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Business Results

“Century 2025” Phase1

～FY2017 2Q～

November 10, 2017

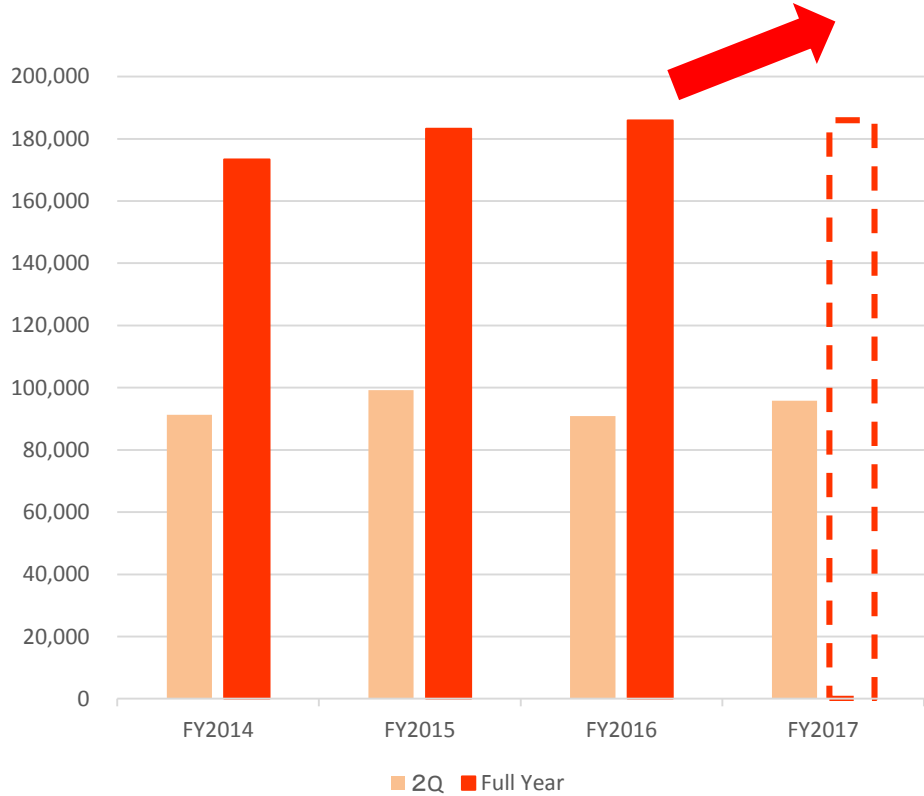
Sanki Engineering Co., Ltd.



# Orders Received and Net Sales

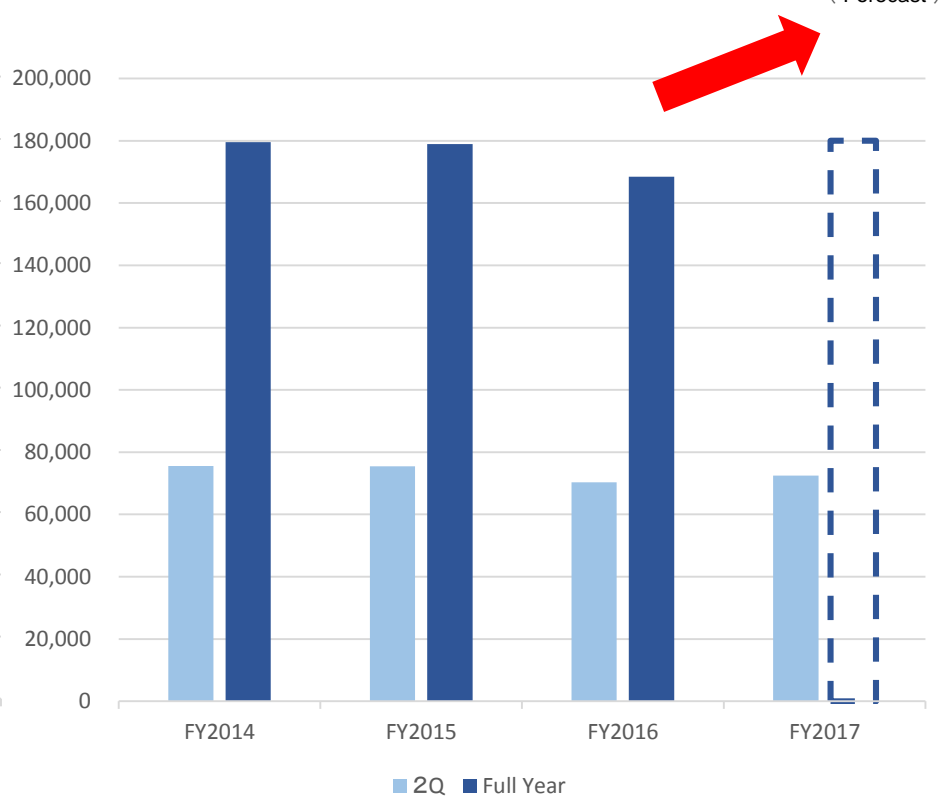
( Millions of yen )

