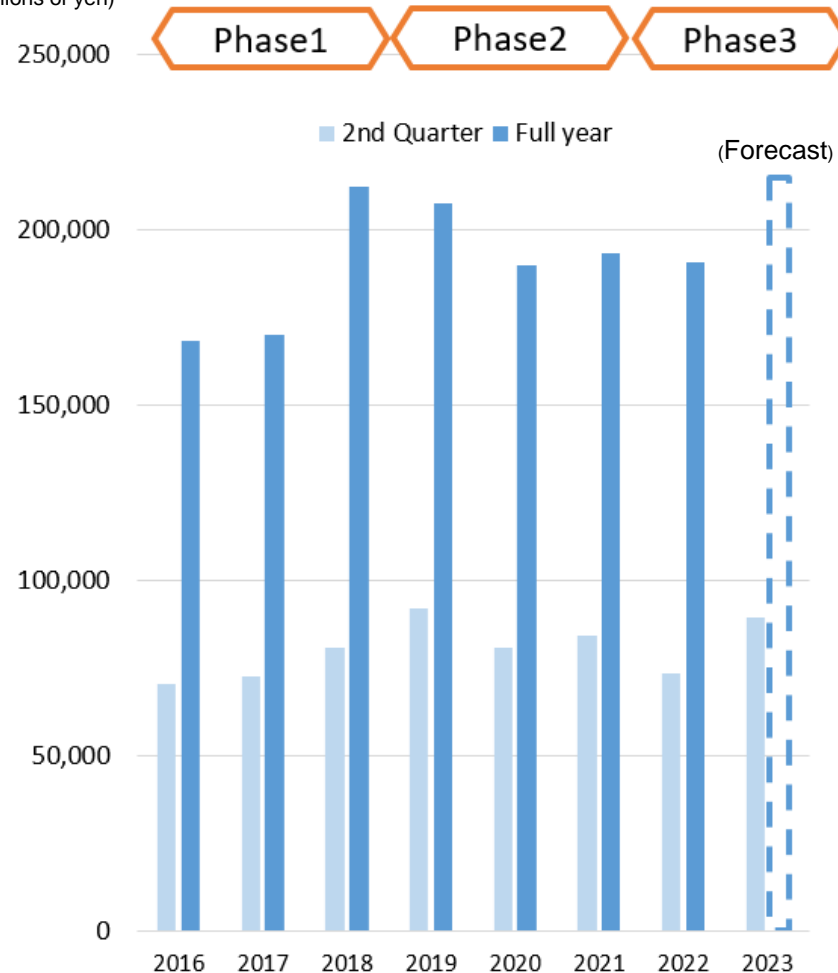
Consolidated Orders Received

(Millions of yen)



