Engineering for the Future
Engineering for the Future
Financial information shows consolidated Group figures.
Non-financial information is based on non-consolidated figures for Sanki Engineering Co., Ltd. When the information concerns the Group, organizations covered by the data are specified in the text, list, or graph.

Editorial Policy

- Boosting Understanding of the Sanki Engineering Group
- Reference Guidelines
- Organizations Covered by the Report
- Financial information shows consolidated Group figures.
- Non-financial information is based on non-consolidated figures for Sanki Engineering Co., Ltd.
- The information concerns the Group, organizations covered by the data are specified in the text, list, or graph.

Precaution on Performance Outlooks, etc.
In addition to past and present information concerning the Sanki Engineering Group, the report includes the targets, plans, outlooks, strategies, forecast of future performance and other information drawn from our long-term vision “Century 2025,” Medium-Term Management Plan “Century 2025” Phase 2 (FY2019–2021), and other sources. Please be aware that these forecasts are the best estimates by Sanki Engineering management and based on the information available at the time, and actual performance may differ significantly from these forecasts, owing to changes such as in economic conditions, market trends, and exchange rates.

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Financial Report and Corporate Information

- We created an overview page for the Group’s business areas and the state of business by segment in a format that is easy to understand (pages 10 to 13).
- We designated fiscal 2021 targets for continuously monitoring progress in our initiatives under the ESG Policy of the Medium-Term Management Plan (page 30 and the top section of each chapter on ESG).
- Major information that was newly added to our disclosure includes:
  - Average monthly overtime hours (consolidated and non-consolidated) (page 65)
  - “International IR Framework” of the International Integrated Reporting Council
  - GRI Sustainability Reporting Standards 2016, 2018, and 2019
  - ISO 26000
- We have positioned the SANKI REPORT, the annual report of Sanki Engineering, as a key, integrated communication tool for reaching all our stakeholders. We hope it will boost understanding of the Sanki Engineering Group’s business activities and future direction and welcome feedback for enhancing our operations and information disclosure. Listed at right are new approaches we adopted in compiling the 2020 report.

- Precaution on Performance Outlooks, etc.
- Reporting Period
- Publication Date
- Share Information
Sanki Engineering Group Philosophy

The Sanki Engineering Group marked the start of its journey toward the centenary of its founding in 2025 by formulating the Management Vision and the Sanki Engineering Group Management Philosophy, which carries the spirit of the Group’s former Corporate Credo, in December 2015.

The Management Philosophy is a comprehensive statement of the Sanki Engineering Group’s purpose in society and presents three values. The Sanki Engineering Group is pursuing sustained growth by ensuring all Group executive officers and employees uphold these shared values and is contributing to the creation of a sustainable society. Under the Sanki Engineering Group Compliance Declaration, which summarizes issues related to corporate ethics and legal compliance, all Group executive officers and employees will strive to create value for stakeholders and society at large by performing their daily job duties in accordance with the Sanki Engineering Group Code of Conduct, which lays out the basic principles of appropriate conduct, and the more specific Sanki Engineering Group Action Guidelines.

Sanki Engineering Group Management Philosophy

We create comfortable environments through engineering and widely contribute to social development.

We will refine our skills and wisdom with the aim of increasing client satisfaction.
We will place significance on communication and mutual respect.
We will remain aware that we are a member of society and will act accordingly.

Long-Term Vision
“Century 2025”

The Company of Choice

The Sanki Engineering Group values customers, not only the shareholders and customers from whom we directly receive orders but all of our stakeholders. They include owners of facilities, end users, subcontractors, suppliers and students, all as customers. Over the next ten years, we will strive to become the company of choice for all of them.

Phase 1
(FY2016–2018)
3-year period to enhance quality

We will enhance quality by refining our skills and wisdom and developing our human resources as a foundation for responding to change.

Phase 2
(FY2019–2021)
3-year period to enhance reliability

Superior quality generates stakeholders’ satisfaction, and stakeholders’ satisfaction and confidence leads to reliability.

Medium-Term Management Plan
“Century 2025” Phase 2

Please refer to pages 28 through 30 for more information.

Phase 3
(FY2022–2025)
4-year period to become the company of choice

Increased reliability will encourage more stakeholders to choose our company.

The Company of Choice

We will strive over the next ten years to become the company of choice for stakeholders by further enhancing the quality and reliability we provide.
History of Sanki Engineering

Sanki Engineering has developed its business in step with the modernization of Japanese industry over the past nine decades. Under the Sanki Engineering Group Management Philosophy, “We create comfortable environments through engineering and widely contribute to social development,” the Company will continue to forge ahead in Japan’s new Reiwa era with the power of technology toward its 100th anniversary in 2025.

