



FY2022 to FY2025 Sanki Engineering Group Medium-Term Management Plan

“Century 2025” Phase 3

**Enhance quality and reliability and become
the enduring company of choice**

Finishing touches ahead of the 100th anniversary and
preparing the groundwork for the next era

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Sanki Engineering Group Management Philosophy



We create comfortable environments through engineering and widely contribute to social development.

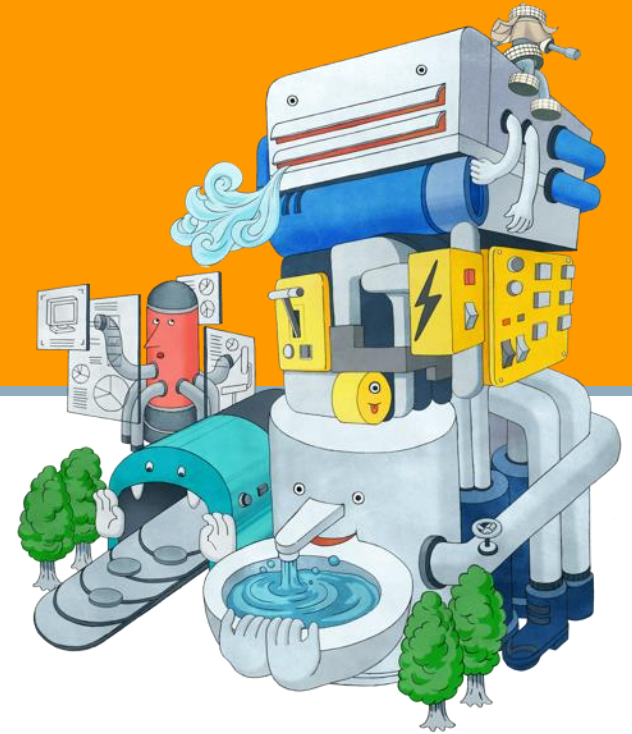
We will refine our skills and wisdom with the aim of increasing client satisfaction.

We will place significance on communication and mutual respect.

We will remain aware that we are a member of society and will act accordingly.

1

Vision for 2050 (Ultra Long-Term Vision)





**Vision for
2050**

**Sanki,
“The Enduring Company
of Choice”**

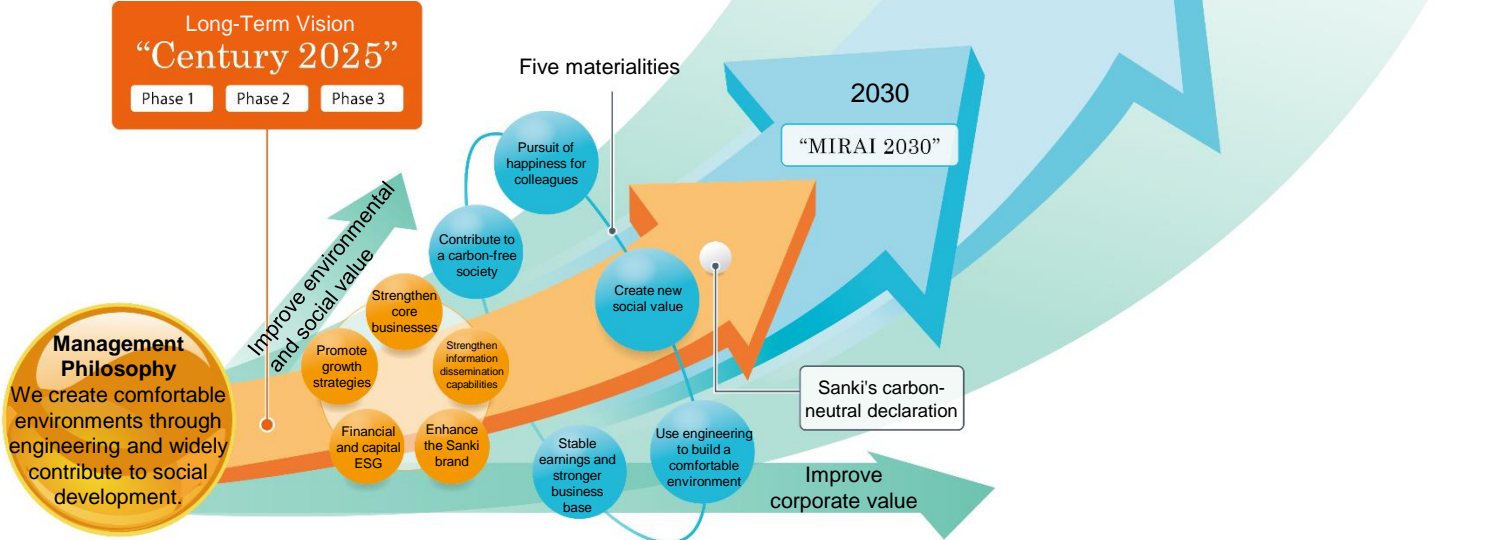
Striving to be a company that contributes to the realization of a sustainable world by using engineering to solve social issues such as carbon neutrality and create a pleasant environment

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

Promote Sustainability Management

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

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



Formulate Sustainability Policies

Sustainability Policies

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.