Consolidated Net Sales

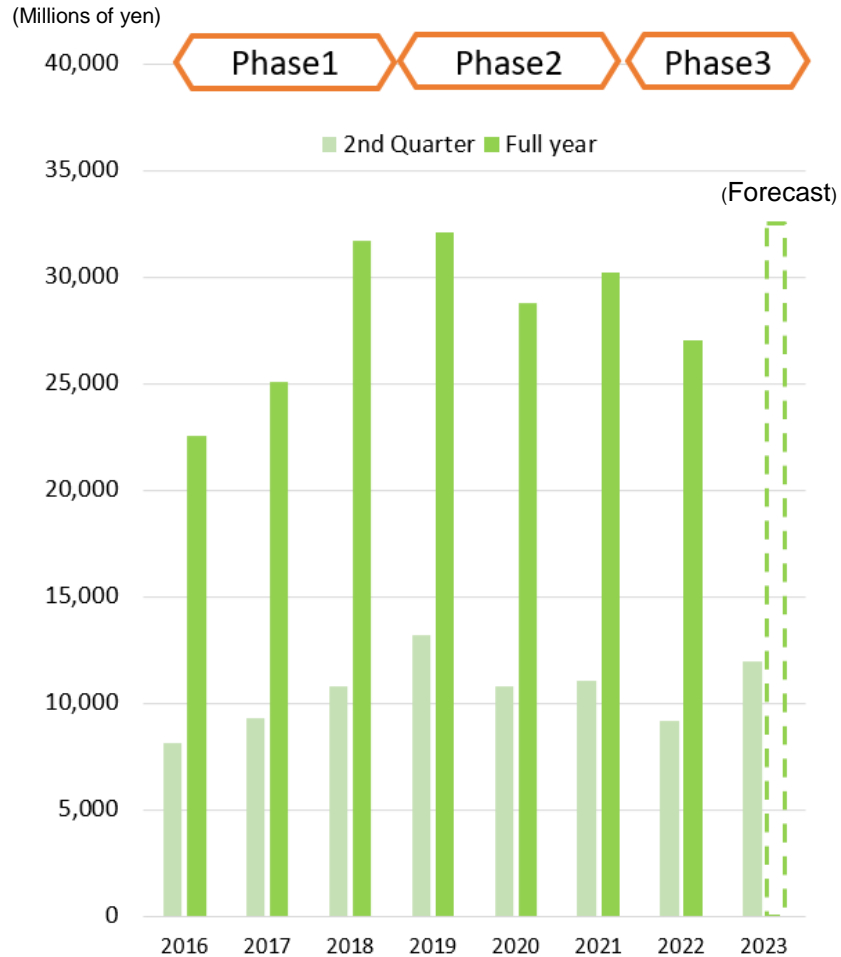
(Millions of yen)