1920s
Laying the Base for Technological Competence by Meeting the Needs of the Era

- Provides heating, plumbing, steel frame construction, and building materials for two major construction projects: the Shiga manufacturing plant of Toyo Rayon (currently Toray Industries, Inc.) and the refrigerated warehouse of Aomori Sake.
- Installs Japan’s first centralized air conditioning system for an entire structure at Mitsui’s main building.

1923 Great Tokyo Earthquake

1920s
A Proactive Approach to Technological Innovation

- Completes work on Japan’s first all-fluorescent lighting system in the Taisho Marine and Fire Insurance Building.
- Becomes involved in night-soil treatment plant disposal facilities in response to urban hygiene needs.
- Delivers a roller conveyor to the Japanese Antarctic Research Expedition II.

1930s
Diversified and Expanded Businesses Lead to Greater Technological Competence

- Develops and installs a proprietary incinerator.
- Installs Japan’s first centralized air conditioning system for an entire structure at Mitsui’s main building.

1931
Establishes Toyo Carrier Industries together with U.S.-based Carrier Engineering and launches the air conditioning business.

1938 Opening of Tokyo Tower

1940s
Sanki’s Advanced Technology Bolsters a Construction Boom

- Begins manufacturing conveyors.
- Concludes sales contracts for machinery used in mining-related chemistry with U.S.-based Dot Industries, Inc.
- Completes work on the main building of the Daiichi Life Insurance Company, Japan’s first building with the special high-voltage power reception of 22 kV.

1945 End of World War II

1949 Capital exceeds 1 billion yen.

1950s
A Proactive Approach to Technological Innovation

- Completes work on Japan’s first all-fluorescent lighting system in the Taisho Marine and Fire Insurance Building.
- Becomes involved in night-soil treatment plant disposal facilities in response to urban hygiene needs.
- Delivers a roller conveyor to the Japanese Antarctic Research Expedition II.

1958 Tokyo Olympics

1960s
A Manufacturer that Responds to the Needs of the Times

- Completes work on air conditioning, plumbing and electrical systems for Japan’s first skyscraper, the Kasumigaseki Building.
- Develops the standardized “6S sash” and gains the top market share among steel sash manufacturers.
- Completes work on air conditioning and plumbing for the Young National Stadium.

1970s
Wide Range of Technological Innovations

- Completes work on Japan’s first large-scale clean room at NEC’s Sagamihara plant.
- Develops the world’s first completely unmanned automatic sorting system and airport baggage handling system.
- Provides HVAC equipment for satellite communication ground stations in the Middle East and other regions and builds automotive testing equipment in Russia.

1980s
Rising to the Challenge of New Businesses

- Launches the information and telecommunications business.
- Launches the facility systems business to deal with office integration and moving.

1990s
Driving Progress in Environmental and Information Technologies

- Develops environmental-related technology, including an ice thermal storage system, sewage advanced treatment systems, and dehumidification and melting furnaces.

2000s
Meeting the Needs of a Rapidly Advancing Information Society

- Advances network systems, including LAN, building monitoring and automated control.
- Provides air conditioning, plumbing and an open BAS system (automated control, BEMS) for the Roppongi Hills building and other construction work.
- Establishes the Energy Solution Center to promote and develop the energy-saving business and provide sales support.
- Develops and begins sale of clean conveyor facilities in response to growing demand for liquid crystal displays and organic EL panels.

2010s
Contributing to a Sustainable Society by Bolstering the LCE Business

- Promotes the LCE Business, which is intended to sustain the life cycle of buildings and facilities, from planning, design and construction work to maintenance, operation/management, renovation and reconstruction.
- Wins order for the DBJ project, a bulk contract encompassing design, construction, management and maintenance.
- Completes hygiene facility for the Tokyo Midtown Hibiya building.
- Completes the HVAC, central monitoring and automated control systems for the Tan主公on Hills Business Tower.

2025 Toward the 100th Anniversary

Begins operations at the Yamato Product Training Center.

2011
Adoption of the Sustainable Development Goals

2015
Moves the head office to Tsukiji.

2016
Moves the head office to Nihonbashi.

2019
Begins operations at the Yamato Product Training Center.

2018
Begins operations at the Yamato Technical Center.

2011
Lehman Brothers bankruptcy

2000
Adoption of the Kyoto Protocol

1991
Collapse of Japan’s bubble economy

1982
Builds the Technical Research Laboratory.

1973 Spins off the sash business.

1971
Sets up the Environmental Administration office.

1995
Lehman Brothers bankruptcy

1980
Launches the Information and Telecommunications business.

1973
Spins off the sash business.

1962
Builds the Technical Research Laboratory.

2000
Launches the Shonan Training Center.

2015
30th Anniversary

2016
Launches the long-term vision “Century 2025.”

2011
Moves the head office to Tsukiji.

2015
30th Anniversary

2005
Moves the head office to Nihonbashi.

1991
Launches the facility systems business to deal with office integration and moving.

1988
Opens the Shonan Manufacturing Center.

1980
Launches the Information and Telecommunications business.

1973
Spins off the sash business.

1962
Builds the Technical Research Laboratory.

1995
Lehman Brothers bankruptcy

1982
Builds the Technical Research Laboratory.

2000
Launches the Information and Telecommunications business.
Facilities Construction Business

Our Facilities Construction Business is conducted in ways that are friendly to both people and the environment and through systems that are convenient, comfortable and efficient and also save energy. We are engaged in wide-ranging fields, including designing HVAC and plumbing systems for buildings, an industrial HVAC system, and electrical systems and developing smart building solutions and facility systems.

Main Sales Items
- HVAC Systems
  - HVAC systems
  - Industrial HVAC systems
  - Clean rooms
  - Environmental control systems
  - Pharmaceutical and food manufacturing facilities
  - Freezing and refrigeration
  - District heating and cooling plants
  - Nuclear power-related facilities
- Electrical Systems
  - Electrical systems
  - Telecommunication systems
  - Communication-related facilities
  - Electrical civil engineering
- Plumbing and Drainage Systems
  - Plumbing system for water supply and drainage
  - Food service equipment
  - Disaster prevention systems

Facility Systems Business

We serve the needs of offices and other workplaces by providing design and project management for construction and relocation as well as strategic and operational consulting services.

Main Sales Items
- Facility Systems
  - Design for fit-out and relocation of offices and workplaces
  - Consulting for project management
- Smart Building Solutions
  - Central monitoring and automated control systems
  - ICT systems
  - Crisis management (BCP) solutions
  - IP phone systems
  - Security systems

Machinery Systems Business

We provide material handling systems and conveyance systems that meet customer needs and challenges in supply chain management.

Main Sales Items
- Conveyance Systems
  - Lightweight conveyors
  - Distribution-related conveyors
  - Sorting devices
  - Automated warehouse
- Material Handling Systems
  - FA systems
  - Clean conveyance systems
  - Material handling systems
  - Airport baggage and cargo handling systems
- Environmental Systems Business

We develop unique facilities and systems for water and sewage treatment and waste treatment to enhance living environments while conserving energy and reducing CO₂ emissions.

Main Sales Items
- Waste Treatment
  - Waste incineration facilities
  - Landfill wastewater treatment facilities
  - Sludge incineration facilities
- Water Treatment
  - Water and sewage treatment facilities
  - General and industrial waste disposal and recycling facilities
  - Sludge recycling facilities
- Industrial wastewater and waste gas treatment facilities
- Plant facilities for the food and chemical industries
Our Real Estate Business includes operations in the areas of real estate leasing and building management. We are striving to expand into higher value-added real estate while taking advantage of our current technology.

**Main Sales Items**

- **Real Estate Leasing**
  - Land leasing
  - Building leasing
- **Building Maintenance and Management**
  - Facility maintenance and upgrades

**Net Sales**

- **Net sales**: 2.2 billion yen*
- **Net Sales Composition Ratio**: 1%
Financial and Non-Financial Highlights

Financial Data (Consolidated)

Orders Received and Net Sales

- **Orders Received**
  - 1,183.2 billion yen in 2019, down 16.8% year-on-year
  - 1,168.5 billion yen in 2018
  - 1,170.1 billion yen in 2017
  - 1,191.1 billion yen in 2016
  - 1,217.0 billion yen in 2015
- **Net Sales**
  - 2,076.9 billion yen in 2019, down 2.2% year-on-year
  - 2,012.3 billion yen in 2018
  - 1,971.3 billion yen in 2017
  - 1,940.0 billion yen in 2016
  - 1,868.5 billion yen in 2015

Gross Profit Margin

- **Gross Profit Margins**
  - 15.5% in 2019, up 6.0 points year-on-year
  - 12.8% in 2018
  - 13.4% in 2017
  - 14.7% in 2016
  - 14.9% in 2015

Ordinary Income and Profit Attributable to Owners of Parent

- **Ordinary Income**
  - 7.4 billion yen in 2019, up 8.2% year-on-year
  - 6.8 billion yen in 2018
  - 3.9 billion yen in 2017
  - 4.6 billion yen in 2016
  - 11.2 billion yen in 2015
- **Profit Attributable to Owners of Parent**
  - 11.2 billion yen in 2019, down 16.2% year-on-year
  - 11.2 billion yen in 2018
  - 7.5 billion yen in 2017
  - 8.1 billion yen in 2016
  - 8.1 billion yen in 2015

Equity Ratio

- **Equity Ratio**
  - 48.2% in 2019, up 2.4 points year-on-year
  - 45.8% in 2018
  - 48.6% in 2017
  - 51.5% in 2016
  - 49.8% in 2015

Non-Financial Data

Number of Employees

- **Total**
  - 2,501 employees as of March 31, 2020

Ratio of Annual Paid Leave Taken

- **Female**
  - 349 employees
  - 14% of total
- **Male**
  - 2,152 employees
  - 86% of total

Rate of Reinstatement after Childcare Leave

- **Female**
  - 86% as of March 31, 2020
  - 2019: 122.1%
  - 2018: 157.5%

Year-on-Year Comparison of Problems during Construction

- **Industrial Accidents**
  - Frequency rate: 0.11 per 10,000 working hours
  - Severity rate: 0.03
  - 2019: 1.11
  - 2018: 1.14

Test and R&D Expenditures

- **Total**
  - 27,624 t-CO₂

ICT Investment

- **Total**
  - 1.14 billion yen

*1 Frequency rate of accidents in the construction site per one million working hours; this figure indicates the frequency with which accidents occur.
*2 Severity rate is calculated as the number of lost workdays caused by accidents in the construction site per one thousand working hours; this figure indicates the severity of the accidents.
We will meet stakeholder expectations with even greater reliability toward becoming the company of choice.

Upon My Appointment as President

Upholding the Management Policy to Realize Our Long-Term Vision

I was appointed president in April 2020—the halfway point on our journey to the centenary of our founding under the long-term vision “Century 2025.” The Sanki Engineering Group is striving to attain the goal of this vision, to become the company of choice for customers over the course of a decade. I received the baton from current Chairman Hasegawa in the midst of our efforts to strengthen our reliability by enhancing corporate value, and I have recognized the gravity of my mission and responsibility with a sense of determination.

Since joining the company 30 years ago, I have gained experience in design, construction management, sales and other jobs associated with construction facilities. For the past two years I was general manager of the Management Planning Office and engaged in formulating the Medium-Term Management Plan “Century 2025” Phase 2 (fiscal 2019 to 2021). I believe it is my job as president to ensure that the company achieves sound growth along with its employees by executing the measures and accomplishing the goals of Phase 2, and to lead the way toward becoming the company of choice by 2025.

Business Environment and Results for Fiscal 2019

Attained All Numerical Targets for the First Year of Phase 2 due to a Favorable Business Environment

In fiscal 2019, the Japanese construction market enjoyed a steady flow of business centered on urban redevelopment projects and capital investment by manufacturers. The economy deteriorated rapidly toward the end of the fiscal year, following a decline in corporate profit caused by the global economic slowdown and an increase in the consumption tax rate as well as the impact of the COVID-19 pandemic. Nevertheless, the business environment remained on the whole favorable.

In this environment, the Sanki Engineering Group launched its Medium-Term Management Plan “Century 2025” Phase 2 (fiscal 2019 to 2021). Although we slightly underperformed in the previous fiscal year, in terms of orders received and net sales, we reported a growth in profits and maintained high levels of gross profit, operating
Progress and Future Outlook for the Medium-Term Management Plan “Century 2025” Phase 2

Enhancing Quality Cultivated under Phase 1 to Strengthen Reliability

The Medium-Term Management Plan “Century 2025” Phase 2 (fiscal 2019 to 2021) covers the second step of the long-term vision “Century 2025.” We will continue to enhance the quality of our technology and human resources cultivated in Phase 1, and we will raise our corporate value by striving to disclose financial and capital policies and ESG policies and reinforce information transmission in addition to our efforts to strengthen core business, promote growth strategies and enhance the Sanki brand.

In terms of strengthening our core business in the Facilities Construction Business, we will first strive to improve construction productivity and profits through an ongoing optimization of operational processes and construction work. We will follow that up with the promotion of the Site Management Plan™, dedicated to reforming onsite work styles. I believe we can make further progress by efficiently allocating human assets and advanced job management based on ICT and BIM™. In the Facility Systems Business, we have set up a dedicated organization for promoting the promising business of consultancy and have begun developing new services. In the Machinery Systems Business, our new plant, the Yamato Product Center, began full operations in September 2019. In the future, we will address the important theme of positioning the plant at the core to promote the development of hybrid systems that combine robots with conveyance systems. Meanwhile, in the Environmental Systems Business, significant progress was made in model projects for our LCE™ business, as we completed construction and began managing the operation of a waste treatment facility based on the DBO™ method. In addition to these initiatives, we intend to bolster our core business by integrating the diverse technologies that represent the Sanki Engineering Group’s competitive edge in total engineering and exploring new business opportunities in niche areas that lie between our businesses.

With regard to promoting growth strategies, the above-mentioned Yamato Product Center became fully operational following the completion of the Sanki Techno Center and the R&D Center in 2018, thus completing the SteP Project™, which had been launched in fiscal 2016 as the cornerstone of our strategies. These facilities will comprise the Sanki Techno Park, and we plan to utilize its functions during Phase 2 as a major technological center of the Sanki Engineering Group in order to strengthen our reliability.

Meanwhile, we will combine our efforts for enhancing the Sanki brand through initiatives aimed at reinforcing information transmission, a target added in Phase 2. Although we are a company built on the B-to-B model, in the future we must be more conscious of becoming a B-to-B-to-C company that ultimately serves individual consumers. In our world today, there is a growing interest in how companies address ESG. To ensure sustainable growth for the Sanki Engineering Group, it is important to operate a cycle in which we actively transmit information. This includes the disclosure of financial and capital policies and ESG policies and also achieving growth by responding to feedback from our stakeholders. Against this background, from fiscal 2020 we have been pursuing strategies for raising profit margins within that scope. In fiscal 2019, revenues fell 2.2% year-on-year, but ordinary income exceeded the previous year, and in that sense, everything went as planned. In fiscal 2020, we will continue to work on each measure to achieve our goals for Phase 2.

Contributing to Society through Our Business

In Pursuit of Total Engineering for Addressing Social Issues

As Sanki Engineering develops its business, it becomes the company of choice in 2025, it must demonstrate an even greater commitment to addressing social issues through management that pays due consideration to ESG and contributing to the achievement of the SDGs. Sanki Engineering has continued to grow as a company that serves society by creating comfortable environments, and it could enhance its corporate value by delivering deeper into this direction. For example, in the current COVID-19 crisis, people have begun to pay closer attention to the importance of controlling air flow in medical sites, while the need to avoid human contact is expected to lead to a rise in demand for labor-saving products. Our fundamental role is to apply our technologies to effectively address such social needs.

Meanwhile, companies in the construction industry need to establish new work styles in anticipation of future labor shortages. Sanki Engineering has been developing working environments that cater to the needs of diverse workplaces through its work style reform. I believe we can ensure our sustainability only after addressing social issues that are inherent to our own operations.

Established in 1926, Sanki Engineering is a company with a long history. I found an interesting comment in a column in the “Sanki Monthly,” the in-house newsletter published soon after the company’s founding. “Stretch out ‘Sanki’ with your lips curved a little and you get ‘Sankiyu’,” which, of course, is a word expressing gratitude (thank you). The point being made here is to always be grateful in your work. I respect our predecessors for having that sensitivity in the earliest days of the company’s founding and have been moved by how it has been passed down over the years to today’s Sanki Engineering as part of its corporate DNA.

Today, the business we are developing with our total engineering competency allows us to make a major contribution to society. Sharing with all employees the sense of being grateful for what we do provides a valuable guide for achieving sustainable growth. We will continue to contribute to society through our business and always embody a heartfelt thankfulness for our stakeholders to evolve into a company of choice that offers both quality and reliability.
Our Value Creation Process

Guided by the “Sanki Standard” management philosophy, the Sanki Engineering Group strives to fulfill its mission of realizing all types of comfortable environments and contributing to the development of a sustainable society by creating value at each step of the business process and in every business area.

Social Needs  Business Activities

Key Initiatives (Phase 2)

Value Created (Fiscal 2019)

- Strengthen Core Businesses
- Promote Growth Strategies
- Enhance the Sanki Brand
- Disclose financial and capital policies, and ESG policies
- