

**/ We strive to realize a sustainable society through businesses that are kind to people and the environment.**

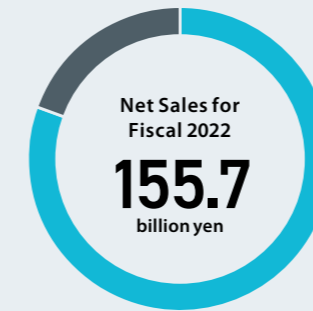
**Eiji Mitsuishi**

Director, Senior Executive Officer and General Manager of the Mechanical & Electrical Contracting Headquarters

In the Facilities Construction Business, we provide comfortable environments for buildings, factories, public facilities, and other structures through total engineering that combines diverse component technologies. We conduct business by always listening to society and continuously refining our technologies, firmly committed to conserving energy and resources, and achieving our goals for decarbonization. Meanwhile, in the pursuit of happiness for colleagues, which includes our subcontractors, we will first take on the pressing task of adapting to Japan's revised Labor Standards Act, rebuild a robust business foundation by implementing DX, and engage in other initiatives to change our work system toward the ultimate goal of realizing a sustainable society.

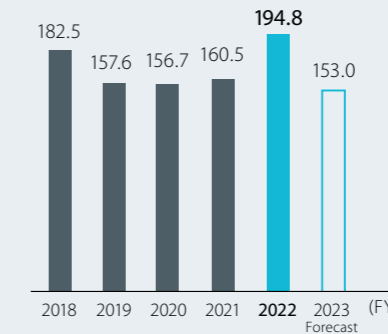


Net Sales Composition Ratio **82%**

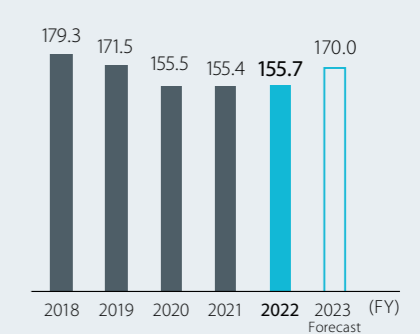


\*Includes the results of the Facility Systems Business.

Orders Received (Billions of Yen) **194.8 billion yen**



Net Sales (Billions of Yen) **155.7 billion yen**



## Facilities Construction Business

### Opportunities and Risks in the Business Environment

- Increased demand for environmentally sound facilities for realizing a decarbonized society
- Expanded investments in manufacturing facilities for semiconductors, batteries, and other products, and in data centers
- Expanded demand for building renewal arising from urban redevelopment
- Increase in materials and labor costs, and delayed delivery of materials and equipment
- Staff shortages, including at subcontractors, in the face of increasingly large-scale properties

### Key Initiatives of the Medium-Term Management Plan "Century 2025" Phase 3

#### Key Initiatives for Strengthening the Business Foundation

##### Key Initiative 1 Improve construction quality

Strengthen the Company-wide division of labor system for construction work and enhance construction quality by promoting occupational health and safety in unison with the Health and Safety Cooperative Association.

##### Key Initiative 2 Improve productivity

Reduce the workload of site managers and improve operational efficiency by promoting the Smile Site Plan and DX in construction management, pass down technical skills, and increase productivity through human resource development.

##### Key Initiative 3 Boost competitive strength

Boost competitive strength by using the Sales Force Automation systems and information sharing to clarify and more accurately respond to customer needs, implement thorough cost and delivery time management through the collection of procurement data for materials and equipment, and develop technologies in collaboration with the R&D Center.

### KPIs for Medium-Term Management Plan "Century 2025" Phase 3

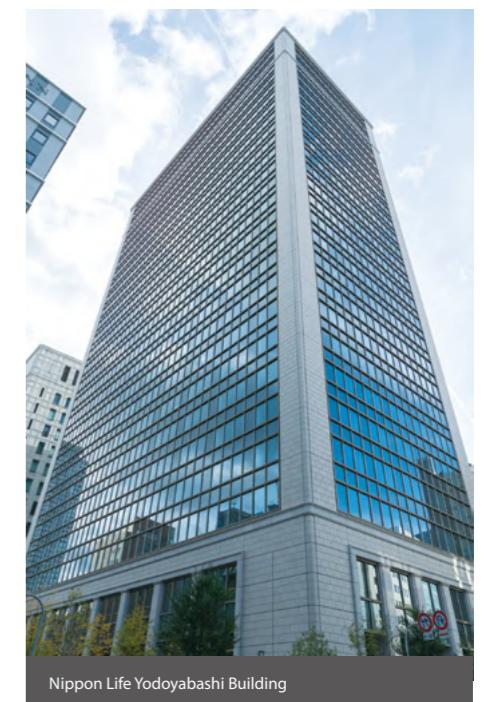
	FY2025 Targets	FY2022 Results	Evaluation
Number of serious accidents	0	0	◎
Incidents resulting in suspending production	0	0	◎