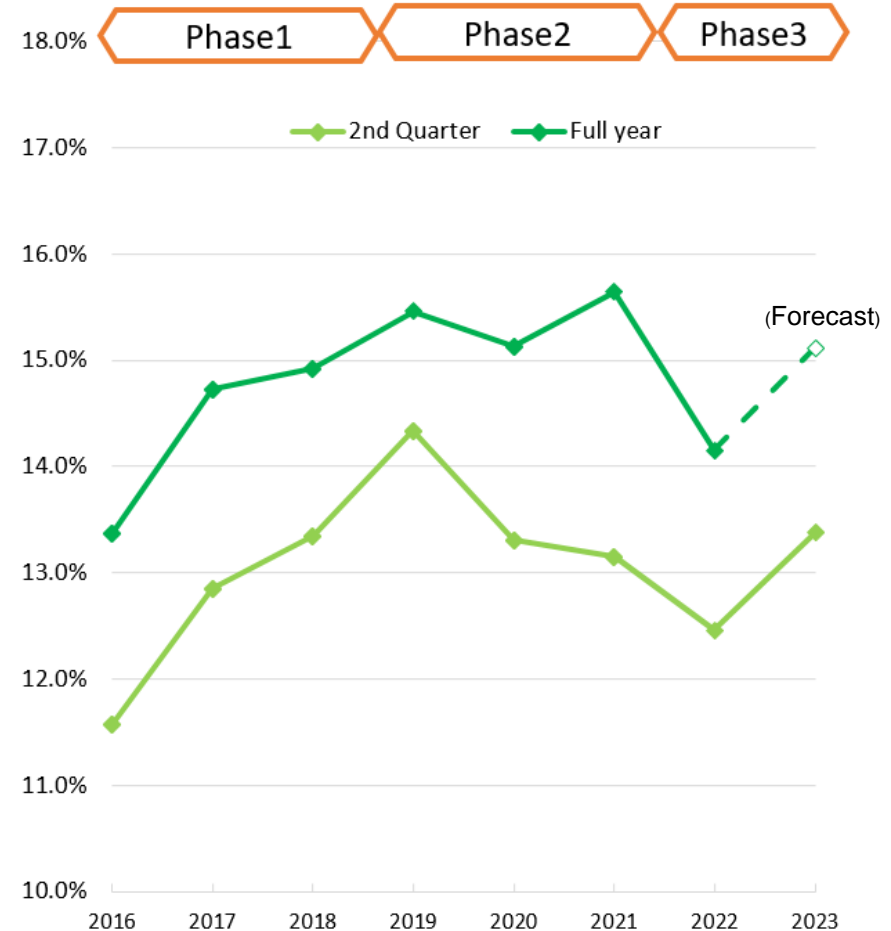
Gross Profit/Gross Profit Margin

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Consolidated Gross Profit



Consolidated Gross Profit Margin



◆ Technological Development

- Received the Japan Society of Industrial Machinery Manufacturers Chairman's Award for our tar fuel exhaust gas treatment device

This device was developed together with NIKKO CO., LTD. as a device to detoxify the hazardous components separated from exhaust gas released in the gasification furnace at wood biomass power plants. It has been installed in the wood biomass conversion power generation equipment at NKC Nagai Green Power (Nagai City, Yamagata), currently in operation.

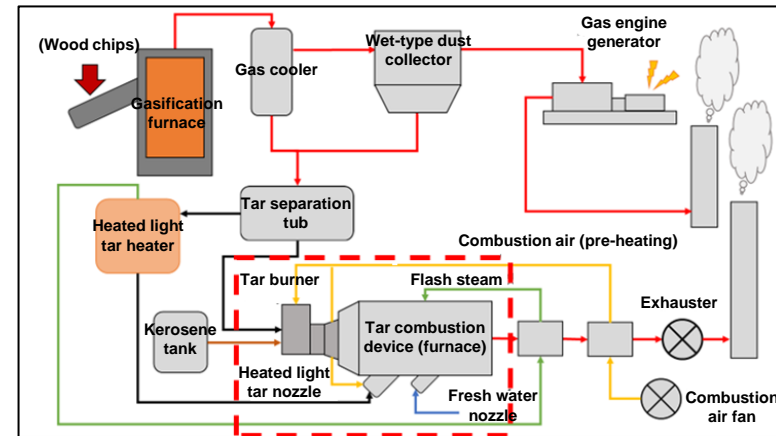
This award demonstrates our technological superiority and reaffirms our achievement of stable business operation. We will continue to pursue market development and contribute to achieving a decarbonized society.

- Our research into the use of insects to convert sewage sludge into feed and fertilizer is selected for sewage line application research by the Ministry of Land, Infrastructure, Transport and Tourism

Amid increasing demand for grains and cereals around the world, as well as rising energy prices and the soaring prices of feed and fertilizer due partly to changes in the global situation, this research uses insect-treated sewage sludge as a recycled resource, converting it into feed and fertilizer.

The actual research will be conducted jointly with the Okinawa Institute of Science and Technology Graduate University and BioAlchemy, a startup company launched by the university.

We will continue to provide energy-saving, energy-creating, GX, and other technologies with high added value to actively contribute to solving social issues.



The biomass power generation process

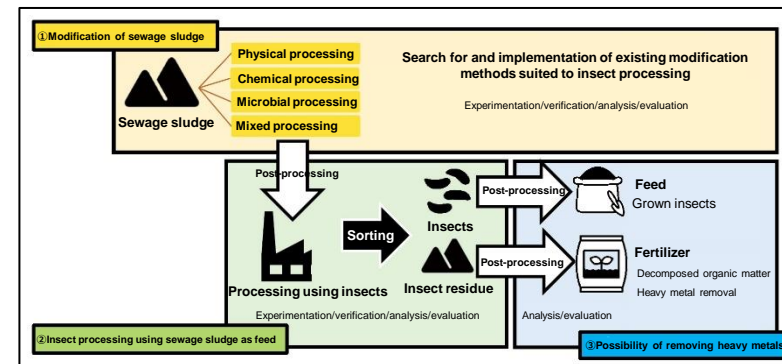


Illustration of the proposed technology

◆ Technological Development

- Received the Chugoku Bureau of Economy, Trade and Industry Director's Award for our continuous sterilization device and continuous sterilization method

This device was jointly developed with SHINKO INDUSTRIES CO., LTD. (Yamaguchi) for medical and pharmaceutical wastewater treatment.

