

Message from the Chief Financial Officer

Now that we are able to secure profits consistently,
we will invest in growth toward the next era.



Yoshio Kawabe | Director, Managing Executive Officer, General Manager of the Accounting Division, and Chief Financial Officer

Providing Stable and Continuous Returns to Shareholders

Phase 3 of the Medium-Term Management Plan "Century 2025" was launched in fiscal 2022, and we have returned profits to shareholders and invested in growth in line with our new management targets. Fully aware that the ongoing implementation of these measures will depend on posting stable profits, we will work to secure higher profit margins by collaborating with each business department with due consideration to risks such as the recent surge in raw material prices.

With regard to our capital policy, providing stable and continuous returns to stakeholders will remain a key mission in fiscal 2023. While shareholder returns will still be centered on dividends, we will also systematically acquire and cancel treasury stocks by keeping an eye on the status of profits and dividends. Additionally, we will constantly seek to improve payment terms for our business partners.

In Phase 3, we set our ROE at 8.0%. In addition to paying stable dividends and acquiring treasury stocks, we will review our cross-shareholdings to improve the efficiency of our cost of capital. Gross profit is the most important indicator for increasing our return on capital, and in Phase 3, investments in growth will be made to further increase profit. Although our Price Book-value Ratio is currently below 1x, these measures will be firmly implemented and information will be actively disseminated to raise public recognition of Sanki Engineering and improve our stock price.

Extending Current Investments into Future Growth Drivers

As our efforts to enhance the Company's quality and reliability in Phases 1 and 2 have enabled us to consistently secure profits, I believe that now is the right time to actively invest for the next era. Specifically, we have set aside a total of 20 billion yen for growth investment during Phase 3. Of this amount, in fiscal 2022, we invested 3.2 billion yen in growth, including the M&A of a company with expertise in BIM. Looking ahead, we will introduce solar power generation at Sanki Engineering Group companies toward achieving carbon neutrality and promote

collaboration with startup companies in the Facility Systems Business, which we have positioned as a growth business.

As for cash flow, despite fluctuations due to property sales, we have secured adequate working capital. We also have sufficient equity capital and are in position to provide stable returns to shareholders. With due consideration for achieving the optimal capital structure, we will proceed to implement our 20 billion yen investment and apply leverage, depending on the nature of specific investments.

Simultaneously Improving Corporate, Social, and Environmental Value

Our most important management resource is our human resources. Investment in human resources is essential for extending our business beyond the technology and expertise we have gained so far and achieving further development.

From the perspective of sharpening our competitive edge, social investment is just as important as diligently working to achieve our performance targets for Phase 3. Given that Sanki Engineering's business is directly linked to decarbonization and conservation of the global environment, we have declared that our mission is to improve corporate value while also improving environmental and social value at the same time. We will strive to achieve sustainable corporate growth so as not to betray the stakeholder trust we have built up over the years.

Investments for the Next Era

- 1 ICT investment
- 2 Human capital investment
- 3 R&D investment
- 4 M&A investment
- 5 Capital investment

FY2022

Invest a total of
3.2 billion yen out of the
20.0 billion yen growth
investment budget for
the Phase 3 period