

Status of the Medium-Term Management Plan

“Century 2025” Phase 3 (FY2022–2025)

We completed the second year of our Medium-Term Management Plan “Century 2025” Phase 3 (FY2022–2025) and have now reached the halfway point toward the final year of the plan. In the current phase, we are working to achieve maturity and evolution for the Key Initiatives we have been implementing in Phases 1 and 2, while introducing new measures for enhancing the Company’s quality and reliability. We plan to further increase corporate growth to become the company of choice, the goal of our long-term vision.

Phase 3 Targets and Results					
Phase 3 Targets by FY2025		FY2022 Results		FY2023 Results	
Net sales	220.0 billion yen	Net sales	190.8 billion yen	Net sales	221.9 billion yen
Gross profit (ratio)	36.0 billion yen (16.5%)	Gross profit (ratio)	27.0 billion yen (14.2%)	Gross profit (ratio)	34.6 billion yen (15.6%)
Ordinary profit (margin)	12.0 billion yen (5.5%)	Ordinary profit (margin)	6.2 billion yen (3.3%)	Ordinary profit (margin)	12.7 billion yen (5.7%)
Phase 3 Targets FY2022–FY2025		FY2022 Results		FY2023 Results	
Ordinary profit margin	5.0% or higher	Ordinary profit margin	3.3%	Ordinary profit margin	5.7%
Dividend policy	Dividend payout ratio of 50% or more Annual dividend per share of 70 yen or more	Dividend policy	Dividend payout ratio of 87.4% Annual dividend per share of 75 yen	Dividend policy	Dividend payout ratio of 51.3% Annual dividend per share of 85 yen
Acquisition of treasury stock	About 5 million shares*	Acquisition of treasury stock	1.5 million shares (cumulative total of 1.5 million shares during the plan period)	Acquisition of treasury stock	1.42 million shares (cumulative total of 2.92 million shares during the plan period)
ROE	8.0% or higher	ROE	5.1%	ROE	9.2%
Growth investment	About 20.0 billion yen*	Growth investment	3.2 billion yen (cumulative total of 3.2 billion yen during the plan period)	Growth investment	2.7 billion yen (cumulative total of 5.9 billion yen during the plan period)
		(Breakdown)		(Millions of Yen)	
		ICT investment	1,086		331
		Human capital investment	504		951
		R&D investment	887		959
		M&A investment	255		17
		Capital investment	456		491

*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
 - 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 Reform**
- 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 PP. 33–35

- Developed next-generation clean rooms for semiconductor and EV battery manufacturing facilities
- Engaged in initiatives for reducing overtime work by streamlining site operations through the use of DX
- Established the Design & Engineering Division to handle larger and more specialized properties

Facility Systems Business PP. 36–37

- Expanded consulting service offerings
- Strengthened the total integration business of building ICT
- Expanded onsite information and the communication infrastructure business
- Collaborated with a startup company to boost the productivity of office design operations

Plants & Machinery Systems Business PP. 38–41

- Machinery Systems Business**
 - Expanded marketing of sorting systems for the logistics market
 - Constructed a clean room at the Yamato Product Center and began development and manufacturing of high value-added products
- Environmental Systems Business**
 - Restructured the operations of Group companies to enhance expertise and become more efficient and competitive

Measure 2 Promote Growth Strategy

- Developed a BIM computation coordination platform
- Received the FY2023 Local Invention Commendation for the Chugoku Region
- Selected for the Ministry of Land, Infrastructure, Transport and Tourism FY2023 Applied Research on Sewage
- Adopted a feasibility study for the FY2024 Breakthrough by Dynamic Approach in Sewage High Technology Project of the Ministry of Land, Infrastructure, Transport and Tourism
- Launched the Earth MIRAI Project to explore new technologies
- Worked with startup companies in an acceleration project

Measure 3 Enhance the Sanki Brand

- Continued to support environmental conservation in Antarctica
- Continued to support the Earthquake Recovery Project

Long-Term Vision “Century 2025”

Becoming even more the company of choice for stakeholders



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
- Disclosed cost of shareholder equity

Measure 2 Strengthen Information Dissemination Capabilities

- Designated as a DX Certified Business Operator by Japan’s Ministry of Economy, Trade and Industry

Measures Carried Over 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

- Expanded recipients of donations from the SANKI YOU Eco Contribution Point System
- Certified by CDP as an A List company for the second consecutive year
- Continued to participate in the Ministry of the Environment 30 by 30 Alliance for Biodiversity
- Launched the PPA project at the Sanki Techno Center and Yamato Product Center
- Began the application process for SBT* certification

*Science Based Targets are greenhouse gas reduction targets that certified by the SBTi, an international climate action organization, as targets that meet levels set by the Paris Agreement.