## Orders Received (Consolidated)



( Millions of yen )

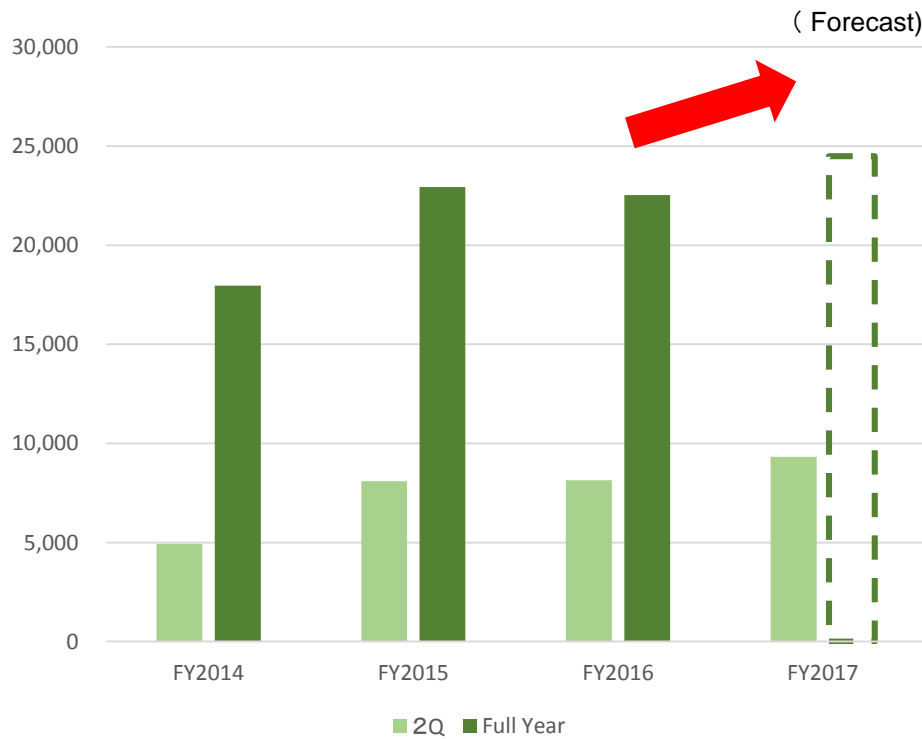
## Orders Received (Consolidated)



