

Facility Systems Business

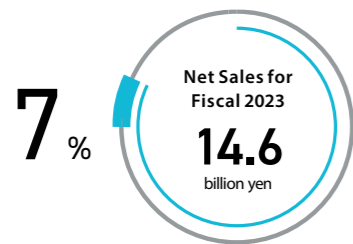


For the nearly three decades since I joined the Company, I have dedicated myself to developing the Facility Systems Business, once positioned as an in-house venture. In fiscal 2023, we reviewed our real estate costs and seized the opportunity to relocate to a more convenient site. We also continued to invest in the development of data centers and distribution centers and achieved steady progress in projects we initiated in fiscal 2022. As a result, we were able to report record-breaking results.

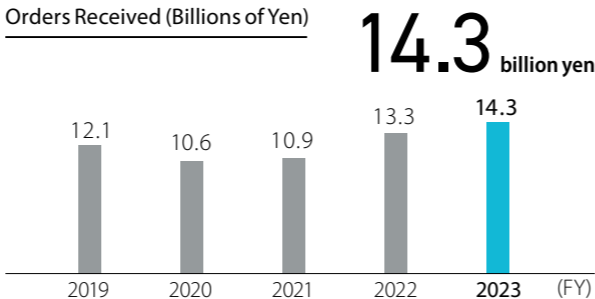
However, in order to transition to a new growth phase, I believe we must solidify our foundations, which include pursuing services and quality that meet customer expectations, raising the engagement of division members, and restructuring our organization. As part of this effort, we have been conducting a trial run with work styles in our own office, which also doubles as a showroom. And I actually feel that this has generated greater opportunities for us to address various social issues from a perspective closer to our customers. The division's mission for fiscal 2023 is to Shaping intangible things comfortable. As society embraces ever diversifying work styles, offices are no longer the "one-size-fits-all" space they used to be. We intend to be the company of choice by working alongside our customers to sincerely address each of their individual issues, and provide comfort that also takes into account the process and aspirations involved in office development.

Takayuki Tsukane Executive Officer, General Manager of the Facility Systems Division

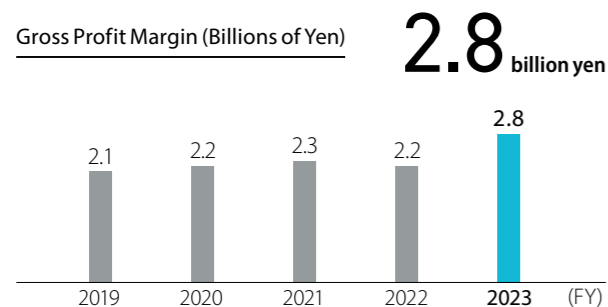
Net Sales Composition Ratio



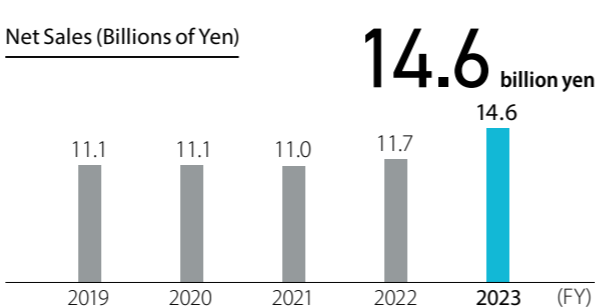
Orders Received (Billions of Yen)



Gross Profit Margin (Billions of Yen)



Net Sales (Billions of Yen)



Opportunities and Risks in the Business Environment

- Changes in work styles resulting from the spread of teleworking and online conferences
- Growing demand for offices as places for face-to-face interaction
- Growing expectations for the total integration business of building ICT using advanced digital technology
- Increased opportunities for reconstructing and reviewing ICT infrastructure driven by DX

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

Facility Systems

- | Key Initiative | Description |
|------------------|--|
| Key Initiative 1 | Expand consulting service offerings |
| Key Initiative 2 | Enhance sales and production structures for business expansion |
| Key Initiative 3 | Deepen existing business areas |

Smart Building Solutions

- | Key Initiative | Description |
|------------------|---|
| Key Initiative 1 | Strengthen the total integration business of building ICT |
| Key Initiative 2 | Expand onsite information and the communication infrastructure business |
| Key Initiative 3 | Nurture specialized engineers |

Major Results for Fiscal 2023

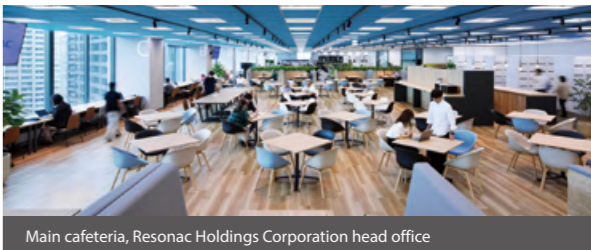
Facility Systems

- Guided by the concept of creating an office that motivates a higher level of work, we relocated to the Shiodome office in September 2023. Customer visits to our office increased by nearly tenfold and have resulted in business transactions.
- Developed services that originate from consulting by effectively harnessing the four elements of systems, cultures, places, and tools, to drive new client development.
- Exhibited the smart office concept at the Digital Construction Expo.
- Worked on business matching with a startup company and initiated a project for creating new services.

Smart Building Solutions

- Leveraging our knowledge as a system integrator, we focused on proposals for adding value to buildings through total integration, and won major projects.
- In the area of building management solutions (instrumentation), we began collaborating with a system engineering company to develop monitoring and

control systems. In the area of network solutions (ICT), we are planning to expand our business scope through collaboration related to data centers.



Major Clients

- Resonac Holdings Corporation (work style consulting, project management for head office relocation, and related construction work)
- Asset management company (project management for head office relocation, and related construction work)
- Building management company (work style consulting and design, project management for head office restructuring, and related construction work)

Status of Business Operations and Future Outlook toward Achieving Phase 3

Develop Services that Originate from Consulting

To further promote proactive sales and proposal activities that originate from consulting, we established a new Consulting & System Business Development Department in April 2024 to consolidate the planning and sales functions of the Facility Systems and Smart Building Solutions businesses. We will encourage active communication across business areas to create new services and develop new clients by leveraging the knowledge and strengths of both businesses.

Develop New Services with Expanded Scope

To develop new services, we will explore possibilities for collaboration with a startup company and expand business through M&A. We will generate new value by linking the

innovative ideas and technologies of the startup company with Sanki Engineering's component technologies toward sustainably enhancing our business value.

Promote Appointment and Development of Human Resources in Specialized Areas

Although we are still receiving a robust volume of orders for services originating from consultation, we will consistently rise to the challenge and gain new experience by focusing on appointing and training human resources in consulting, specialized engineers, and other areas of expertise. To move on to the next level from a position of strength, we will quickly invest in human capital and meet market needs to expand our business in the future.