




Supply Chain

Basic Philosophy

The Sanki Engineering Group Code of Conduct and Action Guidelines stipulate that we promote free market competition and engage in fair, equitable, and transparent transactions with all business partners. Moreover, under the Procurement Policy, Human Rights Policy, Multi-Stakeholder Policy, and Environmental Policy, we endeavor to build trust with our business partners to jointly provide high-quality systems and services to customers.

 Sanki Engineering Group Procurement Policy
<https://www.sanki.co.jp/en/csr/social/scm/>

 Multi-Stakeholder Policy
<https://www.sanki.co.jp/en/csr/governance/multistakeholder/>

 Sanki Engineering Group Human Rights Policy
<https://www.sanki.co.jp/en/csr/social/human-rights/>

 Sanki Engineering Group Environmental Policy
<https://www.sanki.co.jp/en/csr/environment/management/>

Building Fair, Equal, and Transparent Business Relationships

● Overview of Our Procurement Structure for Materials and Equipment and Our Procurement Management System

The procurement cost of materials and equipment used by Sanki Engineering for construction work is approximately 46.0 billion yen, with domestic suppliers representing the source for nearly all procurement.

The role of the procurement department includes contributing to profit by reducing costs and supporting orders, building and managing procurement databases, and collecting and disclosing information on material and equipment price trends and delivery dates. As the prices of materials and equipment surged and delivery delays continued due to global factors, including the COVID-19 pandemic and semiconductor shortage, the department raised the level of coordination with construction sites, thereby facilitating advance order placement and prompt in-house sharing of delivery information, among other efforts that have helped prevent or mitigate procurement risks.

● Thoroughly Ensuring Fair and Equitable Transactions

We engage in fair, equitable, and transparent transactions with all business partners in accordance with the Sanki Engineering Group Procurement Policy. Moreover, in the Multi-Stakeholder Policy, the representative director and president declares his commitment to the Partnership Building Declaration. In the fiscal 2022 trade environment shaped by marked increases in labor, raw material, and energy costs, we strengthened risk management by appropriately reflecting costs to suppliers and preventing violations of the Antimonopoly Act concerning the “abuse of dominant bargaining position.” Furthermore, our basic contract includes provisions on product safety, quality control, intellectual property, legal compliance, and the exclusion of anti-social forces.

● Operation of Internal Whistleblowing Hotlines

In order to prevent improper transactions, we operate a Corporate Ethics Hotline that is available for anyone to use. Information is provided on the Company website.

● Promoting Green Procurement

As part of our environmental management, Sanki Engineering procures goods that comply with Japan’s Act on Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities (Green Purchasing Act) and confirms the aggregate result.

Procurement Policies (excerpt)

1. Fair Market Competition and Trading
2. Protection of the Global Environment
3. Contribution to Society through Business Activity
4. Respect for Human Rights
5. Information Security Risk Management
6. Development of Partnerships

Major Components of the Partnership Building Declaration

- **Co-existence and co-prosperity across the entire supply chain and collaborations beyond scale and affiliation**
 - Strengthening of relationship via the Health and Safety Cooperative Association
 - Opening of the training facility for public use and support for human resource development
- **Compliance with the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises**
 - Appropriate determination of price, and negotiations
 - Considerations for payment terms
 - Not demanding the free transfer of intellectual property rights
 - Preventing any negative impact associated with work-style reform or other factors

 **P. 84** Whistleblowing System

Major Regulation-Compliant Goods Procured by Sanki Engineering

- Lighting equipment
- Transformers and condensers
- HVAC equipment

Raising the Efficiency of Procurement Operations

As part of our work style reform initiatives, the Procurement Division is focusing on raising the efficiency of procurement operations in the procurement and technical departments at each site of the Facility Construction Business by encouraging the adoption of a centralized ordering method based on exchanging data with major business partners and with a one-stop work-sharing* system that handles everything from price negotiations to ordering operations. In fiscal 2022, the Procurement Division widened the range of its centralized order placement and applied the one-stop work-sharing system to more business bases, thereby further easing workloads and improving productivity at construction sites.

Moreover, we digitized some operations by introducing online systems for placing orders to suppliers and allowing them to issue progress billings. Group companies began using these functions in fiscal 2022. As we had previously moved our own billing system for suppliers to the cloud for greater convenience, this meant that by fiscal 2022, 95% of all orders made by Sanki Engineering Co., Ltd. were processed electronically.

We continue to promote digital transformation for more efficient procurement.

Training for Procurement Staff

We provide monthly learning and presentation opportunities for procurement staff to promote appropriate procurement activities and enhance their purchasing, negotiating, and management skills. We also strive to develop their competence and knowledge through support as needed for the obtaining of registered qualifications for certified procurement professionals, construction business accountants, and fundamental information technology engineers, apart from education on fair trading and respect for human rights among other compliance and sustainability issues.