# Gross Profit and Gross Profit Margin

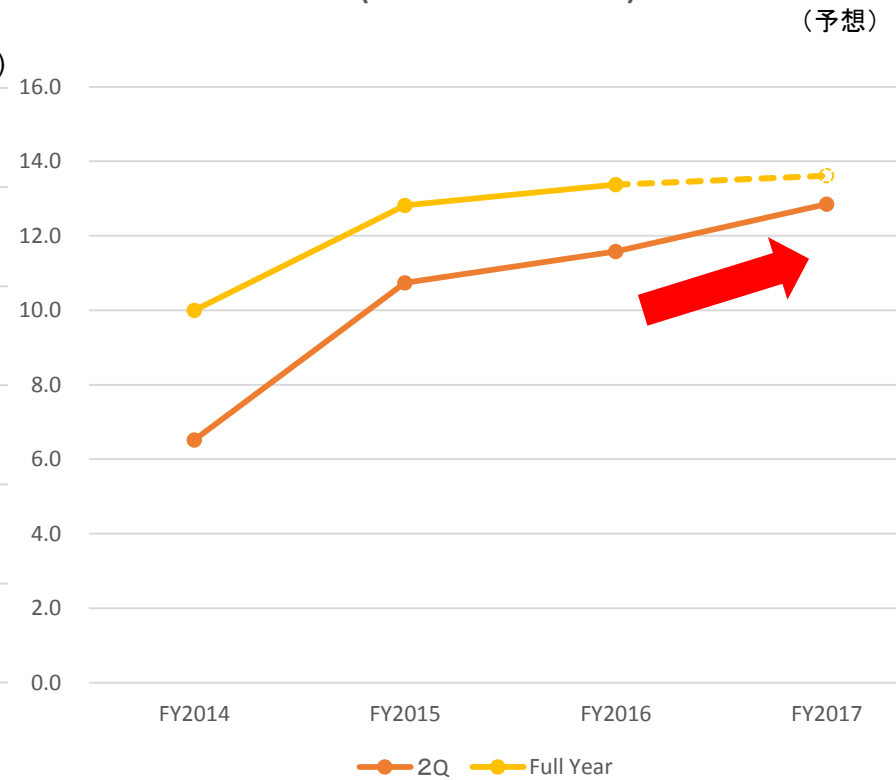
( Millions of yen)

Gross profit  
(Consolidated)

