

Roundtable Discussion with External Directors

Promoting Sustainability Management and Reinforcing the Governance Structure

Three external directors participated in a candid, forward-looking discussion on management challenges and governance with a view to the sustainable growth of the Sanki Engineering Group.



A Company Built on the Power of People and Technology

— How do you see Sanki Engineering’s corporate culture and strengths?

Matsuda: I feel that most people at Sanki Engineering, including those on-site, tend to be quite calm and composed. I see this as a strength, as it’s beneficial in terms of maintaining relationships of trust with our customers and subcontractors.

Kono: Sanki Engineering is a conscientious company that places technology first, but there’s also a willingness to consider the more challenging proposals, rather than rejecting them outright. Additionally, perhaps because of our responsibility managing various construction sites, the Company excels in fostering teamwork and communication.

Kashikura: Sanki Engineering is built on its technological strengths, which are firmly entrenched across all its business areas, and this solid corporate culture is reflected in the general attitude of employees to continually improve their skills. The Company’s Management Philosophy and Sustainability Policy emphasize that human capital is the key management resource, taking priority in everything it does,

which I feel is a defining characteristic of Sanki Engineering.

— What management challenges must be addressed to achieve sustainable growth?

Kashikura: An important and pressing priority is to nurture a second pillar of business, as Facilities Construction currently accounts for 80% of our revenue. Sanki Engineering handles air, water, and other essential elements of human life, and our market is expanding globally. For example, in the Environmental Systems Business, we’re proposing infrastructure facilities to improve the lives of people in developing countries. Responding to automation and labor-saving needs, which is the strength of the Machinery Systems Business, is just one area where demand is increasing. Electrical Systems, which is part of the Facilities Construction Business, also holds great potential with the application of technology for wireless electricity supply. I believe the key to future growth is adopting a slightly broader perspective from our ongoing projects, centered around the elemental technologies we have cultivated. The Board of Directors should thoroughly discuss long-range planning as well as the immediate future.

Kono: Although Company performance remains robust, the redevelopment boom will eventually end and may

not return. DX, which we are currently pursuing to enhance productivity, should be established as a pillar of our management strategy in preparation for future developments. We also, of course, need to pay more attention to our business development overseas. However, it is also important to maintain our indirect international connections, such as our relationships with domestic export businesses, and remain vigilant about future opportunities.

Matsuda: Sanki Engineering is basically engaged in BtoB activities, but the potential benefits of BtoC should be considered, and we must keep pace with our customers as they expand overseas. Another current issue is improving the effectiveness of our sustainability management. In terms of environmental efforts, while the Company has a track record of pioneering initiatives such as the SANKI YOU Eco Contribution Point system and the Smile Site Plan for reducing long working hours, these efforts each seem to stand alone. I believe our sustainability management could be even more effective with a strategically structured system that integrates the entire process.

Taking on Challenges to be the Enduring Company of Choice

— What would it take to improve the effectiveness of the Board of Directors and strengthen the governance structure?

Matsuda: My impression is that Sanki Engineering has been proactive in its governance efforts, as shown by the early formulation of its Corporate Governance Guidelines. Historically, the integration of execution and management has been a strength of Japanese companies. We are now, however, working to enhance the effectiveness of our Board of Directors, with more flexibility in terms of incorporating the perspectives of shareholders and external directors.

Kono: I feel that discussions on corporate governance have been more dynamic over the three years since my appointment as an external director. In this rapidly changing business environment, I hope to contribute to maintaining these discussions with the same sense of urgency that exists today.

Kashikura: While various questions have been asked in evaluating the effectiveness of the Board of Directors, some have become routine. It would be good to incorporate the Company’s unique perspective.

Matsuda: Beyond that, I also sensed a difference in enthusiasm between the comments made by external directors and those made by internal directors during board meetings. Internal directors may speak up less at these

meetings because they’ve already discussed the issues extensively within their divisions or at the Management Meeting. It will be difficult to generate meaningful discussions unless we address this imbalance.

Kono: I would welcome a process where discussions and topics from the Management Meeting are shared with external directors before attending a board meeting. Sharing ideas in advance, rather than on the spot, could lead to more dynamic board meeting discussions.

Kashikura: The key is the substance of the board meetings, and I feel that setting agendas that encourage more lively discussions would truly bolster the board’s effectiveness.

— To wrap up this discussion, could you share your expectations for Sanki Engineering.

Matsuda: I hope Sanki Engineering will steadfastly maintain its culture of valuing people. With the increasing importance of addressing future labor shortages, it is essential that we address this need through DX and other initiatives. I believe that Sanki Engineering’s path to survival lies in fostering enthusiastic human resources for the next generation and creating business models with a global perspective.

Kono: Sanki Engineering’s ultra-long-term vision is to become the “enduring company of choice,” and this will become even more crucial as the Japanese market contracts. I hope Sanki will maintain its bold and steadfast approach to taking on new challenges while also fully leveraging its position as a company that values its human capital.


Kashikura: Sanki Engineering’s technologies can address various challenging facing modern society, including issues related to everyday infrastructure such as electricity and water, as well as energy and labor. I hope Sanki employees will approach their work with a greater awareness that their efforts bring value to the world. This mindset will ultimately help Sanki become the enduring company of choice, and maintaining this stance will naturally broaden the scope of its businesses that contribute to society.

Corporate Governance



Basic Philosophy

The Sanki Engineering Group views corporate governance as the framework and initiatives necessary for achieving sustainable growth and increasing corporate value over the medium to long term. This involves strengthening the functions of the Board of Directors with a system for supervising the CEO and ensuring transparent, fair, timely, and decisive decision-making while maintaining a robust dialogue with shareholders. We have also formulated the Sanki Engineering Corporate Governance Guidelines to clarify the Group's basic approach and policies, and we are committed to further enhancing these guidelines.

 Sanki Engineering Corporate Governance Guidelines
<https://www.sanki.co.jp/en/corporate/governance/guideline.html>

Corporate Governance System

Institutional Design

We adopted a Company with Board of Company Auditors system with dedicated, full-time auditors as our form of corporate governance. Under this structure, the auditors and the Board of Company Auditors exercise oversight over the execution of duties by directors, the accounting auditors auditing the financial statements and other documents as well as the Board of Directors responsible for making decisions on material issues. Furthermore, we have employed an executive officer system to clearly divide the roles of management and execution, improve flexibility in executing business affairs, speed up the decision-making process, and strengthen supervisory functions.