Measure 2 Accelerate Work-Style Reform

- Raised salary levels and increased benefits
- Formulated the SANKI DX Vision

Measure 3 Invest toward the Next Era

- Invested 5.9 billion yen out of the total five-year investment budget of 20.0 billion yen.
- Started operating a clean room for developing conveyors at the Yamato Product Center
- Made capital investments for decarbonization based on Sanki’s Carbon-Neutral Declaration

Promoting the Earth MIRAI Project

The Earth MIRAI Project is underway to explore new technologies as part of our efforts to promote growth strategies, a key initiative of the Medium-Term Management Plan “Century 2025” Phase 3.

We are engaged in a Group-wide effort that invites all employees to propose ideas for shaping the future from the perspective of new and unique comfort. We consider the 100th anniversary of our founding in 2025 as a milestone representing the shift toward further increasing corporate growth by pursuing new technologies and business areas to shape the next 100 years.

Earth MIRAI Project

The first stage of the Earth MIRAI Project was launched in fiscal 2023, with employees submitting a total of 122 ideas for new technologies and concepts aimed at opening up new business areas, drawing upon our existing technologies. After interviews with applicants and a voting process, four projects were selected, and a camp was organized for discussions. Camp participants exchanged ideas, refining them to clearly align with the goal of delivering value. The results were then reported at the Management Meeting in January 2024. As the next step, an external organization is currently conducting a survey to explore feasibility.

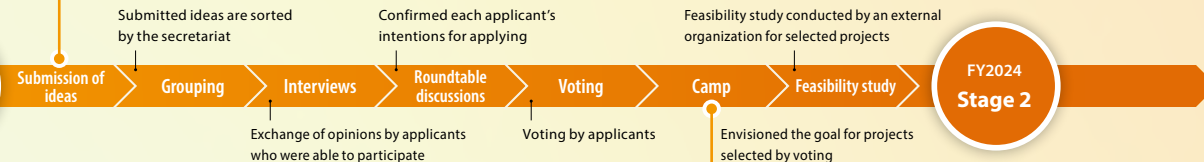
Status of Applications for Stage 1

Number of applications: 122 Number of applicants: 82 Number of themes: 43

Projects selected through voting

- 1 Proposal for unit-based facilities for closed-space environments
- 2 Provision of site management tools for improving productivity and customer satisfaction
- 3 Direct Air Capture (DAC, carbon dioxide capture)
- 4 Expanded number of suitable sites for biomass gasification and power generation technology, utilization of waste heat and exhaust gas

Stage 1

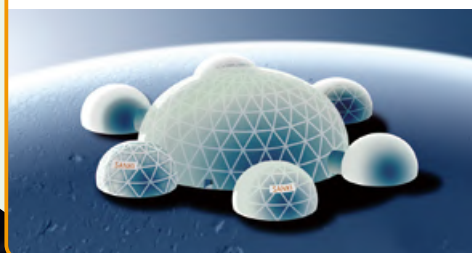


PROJECT 1 Living on the Moon Some Day—Development of Unit-Based Facilities for Closed-Space Environments

Space travel is expected to become normal in the near future, and there could be one million immigrants to Mars by 2050. In anticipation of such times, we proposed providing facility units in which people could live comfortably inside enclosed environments on Earth that mimic space. The Sanki Engineering Group currently provides environmental test chambers for objects and animals. We will explore the development of enclosed facility units that could be used as training facilities for space



travelers to further expand this business by taking advantage of the technology we have cultivated to date.



President Ishida also participated in the camp.

PROJECT 2 Developing Productivity-Boosting Tools to Facilitate Operational Reforms at Construction Sites

Regulations on long working hours in the construction industry have recently spurred the development of tools to support staff at construction sites. Additionally, the Sanki Engineering Group aims to develop a construction management platform that could eventually become the de facto standard in the industry and thereby improve operational efficiency for onsite managers. As a total engineering company involved in a wide range of businesses, we believe the Sanki Engineering Group is uniquely positioned to develop tools that broadly support work-style reform.



Materiality and KPIs for Phase 3 (FY2022–2025)

