
Status of Business Progress

“Century 2025” Phase 1

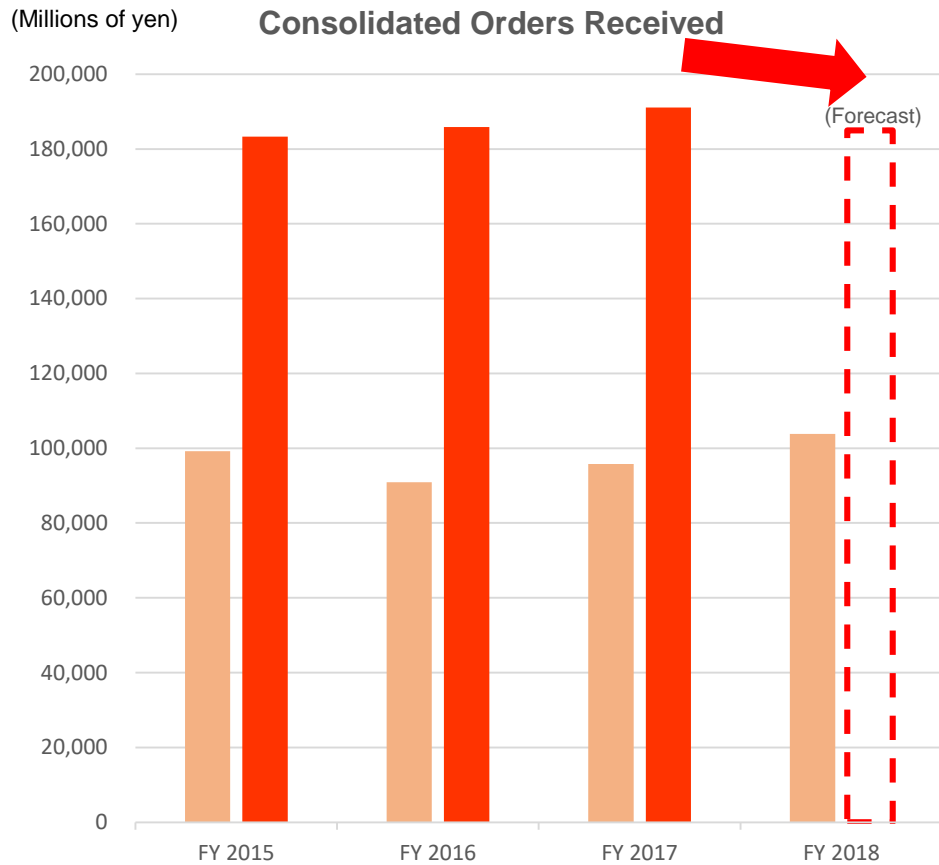
FY2018 2nd Quarter

November 9, 2018

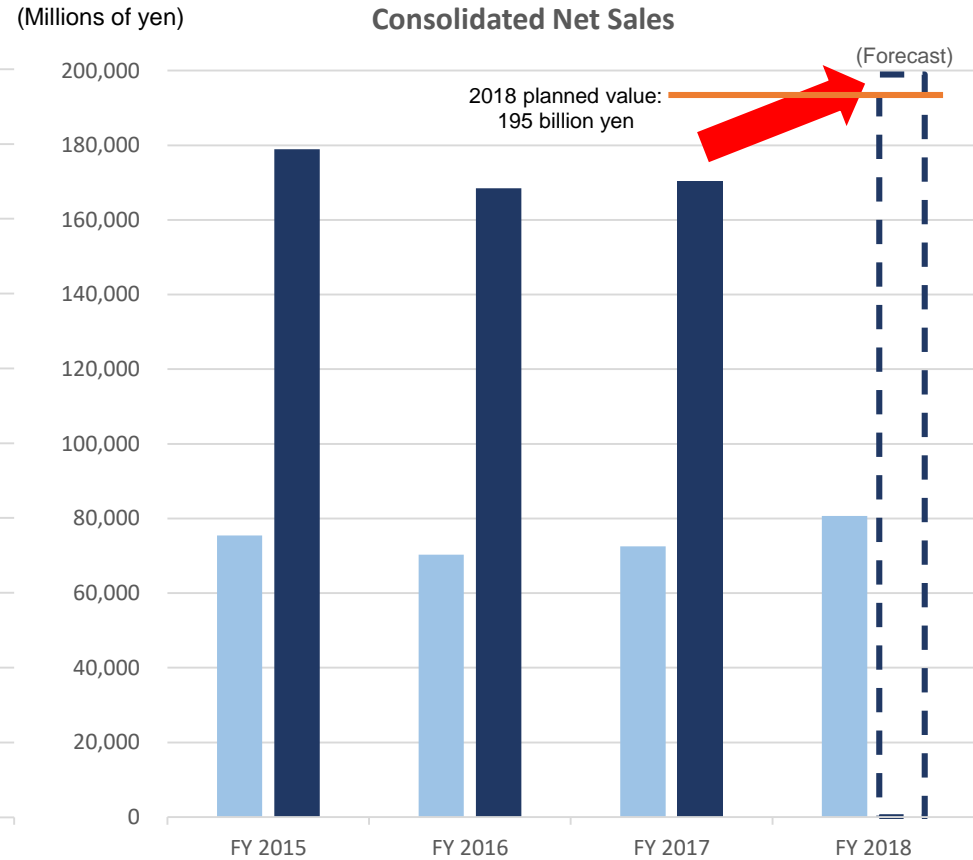
Sanki Engineering Co., Ltd.



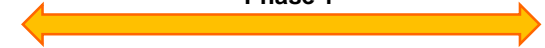
Orders Received/Net Sales



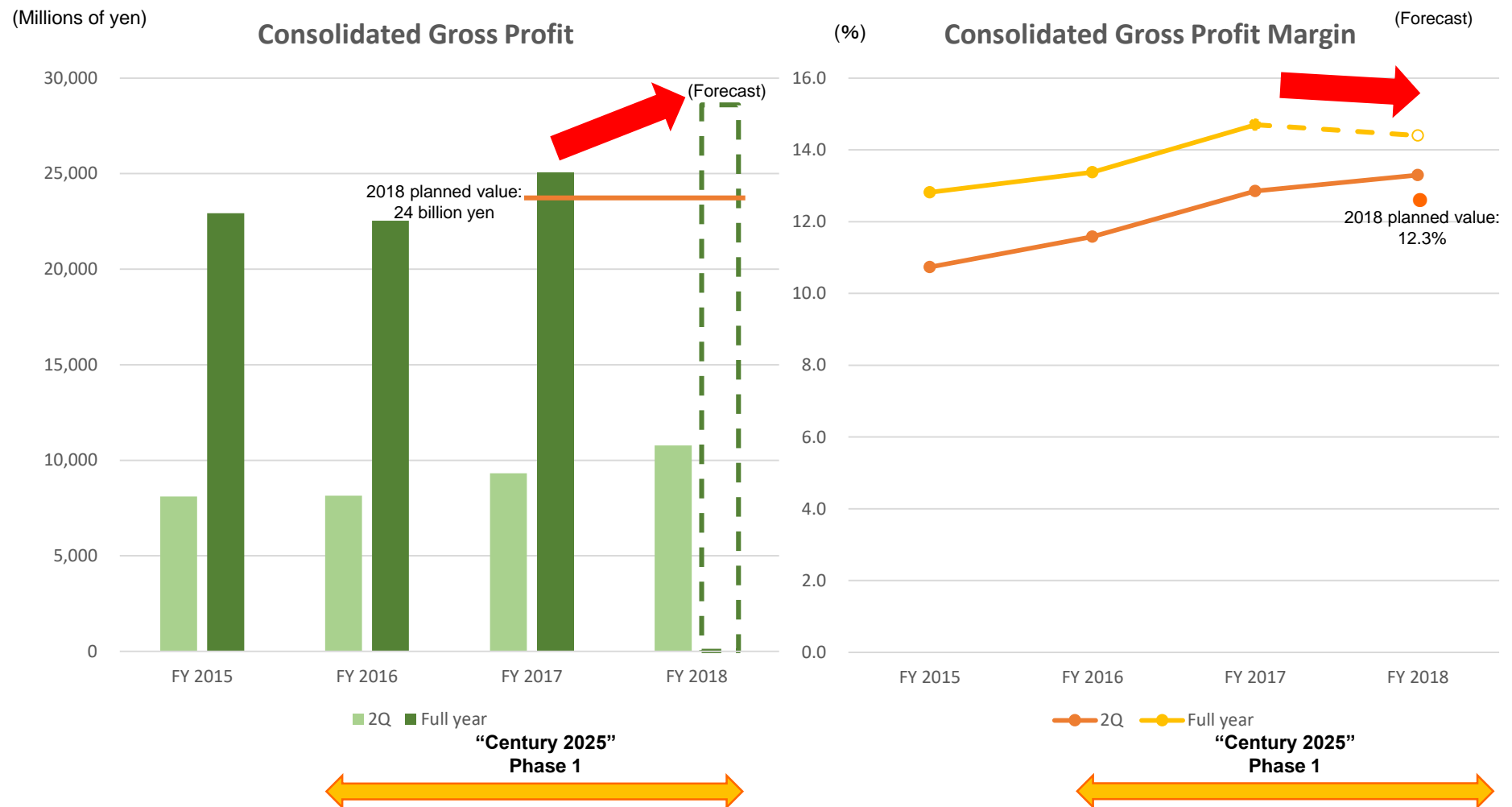
■ 2Q ■ Full year
**“Century 2025”
 Phase 1**