Status of Directors and Officers (as of June 21, 2024)

	Number of Persons
Chairperson of the Board of Directors	External director
Directors (women)	12 (1)
External directors (independent directors)	5 (5)
Executive officers (women)	38 (0)
Those also serving as directors	5
Auditors (women)	5 (0)
External auditors (independent auditors)	3 (3)

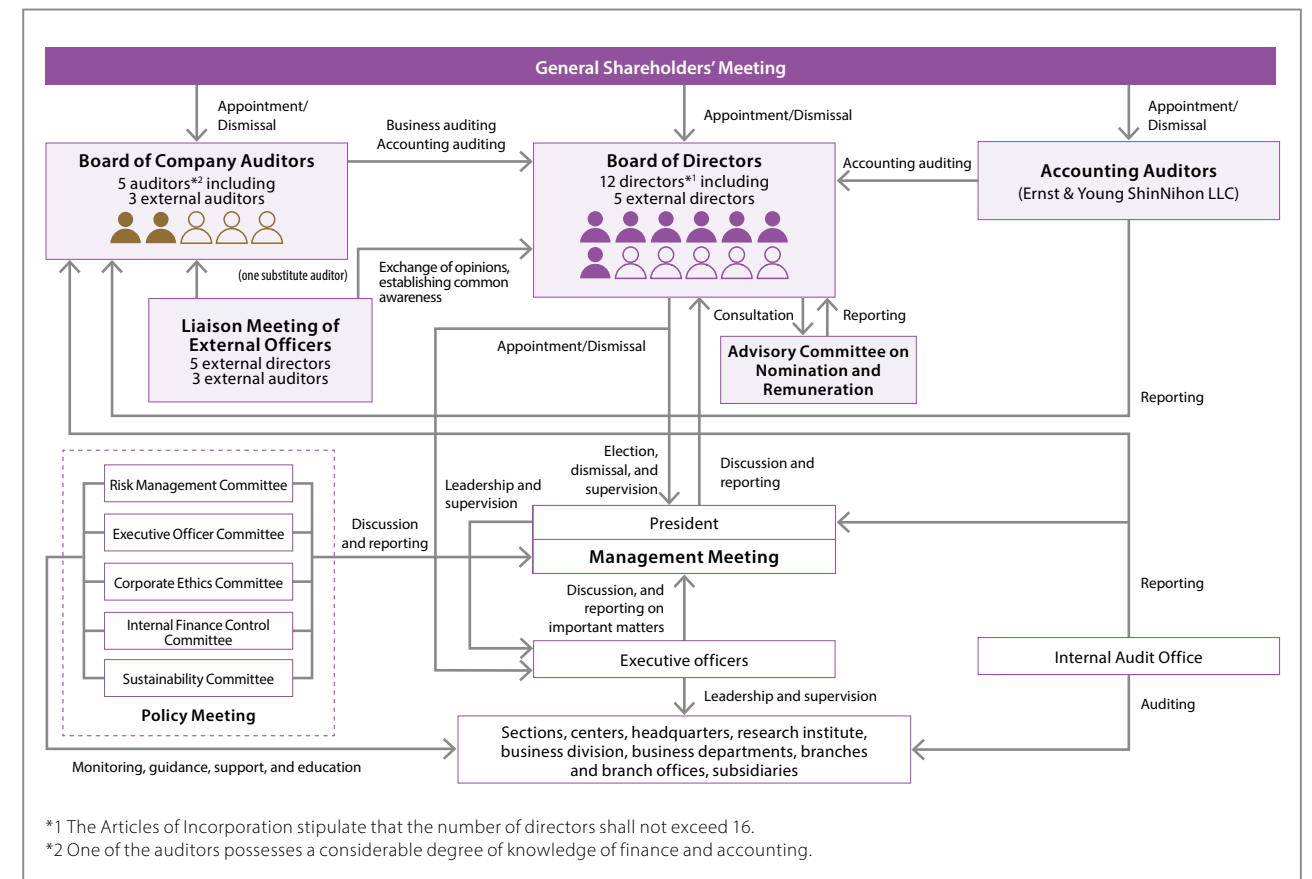
Frequency of Major Meetings (FY2023)

Meeting	Frequency	Average Attendance of External Officers
Board of Directors	13	100%
Board of Company Auditors	9	100%
Advisory Committee on Nomination and Remuneration	3	100%
Management Meeting	28	100%*

 Corporate Governance Report (in Japanese)
<https://www.sanki.co.jp/corporate/governance/report.html>

*Attended only by the chair of the Board of Directors (full-time external).

Corporate Governance System (as of June 21, 2024)



Board of Directors

The board consists of directors and is currently chaired by an external director. It meets at least once a month to decide on important matters and supervise the status of execution of business affairs.

Board of Company Auditors

The board consists of auditors, by and from whom a chairperson is selected. In principle, it meets at least eight times a year to monitor the status of governance and audits the execution of duties by directors as an independent body entrusted by shareholders. Members attend board and other important meetings, review the status of operations and assets, and maintain close contact with the accounting auditors, Internal Audit Office, and Accounting Division. A supplementary external auditor has been appointed to fill any future external auditor vacancies.

Internal Audit Office

The department conducts internal audits of the execution of operations by business execution departments in accordance with the Auditing Plan for that fiscal year. It verifies the internal management system including its appropriateness and efficiency. As necessary, it exchanges opinions with the Accounting Division and makes proposals concerning improvements or the correction of a problem. The department also reports the results of its audits to the president and auditors.

Advisory Committee on Nomination and Remuneration

The committee is chaired by an external director and consists solely of external directors. It meets as needed to deliberate on the nomination of candidates for directors and the system of remuneration.

Management Meeting

The meeting consists of directors and executive officers nominated by the president and, in principle, meets twice a month. As a decision-making body for fundamental and key matters related to the execution of business affairs, the meeting deliberates and makes decisions from the standpoint of overall management.

Risk Management Committee

The committee consists of members of the Management Meeting and chairpersons of subcommittees, appointed by the executive officer in charge of risk management, and the head of the Internal Audit Office, and is currently chaired by the president. The committee meets four times a year and oversees risk management for the entire Group.

Executive Officer Committee

Consisting of executive officers and presidents of the Group companies, the committee meets at least four times a year to communicate the policies expressed by the president and executive officers responsible for departments, report on the status of business execution by each executive officer and Group company president, and discuss initiatives for achieving the medium-term management plan.

Corporate Ethics Committee

The committee consists of the chairperson, president, and executive officers, and is chaired by the president. The executive officers responsible for corporate ethics and nominated by the president oversee all matters related to corporate ethics. The committee meets twice a year to deliberate on implementation plans for the pervasion and observance of the Code of Conduct and Action Guidelines.

Internal Finance Control Committee

The committee consists of the chairperson, president, and executive officers. It is chaired by the president and meets four times a year, assuming a central role in Group-wide control, including deliberation and decision-making concerning important matters regarding internal controls for financial reporting.

Sustainability Committee

The committee, consisting of the president and representative director and the directors, decides on key issues and measures related to sustainable management.

Disclosure Based on Principles of the Corporate Governance Code

We disclose information in accordance with each principle of the Corporate Governance Code, as follows.