Sanki Engineering Group Materialities (Key Issues)

Materiality identification process

STEP1 Identify issues

Evaluate business activities and their impact from the following, and identify 34 issues

- The value chain status, risks and opportunities, long-term vision, and strategy of the Group's business activities
- International guidelines, the economic, social, and environmental external environment, and social demands

STEP2 Prioritize and validate

- Evaluate and prioritize the issues identified on the two axes of improving corporate value and improving environmental and social value, and designate them as the five materialities
- Examine whether issues important to the Group have been addressed and whether stakeholder expectations have been reflected, then finalize

STEP3 Final review and approval

- Confirmation and review by each department
- Review and approval by the Sustainability Committee
- Deliberation and decision by the Board of Directors

STEP4 Review and advancement

- Incorporate materialities into the management plan and set targets
- Sustainability Committee reviews progress toward materialities and targets and reports to the Board of Directors
- Update materialities as needed based on social changes and progress of activities

● Guidelines etc. referred to in STEP 1

(In-house)

• Long-term vision, business strategy, management plan

• Exchange of opinions with officers and departments

(External)

• ISO 26000 • SDGs • GRI standard • SASB standard

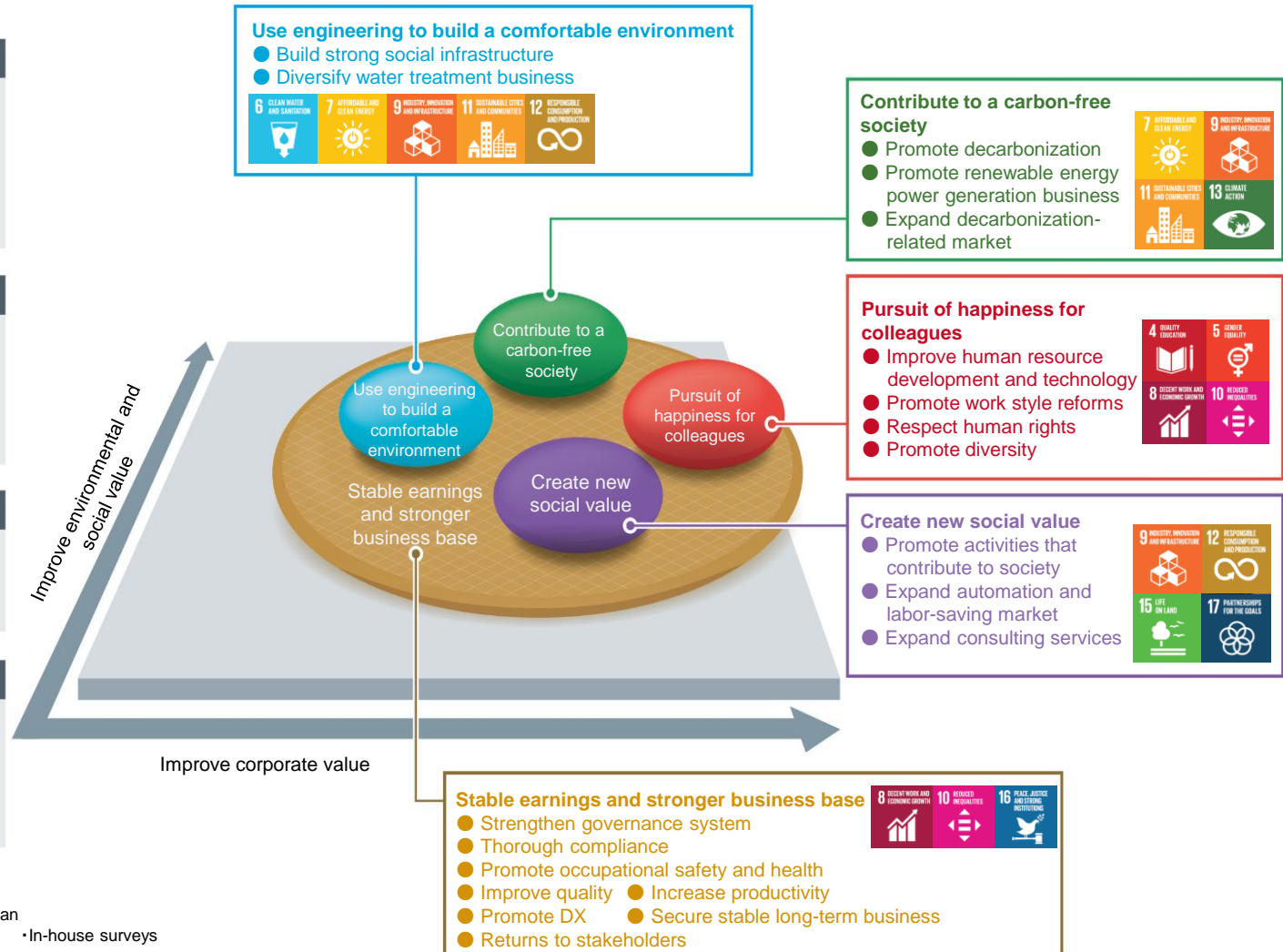
• In-house surveys

• Examination and evaluation of ESG (DJSI, etc.)

• Integrated report survey

• Opinions and advice from outside experts and advisers

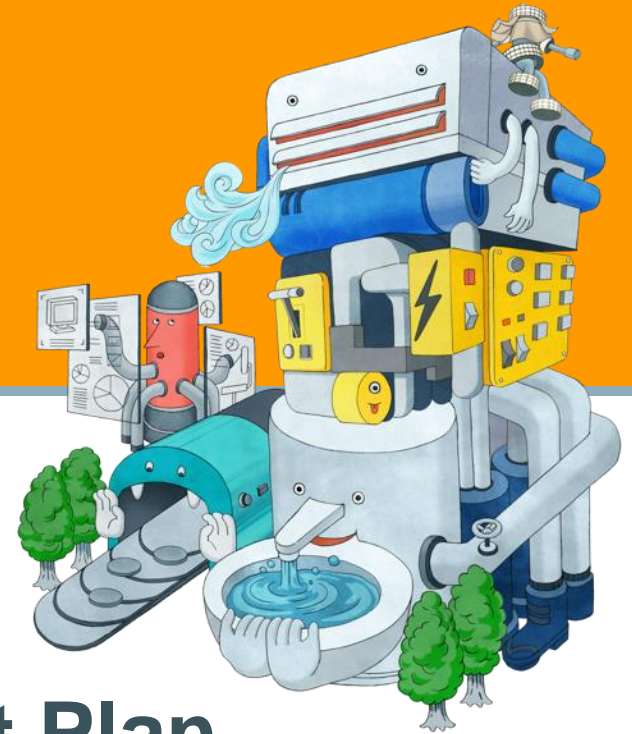
• Global risk report



2

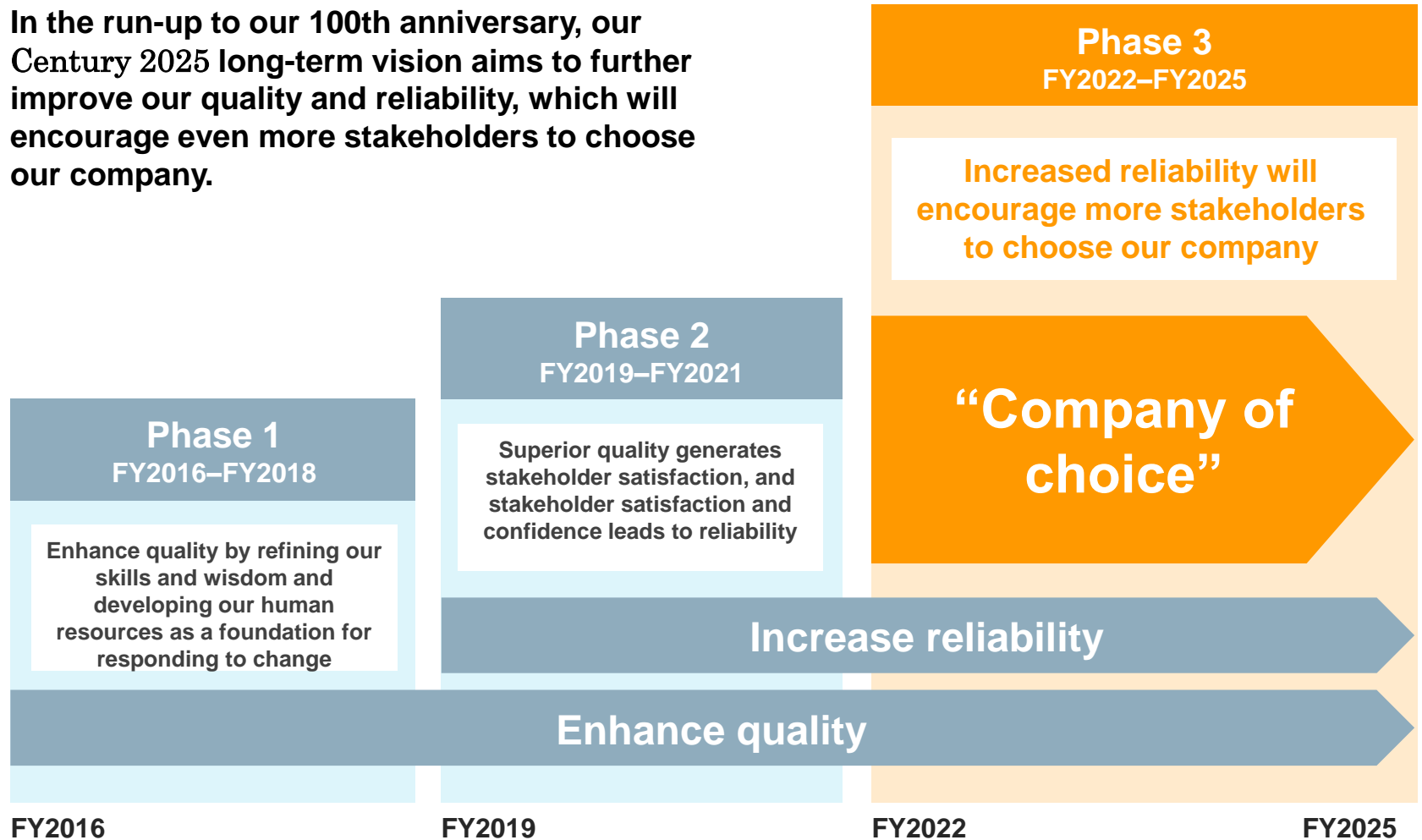
**Long-Term Vision
“Century 2025”**

**Medium-Term Management Plan
“Century 2025”
Phase 3 (FY2022-FY2025)**



Long-Term Vision “Century 2025”

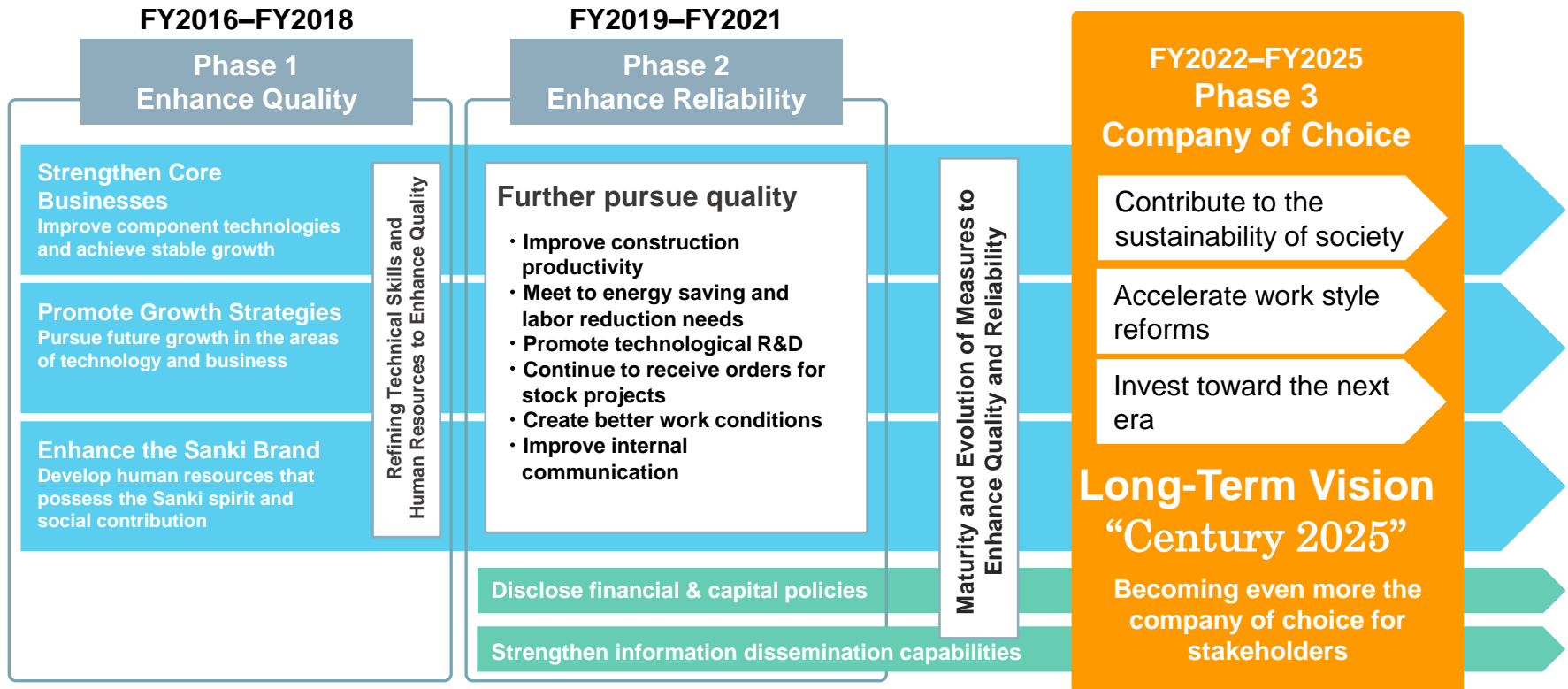
In the run-up to our 100th anniversary, our Century 2025 long-term vision aims to further improve our quality and reliability, which will encourage even more stakeholders to choose our company.



Note: The Group considers stakeholders as: customers, shareholders/investors, employees, business partners, local communities, government agencies, and others

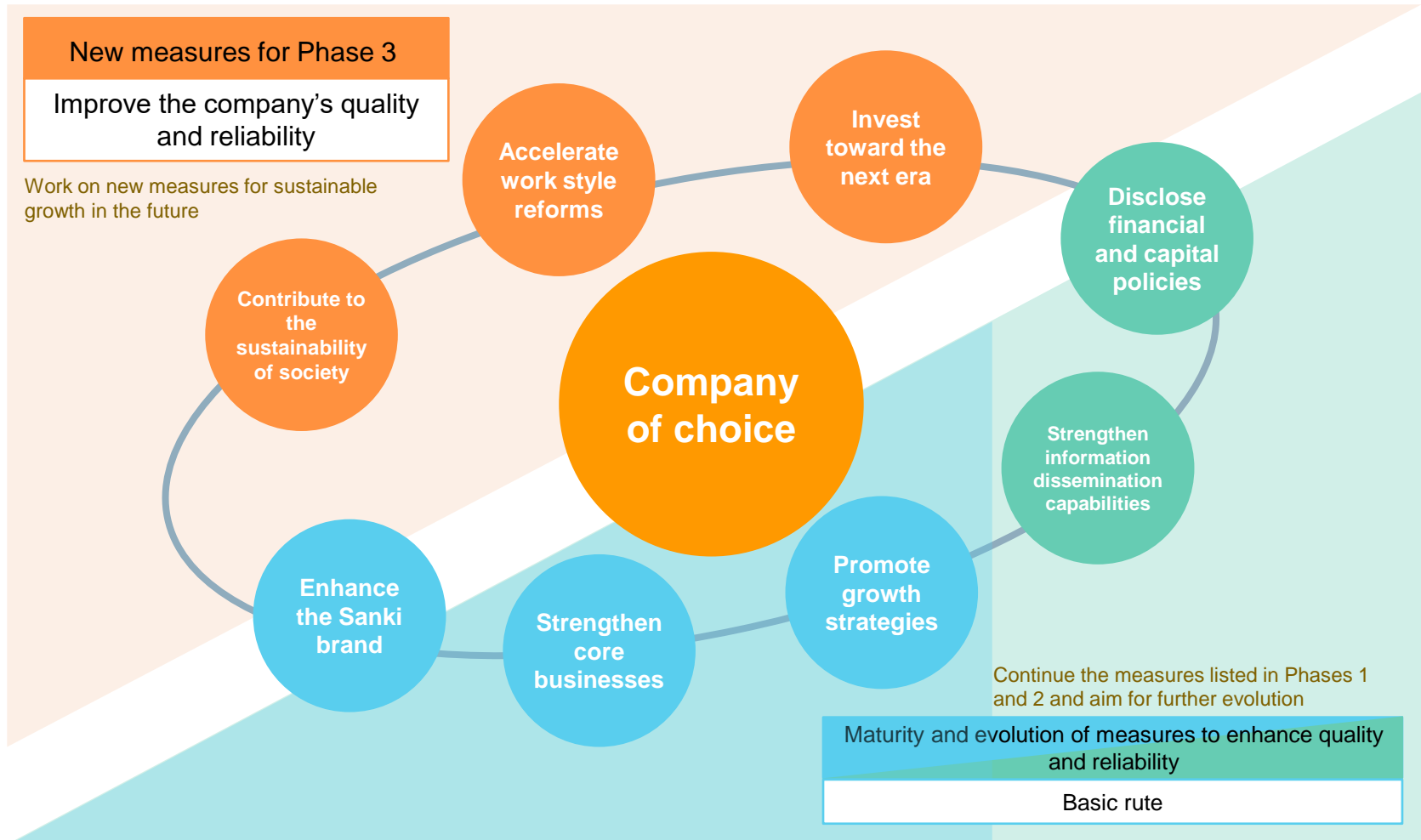
Phase 3 Basic Policies

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.



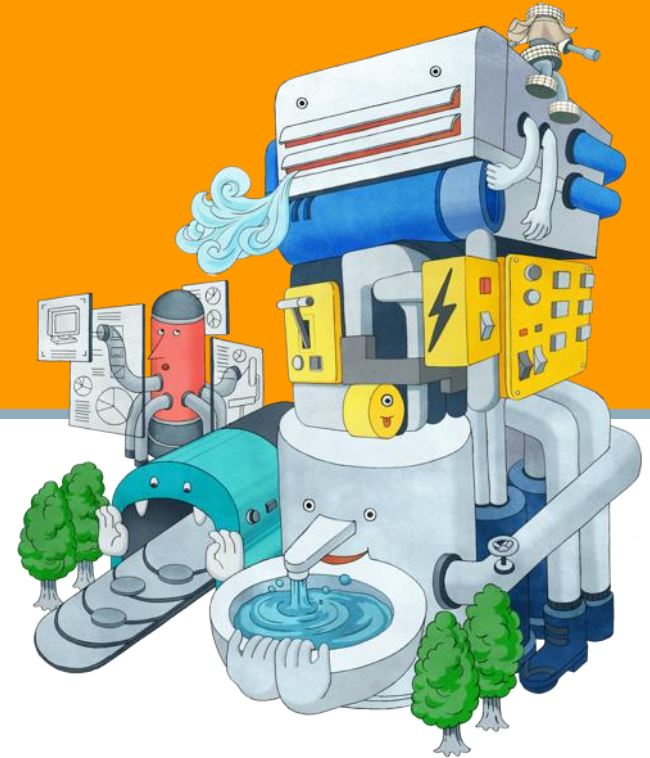
Note: The ESG policy in Phase 2 has evolved into the Sustainability policy in Phase 3

Overview of Phase 3 Measures



3

Maturity and Evolution of Measures to Enhance Quality and Reliability (Basic rule)



Strengthen Core Businesses

Common Points

- 1 Improve technology to prevent occupational accidents and troubles during construction
- 2 Promote occupational safety and health together with the Health and Safety Cooperative Association
- 3 Human resources development aimed at acquiring new unique technologies
- 4 Improve business efficiency through the operation of a new business system
- 5 Introduce the latest SFA and deploy finely tuned sales activities



Note:SFA (Sales Force Automation) sales support systems

Strengthen Core Businesses

Facilities Construction Business



Strengthen business base

- Accumulate future stock projects in growth fields such as large-scale urban redevelopment projects, semiconductor and other manufacturing facilities, and data centers
- Obtain renewal work by strengthening the maintenance system
- Improve productivity by optimizing business collaboration between the headquarters and the construction site
- Improve procurement capabilities using an electronic procurement system and centralized purchasing and expand to other business divisions

Use of digital and robot technologies

- Promote use of BIM to improve productivity and quality of design and construction work
- Bolster security of systems that share information outside the company
- Develop alternative technology with robots at construction sites

Strengthen Core Businesses

Facility Systems Business



- Strengthen the total integration business of building ICT
- Expand on-site information and communication infrastructure business
- Expand consulting service offerings

Machinery Systems Business



- Further cultivate the automation and labor-saving market using robots and ICT such as AI and IoT
- Expand sales of sorting systems for the logistics market
- Commercialization of facility predictive maintenance using AI diagnosis

Environmental Systems Business



- Expand sales of products that meet energy-saving needs
- Develop energy creation-related businesses such as renewable energy power generation
- Promote LCE business (stock business)

Note:LCE (Life Cycle Engineering) is a business concept created by the Group to provide new construction, management, maintenance, renewal, and reconstruction services throughout a building's life cycle.

Promote Growth Strategy

1

Expand proposals including the development of new technology to realize a carbon-free society

2

Strengthen the structure of industrial HVAC for semiconductor and other manufacturing facilities in Japan and overseas

3

Expand business by developing overseas markets for water treatment facilities

4

Promote open innovation (cooperation between different industries, universities, and venture companies)

5

Business reform and creation of new business opportunities through DX



Enhance the Sanki Brand

1

Establish the Earth MIRAI Project to explore new technologies

2

Conduct capital investment to promote carbon neutrality for the company

3

Strengthen the SANKI YOU Eco Contribution Point System

4

Continue to support environmental conservation in Antarctica

5

Contribute to society by supporting sports and the arts



Note:SANKI YOU Eco Contribution Points: When a customer adopts our proposal for energy savings during construction work carried out by our company, the amount of CO₂ emissions reduced by the solution is converted to Eco Contribution Points (100 yen per tonne), which are used to subsidize environmental conservation activities. It is a system that contributes to the prevention of global warming and the realization of a sustainable society together with customers.

Strengthen Information Dissemination Capabilities

1

Incorporate information transmission methods that are in line with the times, such as video sites on the Internet and digital signage

2

Enhance content to be disseminated such as corporate governance, news releases on technological development, and social contribution activities



Disclose Financial and Capital Policies

1

Stable and sustainable returns for stakeholders

- Payout ratio of 50% or more
- Annual dividend per share of ¥70 or more
- Buyback about 5,000,000 treasury stock over the term of Phase 3
- Further improve payment terms for business partners

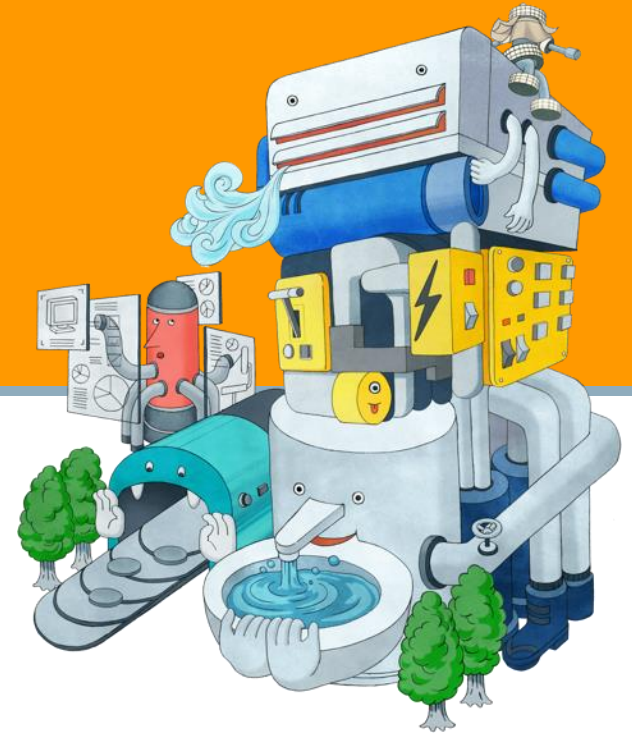
2

ROE target: 8% or more



4

New Measures for Phase 3 (Enhance the Company's Quality and Reliability)



Contribute to the Sustainability of Society

- 1 Promote the development of new technology to realize a carbon-free society**
- 2 Reduce overall greenhouse gas emissions, including in the supply chain**
- 3 Promote CSR procurement in consideration of environmental burden and human rights**
- 4 Strengthen SANKI YOU Eco Contribution Points**
- 5 Formulate and make use of a BCMS to maintain an effective BCP**

Note: ●BCP (Business Continuity Plan)
●BCMS (Business Continuity Management System)

Accelerate Work Style Reforms

Pursuit of happiness for colleagues at the Group

To be able to realize the value of achievement, growth, self-actualization, contribution to social development, etc., and receive appropriate treatment based on respect for human rights

- 1 Continuation of Smile Project led by top management**
- 2 Reform of personnel system centered on active appointment of young people and extension of retirement age**
- 3 Improve quality and productivity with DX and reduce working hours**
- 4 Securing and training human resources in consideration of promoting diversity**

Invest toward the Next Era

Fields

- 1 Decarbonization technology (energy saving, energy creation, etc.)
- 2 Automation and labor-saving technology (material handling)
- 3 LCE business (stock business)
- 4 DX

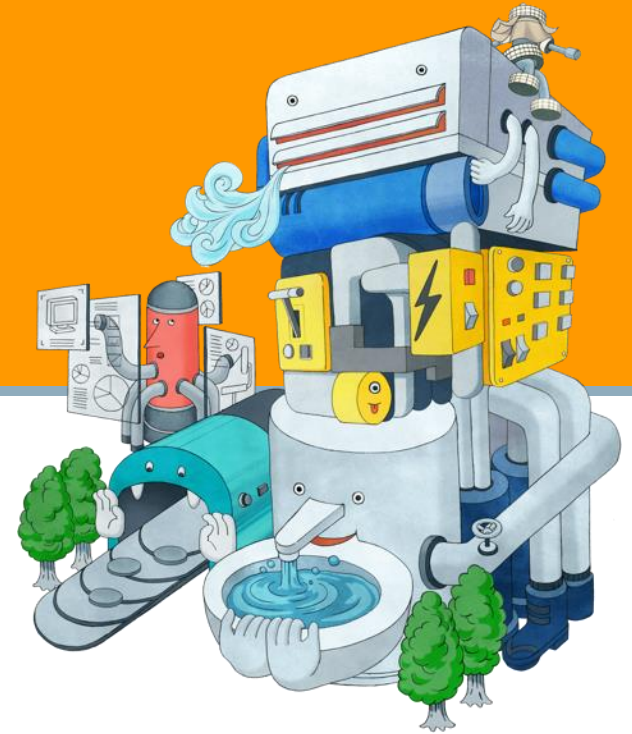
Measures

- 1 Growth investment about ¥20bn
- 2 External collaboration such as open innovation
- 3 M&A

Nurture the growth of new engineering businesses in these fields that society requires as we advance toward the future

5

Financial Performance Targets



Financial Performance Targets

← **Result** | **Plan** →

(Billions of yen)

	Phase 1			Phase 2			Phase 3
FY	2016	2017	2018	2019	2020	2021	2025
Net Sales	168.5	170.1	212.3	207.6	190.0	200.0	220.0
Gross profit (ratio)	22.5 (13.4%)	25.0 (14.7%)	31.6 (14.9%)	32.1 (15.5%)	28.7 (15.1%)	31.0 (15.5%)	36.0 (16.5%)
Ordinary income (ratio)	6.8 (4.1%)	7.4 (4.4%)	11.2 (5.3%)	11.2 (5.4%)	8.1 (4.3%)	10.0 (5.0%)	12.0 (5.5%)

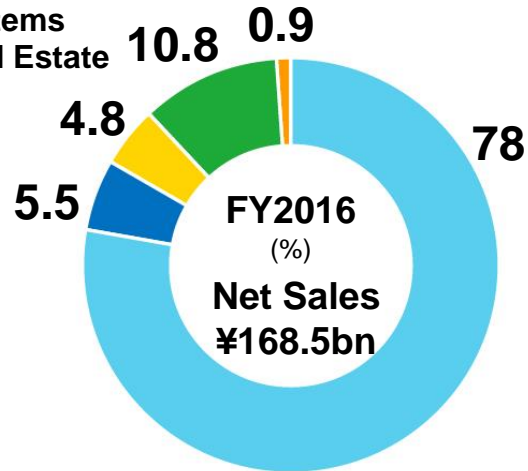
Phase 3 Management targets	
Ordinary profit margin	5.0% or more
Dividend policy	Dividend payout ratio 50% or more Annual dividends per share of ¥70 or more
Acquisition of treasury stock	About 5 million shares*
ROE	8.0 % or more
Growth investment	About ¥20bn*

*Cumulative during period of plan

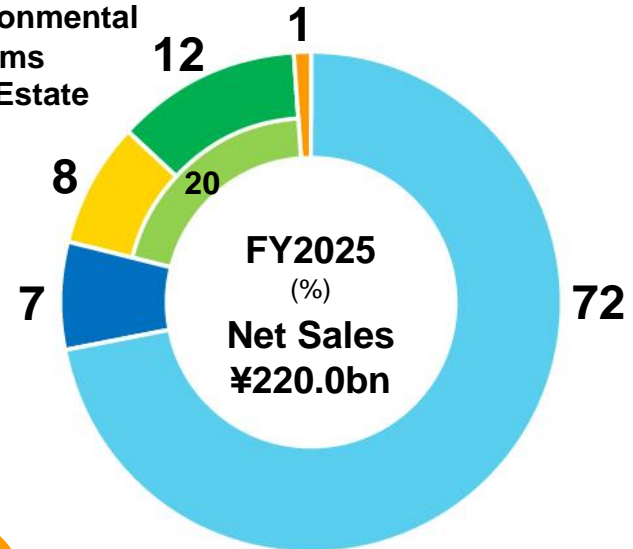
Business Portfolio Strategy

Comparison of consolidated sales share

- Facilities Construction
- Facility Systems
- Machinery Systems
- Environmental Systems
- Real Estate



- Facilities Construction
- Facility Systems
- Machinery Systems
- Environmental Systems
- Real Estate



Target

1

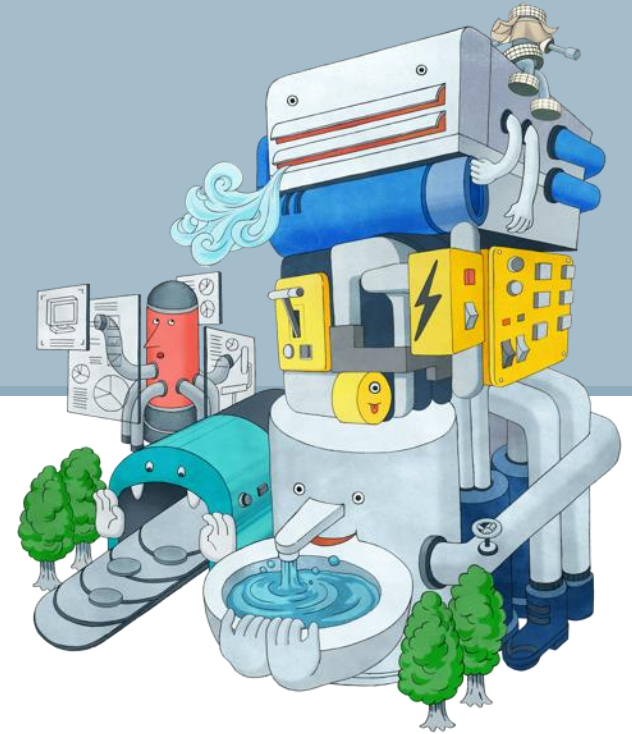
Expand operations in the Facility Systems business and Machinery Systems business

