

Engineering for the Future

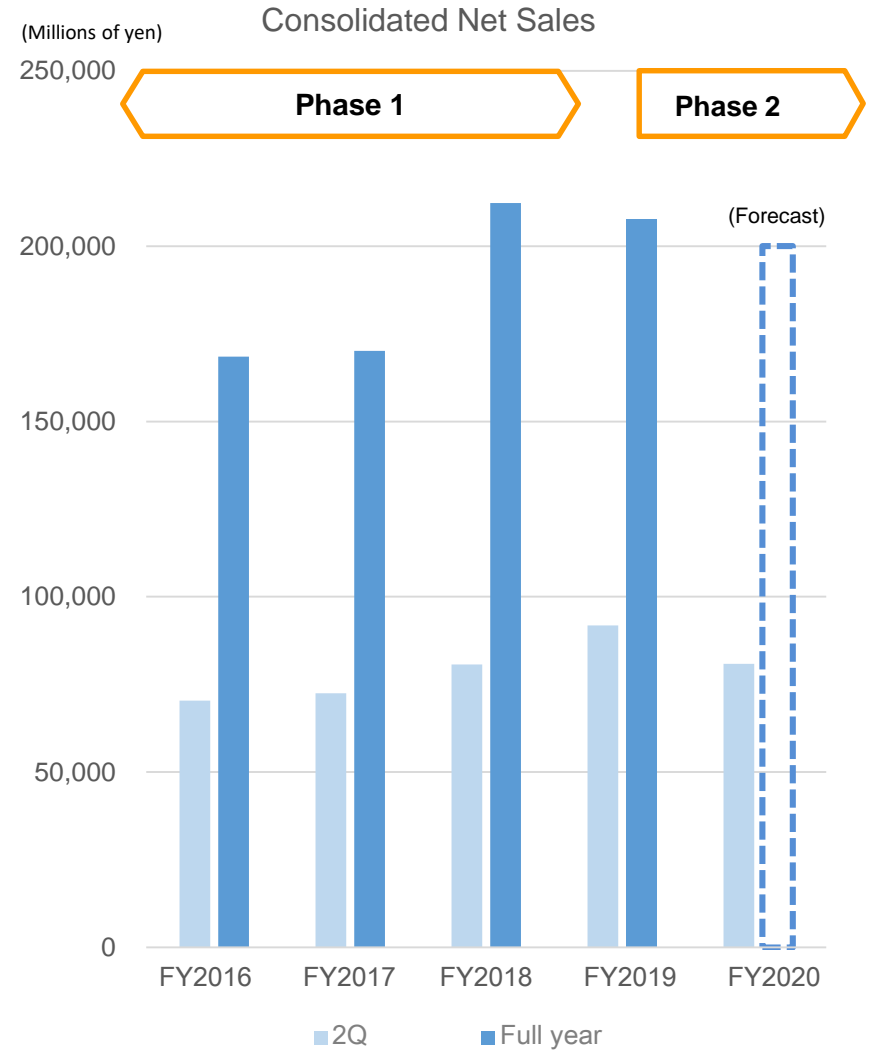