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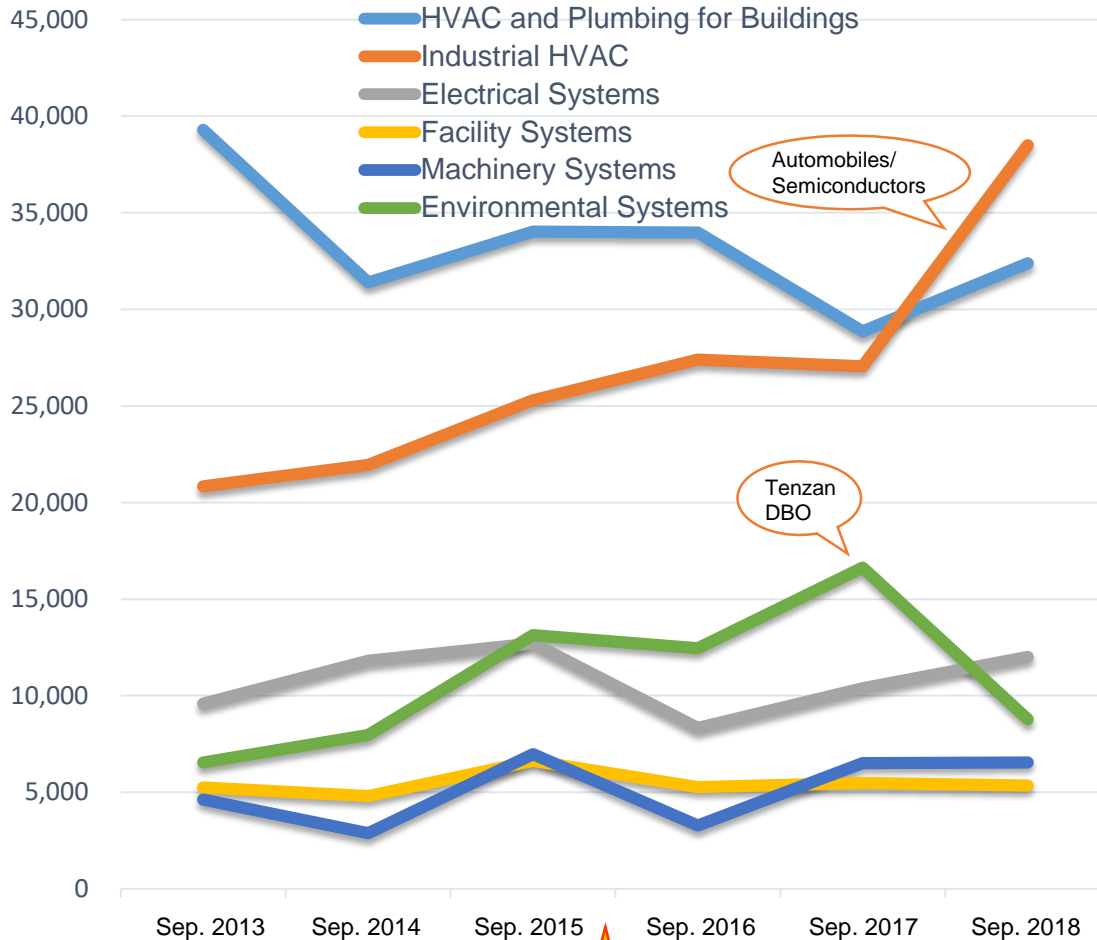