### Major Results for Fiscal 2022

- Value of orders received increased due to large construction projects and secured ample carryover to the next fiscal year. Net sales remained flat year-on-year due to postponed plans and construction schedule delays. Profit decreased due to carried over sales, soaring prices of materials and equipment, and rising labor costs.
- While reinforcing the exchange of information on delivery dates and cost of materials and equipment, we also promptly placed orders related to projects received to minimize the risk of price fluctuations for materials and equipment.
- We focused on reducing problems and complaints within five years after the completion of construction. We also improved design accuracy by conducting design reviews and checking other companies' blueprints, and avoided passing on problems to the construction site by undertaking relevant activities during review meetings held at the start of construction. In addition, we conducted true cause analysis of problems to prevent recurrence.
- We strengthened Company-wide collaboration and an onsite support system as part of activities for promoting the Smile Site Plan\*. Sales representatives developed risk reviews for relevant sections on construction conditions, personnel aspects, and construction schedules. We also boosted productivity by promoting the use of ICT at both construction sites and support departments, and operated the sales support system to share information.
- We actively offered proposals to customers on the use of energy-saving technologies as part of our effort to promote the SANKI YOU Eco Contribution Point system, which contributes to reducing customer CO<sub>2</sub> emissions, and 249 proposals were adopted by customers.

#### Major Projects

- ▶ Nidec Corporation Mukomachi Project Building C (HVAC and plumbing systems/new construction work)
- ▶ Nippon Life Yodoyabashi Building (HVAC, plumbing, and electrical systems/new construction work)
- ▶ Toyota Technical Center Shimoyama (plumbing and electrical systems/new construction work)
- ▶ Otemachi Nomura Building (HVAC/renovation work)
- ▶ Yamagata Prefectural Shinjo Hospital (HVAC/new construction work)
- ▶ SUMCO TECHIV Nagasaki Plant No. 6 Building (HVAC, plumbing, and electrical systems/extension work)



\*The Sanki Engineering Group's own work style reform measures targeting construction sites.

## Status of Business Operations and Future Outlook toward Achieving Phase 3

### Accelerate Work Style Reforms by Promoting the Smile Site Plan

To prepare for the enactment of Japan's revised Labor Standards Act in April 2024, we will promote the Smile Site Plan to simultaneously improve onsite capabilities and quality and reduce the workload of construction managers through active use of ICT tools and digital transformation. Since we have a particularly large number of ongoing construction projects in fiscal 2023, we will maintain a close exchange of information to ensure effective collaboration between the headquarters organization, branches and branch offices, and construction sites, and will regularly check the status of each. Partnerships with subcontractors will be strengthened to cooperatively accelerate work style reforms, and we will grasp the respective working conditions and workload status of each site manager while appropriately adjusting onsite staffing as needed.

### Handling Large-Scale Urban Redevelopment Projects and Growth Areas Such as Semiconductor Manufacturing Facilities

As the scale of urban redevelopment projects and manufacturing facilities for semiconductors, batteries, pharmaceuticals, and other products continues to grow, more projects will require a Company-wide response based on the collaborative efforts of sales, design, and engineering. For projects involving the entire Company, we share information within the associated business division, adjust personnel planning with due consideration for construction areas and periods, establish construction systems, and provide backup for construction work and procurement

to ensure an appropriate response for each property. In growth areas where we expect continued investment, we view our active participation in projects as an opportunity to incorporate cutting-edge technologies and expertise, which will lead to gaining more stock projects in the future.

### Strengthening the Promotion of DX across Divisions

We are bolstering our digital infrastructure by taking into account ongoing operational improvements and new systems of work. We will further strengthen DX promotion across divisions, from raising the efficiency of sales activities and administrative operations in the field to increasing productivity by improving the efficiency of construction work. At our existing construction sites, we are converting design and construction drawings into 3D drawings using the BIM software Rebro and promoting the use of point-cloud 3D scanning. Furthermore, we will develop digital tools and robot-related technologies to secure construction quality and save labor in site management by creating a database of drawings produced to date for advanced BIM operations such as digital twinning.

### Promoting Project Proposals that Contribute to Carbon Neutrality and Technological Development

In addition to presenting customers with renovation and operation proposals for energy conservation, we will also work on new areas such as hydrogen energy. At the same time, we will advance the development of new technologies that meet society's needs for energy conservation and energy creation, thereby strengthening our ability to make proposals.

## Focus

### Installing Optimal HVAC Facilities for the Respective Roles of Each Area

#### Renovation and Upgrading Work for the Yamagata Prefectural Shinjo Hospital

As a member of a consortium handling HVAC facilities work, Sanki Engineering was in charge of construction for a renovation and upgrading project at the Yamagata Prefectural Shinjo Hospital, the only designated core hospital in the Mogami region of Yamagata Prefecture. We installed various equipment for removing the heat load, adjusting room pressure, and securing cleanliness in accordance with the roles and characteristics of each area and room in the hospital. For dialysis rooms in particular, where patients stay for long periods of time, we introduced our proprietary MEDIFORT® air conditioning system that controls airflow to provide comfort to patients lying on beds by preventing drafty conditions. Furthermore, in operating rooms, intensive care units, and sterile rooms, we constructed a system that circulates fresh air

and room air through high-performance dust removal filters to maintain a high level of cleanliness. We will continue to play our part in constructing safe and secure medical facilities by integrating Sanki's diverse facilities technologies.



Yamagata Prefectural Shinjo Hospital