


Human Resources



Basic Philosophy

Recognizing that human capital is the most important management resource for a company's existence and stable growth, we believe that securing and developing human resources is critical and spare no expense to invest in our personnel as the Company's future. With the "pursuit of happiness for colleagues" identified as one of our material issues and under the management philosophy of "placing significance on communication and mutual respect," we endeavor to create workplace programs and environments in which all employees grow with the Company, respect individuality, and are able to succeed and thrive.

 Smile Work Guideline (Workplace Environment and Human Resource Development)
<https://www.sanki.co.jp/en/csr/social/smile-project/>

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

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

Sanki Engineering's Human Resource Strategy and Management System

● Human Capital Strategy

In the context of Phase 3 actions with new indicators and targets based on the Human Resource Development Policy and Company Environment Improvement Policy, we are accelerating work style reforms and securing, nurturing, and allocating diverse human resources in line with our business strategy. Moreover, as stipulated in Multi-Stakeholder Policy, we are committed to human capital investment and sustainably giving back to them.

• Developing Human Resources

We believe that the Company's growth is driven by the various employee viewpoints and values that reflect the rich variety of their experiences, qualifications, and attributes. We therefore promote diversity in our workplace, properly evaluate the skills of each individual employee, and provide suitable education and training. We also strive to ensure the diversity of core personnel as well as equal opportunities for promotion to managerial positions.

• Improving Company Environment

We endeavor to create a working environment and a corporate culture in which all employees grow with the Company, respect individuality and are able to succeed and thrive. We support employee work-life balance and manage business with due consideration for employee well-being. We also seek to raise employee engagement by emphasizing communication with them.

● Structure and New Personnel System

As one of the key measures for becoming the "Company of Choice" under the Medium-Term Management Plan "Century 2025" Phase 3, we launched a new personnel system to improve employee comfort and satisfaction in April 2022.

The launch involved defining and streamlining the organization. We significantly cut back the number of line managers and clarified their responsibilities so they could better concentrate on their managerial tasks, and then we revised our compensation system to reward employees for high performance in their own fields of specialization, which in turn enabled us to place the right people in the right jobs. We plan to conduct interviews in all branches and branch offices in fiscal 2023 to verify the effects of the revision, and we increased wages in fiscal 2022 by 4.6% (compared to fiscal 2021) to improve employee working conditions.

Measure for Phase 3: Accelerate Work Style Reforms

- Continuation of the Smile Project, led by top management
- Reform of the personnel system centered on the active appointment of young people and extension of the retirement age
- Utilize DX to balance improvements in quality and productivity with reduced working hours
- Secure and nurture human resources with due consideration for diversity

Indicators and Targets for Human Resource Development Scope: Non-consolidated

- Active promotion of younger employees

Indicator	Target (April 2026) Actual values as of April 2023 in Parentheses
Average age of those in managerial positions	Managers: 45.8 years old (46.4 years old) General managers: 50.2 years old (51.8 years old) Executive managers: 53.5 years old (54.1 years old)

- Acceleration of diversity

Indicator	Target (April 2026) Actual results for April 2023 ^{*1} in Parentheses
Ratio of women in managerial positions	16.4% (15.5%)
Ratio of non-Japanese employees	3.0% (2.5%)
Ratio of female employees	1.7% (1.2%)

Indicators and Targets for Company Environment Improvement Scope: Non-consolidated

Indicator	Targets (FY2025) Results for FY2022 in Parentheses
Employee satisfaction survey	Maintaining the ratio of respondents who want to keep working for the Group at 90% or more ^{*2}
Rate of childcare leave taken	Male: 50% (10.7% ^{*3}) Female: 100% (100%)

*1 Aggregated on a different date from that for the Employee Data on page 70.

*2 Not conducted in FY2022. The FY2021 response rate was 91.6%.

*3 44.6% of the Company's own leave programs.

Ensuring Diversity in Human Resources and Promoting Careers

Respecting Diversity in Employment and Recruiting High-Level Human Resources

We seek to bring on board human resources that differ in gender and nationality as well as in talent and personality. Staff from the sales, design, technology, and other divisions join the Human Resources Department to ensure fairness based on multiple perspectives. Hiring criteria for fiscal 2022 were based on findings from interviews with the president, officers in charge, and the managers of direct departments to continuously and proactively hire people from a wide variety of backgrounds.

As of the end of March 2023, there were 184 mid-career hires in managerial positions (on a consolidated basis). In fiscal 2022, we introduced an exclusive hire contract system for R&D and other jobs requiring high-level expertise to secure correspondingly high-level human resources.

Securing Human Resources through the Return to Career Program

To increase the diversity our working environment and more flexibly accommodate career development, we changed part of our Return to Job program and renamed it as Return to Career. The revised program, launched in October 2022, allows voluntarily retired employees to return to work and significantly relaxes other restrictions.

Promoting Women's Careers

We formulated an action plan based on the Act of Promotion of Women's Participation and Advancement in the Workplace to create an environment in which our female employees can continuously develop their careers and have since implemented related measures. Our wages and promotion opportunities to managerial positions are solely based on employee competence or performance as fairly evaluated free from gender-based discrimination.

Gender Wage Gap (FY2022)¹ (%)

Gender wage gap		Non-consolidated		Consolidated		
		All workers	Regular workers ²	Part-time/fixed-term workers	All workers	Regular workers ²
	All workers	60.8	61.0			
	Regular workers ²	59.8	60.7			
	Part-time/fixed-term workers	51.8	50.9			

Career Change System

In 2019, we established new career types, namely the career-track position and operational position, and introduced a system that allows employees to switch between these career paths. Job relocation is excluded from the requirements for the career-track position, and the system is designed to enable a wider range of employees to thrive. In fiscal 2022, four employees changed their career type for a work style that better suits their particular stage in life.

Creating Workplaces for Persons with Disabilities

We continue to hire persons with disabilities and are working to create an environment in which they can work comfortably over long periods. As of June 2022, the employment ratios of persons with disabilities were 2.24% and 1.51% on a non-consolidated and consolidated basis, respectively. As of June 2023, the employment ratio of persons with disabilities was 2.28% on a non-consolidated basis. In recruiting, we expanded our channels and at the same time matched applicants with each department and provided care upon acceptance.

Extension of Retirement Age and Post-Retirement Reemployment System

We have extended the retirement age to 65 as of April 2022. In conjunction with the introduction of an optional retirement age system, employees will receive full

Number of Non-Japanese Employees (as of March 31, 2023) (Consolidated)

The U.K., Thailand, Vietnam, Peru, Russia, South Korea, China, Austria, and Malaysia

128 people from 9 countries (male: 101, female: 27)



Employees of Thai Sanki Engineering

Website on the Promotion of Women's Active Engagement in Professional Life and Support for their Work-Life Balance (Ministry of Health, Labour and Welfare of Japan)

<https://positive-ryouritsu.mhlw.go.jp/> (Japanese only)

Action Plan Based on the Act of Promotion of Women's Participation and Advancement in the Workplace

Plan period: April 1, 2021 to March 31, 2026
Scope: Non-consolidated

Goals	Results in FY2022 ³
1. Increase the average length of service for women by 10% or more from April 2021	14.3 years (5.9% increase)
2. Raise the ratio of women in managerial positions ⁴ to the construction industry average of 3%	2.5% (1.6 percentage point increase)

*1 Calculated in accordance with a provision stipulated in the Act on the Promotion of Women's Active Engagement in Professional Life.

*2 Includes operational positions.

*3 As of April 1, 2023. In the parentheses are changes from April 1, 2021.

*4 Aggregated on a different date from that of the number of managers referred to on page 70.

Employment rate of persons with disabilities (non-consolidated) as of June 1, 2023

2.28%

Improvement of Workplace Environment

- Problem-solving seminars and opinion exchange sessions for employees who are hearing impaired
- Management training to promote understanding among managers
- Installing lamps in all offices that bear evacuation instructions for hearing-impaired employees in the event of a disaster
- Providing closed captioned presentations during Web-based training and financial results briefings

retirement benefits from age 60 to 65, even if they retire at their own request. In addition to improving the treatment of those about to retire, we are doing the same for those who are rehired under the reemployment system. Employees may also choose to be reemployed between the ages of 60 and 65. In fiscal 2022, we reemployed 172 retired employees on a consolidated basis.

Developing and Evaluating Human Resources

Personnel System for Workplaces Where People Can Grow

Our personnel system ensures equal opportunity as well as fair evaluation and treatment for all employees while supporting employee initiatives for self-directed career development. Individual interviews and a mentor system are introduced for younger employees.

Once a year, all employees fill in a Career Development Sheet and receive feedback through an interview with their supervisors. To collect their opinions, we have another system that allows employees to bypass their superiors and speak directly with the Human Resources Department depending on the content of the sheet. Moreover, we have several employee award programs, including the president's commendation for boosting our technological capabilities and raising employee motivation, such as the Best Employee Award, Yano Technology Prize, and Award for Construction Method/Operation Improvement, as well as other programs including long service awards (25 and 50 years).