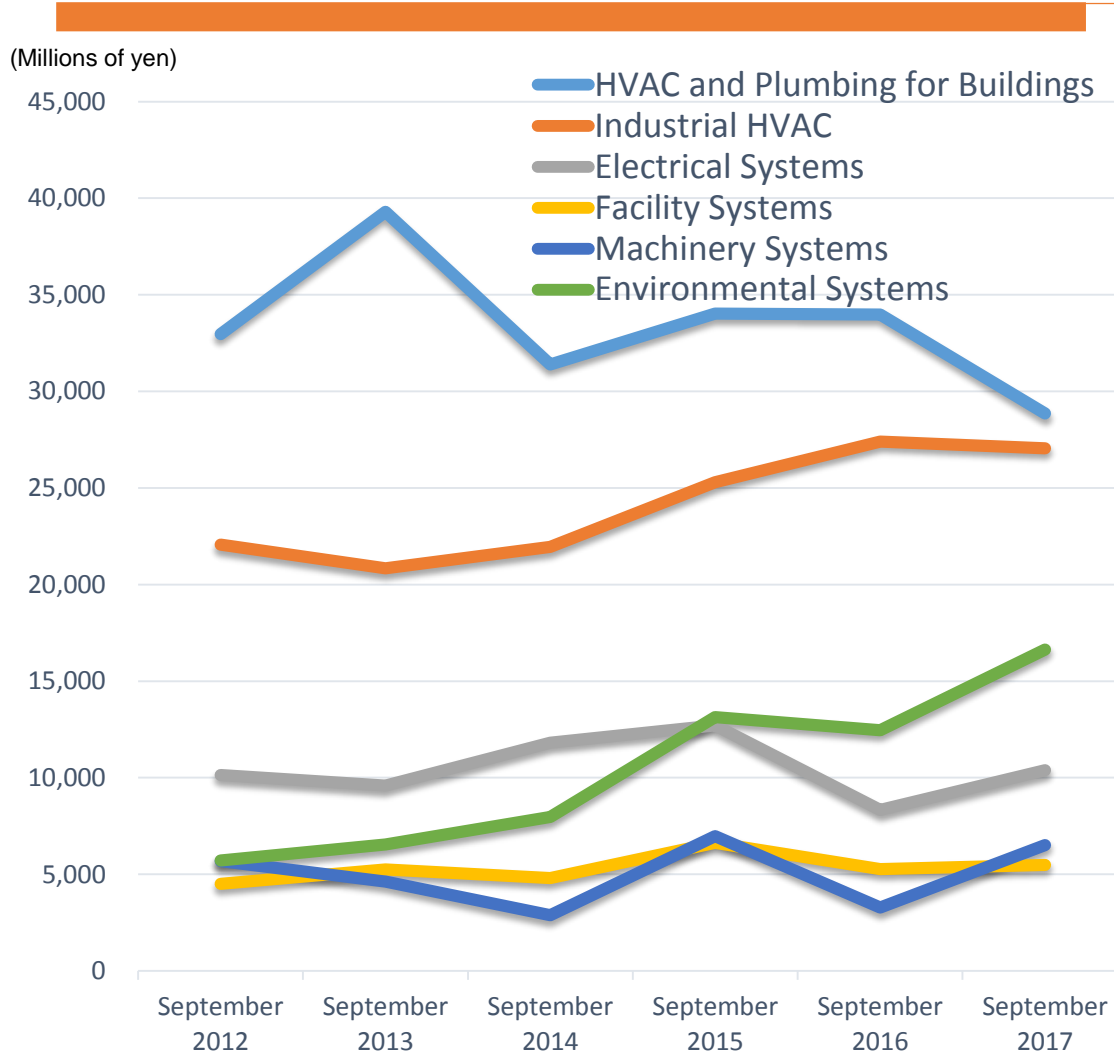


(%)

Gross profit margin  
(Consolidated)



# Orders Received by Business (2Q)



HVAC and Plumbing for Buildings: Lull

Industrial HVAC: Strong

Facilities Systems: Stable

Electrical Systems and Machinery Systems: Recovering

Environmental Systems: Highest in the last 6 years

Positive outlook with an overall progress rate of 51.5%, including real estate business, etc. (49.7% in the same period of the previous year)

# Progress of Measures (1)

○FY2017 2Q is the halfway point of “Century 2025” Phase 1

○Theme: “Refining our Technical Skills and Human Resources, to Enhance Quality”

Key Initiative	Current Status
Passing on technical skills	<ul style="list-style-type: none"> <li>• Full-scale construction of the “Sanki Techno Center”, which is the centerpiece of the STeP Project</li> </ul>
Anticipating the age of maintaining building stock	<ul style="list-style-type: none"> <li>• Orders received for DBO style of energy-recovery waste treatment facilities including new construction work</li> <li>• Promoted the new field of the “wood biomass gasification power generation facility market”</li> <li>• Operated the “S-Map”, construction history mapping system</li> </ul>
Developing next-generation technologies	<ul style="list-style-type: none"> <li>• New Technical Research &amp; Development Institute under construction within the “Sanki Techno Center”</li> <li>• Developed the “S-Cloud” ICT platform, which includes AI</li> </ul>

# Progress of STeP Project

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- Commencement of full-scale construction of the “Sanki Techno Center”
  - ➡ Scheduled to commence operation around October 2018
- Demolition of the Yamato Plant facilities (area scheduled for lease)
  - ➡ Scheduled to commence leasing around spring 2018
- Completion of the temporary relocation of the Machinery Systems plant (Shonan area)
  - ➡ Scheduled to commence operation of the new plant around August 2019
- Temporary relocation of the Technical Research & Development Institute (in the Sanki Yamato Building)
  - ➡ The new Technical Research & Development Institute is scheduled to commence operation around April 2018 (in the Sanki Techno Center)

# Construction of Wood Biomass Gasification Power Generation Facility

SANKI



Exterior of plant building



Gasification furnace

This project involved the construction of wood biomass gasification power generation facility in Nagai, Yamagata Prefecture, in response to an order received from NKC Nagai Green Power Co., Ltd. in May 2016. The percentage of renewable energy in Japan's energy mix was around 11% as of FY2013, and the national energy policy proposes to increase this to around 24% by 2030. This power plant produces 14.8 million kWh (equivalent to approximately 3,000 standard households) of power per year, using 26,000 tons per year of domestically sourced wood as fuel. The generation efficiency of the gas engine generator is at least double that of steam turbines, which are generally used on this scale. The Company was responsible for plant facility such as gasification facility and tar fuel facility, as well as Construction HVAC, plumbing, and electrical systems at this power plant and the adjacent chip production plant.

# Yunohama Hot Spring Area Large-Scale CO<sub>2</sub> Reduction Project

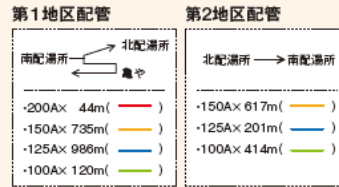
図1 集中給湯配管ルート

温泉の未利用熱を利用した給湯を11施設に供給



図2 集中配湯配管ルート

配湯配管をリニューアルし、温泉利用量増加に対応



Water receiving tank and preheater



Heat exchanger chiller

This project promoted the reduction of CO<sub>2</sub> emissions by effectively utilizing the as yet unused energy of the hot springs in the the Yunohama hot spring area. It was selected as a subsidized project by the Ministry of the Environment. The Company was responsible for infrastructure construction. The organization responsible for implementing the project was Yunohama Hot Spring Facilities Holding Co., Ltd., and support was provided by Yamagata Prefecture and Tsuruoka City.

Hotels and inns that consume large quantities of hot water have conventionally utilized boilers powered by fossil fuels to heat their water. By utilizing heat from hot springs, which had previously remained untapped, we were able to greatly reduce CO<sub>2</sub> emissions. It is expected that this project will achieve a reduction of 879 tons of CO<sub>2</sub> per year (equivalent to approximately 180 standard households), which is a 15% reduction over FY2015 levels.

Furthermore, this has increased the efficiency of the whole region by providing centralized hot water supply facilities.



# Progress of Measures (2-1)

## ○Strengthening on-site support organizations

Organization	Current Status
Procurement Division	Commenced operation of the Procurement Web System, which digitizes ordering operations for all branches, in April 2017
Site-Documentation Support Center	Introduced green site requirements to our main-contractor worksites and expanded the scale of operations, such as by commencing support for labor safety management – 942 cases handled (up 91 cases year on year)
Design and Engineering Support Center	Amalgamated Engineering Management Office with the Design and Engineering Support Center and supported design operations at all branches - 59 cases handled (up 29 cases year on year)

## ○Investment in ICT for improved productivity

Theme	Current Status
Effective utilization of tablets	1,200 tablet devices were introduced among the whole group, focusing on construction sites. We are continuing to promote work efficiency.
Development of technical data search systems	We are in the process of building a system to enable employees of any group company to search the technical data that is spread throughout the company, no matter where they are. Operation is scheduled to commence within this year.

## Progress of Measures (2-2)

### ○ Entering the third year of the work style reform “Smile Project”

An initiative that is led by the President and was launched in October 2015, prior to the society

Main Items Implemented	Content
Disseminating the President’s Message	“The will to take leave, creating an environment to enable leave, and the determination to allow leave”
Reducing long working hours	Stipulating target overtime hours for each department
Close management of work hours	Introducing new overtime management tools in addition to duty rosters
Making work easier	Return to work, working from home (test implementation), review of dormitory accommodation, etc.

### ○ Initiatives to improve communication

Last fiscal year, the President visited all divisions and branches and conducted direct opinion exchanges with approximately 300 employees.

This year, the same will be conducted by division chiefs and branch general managers.

We have planned a total of 55 forums, starting from the second half of this year.

We plan to conduct a second round of “Sanki Lady Forums,” which are female employee meetings, following on from the previous fiscal year.

