

Status of the Medium-Term Management Plan “Century 2025” Phase 3 (FY2022–2025)

Fiscal 2022 marked the start of the Medium-Term Management Plan “Century 2025” Phase 3 (FY2022–2025). In this phase, we are working to achieve maturity and evolution for the Key Initiatives we have been implementing in Phases 1 and 2, while adding and promoting new measures for enhancing the Company’s quality and reliability. Here we report on the status of Sanki Engineering’s initiatives as we strive ever harder to become the company of choice, the goal of our long-term vision.

Phase 3 Targets and First-Year Results

	Phase 3 Targets by FY2025	FY2022 Results	Difference
Net sales	220.0 billion yen	190.8 billion yen	-29.2 billion yen
Gross profit (ratio)	36.0 billion yen (16.5%)	27.0 billion yen (14.2%)	-9.0 billion yen (-2.3 pt)
Ordinary profit (margin)	12.0 billion yen (5.5%)	6.2 billion yen (3.3%)	-5.8 billion yen (-2.2 pt)

	Phase 3 Targets FY2022–FY2025	FY2022 Results
Ordinary profit margin	5.0% or higher	3.3%
Dividend policy	Dividend payout ratio of 50% or more Annual dividend per share of 70 yen or more	Dividend payout ratio of 87.4% Annual dividend per share of 75 yen
Acquisition of treasury stock	About 5 million shares*	1.5 million shares (cumulative total of 1.5 million shares during the plan period)
ROE	8.0% or higher	5.1%
Growth investment	About 20.0 billion yen*	3.2 billion yen (cumulative total of 3.2 billion yen during the plan period)

*Cumulative total during the plan period



Phase 1 Enhance Quality

- Strengthen Core Businesses**
Improve component technologies and achieve stable growth
- Promote Growth Strategies**
Pursue future growth in the areas of technology and business
- Enhance the Sanki Brand**
Develop human resources that possess the Sanki spirit

FY 2016–2018

Refining Technical Skills and Human Resources to Enhance Quality

Phase 2 Enhance Reliability

- Further Pursue Quality**
 - Improve construction productivity
 - Meet energy-saving and labor-reduction needs
 - Promote technological research and development
 - Continue to receive orders for stock projects
 - Create better work conditions
 - Improve internal communication
- Disclose Financial and Capital Policies**
- Strengthen Information Dissemination Capabilities**

FY 2019–2021

Maturity and Evolution of Measures to Enhance Quality and Reliability

Phase 3 Company of Choice

- Contribute to the Sustainability of Society**
- Accelerate Work Style Reforms**
- Invest toward the Next Era**

FY 2022–2025

*The ESG Policy in Phase 2 has evolved into the Sustainability Policy in Phase 3.

Status of Key Initiatives

Measures Carried Over from Phase 1 → Maturity and Evolution of Measures to Enhance Quality

In Phase 3, we will continue to work on the three measures as we have done in Phase 1 and 2 to further improve quality.

Measure 1 Strengthen Core Businesses

Facilities Construction Business
Received many orders for large-scale urban redevelopment projects and life cycle engineering* projects to build a legacy for the future in semiconductor- and automobile-related fields
*Sanki’s concept to target the entire life cycle of buildings

Facility Systems Business
Developing new services aimed at expanding capacity in collaboration with a startup company

Plants & Machinery Systems Business

Machinery Systems Business

Developed and launched new products targeting the logistics market.

Environmental Systems Business

The AEROWING aeration system for water treatment facilities is well received worldwide.

Measure 2 Promote Growth Strategy

- Delivered an AI waste crane system to CleanHill Tenzan
 - Participated in the Ministry of the Environment FY2022 Decarbonized Resource Recycling Business Demonstration Project Utilizing Digital Technology
 - Received orders for energy-saving aeration systems for a large-scale water treatment facility in Australia
 - Selected for the Ministry of Land, Infrastructure, Transport and Tourism FY2022 Breakthrough by Dynamic Approach in Sewage High Technology Project FS*
- *Feasibility study

Measure 3 Enhance the Sanki Brand

- Continued to support environmental conservation in Antarctica
- Launched the Earth MIRAI Project to explore new technologies
- Continued to support the Earthquake Recovery Project

Measures Carried Over from Phase 2 → Maturity and Evolution of Measures to Enhance Reliability

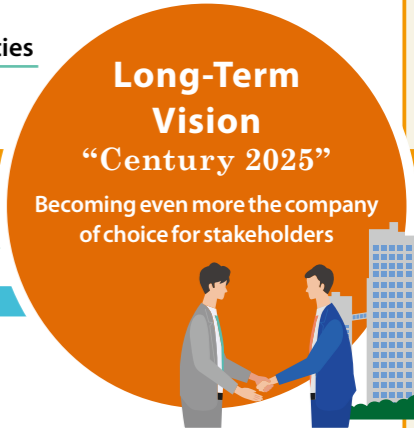
We will focus on further raising awareness of Sanki Engineering measures under Phase 2 to broaden the understanding of our stakeholders.

Measure 1 Disclose Financial and Capital Policies

- Provided stable and sustainable returns for stakeholders

Measure 2 Strengthen Information Dissemination Capabilities

- Implemented bus-wrap advertising



New Measures from Phase 3 → Enhance the Company’s Quality and Reliability

In Phase 3, which will mark the culmination of our long-term vision, we are implementing new measures for achieving sustainable future growth.

Measure 1 Contribute to the Sustainability of Society

- Strengthened the SANKI YOU Eco Contribution Point System
- Began supplying electricity sourced from renewable energy (solar power) for the Sanki Techno Center and Yamato Product Center
- Certified by CDP as an A List company
- Joined the Ministry of the Environment 30by30 Alliance for Biodiversity
- Established and disclosed the Sanki Engineering Group Human Rights Policy

Measure 2 Accelerate Work Style Reforms

- Introduced a new personnel system, extending the retirement age to 65, actively promoting young employees, and raising starting salaries
- Launched the new Career Return Program
- Renewed Company uniforms to create more comfortable working environments

Measure 3 Invest toward the Next Era

- Invested 3.2 billion yen out of the total four-year investment budget of 20.0 billion yen.
- Engaged in M&A to promote BIM
- Decided on the construction of a clean room inside the Yamato Product Center to develop clean room products
- Positioned human capital investment, ICT investment, and R&D investment as investment toward the future
- Made capital investments for decarbonization based on Sanki’s carbon-neutral declaration

Materiality and KPIs for Phase 3 (FY2022–2025)

Materiality	KPIs for Phase 3 (FY2022–2025)	FY2022 Results	
Contribute to a carbon-free society	<ul style="list-style-type: none"> Scope 1, 2 emissions: 40% reduction from FY2020 levels* Scope 3 emissions: 10% reduction from FY2020 levels* Reduce CO₂ emissions based on the SANKI YOU Eco Point system by an additional 30% compared to the three-year average from FY2018 to FY2020* 	<ul style="list-style-type: none"> Scope 1, 2 emissions: 5.34kt-CO₂ (34% reduction from FY2020 levels) Scope 3 emissions: 3.93Mt-CO₂ (36% reduction from FY2020 levels) 97% increase compared to the three-year average from FY2018 to FY2020 	
	<ul style="list-style-type: none"> Rate of childcare leave taken: male 50%, female 100% Raise the ratio of women in managerial positions to 3.0% by April 2026 Promotion of younger employees <ul style="list-style-type: none"> Average age of managers (reduce by one year from average age levels as of April 2022 by April 2026): Manager 45.8, General Manager 50.2, Executive Manager 53.5 Monitoring based on employee satisfaction survey: maintain at least a 90% ratio of respondents who wish to continue working at the Sanki Engineering Group 	<ul style="list-style-type: none"> Male 10.7% (44.6% by including Sanki Engineering's own leave program), female 100% 2.5% (as of April 2023) Average age of managers (as of April 2023): Manager 46.4, General Manager 51.8, Executive manager 54.1 Survey not conducted (FY2021 response ratio: 91.6%) 	
Pursuit of happiness for colleagues	<ul style="list-style-type: none"> Respond to Japan's revised Labor Standards Act in 2024 	<ul style="list-style-type: none"> Average additional work hours Construction work: 42.2 hours per person (3.9% decrease from FY2021), other work: 17.4 hours per person (3.9% decrease from FY2021) Average number of paid leaves taken Construction work: 10.6 days per person (8.2% increase from FY2021), other work: 13.2 days per person (11.8% increase from FY2021) 	
	<ul style="list-style-type: none"> Attendance at corporate ethics training including human rights issues: 100%* 	<ul style="list-style-type: none"> Attendance at corporate ethics training: 99% 	
Use engineering to build a comfortable environment	<ul style="list-style-type: none"> Implementation (market launch) of open innovation based research outcome: 5 projects Decide on a research field to be explored under the Earth MIRAI Project: 20 projects to be conducted in 4 years* 	<ul style="list-style-type: none"> Joint research with universities and research institutions: 13 projects Collaborative projects with private and venture enterprises: 19 Employee research applications: 122 projects (132 themes) 	
Create new social value	<ul style="list-style-type: none"> Contribute to society by supporting sports and the arts Sports: maintain 4 programs per year Arts: maintain 2 programs per year Support for cultural activities: maintain 1 program per year 	<ul style="list-style-type: none"> Sports: 10 programs Arts: 2 programs Support for cultural activities: 1 program 	
Stable earnings and stronger business base	Facilities Construction Business	<ul style="list-style-type: none"> Number of serious accidents: 0 Incidents involving suspension of production: 0 Implement root-cause analysis of problems and complaints within five years following the completion of construction work: 100% Report on root-cause analysis: 4 times per year 	<ul style="list-style-type: none"> Number of serious accidents: 0 Incidents involving suspension of production: 0 Problems and complaints within five years following the completion of construction work: 42, of which root-cause analysis implemented: 71% (12 continuations out of 30 incidents) Report on results of root-cause analysis made to the Quality Risk Committee: 4 times per year
		<ul style="list-style-type: none"> Implement preventive measures to achieve zero accidents involving suspension of operations Creation of safety education materials reflecting accident tendencies: at least 2 sets of materials each in the east and west regional blocks per year Hold exchange between the east and west regional blocks: at least 2 times a year 	<ul style="list-style-type: none"> Accidents involving suspension of operations: 5 Creation of safety education materials: 2 sets of materials each for east and west regional blocks Cross-patrols between east and west regional blocks: 2 occasions
	Facility Systems Business	<ul style="list-style-type: none"> Safety education conducted for staff of subcontractors and supporting staff: 100% 	<ul style="list-style-type: none"> Safety education conducted for staff of subcontractors and supporting staff: 100%
		<ul style="list-style-type: none"> Develop digital and robotic technologies related to construction: 5 projects per year Actual cases of application of developed technology: 5 projects per year 	<ul style="list-style-type: none"> FY2022 development themes: 6 projects Actual application of developed technology: 2 projects
	Machinery Systems Business	<ul style="list-style-type: none"> Large-scale projects based on business headquarters system: 5 	<ul style="list-style-type: none"> Large-scale projects based on business headquarters system: 3
		<ul style="list-style-type: none"> Orders received for consulting/facility engineering: 400 million yen Orders received for projects related to NeWSICT (Next Work Style with ICT): 500 million yen Orders received for project management and construction work resulting from consulting and other sales approaches: 2.1 billion yen 	<ul style="list-style-type: none"> Orders received for consulting/facility engineering: 140 million yen Orders received for projects related to NeWSICT: 160 million yen Orders received for project management and construction work resulting from consulting and other sales approaches: 1.08 billion yen
	Environmental Systems Business	<ul style="list-style-type: none"> Net sales of robot systems: 5.0 billion yen (cumulative) 	<ul style="list-style-type: none"> Proposals for facilities using robots: 14 Net sales of robot systems: 550 million yen
		<ul style="list-style-type: none"> Orders received (cumulative): AEROWING: 3.6 billion yen, G3 decanter centrifuge: 2.0 billion yen, fluidized bed incinerator: 2 units AQUACONSULT: net sales of 1.2 billion yen 	<ul style="list-style-type: none"> Orders received (cumulative): AEROWING: 800 million yen, G3 decanter centrifuge: 1 unit, fluidized bed incinerator: 0 units Net sales: 1.37 billion yen
	Other	<ul style="list-style-type: none"> Raise labor productivity based on DX, Smile Plan, and other initiatives Annual work hours per person (hours per person per year): 1,951 (FY2025) 	<ul style="list-style-type: none"> Annual work hours per person: 2,015 per year (reduction of 19 hours, down 0.93% year on year)
		<ul style="list-style-type: none"> Investments for the next era (decarbonization technology, automation and labor-saving technologies, LCE business, DX): 20.0 billion yen* 	<ul style="list-style-type: none"> Total: 3.2 billion yen
<ul style="list-style-type: none"> Payout ratio: 50% or more* 		<ul style="list-style-type: none"> Payout ratio: 87.4% 	
<ul style="list-style-type: none"> Annual dividend per share: 70 yen or more* 		<ul style="list-style-type: none"> Annual dividend per share: 75 yen 	
<ul style="list-style-type: none"> Acquisition of treasury stock over the term of Phase 3: about 5,000,000 shares* ROE: 8.0% or more* 		<ul style="list-style-type: none"> Acquired 1,500,000 shares ROE: 5.1% 	

Note: KPIs with an asterisk are for the Sanki Engineering Group, while all others are non-consolidated.