The wastewater from plants and other facilities that manufacture biopharmaceuticals and vaccines may contain bacteria and viruses. Heat treatment is required to detoxify this water, but more energy-saving methods are demanded in light of the recent need to reduce CO₂ emissions.

This newly developed device uses a heat recovery unit to collect the heat from the heat-treated water and use it to pre-heat wastewater before treatment. This enables a reduction in the use of steam and cooling water compared to previous continuous sterilization devices.



The continuous sterilization device

◆ Strengthen the business base in the Facilities Construction Business and Environmental Systems Business

- Accumulated large-scale urban development projects and ongoing projects for the future in the industrial HVAC field
- Strengthened our capabilities in the industrial HVAC field for semiconductor and EV battery manufacturing equipment in Japan
- Promoted the LCE business through large property orders in the water, sewage, and waste fields

◆ Promote DX

- Established the DX Promotion Division (on April 1, 2023)
- Formulated and announced the SANKI DX Vision



SANKI DX Vision

◆ Promote open innovation

- Strengthened cooperation between the R&D Center and universities, research institutions, startups, and others
- Collaborated with startups in the Facility Systems Business and Machinery Systems Business

◆ Growth investment

- Invested in plant expansion at AQUACONSULT and expanded our businesses through overseas market development
- Installed a cleanroom inside the Yamato Product Center in the Machinery Systems Business and strengthened our development and manufacture of cleanroom equipment
- Relocated the office of the Facility Systems Business, aiming to expand the business by promoting sales activities utilizing the new office, based on a new concept

◆ Earth MIRAI Project

- Received over 100 responses from across the Group. Held four exchange meetings between respondents, established themes for deeper investigation, and launched initiatives to achieve this
- Collaborated with the Technological Strategy Council for a Better Future, newly established by the R&D Center, and promoted initiatives on the future direction of technological development and new business fields in step with the council

◆ Sustainability

- Updated disclosure in accordance with the TCFD recommendations (addressing the 1.5°C scenario)
- Introduced solar PPAs for the Sanki Techno Center and Yamato Product Center
- Recycling of old uniforms into towels
- Held shrub-trimming events for Sanki-no-Mori and Kansha-no-Mori environmental protection initiatives
- Certified under the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program (large-enterprise category)
- Continued to dispatch employees to the Japanese Antarctic Research Expedition
- BCMS
Also established BCMS at Group companies and will commence Group-wide operation from this fiscal year
Implemented companywide large-scale disaster drills
Engaged in drills for each event set forth under the BCP

Old uniforms
recycled into
towels



Shrub trimming

Health &
Productivity
Management
certification



**Vision for
2050**

Sanki, “The Enduring Company of Choice”

**Striving to be a company that contributes to the
realization of a sustainable world by using
engineering to solve social issues such as
carbon neutrality and create a pleasant
environment**