Principle Requiring Disclosure of Certain Matters (Tokyo Stock Exchange)

Principle		Guideline*1	Report*2
Principle 1-4	Policies on cross-shareholdings and concrete standards for exercising voting rights	Article 10	P. 23
Principle 1-7	Procedures for preventing conflicts of interest with regard to transactions between related parties	Article 9 Article 18	P. 23
Supplementary Principle 2-4.1	Current status and targets for ensuring diversity with regard to assignments and other treatment of core personnel	Article 14	PP. 24–25
Principle 2-6	Details of efforts in terms of personnel and management to fulfill functions as the owner of corporate pension assets, and management of conflicts of interest	Article 16	P. 25
Principle 3-1	(i) The Company's aspirations (business principles), business strategies, and business plans	Article 32	PP. 26–27
	(ii) Basic views and guidelines on corporate governance	Article 2	PP. 1, 26–27
	(iii) Policies and procedures for determining the remuneration for executive managers and directors	Article 31	PP. 7–10, 26–27
	(iv) Policies and procedures for selecting or dismissing executive managers, and nominating directors and candidates for auditors	Article 18 Article 21 Article 24	PP. 9–10, 26–28
	(v) Reasons for selecting or dismissing individual executive managers, and reasons for nominating individual directors and auditors	Article 23	PP. 3–5, 6–7, 26–28
Supplementary Principle 3-1.3	Initiatives on the sustainability of the Company	Article 13	PP. 29–35
Supplementary Principle 4-1.1	Overview of the scope of matters delegated to management	Article 18	PP. 9–10, 35
Principle 4-9	Independence standards for external officers	(Appendix) Independence standards for external officers	PP. 35–36
Supplementary Principle 4-10.1	Basic policy on the independent composition of committees for nomination and remuneration, their authority and roles, and other related matters	Article 24	PP. 5, 8–9, 36
Supplementary Principle 4-11.1	Basic policy on balancing the overall knowledge represented by the Board of Directors, diversity, and scope, and policies and procedures for combining and selecting the skills and other qualities of directors	Article 19	P. 37
Supplementary Principle 4-11-2	Current status of concurrent positions held at other listed companies by directors and auditors	Article 26	PP. 3–5, 6–7, 38
Supplementary Principle 4-11-3	Overview of analysis and evaluation results of the board's effectiveness	Article 29	PP. 38–40
Supplementary Principle 4-14-2	Training policy for directors and auditors	Article 30	P. 40
Principle 5-1	Policies on systems and initiatives for promoting constructive dialogue with shareholders	Article 32	PP. 11, 40–41
Principle 5-2	Explanation that articulates the earnings plans and capital policies related to business strategies and business plans	Article 32	P. 41

Appointment of Directors and Independence of External Officers

We identified the skills we expect members of the Board of Directors to demonstrate in light of the management strategy, and the Board of Directors is composed of diverse members to ensure that all these skills are covered. At least one-third of the members are independent external directors.

The Advisory Committee on Nomination and Remuneration considers candidates for directors and submits the results to the Board of Directors for deliberation, while the nomination of candidates for auditors is deliberated by the Board of Directors after obtaining the prior consent of the Board of Company Auditors. Appointments are finalized by a resolution at the general shareholders' meeting. We have established standards on the independence of external officers to raise the objectivity of their oversight of management.

*1 Company's Corporate Governance Guidelines

*2 Company's Corporate Governance Report (June 25, 2024)



Sanki Engineering
Corporate Governance
Guidelines
<https://www.sanki.co.jp/en/corporate/governance/guideline.html>



Corporate Governance
Report (in Japanese)
<https://www.sanki.co.jp/corporate/governance/report.html>



Independence Standards
for External Officers
(Appendix to the Sanki
Engineering Corporate
Governance Guidelines)
<https://www.sanki.co.jp/en/corporate/governance/guideline.html>

Skills, Careers, and Expertise of Directors and Auditors (Skills Matrix)

Name	Position	Corporate Management, Business Strategy	Engineering	Design, R&D	Sales, Marketing	International Business	Accounting, Finance	Risk Management, Corporate Governance, Legal Affairs	Sustainability	IT, DX	Labor, Human Resource Development
Tsutomu Hasegawa	Representative Director and Chairman	●	●	●	●	●		●			
Hirokazu Ishida	Representative Director and President	●	●	●	●				●		●
Eiji Mitsuishi	Director	●	●		●			●	●		
Masayuki Kudo	Director	●	●			●		●	●	●	
Kazuaki Iijima	Director	●	●	●					●	●	
Junichi Shimbo	Director		●	●	●	●					
Yoshio Kawabe	Director, Chief Financial Officer	●					●	●	●		●
Yukiteru Yamamoto	External Director, Chair of the Board of Directors	●					●				●
Kazuhiro Kashikura	External Director, Chair of the Advisory Committee on Nomination and Remuneration	●			●		●				
Keiji Kono	External Director	●				●	●			●	
Akihiko Matsuda	External Director	●	●		●						
Tamami Umeda	External Director					●		●	●		
Kunihiko Tachi	Full-time Auditor, Chair of the Board of Company Auditors						●	●			
Tsunemitsu Yamanaka	Full-time Auditor		●					●			
Shozo Fujita	External Auditor	●						●	●		
Yutaka Atomi	External Auditor	●						●	●		
Toshiaki Egashira	External Auditor	●					●	●			

External Officers' Terms in Office and Reasons for Selection

Position	Name	Independent Officer	Years Served	Reasons for Selection
External Director	Yukiteru Yamamoto	●	10	Mr. Yukiteru Yamamoto has served in positions including representative director and president of Mitsui Life Insurance Company Limited (currently Taiju Life Insurance Company Limited) and executive member of the Policy Board of the Japan Business Federation. He thus possesses abundant experience and insight regarding corporate management. The Company selected Mr. Yamamoto as an external director for his experience and insight developed through this background.
	Kazuhiro Kashikura	●	6	Mr. Kazuhiro Kashikura has served as an executive officer of Sumitomo Mitsui Banking Corporation and has managed several of its group companies as a top executive. He thus possesses abundant experience and insight regarding corporate management. The Company selected Mr. Kashikura as an external director for his experience and insight developed through this background.
	Keiji Kono	●	3	Mr. Keiji Kono, as a financial specialist, has held managerial positions in major departments of the Bank of Japan. He has also served as an executive officer at Chugai Pharmaceutical Co., Ltd., where he managed the IT management department as the head of the division and promoted social contribution activities overseas. He thus possesses abundant experience and insight in those fields. The Company selected Mr. Kono as an external director for his experience and insight developed through this background.
	Akihiko Matsuda	●	3	Mr. Akihiko Matsuda has served as an executive officer of Tokyo Gas Co., Ltd. and has managed several of its group companies as a top executive. He thus possesses abundant experience and insight across all aspects of energy-related businesses. The Company selected Mr. Matsuda as an external director for his experience and insight developed through this background.
	Tamami Umeda	●	2	Ms. Tamami Umeda has held positions such as director-general counsellor, Ministry of Health, Labour and Welfare, and director-general, Environmental Health Department, Ministry of the Environment, and she thus has abundant experience and insight regarding domestic and international public health administration and hygiene and organizational management. The Company selected Ms. Umeda as an external director for her experience and insight developed through this background.
External Auditors	Shozo Fujita	●	6	Mr. Shozo Fujita has served as a public prosecutor and attorney-at-law, as representative director and president of the Resolution and Collection Corporation, and as a director who serves as an audit and supervisory board member at other companies. He thus possesses abundant experience and insight. The Company selected Mr. Fujita as an external auditor for his experience and insight developed through his background to audit the Company.
	Yutaka Atomi	●	5	Mr. Yutaka Atomi has long been engaged in education and research at universities, serving in positions including president of Kyorin University. He thus possesses deep insight and abundant experience regarding university management. The Company selected Mr. Atomi as an external auditor for his experience and insight developed through his background to audit the Company.
	Toshiaki Egashira	●	5	Mr. Toshiaki Egashira has served in positions including representative director and president of Mitsui Sumitomo Insurance Company, Limited. He thus possesses abundant administrative experience and wide-ranging knowledge regarding corporate management. The Company selected Mr. Egashira as an external auditor for his experience and insight developed through his background to audit the Company.