## Progress of Measures (2-3)

### ○From the perspective of ESG

	Status
<b>E Environment</b>	<ul style="list-style-type: none"> <li>• Donated the “SANKI YOU Eco Contribution Points” from the second half of fiscal 2016</li> <li>• Orders received for DBO of energy-recovery waste treatment facilities including new construction work.</li> <li>• Constructed wood biomass gasification power generation facility (related to renewable energy)</li> <li>• Constructed high-level energy-saving facility in Shanghai, China, in conjunction with NEDO and others</li> <li>• Registered as a ZEB Planner, which is a license system that was instituted by the Ministry of Economy, Trade, and Industry in FY2017</li> </ul>
<b>S Society</b>	<ul style="list-style-type: none"> <li>• Entered the third year of the company’s unique work style reform, “Smile Project”</li> <li>• Designed the above project’s “Smile Site Plan” subcommittee, which is specially created for work-site managers</li> <li>• Established the “Women’s Hotline”, women-only consultation service</li> </ul>
<b>G Governance</b>	<ul style="list-style-type: none"> <li>• Increased the content of self-evaluation by the Board of Directors</li> <li>• Participated in a digital voting platform</li> <li>• Conducted a meeting to exchange opinions about corporate governance</li> <li>• Engaged in revision of decision-making procedure standards for the Board of Directors</li> <li>• Increased dialogue with shareholders (strengthened the system, increased the number of opportunities for dialogue, and held briefing sessions for individual</li> </ul>

## CSR Activities

### Contributions through “SANKI YOU Eco Contribution Points”



Staff participated in tree planting events conducted by environmental conservation groups that received donations



SANKI YOU Eco Contribution Points are donated to environmental conservation groups if the Company proposes energy-saving operations of facilities to customers, which will reduce CO<sub>2</sub> emissions, and then the customer adopts the proposal, with CO<sub>2</sub> reductions being converted to Eco Contribution Points (1 ton of CO<sub>2</sub> is converted to 100 yen). Eco Contribution Points donated for the latter half of FY2016 amounted to 1,297,500 yen (12,975 tons of CO<sub>2</sub> reductions) in what was our 13<sup>th</sup> donation. The total amount donated since the program commenced in 2010 amounts to 14,676,000 yen.

### “Uchimizu Biyori” at St Luke’s Garden



On July 20, we held an *uchimizu* event that we called “Sanki Engineering Uchimizu Biyori at St Luke’s Garden” in the Shinsui Park on the second level of St Luke’s Garden in Chuo-ku, Tokyo. Around 90 people participated in *uchimizu*, including employees of the Group and the general public.

This event is conducted in support of the *uchimizu* event, “Uchimizu Biyori: The Wisdom of Edo and the Generosity of Tokyo,” which is held on the same day by Tokyo Metropolitan Government Bureau of Environment.

### Donation of emergency rations to NPOs

On June 12, we donated 5,000 servings of stockpiled pre-cooked rice (replaced before the expiration date) from the head office/Tokyo branch to NPOs as a part of our CSR activities.

## Securing and Training of Human Resources

92 graduates joined the Company in April 2017



On April 3, we welcomed 92 new staff. Subsequently, on April 7, we held our “Kyoto Shinnyo-do Training,” which is one of our signature new staff training programs. Shinnyo-do is the temple of the Mitsui family. The purpose of the training is to encourage awareness of the significance of being part of the Mitsui Group, which is often referred to as “Mitsui for people.”

On the day, training was also attended by top management, such as the Chairman and the President, and they helped to cultivate the kind personnel that possess the Sanki spirit by participating in meditation and cleaning alongside the new staff.

Recruiting event in Thailand



Thai Sanki Engineering & Construction Co., which is a group company, exhibited at the “6<sup>th</sup> Japan Job Fair” held in Bangkok on July 16 and 17. Many job seekers visited the booth.

Partner company awards



We presented the Sanki Super Meister Award and the Sanki Best Partner Award at the head office/Tokyo branch Safety and Quality Convention held on June 2.