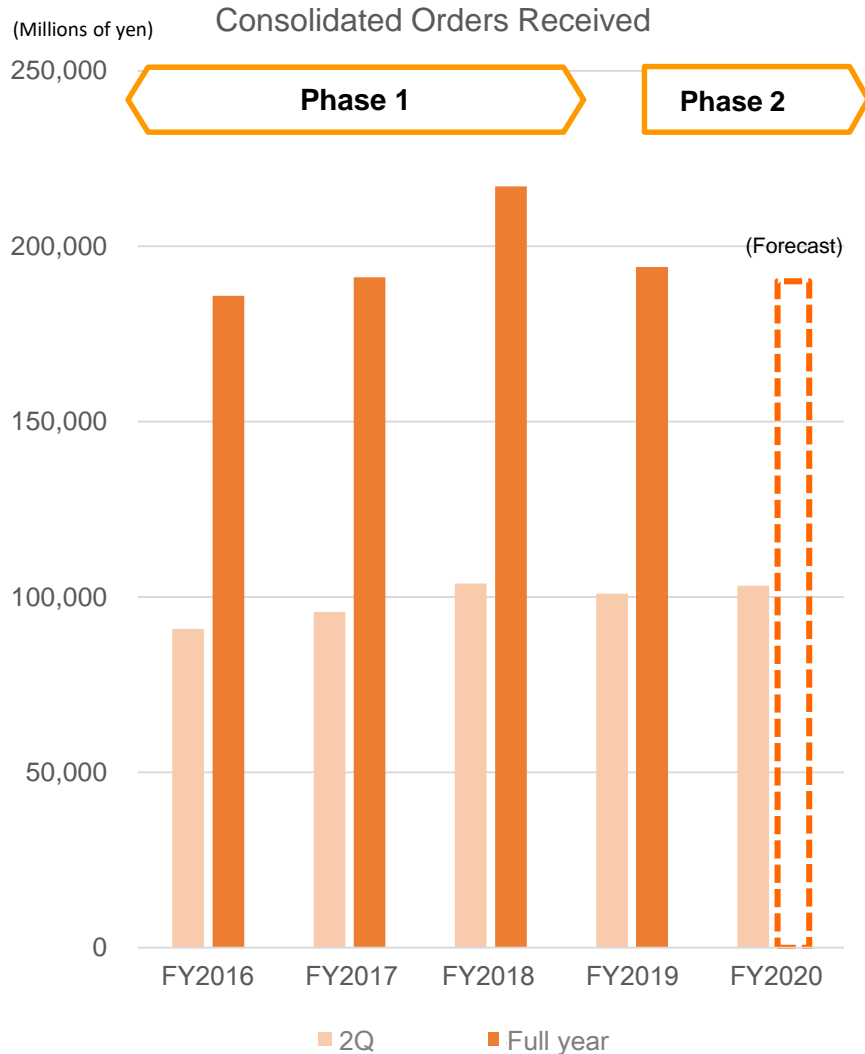
Status of Business Progress
in the Medium-Term Management Plan