Assessing the Effectiveness of the Board of Directors

Once a year, the Board of Directors is given the opportunity to verify its process for deliberating proposals and identifying areas for improvement, to analyze and evaluate the effectiveness of the Board of Directors as a whole and to use the results for improvements. In principle, this is done through a questionnaire, while once every three years we conduct interviews with individual officers instead of a questionnaire. In fiscal 2023, an assessment was conducted in the form of an anonymous questionnaire, and a third-party evaluation confirmed that the effectiveness of the Board of Directors was being ensured.

Major Initiatives in FY2023 (Addressing Issues Identified in FY2022)

Enhancement of training for directors and auditors	•Offered study sessions with outside experts, in addition to external seminars and visits to construction sites
Discussions on digital reform	•Held discussions on the DX vision, along with the milestones and strategies for achieving the vision, and formulated the SANKI DX Vision
Discussions on management with due consideration of capital costs and share price	•Analyzed and assessed the current situation by grasping the cost of capital and return on capital •Exchanged views on issues such as business portfolio analysis, reduction of cross-shareholdings, and active growth investment

Overview of Effectiveness Assessment for FY2023

Content	<p>1. Third-party analysis and evaluation conducted through individual questionnaires</p> <ul style="list-style-type: none">• Questionnaires (unsigned) were sent to all directors and auditors and were collected, analyzed, and evaluated by a third party• Evaluation items and implementation method <p>(1) Presented 20 questions on the five topics of Composition, Roles and Responsibilities, Monitoring, Operation, and Access to Information and Support Systems.</p> <p>(2) All directors and auditors were asked to respond to each question on a 4-point scale and express their views in a comment field. In addition, with regard to the question about access to information and support systems, external officers were asked to freely comment on the kind of support they expected for external officers.</p> <p>2. Discussion by the Board of Directors</p> <ul style="list-style-type: none">• Results of individual questionnaires and third-party evaluation were reported at the Board of Directors meeting• Held discussions on identified issues and future initiatives
Future initiatives	<p>1. Stimulate further discussion, address medium- to long-term management strategies and challenges</p> <ul style="list-style-type: none">• Devise means for improving the management of Board of Directors meetings, such as more effectively using advance briefings and providing explanations of agenda items emphasizing key points• Provide a separate opportunity for discussing important topics in depth without time limits <p>2. Strengthen support system for external officers</p> <ul style="list-style-type: none">• Provide support for obtaining relevant information• Provide support for deepening understanding of the Company's business <p>3. Discussions by the Board of Directors</p> <ul style="list-style-type: none">• Discussed medium- to long-term management strategies• Topics to be discussed <p>(1) Growth strategy and enhancement of corporate value (3) Consideration of portfolio based on capital efficiency</p> <p>(2) Human capital management, including securing human resources and fostering successors (4) DX strategy</p>

Training for Directors and Auditors

We conduct periodic training as part of our efforts to deepen knowledge and enhance the effectiveness of our officers. In addition to external seminars and visits to construction sites implemented in the past, in fiscal 2023 we also invited outside experts for a study session on effectively engaging with investors, focusing on the role of the Board of Directors.

Officer Remuneration

Sanki Engineering has established the Advisory Committee on Nomination and Remuneration under the Board of Directors, to nominate candidates for directors and to deliberate on remuneration. We revised the committee's structure in fiscal 2020 to consist only of external directors, to improve transparency and neutrality.

The remuneration for directors comprises, within the limits adopted by our general shareholders' meeting, of fixed remuneration, bonus, and restricted stock compensation. We abolished the stock compensation-type stock option system and introduced a restricted stock compensation system in fiscal 2022.

Each fiscal year, we decide on amounts, with due consideration for balancing each



Site visit by external officers

of the elements, in order to raise the level of motivation for maximizing corporate value in tandem with the long-term interests of shareholders.

Elements and Procedures for Remuneration for Directors and Auditors (as of June 25, 2024)

Category	Fixed Remuneration	Bonus	Restricted Stock Compensation	Procedure
Directors (excluding external directors)	○	○*1	○	Determined by the Board of Directors following deliberation by the Advisory Committee on Nomination and Remuneration
External directors	○	—	○	
Auditors (excluding external auditors)	○	—	○	Determined through consultation among auditors
External auditors	○	—	○	

Remuneration for Directors and Auditors*2 in FY2023

Category	Persons Receiving Payment	Total Payment (Millions of Yen)
Directors (external directors)	12 (5)	583 (92)
Auditors (external auditors)	5 (3)	99 (36)

Internal Controls

Basic Policy and Systems for Internal Controls

Under its Basic Policy on Internal Control System, Sanki Engineering is developing and operating a system to ensure the legality, soundness, and transparency of its operational execution. Moreover, we have established a whistleblowing system that comprises contact points for corporate ethics in general, dedicated contact points for reporting violations of the Anti-Monopoly Act, and a system for reporting to the fulltime auditor as efforts to stringently enforce compliance.

The Board of Directors makes decisions on matters stipulated in laws, regulations, and the Articles of Incorporation as well as on matters related to the execution of operations while also supervising to ensure the proper execution of operations. The Management Meeting is held to ensure the effective execution of duties in accordance with the rules for discussion and reporting. Moreover, for the free exchange of opinions, the Liaison Meeting of External Officers is convened to exchange necessary information and share awareness of such information.

To ensure effective auditing, the auditors attend important meetings, offer their opinions as necessary, receive reports from accounting auditors and the Internal Audit Office, instruct that this office investigate and report on its findings if needed, and discuss matters as required.

In addition, the full-time auditor serves as the auditor of Group companies and seeks to ascertain the status of internal controls across the Group by regularly exchanging opinions with the Internal Audit Office and Group company presidents, receiving reports from the accounting auditors, and exchanging information.

Ensuring the Reliability of Financial Reporting

The Internal Finance Control Committee meets four times a year to conduct our financial reporting in accordance with the internal control framework stipulated by the Financial Instruments Exchange Act of Japan. Moreover, we promote the establishment and appropriate operation of an internal control system to safeguard the reliability of our financial reporting by having the committee deliberate on the assessment and response with respect to the accounting risks within each department and Group company. A report is produced in adherence with the internal control reporting system to ensure that internal controls related to financial reporting are being exercised effectively. In the report for fiscal 2023, accounting auditors expressed their opinion that our financial reports were presented in an appropriate manner in terms of all material aspects.