Strengthening Cooperation with Business Partners

Exchange of Views with Business Partners

We visit our major business partners and hold meetings to exchange opinions. We select the partners we visit each year according to their relative importance to our business and the monetary value of transactions. In fiscal 2022, we visited 26 equipment and materials manufacturers and specialized construction companies to exchange opinions. The discussions covered a wide range of topics, including sustainability initiatives, price and delivery date information, and their requests to Sanki Engineering, which will be incorporated into future procurement activities.

Providing Assessment Feedback to Business Partners

To raise quality and improve operations across the supply chain, we annually survey the status of our business partners and, as part of this initiative, assess their safety management. We pay visits to provide them with feedback on the assessment results and exchange information on improvements as needed to enhance their safety management capabilities.

Joint Improvement Activities with Subcontractor Groups

Sanki Engineering has established subcontractor groups at each branch, branch office, and division as part of our effort to bolster our construction system. In addition to monthly liaison meetings, we implement joint labor-saving projects and hold seminars to enhance technical skills and thoroughly enforce quality management and supervision of safety and health at construction sites. Moreover, we review the status of safety and health management and offer guidance by dispatching employees to



Procurement WEB

*A system in which a procurement department handles everything from price negotiations to ordering operations.

Main Themes of Online Study Sessions, Frequency, and Cumulative Participation (Fiscal 2022)

- **Basics of procurement, accounting, and sustainability issues including the environment and human rights**
Frequency: 21 sessions
Participation: 357 (100%*)
- **Critical thinking and self-development, communication skills improvement, and business skills**
Frequency: 40 sessions
Participation: 274 (100%*)
- Total**
Frequency: 61 sessions
Participation: 631 (100%*)

*Attendance rate among target employees

Main Topics in the Opinion Exchange Meeting (FY2022)

- CSR procurement
- Sustainability initiatives
- Trends in prices and project delivery schedules
- Requests to distributors
- Transactions with Sanki Engineering, etc.



Health and Safety Training

provide safety and health education as well as courses on obtaining qualifications and by conducting joint patrols.

In July 2022, the Sanki Health and Safety Cooperative Association held block meetings, with the association divided into eastern (seven cooperatives) and western (four cooperatives) blocks. It also held a national conference in January 2023. These were attended by a total of 26 employees from the Group and 31 from subcontractor groups. Sanki Engineering directors, including our chairman and president, also attended the meetings and stressed the importance of maintaining and improving safety awareness throughout the Group, including business partners. Led by subcontractors directly involved in construction, the meeting is expected to raise awareness about disaster prevention.

Awards Programs

We established the Sanki Super Meister System to certify and commend foremen of Group subcontractors whose superior construction techniques have significantly contributed to elevating the quality of our construction work and also the Sanki Best Partner Program to commend subcontractors who have significantly contributed through their superior levels of management and construction skills, and for having consecutive years of zero accidents. We provide subsidies designed to encourage further quality improvements to subcontractors to which the certified foremen belong, from the standpoint of promoting consistent contributions to quality improvements at construction sites.

Initiatives for Maintaining and Upgrading the Technical Skills of Subcontractors

To support subcontractors in the development of their technical skills, we subsidize the acquisition of qualifications, and we have been publicizing the system during Central Safety and Health Committee meetings to encourage its use. We have promoted the creation of a mechanism for enhancing technical skills based on collaboration between Sanki Engineering and subcontractors, in which the Sanki Techno Center is also used to train new hires and mid-career employees of subcontractors. Furthermore, as part of our technical training program, new hires at Sanki Engineering receive guidance from employees of subcontractors.

Providing Support to Stabilize the Management of Subcontractors

We revised the terms of payment to subcontractors with capital of under 40 million yen in fiscal 2019 and switched to making all payments in cash. Additionally, we have shortened the payment site for electronically documented payables for suppliers, including subcontractors with capital of at least 40 million yen from 120 days to 60 days starting in fiscal 2022. This is one of the financial and capital policies in the Medium-Term Management Plan "Century 2025" Phase 3.

Number of Sanki Super Meister Award Recipients

- FY2021: 9
- FY2022: 8

Number of Sanki Best Partner Award Recipients

- FY2021: 168
- FY2022: 164



Awards ceremony



Technical skills training by a subcontractor

VOICE

General Level of Safety Management Skills Raised

Sanki Engineering has been continuously and proactively supporting the activities of the Sanki Health and Safety Cooperative Association across Japan. We feel that the visualization of Three as One, a key safety practice that we place particular importance on at construction sites, has been realized through close cooperation between onsite workers, subcontractors, and Sanki Engineering. In response to construction site requests, Sanki Engineering has been organizing a workshop on first response to accidents, helping workers raise their safety management skills across the board.

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