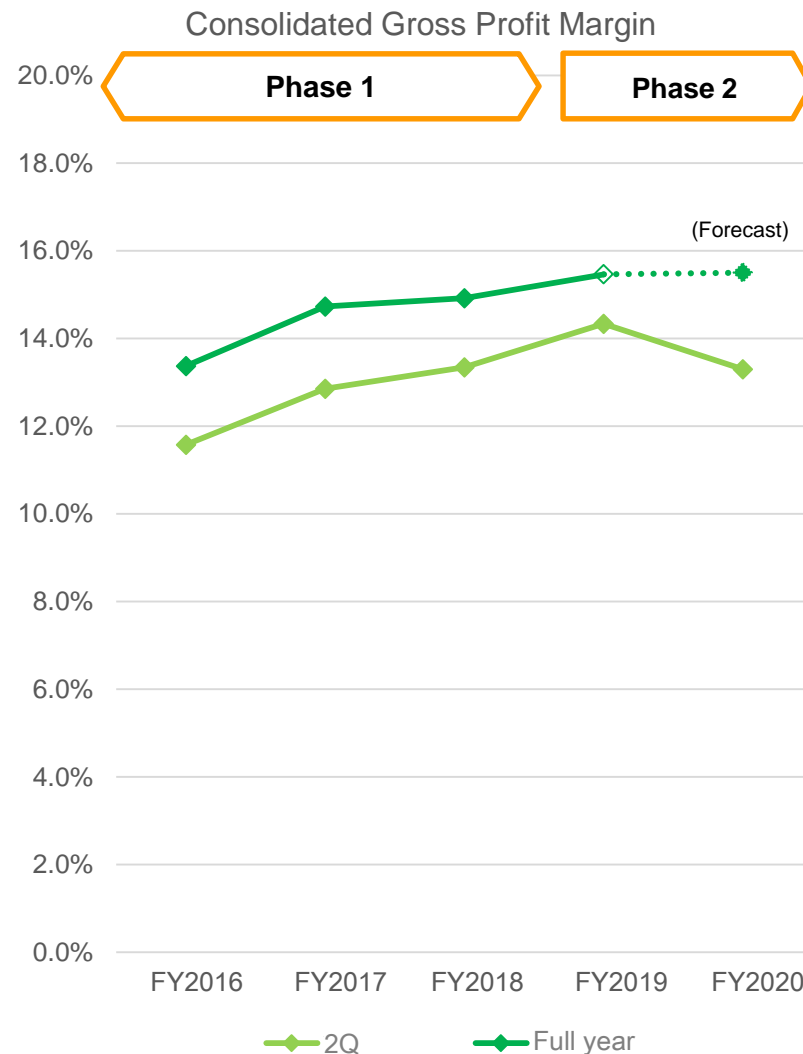
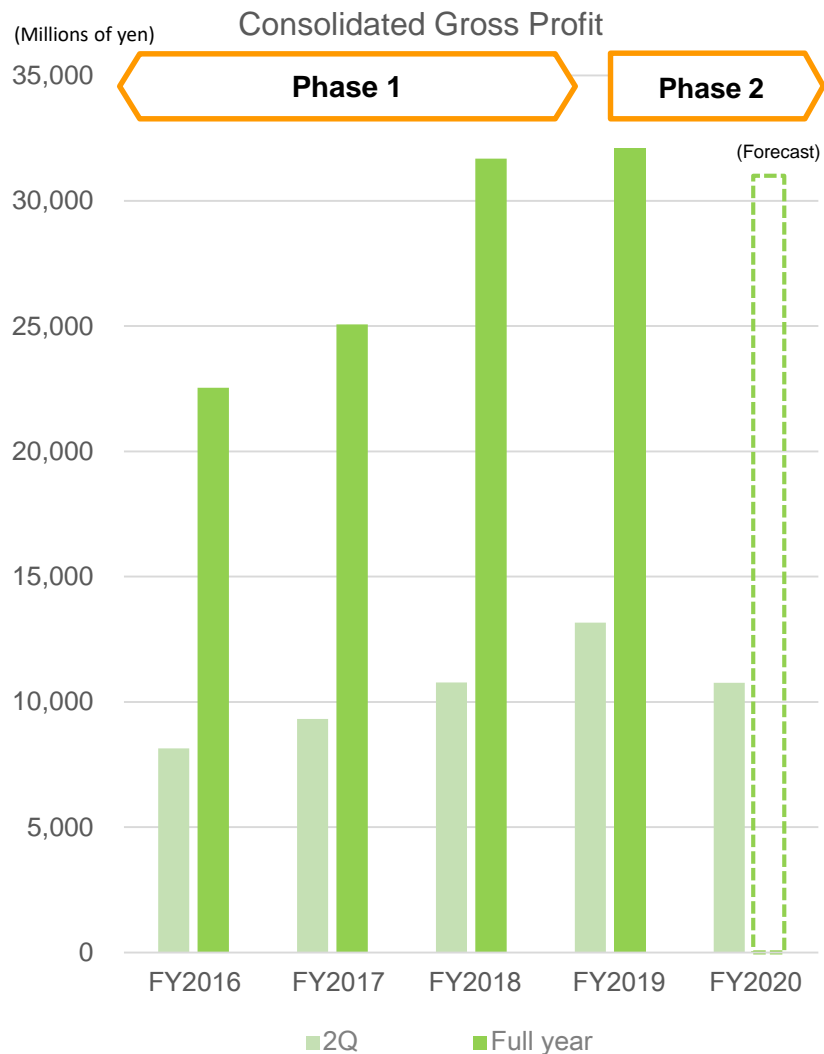
“Century 2025” Phase 2 FY2020 2nd Quarter

November 13, 2020

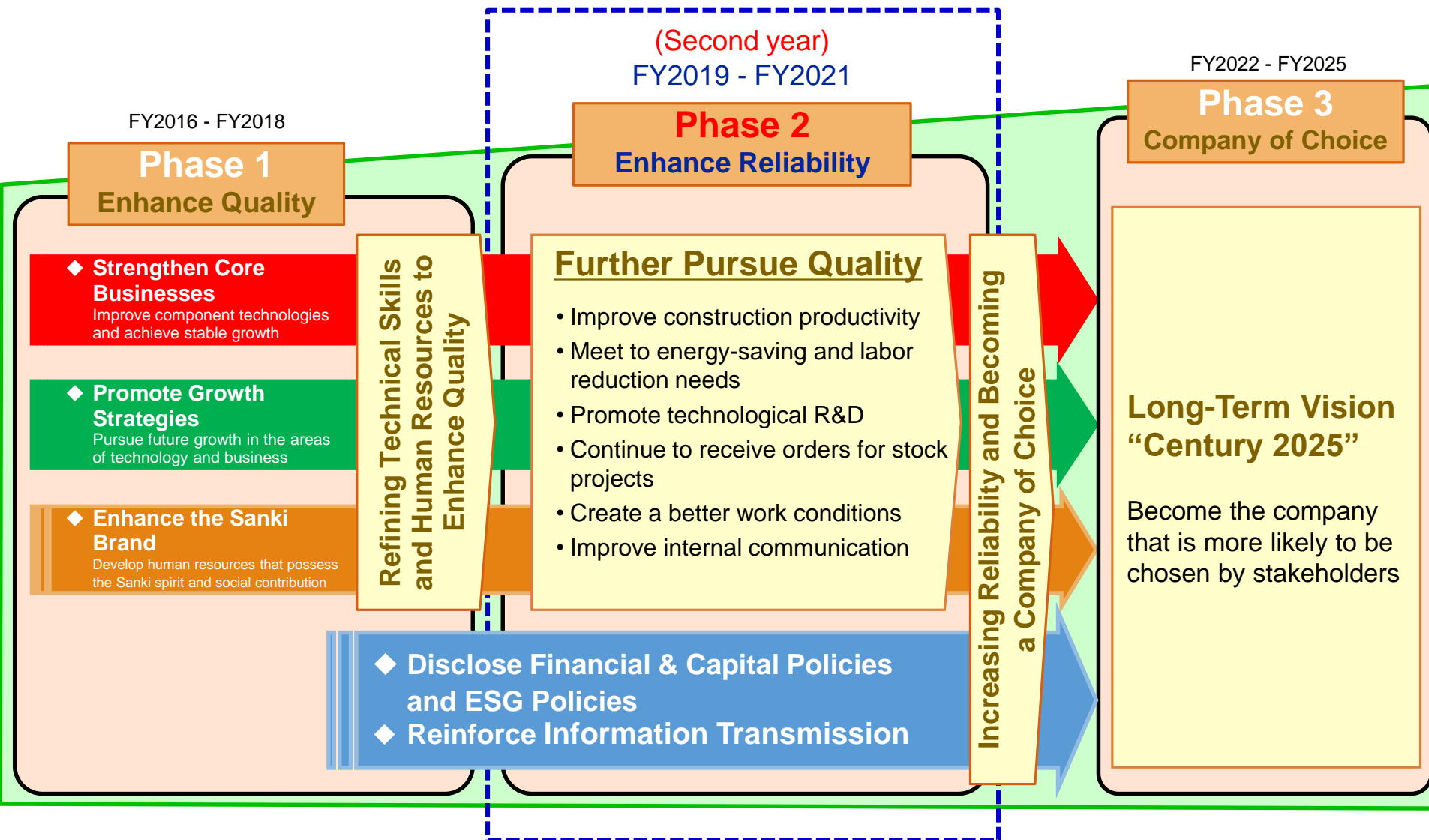


SANKI ENGINEERING CO., LTD.





