

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.