Education and Training Systems

We maintain training systems associated with each career path, such as management training, technical training, and training by field of expertise, in order to strengthen specialized, technical, and management skills. We take advantage of the Sanki Technology Center to conduct various training programs.

Training Systems

	Younger Employees	Mid-Career Employees	Executives
Management Training	New employee training Second-year training Fourth-year training Seventh-year training	Leadership position training Management candidate training Section chief training	Department manager training
Safety Training	New employee training Qualification training Safety experiential training		
Corporate Ethics Training	Corporate ethics training Mid-career staff training		
Technical Training	Qualification training Technical experiential training		
	Facilities Construction	New employee training Third-year construction work training Sixth-year construction work training Ninth-year construction work training	
Plants & Machinery Systems	Qualification training		
	New employee training Inspector education Training on our products and systems		
Quality & Environment System Training	ISO 9001/ISO 14001 New employee training Mid-career staff training Education to develop internal auditors		

Personnel Systems Designed for Younger Employees

- Individual interviews by personnel managers in the third and fifth year of service
- Mentor system

Smile Work Guideline (Human Resource Development Guideline)

<https://www.sanki.co.jp/en/csr/social/smile-project/>



Awarding long years of service (25th year)

Average education and training costs per employee in FY2022 (consolidated)

55,000 yen/year

Employee Engagement

Questionnaire on the Working Environment and Individual Interviews

We gather opinions from employees about their workplace through a periodic questionnaire along with another questionnaire conducted by employees union, and we refer to their comments while creating a better working environment.

In fiscal 2022, prior to the launch of the revised personnel system, the Human Resources Department conducted individual face-to-face interviews with general managers and managers, seeking their opinions about the personnel system. We continue to maintain direct dialogue with employees to deepen mutual understanding and use their feedback to design personnel systems and training programs.

Century Communication Up Discussion Events

Since fiscal 2016, we have been holding Century Communication Up (CCU) discussion events in accordance with the Century 2025 long-term vision. Opinions and proposals obtained through the CCU have been applied to improving our operations and systems. In April 2022, we organized a new employee CCU to provide an opportunity for face-to-face dialogue between new employees and executive officers.

Sound Employer-Employee Relationships

We consider labor-management dialogues as a key channel to invest in human resources and continuously improve employee treatment. The Human Resources Department and employees union at Sanki Engineering meet monthly to discuss improvements in the working environment and operation of Company systems. Also, we provide the employees union with opportunities to present their proposals or requests to management and have been implementing measures based on the dialogues. For instance, we held labor-management exchanges in order to discuss and determine the fiscal 2022 wage increases.

Promoting Work Style Reform

Promoting the Smile Project

Sanki Engineering launched the Company-wide Smile Project, led by the president, in fiscal 2015 to promote work style reform. We have been implementing initiatives across the Company to create a better working environment. In fiscal 2017, we set up the Smile Site Plan, a committee dedicated to construction sites. In addition, we worked on efforts to lessen the operational load of construction managers and enhance capabilities and quality at our construction sites. In fiscal 2020, we launched the Smile Plan, consisting of four subcommittees, to establish a system that enables all departments to work together as one. Moreover, under the Medium-Term Management Plan "Century 2025" Phase 3, a KPI is set up to eliminate overtime work exceeding the limit stipulated in the revised Labor Standards Act. As a result of these efforts, we were rated 3 on a scale of 5 stars in the 6th NIKKEI Smart Work Management Survey, which selects advanced companies that challenge the productivity revolution through work style reform.

Measures on Health and Productivity Management

Understanding that reducing long hours of work is a primary consideration for managing employee health and productivity, we engage in activities for maintaining and improving employee well-being in tandem with other work style reforms. Apart from measures for reducing workloads and raising productivity, we carry out health improvement activities, conduct periodic stress checkups and identify the sources of

Results of a Questionnaire Survey on the Working Environment

Survey period: 2021
Participants: all Group employees

Do you think that the Sanki Engineering Group's business is contributing to society?

Yes 98.6%



New employee CCU with executive officers



Certified as 3 stars in the NIKKEI Smart Work Management Survey

Major Initiatives of the Smile Project

- Clarify work responsibilities by reviewing the personnel system
- Follow up with employees who work long hours based on stress check results
- Raise efficiency by introducing a cloud-based accounting system

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Initiatives for Ensuring Quality at Construction Sites



Health & Productivity Management Organization 2023

stress through third-party assessment, provide employees with industrial physician advice for improving their life-style habits, and implement health-related campaigns using a pedometer app as well as other projects. Moreover, a 24-hour toll-free health consultation service is in place to offer advice on health, medical, nursing, and childcare issues for employees and their families. The service was set up outside the Company, and caller privacy is strictly protected.