[Positioning of the Long-Term Vision and Medium-Term Management Plan]



◆ Strengthen Core Businesses

Facilities Construction

- **Improved construction quality**
 - ⇒ Established Quality Control Center
 - ⇒ Improved work efficiency through the use of autonomous airflow measurement robots
 - ⇒ Improved construction management efficiency through use of digital information such as building information modeling (BIM)
- **Established a construction framework that includes partner companies**
 - ⇒ Reviewed payment conditions for partner companies (ensured confidence and trust)



Airflow measurement robot

Facility Systems

- **Provided new consulting services**
 - ⇒ Established the Consulting Promotion Section
 - ⇒ Designed work-styles to meet the needs of different companies (work-style consulting service)

Change of terms for payment to cash for partner companies with a capital of 40.00 million yen *For partner companies in all businesses

Machinery Systems

- **Expanded hybrid system products and services to cater to labor reduction and automation needs**
 - ⇒ Steady growth of ordering and sales of hybrid equipment

- Our first supercharged fluidized bed incinerator with binary generation system
- Through the use of superchargers, achieved wide-ranging energy conservation and CO₂ reduction and energy creation through power generation

Environmental Systems

- **Expanded energy conservation and energy generation business fields**
 - ⇒ Received order for Kitatama Water Reclamation Center No. 1 Sludge Incineration Systems Reconstruction Project (Tokyo)

◆Growth Strategy - Promotion of stock business for the future -

●Clean Hill Tenzan

The energy recovery waste treatment facility, Clean Hill Tenzan, was completed in March 2020. It was the Group's first new construction project for a DBO order.

This was a large LCE project, with Sanki Engineering responsible for the construction, and Sanki Kako Kensetsu responsible for 20 years of operation.

*DBO (Design Build Operate: A means of achieving the private management of publicly owned facilities by placing a blanket order for design, building, operation, and maintenance with a private enterprise)



Exterior of Clean Hill Tenzan

●Other orders to be completed in the future (1 billion yen or more)

Property name	Item of construction	Type of construction
Kurita Water Industries Ltd. New Research and Development Facility Construction Project (provisional name)	HVAC systems	New construction work
Kanae Tochigi Factory No. 3 Building	HVAC and Plumbing systems	New construction work
Kawanishi City General Medical Center Development Project (provisional name)	Plumbing system	New construction work
Toyota Technical Center Shimoyama Plumbing and Electrical Systems Project	Plumbing and electrical systems	New construction work
Kitatama Water Reclamation Center No. 1 Sludge Incineration Systems Reconstruction Project	Water and sewage treatment systems	Expansion

9 other projects

◆ Enhanced the Sanki Brand

● Improved technology



Conducted special joint safety patrol in summer of fiscal 2020



Held online presentation and award ceremony for the Superior Employee Award, the Yano Technology Award, and the Construction Method and Business Improvement Award



Held an internal video presentation of results of development at the R&D Center

● Initiatives to improve communication



Conducted fiscal 2020 new employee induction training online (President's address)



Held gathering with prospective employees online

◆ Social Contribution

SANKI YOU Eco Contribution Point system
Implemented 10th anniversary commemoration plan

- SANKI YOU Eco Contribution Points
Created Kansha-no-Mori and conducted
commemorative tree planting on 10th anniversary