Composition of the Advisory Committee on Nomination and Remuneration

- **Committee (report):** all external directors
- **Individuals who provide explanations:**
 - President
 - Directors appointed by the president and committee members as necessary
- **Meetings held in FY2023:** 3

Composition of Officer Remuneration

- **Fixed remuneration:** paid according to rank and scope of responsibilities
- **Bonus: portion linked to performance during the period**
- **Restricted stock compensation:** granted according to rank as a long-term incentive

*1 Excluding non-operational executive officers.

*2 The number of officers covered includes one director who retired at the conclusion of the 99th Annual General Meeting of Shareholders on June 23, 2023.

Executives of the Sanki Engineering Group (as of June 21, 2024)

Directors



Tsutomu Hasegawa
Representative Director and Chairman

Joined the Company in 1975. He has many years of experience in the division management of the Facilities Construction Business and Sales Administration Division. He assumed the post of representative director and president in 2015 and has served as representative director and chairman since 2020.



Hirokazu Ishida
Representative Director and President

Joined the Company in 1983. He engaged in the Facilities Construction Business for many years. In 2018, he served in the key post of general manager of the Management Planning Office. He was appointed representative director and president in 2020 and has devoted his efforts to strengthen the management foundation and promote the "Century 2025" long-term vision.



Eiji Mitsuishi
Director

Joined the Company in 1972. He has many years of experience in operation and division management of the Facilities Construction Business. He served as general manager of the Mechanical & Electrical Contracting Headquarters from 2017, and he has devoted his efforts to strengthen the management foundation and promote health and safety activities as vice president since 2024.



Masayuki Kudo
Director

Joined the Company in 1985. He gained abundant experience as an engineer in the Facilities Construction Business, including many overseas assignments. He was appointed general manager of the Facility Systems Division in 2014 and general manager of the Sustainability Promotion Division in 2022. Was appointed general manager of the Corporate Division in 2024 and has contributed to improving the effectiveness of corporate governance.



Kazuaki Iijima
Director

Joined the Company in 1984. Engaged in research and development and in energy conservation-related businesses. Appointed general manager of the Technology Research Institute in 2016 and General Manager of the R&D Center in 2018. He has served as general manager of the Plants & Machinery Systems Headquarters since 2021, contributing to the development of the machinery systems business and environmental systems business.



Junichi Shimbo
Director

Joined the Company in 1988. He gained abundant experience as an engineer in the Facilities Construction Business, including many overseas assignments. Since 2024, he has served as general manager of the Mechanical & Electrical Contracting Headquarters and has focused on work-style reform at construction sites.



Chief Financial Officer
Yoshio Kawabe
Director

Joined the Company in 1984. He engaged in accounting and finance-related operations and the promotion of internal control. He currently serves as general manager of the Accounting Division. Since 2020, he has concurrently served as chief financial officer and has focused his efforts on capital and financial policies.

Independent External Director

Directors



Chair of the Board of Directors
Yukiteru Yamamoto
External Director

Served in positions including representative director and president of Mitsui Life Insurance Company Limited (currently Taiju Life Insurance Company Limited) and executive member of the Policy Board of the Japan Business Federation. He was appointed external director of the Company in June 2014 and has also chaired the Board of Directors since 2020.



Chair of the Advisory Committee on Nomination and Remuneration
Kazuhiko Kashikura
External Director

Served as an executive officer of Sumitomo Mitsui Banking Corporation and as chief executive of its group companies. Since 2018, he has been an external director of the Company.



Keiji Kono
External Director

Held managerial positions in major departments of the Bank of Japan. He also served as an executive officer at Chugai Pharmaceutical Co., Ltd., heading the IT Supervisory Division and promoting social contribution activities. Since 2021, he has been an external director of the Company.



Akihiko Matsuda
External Director

Served as an executive officer and advisor of Tokyo Gas Co., Ltd. and managed several of its group companies as a top executive. Since 2021, he has been an external director of the Company.



Tamami Umeda
External Director

Served in positions such as director-general counsellor for medical policy and mental health care, Ministry of Health, Labour and Welfare, and director-general of the Environmental Health Department, Ministry of the Environment, and accepted the post of visiting researcher at the National Center for Global Health and Medicine in 2021. Since 2022, she has been an external director of the Company.

Auditors



Chair of the Board of Company Auditors
Kunihiko Tachi
Full-time Auditor


Joined the Company in 1983. Spent many years in the accounting and financial divisions. Served as general manager of the Internal Audit Department, CSR Promotion Division since 2013, focusing on legal compliance and other areas. Since 2022, he has been a full-time auditor.



Tsunemitsu Yamanaka
Full-time Auditor

Joined the Company in 1982. Spent many years in the technology and sales sections of the Facilities Construction Business. Has served in positions that include head of the technical administration division. He was appointed full-time auditor in 2024.

Auditors

 Independent External Director



 **Shozo Fujita**
External Auditor

Became a prosecutor in 1976 and registered as a lawyer in 2011. He served in positions including representative director and president of The Resolution and Collection Corporation and as a director serving as audit and supervisory committee member of other companies. Since 2018, he has been an external auditor of the Company.



 **Yutaka Atomi**
External Auditor












Long involved in education and research at a university, he served as dean of the faculty of medicine at Kyorin University and later president, and is currently its honorary president. Since 2019, he has served as an external auditor of the Company.



 **Toshiaki Egashira**
External Auditor

Has served in positions including president and chief executive officer of Mitsui Sumitomo Insurance Company, Limited, and is currently its honorary advisor. Since 2019, he has been an external auditor of the Company.

Members of Each Meeting (FY2024) and Attendance (FY2023)

Name		Board of Directors		Advisory Committee on Nomination and Remuneration		Board of Company Auditors	
		Chairperson	Attendance/No. of meetings	Chairperson	Attendance/No. of meetings	Chairperson	Attendance/No. of meetings
Directors	Tsutomu Hasegawa		13/13		—		—
	Hirokazu Ishida		13/13		—		—
	Eiji Mitsuishi		13/13		—		—
	Masayuki Kudo		13/13		—		—
	Kazuaki Iijima		13/13		—		—
	Junichi Shimbo		—*1		—		—
	Yoshio Kawabe		13/13		—		—
	Yukiteru Yamamoto		13/13		3/3		—
	Kazuhiko Kashikura		13/13		3/3		—
	Keiji Kono		13/13		3/3		—
	Akihiko Matsuda		13/13		3/3		—
	Tamami Umeda		13/13		3/3		—
Auditors	Kunihiko Tachi		13/13		—		9/9
	Tsunemitsu Yamanaka		—*2		—		—*2
	Shozo Fujita		13/13		—		9/9
	Yutaka Atomi		13/13		—		9/9
	Toshiaki Egashira		13/13		—		9/9

*1 Appointed director of the Company in June 2024, and therefore no attendance in fiscal 2023.