Gross Profit/Margin



Orders Received by Segment (2Q)

(Millions of yen)



▲ April 2016: Start of "Century 2025" Phase 1

HVAC and Plumbing for Buildings: Increase

Industrial HVAC: Major increase

Electrical Systems: Increase

Facility Systems: Stable

Machinery Systems: Flat

Environmental Systems: Reactionary decline

Overall progress including Real Estate Business, etc.: 59.3%

Outlook: Positive (51.5% YoY)

Status of Measures

- FY 2018 2Q is the home stretch for “Century 2025” Phase 1
- Theme of Phase 1:
 “Refine Technology and People to Improve Quality”

Core challenge	Present state
Passing down technical capacity	<ul style="list-style-type: none"> • Completed the Sanki Techno Center, the core of the STeP Project
Preparing for the stock era	<ul style="list-style-type: none"> • Receiving orders for major construction projects that serve as future stock for the industrial HVAC sector
Next-generation technology development	<ul style="list-style-type: none"> • Established an R&D center in the Sanki Techno Center • DOUP™, an energy-saving HVAC system for cleanrooms • IoT sensor network-enabled Heat Stroke Monitoring System

- Started proposals for Phase 2 with a theme of “Reliability.”

Status of STeP Project*

○ Completed the Sanki Techno Center

➔ Completed construction/launched operations in October 2018

○ Operating a new Technical Research & Development Institute (inside the Sanki Techno Center)

➔ Changed the name of the Technical Research & Development Institute to “R&D Center” in October 2018

○ Completed demolition of the old Yamato Plant facilities

➔ Began leasing the land to Nippon Life Insurance Company in June 2018
(They have broken ground on a logistics center)

○ Launched construction on a new machinery systems plant (on the property of the old Yamato Plant)

➔ Scheduled launch of new plant operation: August 2019

* The STeP (Sanki Techno Park) Project

A project to redevelop the land and buildings on the Sanki Yamato property (the Sanki Yamato Building and the old Yamato Plant), a real estate holding of Sanki Engineering.

Namely the construction of the Sanki Techno Center, followed by the reorganization of the machinery systems manufacturing plant and other effective uses of real estate holdings.

Completion of the Sanki Techno Center



Outer appearance of the facility

Completion ceremony



Hands-on Safety Center



Showroom



Reception facility for stranded people

The Sanki Techno Center is one of the most important policies in our medium-term management plan, "Century 2025" Phase 1, which is in its final fiscal year (FY 2018). We renovated the old Sanki Yamato Building A, which we own outright, to create a consolidated facility for research, training and study, and function as our headquarters for refining technology and people. With a total floor area of roughly 46,100 m² spread across six above-ground floors and one basement floor, the spacious building houses training facilities that comprise a diverse array of training rooms, a technology and skills area that simulates actual plant conditions, and a hands-on safety area; an R&D center; a showroom; and a large-scale lodging facility.

The facilities also feature a reception facility for stranded people based on a disaster prevention agreement with Yamato City, and Sanki Environment Park, which is open to local residents.



