

Facilities Construction Business



I assumed the post of General Manager of the Mechanical & Electrical Contracting Headquarters on April 1, 2024. Since joining the Company, I have participated in many projects in the Facilities Construction Business across Japan. Throughout my experience in this work, which has also involved sales, design, and construction, I have been building relationships of trust by developing closer ties with customers. Starting in 2019, as I turned my attention to the overall future of the Facilities Construction Business, I encouraged cross-divisional business management with the goal of aligning the operation of businesses undertaken by each site in Japan. As a result, I have established a solid organizational structure that allows each site to engage in advanced business activities based on a shared understanding. For the Sanki Engineering Group to become the enduring company of choice, the Facilities Construction Business at the core of the Group will consistently meet the needs of society for years to come, as we remain ever mindful of our bond with subcontractors. Also, as every member of the Facilities Construction Business works with the understanding of being an environmental expert with a sense of mission, we will contribute to the sustainability of society as a whole.

In fiscal 2023, net sales and profits remained high due to progress in abundant carry-over construction work and successfully improving profit margins in the face of numerous factors squeezing profits, such as soaring material and labor costs. In terms of orders, our view is we were able to secure a sufficient volume of orders for future growth by conducting sales with due consideration for the overall balance of factors, such as the amount of work to be carried over to fiscal 2024 and subcontractor workload.

Junichi Shimbo

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

Net Sales Composition Ratio

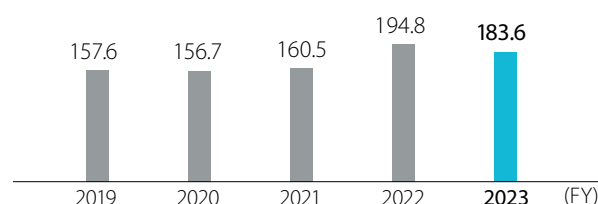
82%

Net Sales for
Fiscal 2023
182.5
billion yen*

*Includes the results of the Facility Systems Business.

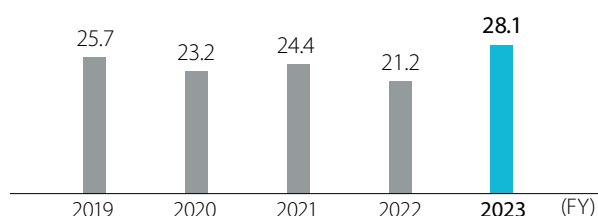
Orders Received (Billions of Yen)

183.6 billion yen



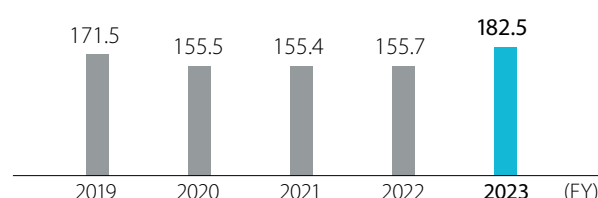
Gross Profit Margin (Billions of Yen)

28.1 billion yen



Net Sales (Billions of Yen)

182.5 billion yen



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, EV batteries, and other products, and in data centers
- Continuation and expansion of redevelopment projects in the Tokyo metropolitan area and core regional cities
- Increase in materials costs caused by fluctuating foreign exchange rates and geopolitical risks
- Increase in labor costs due to work-style reform and shortage of labor
- Staff shortages, including at subcontractors, and lack of specialized construction companies caused by 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.

Major Results for Fiscal 2023

- Focused on manufacturing facilities for semiconductors and EV batteries, which will lead to future growth; both orders and sales were strong.
- Focused on proposing the use of energy-saving technologies to promote the SANKI YOU Eco Contribution Point system, which helps customers reduce CO₂ emissions; 205 proposals were adopted.
- Advanced the development of a labor-saving robotic technology for construction sites through integration with technologies of the Machinery Systems Business.
- Promoted development of super-low dew point dry rooms for semiconductor clean rooms and EV battery manufacturing facilities.
- Promoted the Smile Site Plan toward the application of Japan’s revised Labor Standards Act in fiscal 2024, implemented division of duties based on a Company-wide collaborative system, and reviewed work classifications. In addition, site operations were streamlined through the use of DX.
- Measures were implemented to prevent problems and complaints during and after construction by raising the awareness of site staff, and preventive measures were discussed from the design stage, which resulted in lowering the ratio of problems and complaints to net sales. The cause of problems and complaints that arose were analyzed by the Technical Administration Division, and action was taken to prevent recurrence.
- Strengthened sales activities by utilizing the Sales Force Automation systems introduced in fiscal 2022 to centralize sales information and visualize the progress and flow of sales activities.