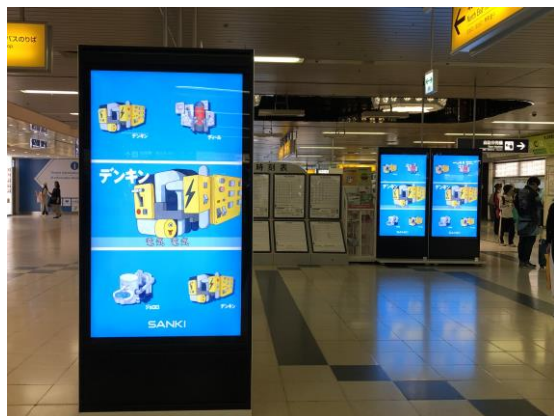
Included in the Nikkei
national edition on
October 21

- Added special page to the Sanki website



◆ Reinforce Information Transmission

- Currently rolling out new Sanki advertising campaign, “Kaiteki wo Katachi ni (Making Your Comfort a Reality),” commercials and posters to the areas of branch offices and branches through Aurora Vision, digital signage, etc.



Advertisement at Sapporo Station



Advertisement at Sendai Station



Advertisement in central Hiroshima

- Broadcast new Sanki commercial



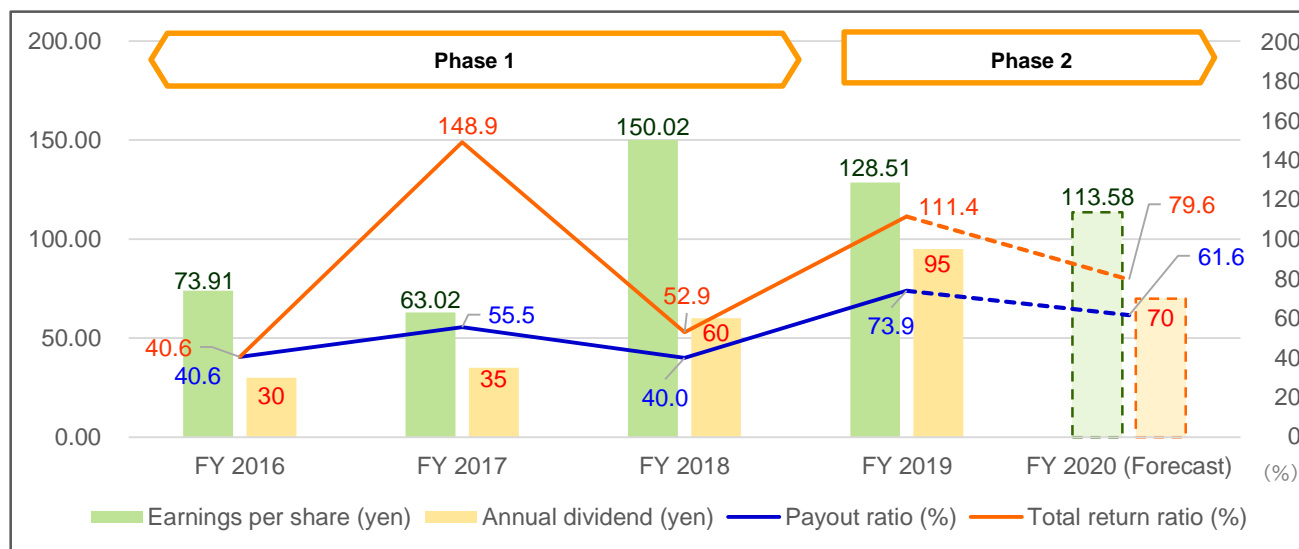
- We also advertise on YouTube
- We sponsor programs on nationwide TV, such as news23, and broadcast commercials

◆ Financial/Capital Policy “Returns to shareholders”

Phase 2 Targets

- Dividend: Annual dividend per share: **60 yen or more**
- Acquisition of treasury stock: **Approx. 5 million shares**
- Total return ratio: **70% or more**

● Earnings per share (EPS) and dividends



● Acquisition of treasury stock

Year conducted	Number of shares acquired (thousand shares)
Fiscal 2019	1,958 thousand shares
Fiscal 2020 (complete)	1,000 thousand shares
Shares scheduled to be acquired during Phase 2	Approx. 5,000 thousand shares
Planned shares remaining	Approx. 2,042 thousand shares