Unveiling the facilities to family members on Family Day

Status of Measures

- Established a Technical Assistance Center headquarters to provide support for the construction work of the branch offices
- Established field support organizations (infrastructure maintenance departments/sections) at each location
- Launched a new system to provide support for creating documents in the field
- Revised the human resources and salary systems
- Continued CCU,* which provides opportunities for discussions between the company president and employees
 - 1H: Veteran employees; 2H: Mid-level employees and the Ladies' Forum

*CCU=Century Communication Up

Status of Measures

○Initial Stages of ESG (Sustainability)

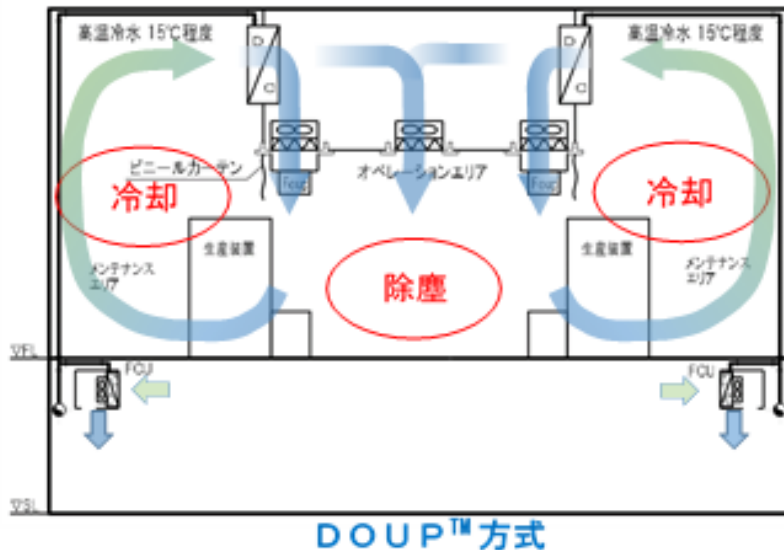
	Status
E Environment	<ul style="list-style-type: none"> • Continuous donation of “SANKI YOU Eco Contribution Points” • DOUP™, an energy-saving A/C system for cleanrooms
S Society	<ul style="list-style-type: none"> • Entered the fourth year of the company’s unique work style reform, “Smile Project” • Office reform, which includes work style reform (NEW OFFICE Project) • “Heat Stroke Monitoring System” that protects workers on construction sites • Inculcation of SDGs (corporate ethics training, integrated reports)
G Governance	<ul style="list-style-type: none"> • Revised the structure of the Board of Directors Added two directors to create an organization of five non-executive directors (two internal, three external) • Added one auditor to create a system of five auditors (two internal, three external) • Continued to conduct meetings for directors with expertise in the corporate governance code to exchange opinions • Dialogue with shareholders (increased the number of opportunities, held briefing sessions for individual investors) • Consideration of capital policy in light of capital costs • Continuous revision of strategically held shares

Many people visited our booth at this briefing for individual investors



Main Technology Development

○DOUP™



DOUP™ is an energy-saving air conditioning system for cleanrooms (CR) built on the strength of the knowledge and experience with designing and constructing CR we have amassed to date. The system provides climate control with methods suited to each of two areas—the high-cleanliness operation area, and the maintenance area in which manufacturing equipment generates a lot of heat—according to the state of manufacturing equipment operation.

DOUP™ optimizes the temperature of cooling water for air conditioning to conserve energy during summer peak hours, and combines other energy-saving methods to reduce cold/heat source power roughly 40% per year over conventional methods.

○Heat Stroke Monitoring System



We developed this system to serve as the underlying technology for an easy-to-install, easy-to-transport IoT sensor network system for construction sites, and currently apply it as a monitoring system to prevent the occurrence of heat stroke in the field.

Our distinct cloud system, S-Cloud®, centrally manages and analyzes data from each sensor to quantify workers' risk of suffering from heat stroke.

We deployed the system at three of our own construction sites this past summer.