*2 Appointed auditor of the Company in June 2024, and therefore no attendance in fiscal 2023.

Compliance



Basic Philosophy

To meet public expectations, the Sanki Engineering Group strives to maintain legally compliant behavior based on corporate ethics across all aspects of its operations by upholding the Sanki Engineering Group Compliance Declaration, the Sanki Engineering Group Code of Conduct and Action Guidelines, and the Sanki Engineering Group Conduct Standards.



Sanki Engineering Group Compliance Declaration, Sanki Engineering Group Conduct Standards
<https://www.sanki.co.jp/en/csr/policy/compliance.html#etc02>



Sanki Engineering Group Code of Conduct and Action Guidelines
<https://www.sanki.co.jp/en/csr/policy/conduct-code.html>

Compliance Promotion System

We have established a Corporate Ethics Committee, chaired by the president, who nominates officers responsible for corporate ethics to oversee the committee's activities. The committee reviews, monitors, and provides guidance with respect to compliance guidelines and action plans for the entire Group, and the Board of Directors regularly verifies the effectiveness of its activities.

Compliance Audit

The Internal Audit Office monitors compliance by providing guidance on audits. In fiscal 2023, internal audits were carried out at 21 worksites, including 17 in Japan and 4 subsidiaries in Japan and overseas. In addition, we conducted hearings with onsite staff by visiting Company sites and via web conferencing to foster compliance awareness.

Whistleblowing System

We set up the Fair Trade Hotline for reporting on violations of the Anti-Monopoly Act, the Corporate Ethics Hotline for reporting on compliance-related issues, the Women's Hotline for accepting consultations from women, and the Consulting Office for Harassment and Other Concerns. All hotlines are open to everyone who works at the Sanki Engineering Group, including those who are not employees, and information is also posted on the corporate website. In addition, the SANKI Secure Hotline for Women was established for female employees of the Group and began operations in fiscal 2024. Since the Women's Hotline offered only an internal contact point, an external contact point was set up in response to employee requests for a women's hotline that could be accessed more easily. All of these contact points are available to every individual working for the Group including non-employees. We also set up a reporting and consultation hotline for subcontractors on our corporate website for establishing more open relationships.

With regard to each hotline, we act swiftly to resolve the issues that are reported, with due consideration for the protection of anyone seeking consultation or providing information in accordance with the Corporate Ethics Regulations. All reported information and content of consultations are presented to corporate ethics officers, and important cases are reported to the Board of Directors. At the Corporate Ethics Hotline, the reporter's name is handled in secrecy by corporate ethics officers and will not be disclosed to others without the reporter's prior consent. The reporter will not be placed at a disadvantage for consulting or reporting to the hotline.

In fiscal 2023, there were 22 reported incidents (17 internally and 5 externally), and all incidents were handled appropriately.



P. 87 Corporate Governance System



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E-mail hotline@eng.sanki.co.jp
文書 〒104-8506 東京都中央区明石町8-1 聖路加タワー
三機工業株式会社
サステナビリティ推進室内
「通報・相談窓口」行



Reporting and Consulting Channels
<https://www.sanki.co.jp/en/csr/governance/hotline/>

