

# 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

### Procurement Management System and Response to Procurement Risks

The procurement cost of materials and equipment used by Sanki Engineering for construction work is approximately 49 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. The international situation has led to rising prices for materials and crude oil, and the shortage of semiconductors has further increased equipment and material prices and caused delays in delivery. In response to these challenges, we continue to strengthen cooperation with onsite staff and take action to avoid or mitigate procurement risks, such as placing orders in advance and promptly disseminating information on delivery dates across the company. We will also take necessary measures to address future procurement risks, such as rising logistics costs.

### 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. Furthermore, we include provisions on product safety, quality control, intellectual property, legal compliance, and the exclusion of antisocial forces in our basic agreement and ask our business partners to understand and consent to these provisions.

### Reporting and Consultation Desk

In order to prevent fraudulent activities and improper transactions, we operate a Corporate Ethics Hotline that is available for anyone to use. Information is provided on the Company website. In addition, we have set up and operated a portal site that can be accessed by our business partners. In fiscal 2023, there were four reports from our business partners, and all cases were handled appropriately.

### 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.

### Raising the Efficiency of Procurement Operations

As part of our work-style reform initiatives, the Procurement Division is focusing on

#### 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



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Whistleblowing System

#### Major Regulation-Compliant Goods Procured by Sanki Engineering

- Lighting equipment
- Transformers and condensers
- HVAC equipment

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 procurement system\* that handles everything from price negotiations to ordering operations.

In addition, we are effectively implementing DX to further improve the efficiency of procurement operations. We digitized some operations by introducing online systems in our Group for placing orders to suppliers and allowing them to issue progress billings. In fiscal 2023, we developed additional features for the online price review system and began its operation in fiscal 2024. We also sought to enhance the system's convenience for business partners by moving it to the cloud, and 99% of total orders (non-consolidated) in fiscal 2023 were processed electronically. Moreover, in response to feedback from employees who wanted to place urgent orders while out of the office, we made it possible to issue orders from iPads. We will continue to reflect employee feedback and strive to improve operational efficiency.

### Training for Procurement Staff

We provide monthly online learning and presentation opportunities for procurement staff to promote appropriate procurement activities and enhance their purchasing, negotiating, and management skills. Furthermore, we requested relevant departments within the Company to conduct training to raise awareness of compliance and sustainability, covering areas such as fair trade and respect for human rights. We also strive to develop the competence and knowledge of procurement staff 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. Additionally, we plan to introduce training aimed at improving profitability in fiscal 2024.

## 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 2023, 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 shared within the company at meetings attended by procurement-related personnel and incorporated into daily procurement activities.

### Initiatives to Assess 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. For new partners, we conduct a comprehensive assessment at the start of the business, using a checklist commonly adopted by all locations, which covers their financial situation, quality management, and environmental management to ensure there are no issues.



**Procurement WEB (in Japanese)**  
<https://cwmc.sanki.azurewebsites.net/TEN100/TEN10020>

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

Participation Rate of Online Course for Procurement Staff Training in FY2023

**98%**  
(304 participants)

#### Additional Training Planned for FY2024

- Negotiation skills development through on-the-job training
- Training for all branch negotiators at each base

#### Main Topics in the Opinion Exchange Meeting (FY2023)

- Sustainability initiatives
- Work-style reform
- Trends in prices and project delivery schedules
- Requests to distributors
- Transactions with Sanki Engineering
- Ordering environment, etc.

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

In July 2023, 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 March 2024. These were attended by a total of 61 employees from the Group and 52 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, such as by organizing voluntary site tours by the subcontractors, 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

We offer a subsidy program for subcontractors, which is being appropriately implemented by each department. We are also promoting 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, new hires at Sanki Engineering receive guidance from employees of subcontractors through our technical training program.

### Providing Support to Stabilize the Management of Subcontractors

In fiscal 2019, we revised the terms of payment to subcontractors with capital of under 40 million yen to make 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.


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Health and Safety Training



Sanki Super Meister Awards ceremony

#### Number of Sanki Super Meister Award Recipients

• FY2022: 8

• FY2023: 10

#### Number of Sanki Best Partner Recipients

• FY2022: 164

• FY2023: 188



Technical skills training by a subcontractor

#### Subsidy Program for Subcontractors

• Support for obtaining qualifications

• Half of training expenses covered at Sanki Techno Center (starting in fiscal 2024)

## VOICE »

### Working Together for Future-Oriented Activities

The Hokuriku region was severely impacted by the Noto earthquake at the beginning of this year. Sanki Engineering has supported reconstruction efforts and carried forward the activities of the Sanki Health and Safety Cooperative Association, which assists with disaster prevention activities suited to the region in eastern and western blocks. The association has also been working to raise safety awareness through activities such as lectures on heatstroke and factory tours. We aim to further our collaborative efforts to ensure that the association's activities endure well into the future.

**Mr. Manabu Sugino**, Chairman of Hokuriku Sanki Health and Safety Cooperative Association, and President of Aero K.K.