Materiality	KPIs for Phase 3 (FY2022–2025)	FY2023 Results
Contribute to a carbon-free society	● Scope 1, 2 emissions: 40% reduction from FY2020 levels *	● 5.50 kt-CO ₂ (41% reduction from FY2020 levels)
	● Scope 3 emissions: 10% reduction from FY2020 levels *	● 4.08 Mt-CO ₂ (36% reduction from FY2020 levels)
	● Reduce CO ₂ emissions based on the SANKI YOU Eco Point system by an additional 10% compared to the three-year average from FY2018 to FY2020 *1	● 16% increase
Pursuit of happiness for colleagues	● Rate of childcare leave taken: male 50%*2, female 100%	● Male 74% (90% by including Sanki Engineering's own leave program), female 100%
	● Raise the ratio of women in managerial positions to 3.0% by April 2026	● 2.4% (as of April 2024)
	Promotion of younger employees ● 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	● Manager 46.7, general manager 52.2, executive manager 54.3
	● Monitoring based on employee satisfaction survey: maintain at least a 90% ratio of respondents who wish to continue working at the Sanki Engineering Group*3	● Ratio of engagement survey respondents who said they wish to continue working at the Sanki Engineering Group: 91.7%
	● Respond to Japan's revised Labor Standards Act in 2024	● Average monthly overtime work Construction work: 39.7 hours per person (5.9% decrease from FY2022) Other work: 16.3 hours per person (6.3% decrease from FY2022) ● Average number of paid leaves taken Construction work: 11.8 days per person (11.3% increase from FY2022) Other work: 14.0 days per person (6.1% increase from FY2022)
Use engineering to build a comfortable environment	● Attendance at corporate ethics training including human rights issues: 100% *	● 100% (attendance including Individuals who did not participate due to reasons such as maternity leave and medical treatment: 97.4%)
	● Implementation (market launch) of open innovation-based research outcome: 5 projects	● Joint research with universities and research institutions: 18 projects ● Collaborative projects with private and venture enterprises: 15 ● Collaborations with startup companies: 5 companies
Create new social value	● Decide on a research field to be explored under the Earth MIRAI Project: 20 projects to be conducted in 4 years *	● Selected 4 research fields (explored trends in technology and markets, and other areas)
	Contribute to society by supporting sports and the arts ● Sports: maintain 4 programs per year	● 8 programs
	● Arts: maintain 2 programs per year	● 2 programs
Stable earnings and stronger business base	● Support for cultural activities: maintain 1 program per year	● 1 programs
	Facilities Construction Business ● Number of serious accidents: 0	● 3
	● Incidents involving suspension of production: 0	● 2
	● Implement preventive measures to achieve zero accidents involving suspension of operations	● 4
	● Creation of safety education materials reflecting accident tendencies: at least 2 sets of materials each in the east and west regional blocks per year	● Creation of safety education materials: 3 (2 sets of materials each for east and west regional blocks, 1 set for the national conference)
	● Hold exchange between the east and west regional blocks: at least 2 times a year	● 3
	● Safety education conducted for staff of subcontractors and supporting staff: 100%	● 100%
	● Develop digital and robotic technologies related to construction: 5 projects per year	● FY2023 development themes: 7 projects
	● Actual cases of application of developed technology: 5 projects per year	● 5 projects
	● Large-scale projects based on business headquarters system: 5	● 5 projects
Facility Systems Business	● Orders received for consulting/facility engineering: 400 million yen	● 110 million yen
	● Orders received for projects related to NeWSICT (Next Work Style with ICT): 500 million yen	● 100 million yen
	● Orders received for project management and construction work resulting from consulting and other sales approaches: 2.1 billion yen	● 1.1 billion yen
Machinery Systems Business	● Net sales of robot systems: 5.0 billion yen (cumulative)	● 1.9 billion yen
Environmental Systems Business	● Orders received (cumulative): AEROWING: 3.6 billion yen, G3 decanter centrifuge: 20 units, fluidized bed incinerator: 2 units	● AEROWING: 400 million yen, G3 decanter centrifuge: 2 units, fluidized bed incinerator: 1 unit
	● AQUACONSULT: net sales of 1.2 billion yen	● 1.39 billion yen
Other	Raise labor productivity based on DX, Smile Plan, and other initiatives ● Annual work hours per person (hours per person per year): 1,951 (FY2025)	● 2,005 per year (reduction of 10 hours, down 0.5% year on year)
	● Investments for the next era (decarbonization technology, automation and labor-saving technologies, LCE business, DX): 20.0 billion yen *	● Approximately 2.7 billion yen (cumulative total during Phase 3 period: 5.9 billion yen)
	● Payout ratio: 50% or more *	● 51.3%
	● Annual dividend per share: 70 yen or more *	● 85 yen
	● Acquisition of treasury stock over the term of Phase 3: about 5,000,000 shares *	● Acquired 1,420,000 shares in FY2023 (cumulative total during Phase 3 period: 2,920,000 shares, remaining 2,080,000 shares to be acquired during FY2024–2025)
	● ROE: 8.0% or more *	● 9.2%

Scope: KPIs marked with an asterisk (*) apply to the Sanki Engineering Group, while the rest apply to Sanki Engineering on a non-consolidated basis.

*1 The indicator had been based on the three-year average from fiscal 2020 to 2022, but since we significantly exceeded the targets, it was updated to the most recent three-year average, starting in fiscal 2023.

*2 Since we achieved the target rate for childcare leave taken by male employees in fiscal 2023, a new target rate of 100% has been set, starting in fiscal 2024.

*3 We designated engagement scores as a new human capital KPI starting in fiscal 2024.