	Number of Reports
Corporate Ethics Hotline	17
Fair Trade Hotline	0
Women's Hotline	0
Consulting Office for Harassment and Other Concerns	5
Consultations	4

```
graph TD; FH[Fair Trade Hotline] --> CEH[Corporate Ethics Hotline]; CEH --> EHA[External hotline consulting attorney]; CEH --> WH[Women's Hotline]; EHA --> OCE[Officers responsible for corporate ethics]; WH --> OCE; OCE --> FTA[Full-time auditor]; OCE --> BD[Board of Directors]; OCE --> IPO[In-house hotline Sustainability Promotion Office]; IPO --> OCE; IPO --> OCH[Consulting Office for Harassment and Other Concerns professional counselor outside the Company]; IPO --> R[C]; R --> S[Report and Consultation]; S --> SH[SANKI Secure Hotline for Women];
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The flowchart illustrates the reporting system for sexual harassment and discrimination. It shows the flow from various hotlines (Fair Trade Hotline, Corporate Ethics Hotline, Women's Hotline, External hotline consulting attorney, In-house hotline Sustainability Promotion Office, Consulting Office for Harassment and Other Concerns, Report and Consultation, SANKI Secure Hotline for Women) to the Officers responsible for corporate ethics, and then to the Full-time auditor and Board of Directors. The In-house hotline Sustainability Promotion Office also reports to the Officers responsible for corporate ethics and the Consulting Office for Harassment and Other Concerns. The Consulting Office for Harassment and Other Concerns reports to the Report and Consultation, which then reports to the SANKI Secure Hotline for Women.

	Sanki Engineering (Target Employees)	Group Companies (Target Employees)
Compliance confirmation sheets concerning performance of duties*1	41 (41)	34 (34)
Compliance confirmation sheets*2	2,112 (2,154)	756 (761)

ひとりて抱え込まずに

相談

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言えない

まずは
相談

法令違反
のようだが
言えない

ハラスメント
を疑っている

相談先

- 三機工業グループで働くすべての方（社員・パート・アルバイト）に利用できます。
- 本人の了解がなければ、匿名ではおこなえません。
- 通報・相談の事実により、不利を被ることはありません。

相談行為全般に関する通報窓口

相談先	受付時間	相談先	受付時間
三機工業グループ 03-6342-6000	24時間受付	三機工業グループ 03-6342-6000	24時間受付
三機工業グループ 03-6342-6000	24時間受付	三機工業グループ 03-6342-6000	24時間受付
三機工業グループ 03-6342-6000	24時間受付	三機工業グループ 03-6342-6000	24時間受付

特定ハラスメントに関する通報窓口

相談先	受付時間	相談先	受付時間
三機工業グループ 03-6342-6000	24時間受付	三機工業グループ 03-6342-6000	24時間受付
三機工業グループ 03-6342-6000	24時間受付	三機工業グループ 03-6342-6000	24時間受付
三機工業グループ 03-6342-6000	24時間受付	三機工業グループ 03-6342-6000	24時間受付

三機工業株式会社 | コーポレート本部キャリアセンター | 掲載

Theme	Target	Frequency and Participation (Attendance Rate)
Compliance topics including the Code of Conduct and Action Guidelines, Anti-Monopoly Act, human rights, and preventing bribery	All Group executive officers and employees	10 sessions 2,685 employees (97.4%)*
	Mid-career hires	38 employees (100%)
Compliance with the Anti-Monopoly Act	Newly assigned sales staff	23 employees (100%)

- Improving personal morals and awareness 73%
- Improving communication in the workplace 50%
- Eliminating work overload and understaffing 45%

Risk Management



Basic Philosophy

The Sanki Engineering Group's daily risk management is undertaken by the Risk Management Committee based on the Risk Management Rules. We have also established an Enterprise Risk Management system that includes operation of the Business Continuity Management System, which safeguards the effectiveness of business continuity planning in the event of contingencies.

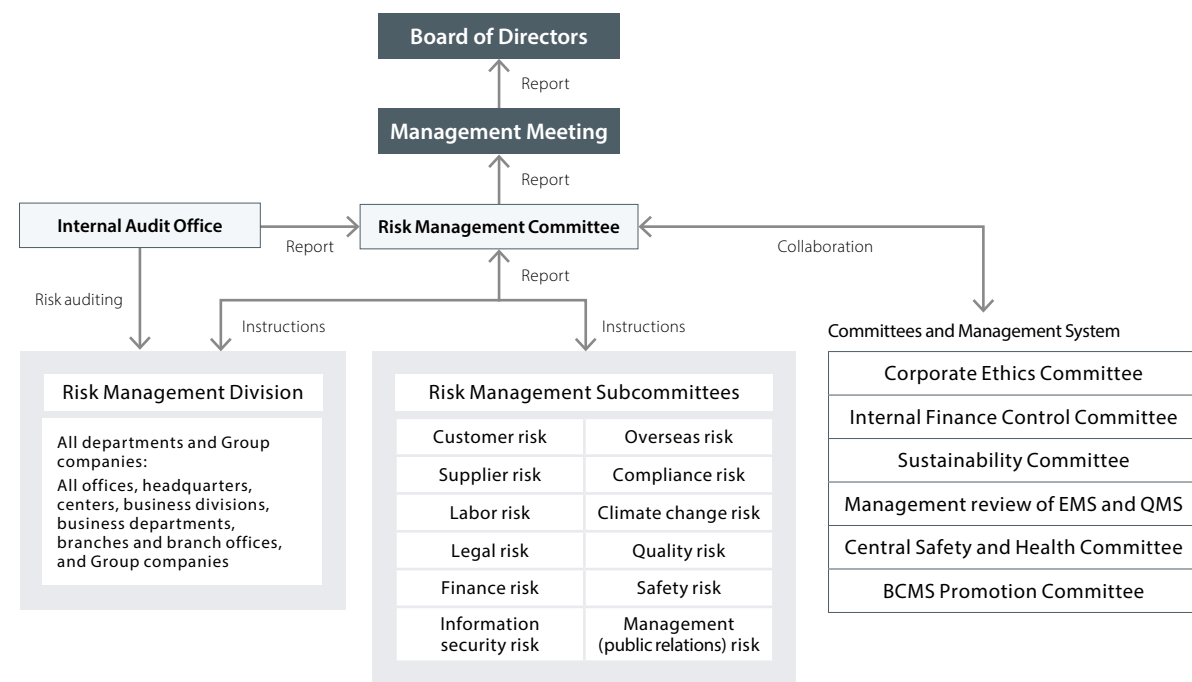
Risk Management Promotion System

Management Based on the Risk Management Rules

The Risk Management Committee meets quarterly, and risks are managed through the Risk Management Division and the subcommittees responsible for various risks. The Risk Management Division consists of representatives from each department and Group company and is responsible for discerning changes in the environment on a daily basis to identify emerging risk factors and managing signs of risk manifestation. The Risk Management Subcommittees monitor risks from a broader perspective and provide cross-sectional supervision for risks raised by departments, and they also consider and implement countermeasures.

At each meeting, the Risk Management Committee monitors and evaluates risks based on review sheets covering various risks and reports from each risk management division and Risk Management Subcommittee, and deliberates on how to control key risks identified in the process. The results of deliberation by the Risk Management Committee are reported to the Board of Directors, which bears responsibility for ensuring risk governance by verifying the adequacy of the risk management system and the effectiveness of controls over material risks.

Framework of the Risk Management System (as of June 21, 2024)



Roles of the Internal Audit Office

The status of risk management at each department is ascertained and verified by the Internal Audit Office during regular internal audits. In fiscal 2023, regular internal audits were conducted under the theme of sustainability*.

Risk Management Activities

Major Issues Discussed by the Risk Management Committee

In fiscal 2023, the Risk Management Committee conducted a thorough review of the comprehensive list of potential risks. During this review, it identified key risks and issues that required attention and discussed various topics, including strengthening risk management related to generative AI services.

FY2023 Operational Policy for Risk Management

Policy	Outline
Coordination with BCMS	Strengthen coordination with the Risk Management Committee to create a more unified operational structure for the BCMS, launched in fiscal 2022.
Expanded Risk Management Committee	Hold an expanded meeting of the Risk Management Committee by effectively utilizing the Executive Officer Committee to establish risk management and BCMS across the Group.

Business Continuity Management System (BCMS)

To prepare against risks that could hinder business continuity, we have formulated a business continuity plan (BCP) to ensure the safety of all related persons, including employees, through the integrated efforts of all executives and employees. In fiscal 2022, we began operating a BCMS as a mechanism for the effective maintenance and management of the BCP.

Under the BCMS, we laid out an annual plan to periodically review the BCP through PDCA activities (business impact analysis, education, training, internal audits, management review, review, and improvement) and by coordinating with risk management undertaken by the Risk Management Committee. During the review process, we conduct a business impact analysis, from the perspectives of risk assessment and impact evaluation, to investigate and analyze the degree to which each target operation will be impacted in the event a risk materializes and to take concrete measures to strengthen corporate resilience.

Furthermore, to realize a system for rapid business recovery and maintenance, we formulated risk-specific response guidelines based on the BCP Common Version, which describes our basic response policy. The guidelines address the seven risks of natural disasters, infectious diseases, industrial accidents, cyberattacks, terrorism, misconduct, and communication failure. Since fiscal 2023, the scope of the BCMS has been expanded to include domestic Group companies. In addition, to prepare for contingencies, we continue to provide BCMS training for directors and employees, conduct periodic drills, and add to our emergency supplies. In fiscal 2023, we conducted new drills for industrial accidents, cyberattacks, and misconduct, in addition to drills for natural disasters, to strengthen our response capabilities.

*Contribution to a carbon-free society, sustainability of suppliers (subcontractors)

Major Business Risks

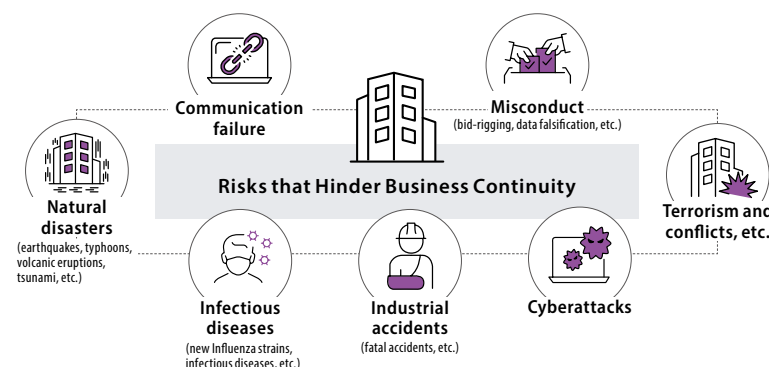
- Business Operation Risks
 - Common to all construction businesses
 - Securing human resources
 - Increase in materials and labor costs and delays in delivery of materials and equipment
 - Overseas business risks
 - Accidents and disasters during construction
 - Unprofitable construction
 - Risks related to litigation, etc.
- Facilities Construction Business
 - Overabundance of planned projects and increase in property size
 - Response to global challenges