Plant Department Topics

Environment systems business

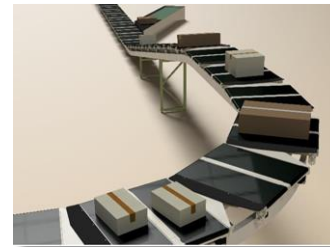


Australian group company Aquaconsult exhibited at the World Water Congress & Exhibition 2018 of the International Water Association (IWA). Officers were present to introduce “Aero Wing,” our ultrafine bubble diffuser for wastewater treatment facilities

We exhibited our energy-saving centrifugal dehydrator “SANDEC G3” and other products at Sewage Works Exhibition '18 in Kitakyushu.



Machinery systems business



Received first order for Cross Belt Sorter CBII, a strategic project for the logistics market



We exhibited our system for packing rice balls sold at convenience stores and elsewhere into shipping cases from production line conveyors at FOOMA JAPAN 2018.

Securing/Cultivating Human Resources, Communication

SANKI

April 2018: Welcomed 80 new employees



This year marked the sixth time we conducted training at Shinnyo-do Temple in Kyoto. The grave of Takatoshi Mitsui, founder of the Mitsui Group, is shown in the picture.

Opened the Sanki Hibiya Lounge



We established this communication base at Tokyo Midtown Hibiya. Hibiya has long been the location of our Headquarters.

Recruiting overseas

Group company Thai Sanki exhibited at the 7th Thai-Japan Business Matching in Bangkok, Thailand. We hired three people.



CCU for veteran employees



Awards ceremony for long-time employees



Liaison conference for nationwide subcontractors

Social Contribution Activities

Afforestation activities in various locations for environmental conservation



Meguri-no-Mori Forest



Mori ha Umi-no-Koibito Event



Weeding at Sanki-no-Mori Forest

In addition to making donations through "SANKI YOU Eco Contribution Points," we participated in afforestation activities throughout Japan.

- ◆ 14th Shonan Village Center Meguri-no-Mori Forest Tree Planting/Caring Festival (Kanagawa Prefecture)
- ◆ 30th Mori ha Umi-no-Koibito Tree Planting Festival (Iwate Prefecture)
→Members of our internal Earthquake Disaster Reconstruction Project also participated
- ◆ Employees participated in our weeding event at Sanki-no-Mori Forest (Yamanashi Prefecture)

Supporting sports in various situations



One of our employees served as the manager for Team Japan at the World Deaf Rugby 7's Australia 2018 tournament. We supported this tournament through the Japan Deaf Rugby Football Union.

We supported college sports through our support for the annual Waseda-Keio Classico soccer match.



We held our first company athletic meet. It played a role in improving communication between employees.

Social Contribution Activities

Participation in community cleanup activities throughout Japan



Sanki Chemical Engineering & Construction Tsushima Business Office
Japanese/Korean civic beach cleanup
(Nagasaki Prefecture)



Hokkaido Branch Office
Beach garbage cleanup at "Love Earth Cleanup in Hokkaido 2018"
(Hokkaido Prefecture)



Tohoku Branch Office
Sendai City community cleanup activity
(Miyagi Prefecture)



Tohoku Branch Office Yamagata Local Office
Cleanup strategy at Tsuruoka Higashi Industrial Park
(Yamagata Prefecture)



Sanki Techno Center
Volunteer cleanup around facilities
(Kanagawa Prefecture)

Support for educational activities

We agreed to the content of corporate training for mid-level public school educators sponsored by the Tokyo metropolitan government, and conducted a three-day training program for five educators from public high schools in Tokyo and high schools associated with national universities in response to requests from the Tokyo Chamber of Commerce and Industry from July 30 to August 1.

Water sprinkling event



In response to a request from the Tokyo metropolitan government, we invited local residents to participate in a water sprinkling event at our headquarters

Great East Japan Earthquake disaster reconstruction



The Earthquake Disaster Reconstruction Project toured Namie Town in Fukushima Prefecture.



We provided support at the "Third Tsugaru Shamisen Michinoku National Tournament."

End of presentation