Target

2

Plant Division
(Machinery Systems + Environmental Systems)
Share 20%

Supplementary Materials



Summary of Phase 1 and 2

Results Target

- 1** Earnings remain strong and are expected to almost achieve the plan
- 2** Sustained improvement in gross profit margin
- 3** Regarding financial and capital policy, providing adequate shareholder returns while also improving the balance sheet

Progress of Measures

- 1** Overall capital investment of about ¥10bn for construction of the Sanki Techno Center and Yamato Product Center
- 2** A new Sustainability Committee chaired by the president has been established, putting in place a system for initiatives toward the realization of a sustainable society
- 3** Completely revamped advertising and raised level of exposure, making the company's presence widely known

Understanding of Business Environment in Phase 3

Facilities Construction Business

- Continued large-scale urban redevelopment, growing investment in semiconductor manufacturing facilities and data centers
- Increased opportunities to provide proposals for renewing equipment to achieve carbon neutrality

Facility Systems Business

- The office environment is entering a period of change due to the increase in telework and DX progress, opening more opportunities to provide new services
- Building automation equipment and on-site information infrastructure are becoming increasingly sophisticated due to urban redevelopment

Machinery Systems Business

- Continued growth in e-commerce to support solid demand for logistics centers
- Labor shortages due to further decline in the workforce to drive growth in automation and labor-saving needs

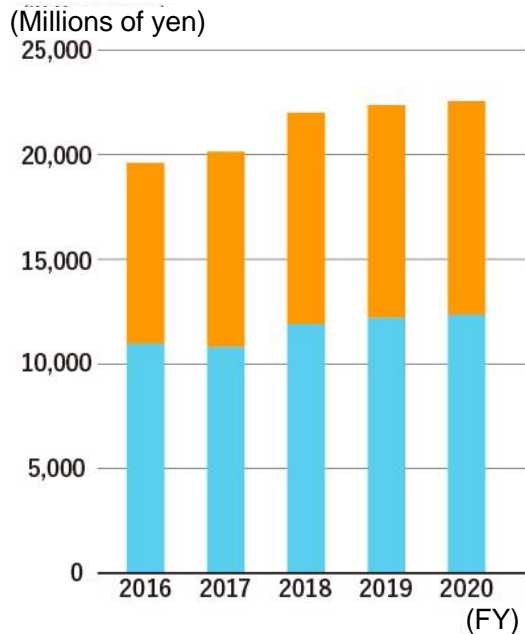
Environmental Systems Business

- Continued growth in energy-saving needs at environmental systems facilities
- Increased focus on energy creation, partly due to introduction of FIP system

Trends in Major Investment Items

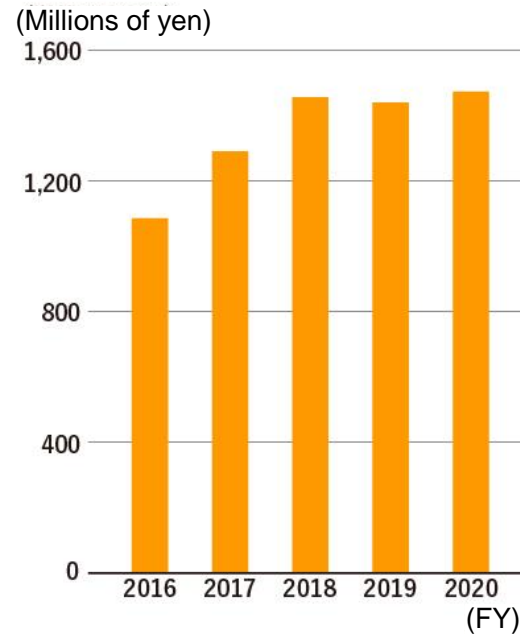
Human capital investment (non-consolidated)

■ Cost price ■ SG&A costs



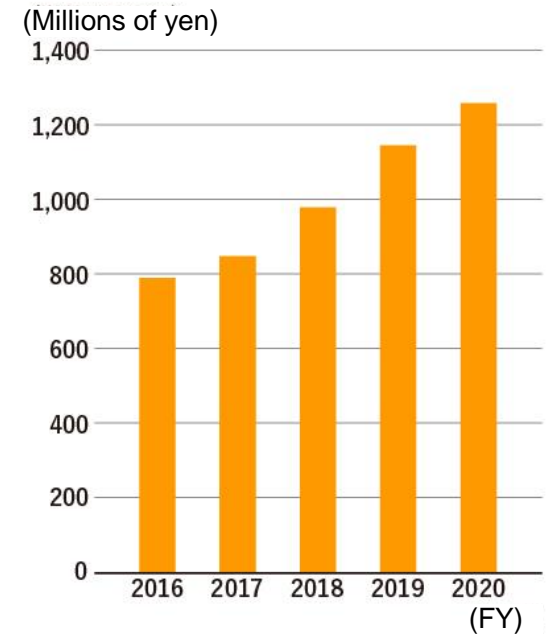
Note: SG&A costs include education and training expenses

R&D investment (non-consolidated)



Note: Includes labor costs

ICT investment (non-consolidated)



Note: Includes computer and CAD training costs



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 at the time of disclosure. Actual results may differ from the figures contained herein due to a number of factors.

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