- Machinery Systems Business
 - Decrease in capital investment
 - Decline in competitiveness
- Environmental Systems Business
 - Changes in market conditions
 - Long-term business risks
- Real Estate Business
 - Rent fluctuations
 - Decline in occupancy rate
- Financial and Other Risks
 - Customer credit risk
 - Stock market fluctuations
 - Interest rate fluctuations
 - Seasonal fluctuations in business performance
 - Legal violations
 - Overwork
 - Human rights violations
 - War, terrorism, and natural disasters
 - Climate change
 - Infectious disease epidemic
 - Data security breach
 - System failure
 - Intensifying digital competition

Annual Securities Report for the 100th Business Term (from April 1, 2023 to March 31, 2024) (in Japanese)
https://www.sanki.co.jp/ir/library/doc/securities_RS-4q.pdf

Drills in FY2023

- Industrial accidents
- Cyberattacks
- Natural disasters
- Misconduct

Seven Major Risks that Hinder Business Continuity



Strengthening Risk Management in Overseas Operations

An Overseas Risk Subcommittee was set up within the Risk Management Committee to analyze risks and consider countermeasures. To ensure the safety of employees working outside Japan, we have formulated the Risk Management Manual for Overseas Operations for the head office and overseas bases as well as the Manual to Ensure Safety in Foreign Countries for overseas employees, those traveling overseas on business, and their families. Compliance training sessions for local staff at overseas sites have been conducted since fiscal 2021 to firmly establish governance across the Group. In fiscal 2023, we focused on providing compliance training for managers at our overseas bases in Shanghai and Thailand*.

In addition, our auditors concurrently serve as auditors of Group companies, and we are working to improve our Group management system, including at overseas sites.

Initiatives on Information Security

We have established the Information Security Risk Subcommittee within the Risk Management Committee to control information security measures across the Group and manage risks. We are taking action to respond quickly to cyber attacks by deploying information security software and installing software that constantly monitors the intrusion of malware and other malicious software. We are promoting the use of cloud services to address risks to construction site data storage involving many companies while also providing ongoing training through e-learning on information security for all Company employees and employees of subcontractors.

Risk Management when Using Generative AI Services

Sanki Engineering is promoting the use of generative AI services in its internal operations. We plan to introduce the services in stages and make them available to all Group employees by the end of fiscal 2024.

Since there are potential risks in using generative AI services, such as information leakage and copyright infringement, we are also focusing on countermeasures. In fiscal 2023, we revised our information security measure guidelines regarding precautions for the use of generative AI services. In addition, we are striving to raise awareness of compliance by providing e-learning for all employees to inform them of the inherent dangers and appropriate use of generative AI services.



Drill for walking home in the event of a natural disaster

Risk Management Manual for Overseas Operations

- Response rules and procedures to be followed by the head office and overseas bases in the event of a crisis overseas

- Risks to physical well-being and life, violation of laws and regulations, response to mass media, litigation, etc.

Manual to Ensure Safety in Foreign Countries

- A practical guide on risk avoidance and emergency response for employees working overseas

- Actions required in the event of a terrorist attack or disaster, prevention of damage from crime and other risks, compliance with anti-corruption and other laws, personnel/labor management of locally employed staff, religion, and other related matters

*Sanki Construction Engineering (Shanghai) Co., Ltd., Thai Sanki Engineering & Construction Co., Ltd.

Information Security Rules and Standards

- Information Security Management Rules
- Information System Usage Standards
- Information Security Risk Management Standards
- Information Security Risk Countermeasure Standards

Dialogue with Shareholders and Investors



Basic Philosophy

We clarified our basic approach to issues, including ensuring the rights and equal treatment of shareholders, appropriate disclosure of information and transparency, and dialogue with shareholders, in the Sanki Engineering Corporate Governance Guidelines, established in December 2015. We are resolved to fulfill our responsibilities to shareholders and investors by following these guidelines.

Sanki Engineering Corporate Governance Guidelines
<https://www.sanki.co.jp/en/corporate/governance/guideline.html>



Appropriate Information Disclosure and Constructive Dialogue

As stated in our Disclosure Policy, Sanki Engineering is committed to the timely and appropriate disclosure of corporate information. We proactively disclose information beyond legal mandates when we deem it to be useful to shareholders and investors and in order to ensure management transparency.

Status of Dialogue with Shareholders and Investors

In addition to livestreaming the general meeting of shareholders, we are striving to provide greater convenience for shareholders and enhance information disclosure by accepting questions via the corporate website ahead of the general meeting of shareholders and providing videos of the president's business reports on the Company's website. In fiscal 2023, we conducted a total of 69 dialogues with shareholders and investors through results briefings for analysts and institutional investors, as well as IR meetings and shareholder surveys. The needs and opinions identified through such dialogue with shareholders and investors are regularly presented to the Board of Directors and the Management Meeting.

Major Dialogue with Shareholders and Investors in FY2023

In addition to questions and comments about business performance and the business environment, the following themes were discussed in the dialogue.

- Ordering environment and profitability of ordered property
- Response to and impact on earnings of overtime caps applied from April 2024
- Measures for achieving management with due consideration of capital costs and share price, and policies for reducing cross-shareholdings

External Recognition

Selected as an Environmentally Sustainable Company

Sanki Engineering was selected as an Environmentally Sustainable Company in the 5th ESG Finance Award Japan, hosted by the Ministry of the Environment. The award was established to recognize institutional investors, financial institutions, and companies that incorporate significant opportunities and risks related to the environment into its management strategy to enhance corporate value, thereby generating positive effects on the environment, and to promote and expand ESG finance.

Nikkei SDGs Management Survey Rating of 3 Stars

In the 5th Nikkei SDGs Management Survey, Sanki Engineering was rated 3 on a scale of 5 stars. The survey comprehensively evaluates a company's contribution to realizing the SDGs in the four categories of SDG strategy and economic value, social value, environmental value, and governance.

Disclosure Policy
<https://www.sanki.co.jp/en/ir/disclosure/>

Dialogues in FY2023

- Personnel responsible
 - President
 - Director and chief financial officer
 - General manager of the Management Planning Office
 - General manager of Corporate Communications Department
 - Staff in charge of IR

- Results briefings for analysts and institutional investors: 2
- Survey of individual shareholders: 1
- IR meetings: 66 times
 - Financial institutions: 13 meetings (7 companies)
 - Investment management companies: 42 meetings (26 companies)
 - Securities companies: 11 meetings (5 companies)

Medium-Term Management Plan "Century 2025" Phase 3 (FY2022-2025)
https://www.sanki.co.jp/en/ir/policy/doc/Medium-Term_Management_Plan_Century_2025Phase3.pdf



Selected as an Environmentally Sustainable Company



Nikkei SDGs Management Survey