● Other: Review of payment terms for partner companies

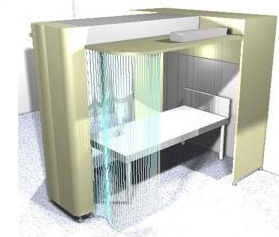
Change of terms for payment to cash for partner companies with a capital of 40.00 million yen

◆Sanki's Initiatives from an ESG Perspective

Item	Measure details
E (Environment)	<ul style="list-style-type: none">• Active promotion of energy conservation and energy generation (Received order for Kitatama Water Reclamation Center No. 1 Sludge Incineration Systems Reconstruction Project)• Newly created Kansha-no-Mori and conducted tree planting activities to commemorate the 10th anniversary of SANKI YOU Eco Contribution Point system
S (Society)	<ul style="list-style-type: none">• Introduced a flextime system for all employees to promote work-styles that leverage diversity• Shortened work hours for work-life balance• Commenced Smile Plans through four groups, in order to further promote Smile Project work-style reforms• Reviewed payment conditions to reform financing of partner companies
G (Governance)	<ul style="list-style-type: none">• Selected external director as chairman of the Board of Directors• Conducted interviews through a third-party institution in order to evaluate the effectiveness of the Board of Directors• Advisory Committee on Nomination and Remuneration comprised of only external directors• Ensured independence of legal affairs section as organization reporting directly to the president

● Provided infection control technology

- We released the patents concerning technology owned by Sanki in order to support the aims of the IP Open Access Declaration Against COVID-19
- Patents released for nine technologies that are thought to contribute to prevention of infection such as sterile room units, which have been installed in medical and research facilities



● Concluded commitment line agreements

- Given that the impact of COVID-19 will be prolonged, we concluded commitment line agreements that allow flexible and stable repayment of funds in order to cater to temporary demand for financing and working capital to support the stable operation of partner companies, which are important stakeholders

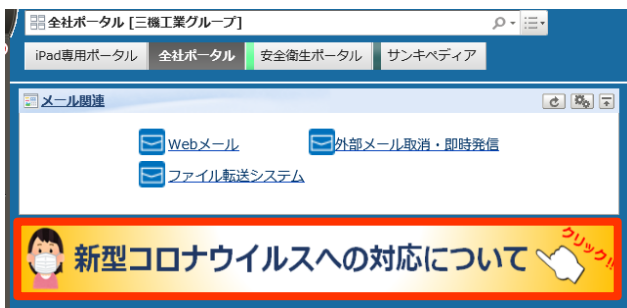
● Changed terms for payments to partner companies

- In March 2020, we changed payment terms to cash for all payments to partner companies with a capital of 40.00 million yen that have dealings with the Group. This initiative supports the stable operation of partner companies during the COVID-19 pandemic

● Contributed to student support funds

- We contributed to student support funds in order to support students aiming to work in the field of healthcare and have experienced a sudden decline in family finances or income from part-time work as a result of the COVID-19 pandemic

- Established the COVID-19 response headquarters before the pandemic headed by the president
- Adapted to announcements of government policies and issued timely internal policy notifications
- Ensured sufficient basic resources to prevent infection such as masks, disinfectant, splash-prevention film, and acrylic panels, etc.
- Rapidly established conditions for telecommuting
- Actively implemented telecommuting and flextime, and established in-house satellite offices, to avoid the 3Cs
- Remotely conducted internal functions and held remote meetings, including the annual meeting of shareholders
- Promptly disseminated information inside and outside the Company as people became infected



■ Remote Safety And Quality Conference



■ Online new employee induction

- Added a COVID-19 response page to the Company's portal site to inform employees about response policies, etc.



Statements about the future, such as results forecasts included in these materials, are based on judgements made according to the information available to the Company as of November 13. Actual results may differ from the figures contained herein due to a number of factors.

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