- Promoted in-house training at all branches and branch offices to encourage the use of BIM to improve productivity and quality in design and construction work, and expanded hiring at BIM-compatible work sites.

Major Projects

- New Construction of Toyota Industries Corporation Ishihama Plant E02 Plant
- SUMCO TECHXIV Nagasaki Factory N6 Building Extension, 6F Installation Project
- Construction of New Head Office Building for Docon Co., Ltd.
- RIKEN Brain Science Central Research Building Renovation Phase 3 Machinery Construction Project
- Ibaraki City Hall Site Area Maintenance Project
- PHENITEC SEMICONDUCTOR Kagoshima Plant Building 5 3F Cleanroom Conversion Project
- Hokuhoku Sapporo Building New Construction Project



Docon Co., Ltd. Head Office Building

Status of Business Operations and Future Outlook toward Achieving Phase 3

Continuation of work-style reform through Promotion of the Smile Site Plan

Amid the increasingly chronic labor shortage, we will continue our Smile Site Plan to comply with the revised Labor Standards Act, which came into effect in April 2024, and promote further work-style reform at construction sites, including subcontractors. We will also improve construction quality and productivity by actively embracing ICT tools and digital reform, and reduce the workload through systematically allocating personnel to ensure both legal compliance and efficient construction work.

Boosting Competitiveness by Establishing the Business Headquarters System

In April 2024, we established the Design & Engineering Division to oversee the design divisions of each branch and branch office. It will play a central role in technological aspects as a think tank for clients and the Company and will strive to boost competitiveness by raising the level of design divisions nationwide and promoting our handling of large-scale, specialized properties. The Energy Solution Center, which specializes in energy conservation, was transferred to the Design & Engineering Division to promote energy saving proposals that are integrated with facilities construction design.

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

We will continue to propose energy-saving renovation and operation to customers to help achieve carbon neutrality for society as a whole through the SANKI YOU Eco Contribution Point system.

We will steadfastly pioneer in and accumulate cutting-edge technologies for customers by developing optimal HVAC systems for semiconductor clean rooms and super-low dew-point dry rooms for EV battery manufacturing facilities as promising growth industries.

Enhancing Reliability by Securing Construction Quality, Safety, and Labor

In our efforts to become the enduring company of choice, we recognize that we must constantly strive to ensure and improve construction quality, reduce the incidence of problems and complaints, and prevent accidents, which are the key factors directly affect reliability. In addition to enhancing our reliability and brand power based on efficient, quality construction work, we will cooperate with our subcontractors to ensure safety, quality, and labor, thereby strengthening the reliability of the entire Sanki Engineering Group.

Focus

Ensuring Safety and Security with Due Consideration for the Environment Construction of Plumbing Systems for an International Center for Future Medicine

Nakanoshima Qross, an international center for the future of medicine, opened in June 2024 in Nakanoshima, Kita-ku, Osaka City, with the goal of industrializing future breakthroughs in medicine and making an international contribution through the provision of these advances. Sanki Engineering was responsible for constructing the plumbing system for the entire building. The building is composed of various facilities, including the Future Medicine R&D Center, which will house a cluster of companies involved in regenerative medicine as well as startup collaborations involving industry, academia, and medicine; the Future Medicine MED Center, which will provide a location for hospitals, clinics, and other medical institutions; and the Nakanoshima International Forum. The project therefore required constructing water supply and drainage systems to fully accommodate the respective purposes of each facility, securing flow lines inside the hospital, and conducting construction work to ensure that hygiene equipment was properly installed.

The plumbing system was designed to conserve and ensure the efficient use of water resources to protect the environment. To address possible lifeline disruptions in the event of a disaster, the facility is capable of storing approximately 72 hours of tap and non-potable water. We also installed a system to adjust the pH value of laboratory wastewater. Sanki Engineering will maintain its participation in projects that represent significant milestones by constructing state-of-the-art facilities that meet performance expectations with due consideration for the environment as well as safety requirements.



Nakanoshima Qross