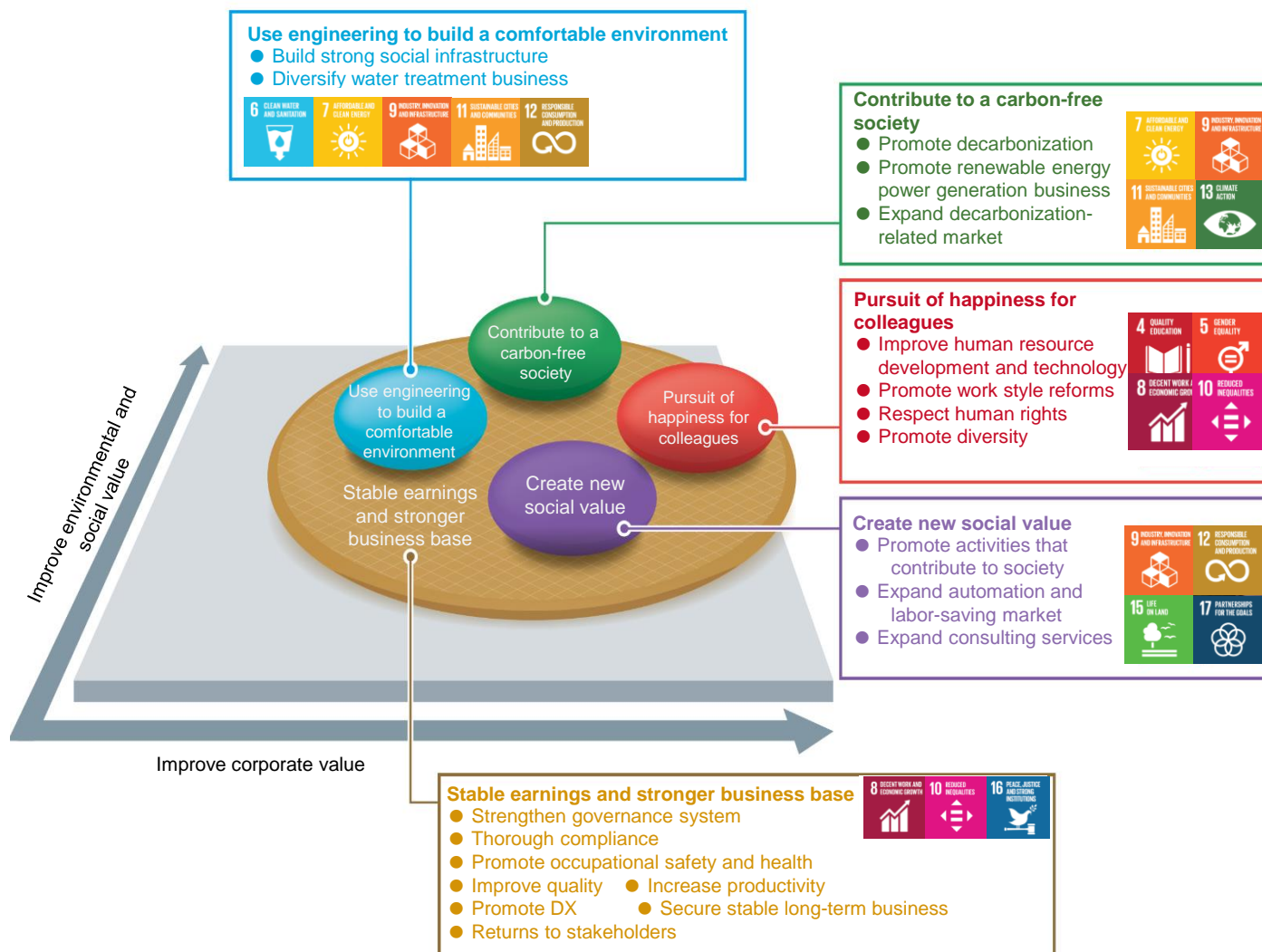
- Promote sustainability management
- Formulate sustainability policies
- Determine materialities (key issues)



Aiming to realize a strong business base and a sustainable society by “creating comfortable environments through engineering and widely contributing to social development”

Sanki's Carbon-Neutral Declaration

The Sanki Engineering Group is making serious efforts to address the climate change crisis facing the world and aims to achieve carbon neutrality for the Group's own GHG emissions (Scope 1 and 2) by 2030 and for GHG emissions including the supply chain (Scope 1, 2, and 3) by 2050.



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Statements about the future, such as results forecasts included in these materials, are based on judgments made according to the information available to the Company as of November 10. Actual results may differ from the figures contained herein due to a number of factors.

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