We have been certified as a Health & Productivity Organization 2023 (Large Enterprise Category) in recognition of those efforts, by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.

Promoting Work-Life Balance

We have been augmenting our programs in response to employee requests for broad support of a healthy balance of work and personal life so both male and female employees can continue to work with a sense of security while attending to various life events. In addition, we are promoting improvement of the environment that enables flexible work styles by reviewing our work and leave programs.

In fiscal 2022, we reviewed our Return to Job program and also conducted an online seminar and individual consultation on nursing care for employees across Japan. Furthermore, we introduced a new rule to expand the options of our postpartum paternity leave in response to revisions to the Act on Childcare Leave and Caregiver Leave, thereby allowing employees on paternity leave to work for a certain period of time even during the leave at their request.

Acquiring the Kurumin Mark and Recognition for Supporting Childcare by the City of Nagoya

In 2015, Sanki Engineering was granted an update for the Kurumin mark, a certificate granted by the Tokyo Labor Bureau of the Ministry of Health, Labour and Welfare and based on the Act on Advancement of Measures to Support Raising Next-Generation Children, for meeting certain criteria as a company supporting childcare. In 2014, the Chubu Branch became the first construction equipment company to be recognized by the City of Nagoya as a company supporting childcare, and the certification was updated in 2017.



Stretching class at Sanki Techno Center

FY2022 rate of paid leave taken (consolidated)

61.6%

Average monthly overtime work per person (consolidated)

27.4 hours



The Kurumin mark for support of raising next-generation children

City of Nagoya certification for companies supporting childcare

Major Programs Supporting Work-Life Balance (Non-consolidated) (as of April 2023)

Area	Program	Details
Work	Refresh leave	Five consecutive days of leave for each five-year period of employment using employee's reserved leave.
	Consecutive leave for construction managers	Three consecutive days of leave after staying at a construction site for more than six months or before moving to another site.
	Half day/hourly off	Paid leave for half a day or by the hour.
	Anniversary leave	A planned paid leave on special dates for employees or their families, requested at the start of the fiscal year.
	Sanki Smile Day	The Company's own Premium Friday, a scheme based on that launched by the Japanese government. Employees are encouraged to take a full or half day of paid leave on monthly payday and avoid overtime.
	Reserved leave	The use of reserved days off for childcare, nursing, or volunteer activities.
	Telecommuting and telework system	Aims to improve operational efficiency and business continuity during childcare and nursing care or in the event of emergencies such as natural disasters and pandemics.
	Sliding work hours	Employees can slide the start and end times forward or back for business or non-business reasons insofar as this does not interfere with their work.
Childcare and nursing care	Return to Career program	Employees who have left the Company for unavoidable reasons can apply for reinstatement.
	Childcare leave	Can be obtained for the requested period of time up to when the child turns one year old.
	Nursing leave	Can be obtained five times for up to 180 days per person on nursing leave.
	Shortened work hours	Employees caring for children or other family members can apply for shortened or sliding work hours. In the case of childcare, the program applies to children up to the third grade of elementary school.
	Support for childcare leave and reinstatement	An interview is held with the supervisor before and after applying for childcare leave.
	Special childcare/nursing leave	Can be obtained multiple times and up to 20 days in total for childcare and nursing care.
Postpartum paternity leave	Those on paternity leave can work during the leave only if they have requested to do so and with Company permission.	



Environment



Social



Governance

Number of Employees on Leave and Work Hours

		FY2018			FY2019			FY2020			FY2021			FY2022		
		Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Childcare leave ^{*1}	Consolidated	7	11	18	9	27	36	7	33	40	10	32	42	7 (26)	13	20 (39)
	Non-consolidated	7	9	16	7	24	31	7	27	34	9	30	39	6 (25)	12	18 (37)
Rate of childcare leave taken ^{*1} (%)	Consolidated	-	-	-	-	-	-	-	-	-	-	-	-	43.3	100.0	53.4
	Non-consolidated	-	-	-	-	-	-	-	-	-	-	-	-	44.6	100.0	54.4
Reinstatement after childcare leave (%)	Consolidated	100.0	88.9	93.8	100	96.3	97.2	100.0	100.0	100.0	100	93.8	95.2	100.0	100.0	100.0
	Non-consolidated	100.0	88.9	93.8	100	100	100	100.0	100.0	100.0	100	100	100	100.0	100.0	100.0
Nursing leave (people)	Consolidated	1	0	1	1	1	2	0	0	0	0	0	0	1	0	1
	Non-consolidated	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1
Rate of paid leave taken (%)	Consolidated	54.0	76.1	57.1	54.3	76.3	57.4	53.4	67.1	55.3	53.2	69.7	55.6	58.8	77.9	61.6
	Non-consolidated	53.0	74.2	55.9	51.9	74.4	55.1	52.5	65.8	54.5	52.4	69.5	55.0	58.2	77.9	61.4
Average monthly overtime work ^{*2} (hours per person)	Consolidated	-	-	-	37.4	14.7	34.3	31.7	12.3	29.0	31.7	11.8	29.6	30.0	12.4	27.4
	Non-consolidated	35.0	14.7	32.0	34.5	13.6	31.3	33.0	13.3	29.9	33.0	12.8	29.7	31.6	13.7	28.8

Employee Data (as of March 31 of Each Fiscal Year)

		FY2018			FY2019			FY2020			FY2021			FY2022		
		Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Employees																
Number of employees	Consolidated	2,072	322	2,394	2,152	349	2,501	2,190	358	2,548	2,226	381	2,607	2,244	383	2,627
	Non-consolidated	1,694	273	1,967	1,705	287	1,992	1,740	308	2,048	1,770	326	2,096	1,753	320	2,073
Number of non-Japanese employees	Consolidated	-	-	-	-	-	-	91	22	113	84	25	109	101	27	128
	Non-consolidated	-	-	-	-	-	-	17	6	23	19	5	24	20	5	25
Number of managers ^{*3}	Consolidated	630	7	637	676	9	685	683	11	694	672	13	685	687	18	705
	Non-consolidated	556	5	561	556	5	561	567	7	574	567	9	576	580	14	594
Average age ^{*2}	Consolidated	44.5	38.2	43.7	44.7	38.3	43.8	44.7	38.8	43.8	44.7	39.0	43.9	43.8	39.2	43.1
	Non-consolidated	43.9	37.1	43.0	44.1	37.6	43.2	44.2	38.0	43.2	44.2	38.2	43.2	43.0	38.3	42.3
Average years of service ^{*2}	Consolidated	17.3	13.0	16.7	17.3	12.9	16.7	17.5	13.2	16.9	17.6	13.3	17.0	16.7	13.6	16.2
	Non-consolidated	19.0	13.9	18.3	19.3	14.1	18.5	19.4	14.0	18.6	19.5	14.2	18.6	18.5	14.7	17.9
Employment																
Number of new recruits	Consolidated	-	-	-	70	15	85	73	18	91	79	20	99	82	6	88
	Non-consolidated	71	9	80	67	15	82	70	18	88	76	19	95	78	5	83
Number of mid-career hires	Consolidated	-	-	-	32	13	45	26	13	39	25	12	37	30	3	33
	Non-consolidated	4	2	6	7	8	15	5	9	14	5	3	8	5	0	5
Number of rehired employees after retirement	Consolidated	223	9	232	229	11	240	212	12	224	216	10	226	165	7	172
	Non-consolidated	161	5	166	169	8	177	173	9	182	176	10	186	124	6	130
Rate of persons with disabilities ^{*4} (%)	Consolidated	-	-	1.89	-	-	1.94	-	-	1.77	-	-	1.82	-	-	1.51
	Non-consolidated	-	-	1.93	-	-	1.97	-	-	1.99	-	-	2.10	-	-	2.24
Turnover rate due to personal reasons ^{*5} (%)	Consolidated	-	-	-	-	-	-	1.7	2.2	1.8	2.4	3.5	2.6	2.0	3.1	2.2
	Non-consolidated	-	-	-	-	-	-	1.5	1.6	1.5	1.7	2.3	1.8	1.7	2.7	1.9

*1 The numbers in parentheses for childcare leave, the male rate of childcare leave taken, and the total for childcare leave taken in fiscal 2022 are calculated by including the Company's own leave programs.

*2 The figure for FY2021 was retrospectively revised.

*3 The figures for the years from FY2018 to FY2021 were retrospectively revised due to a change in the aggregation method under the revised personnel system.

*4 As of June 1 of each fiscal year.

*5 Ratio of retired employees to all employees in each fiscal year.

Employees by Age (as of March 31, 2023)

	10s			20s			30s			40s			50s			60s			70s			Total
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	
Consolidated	8	0	8	404	97	501	468	111	579	492	94	586	631	65	696	232	16	248	9	0	9	2,627
Non-consolidated	8	0	8	354	87	441	384	100	484	344	72	416	490	51	541	171	10	181	2	0	2	2,073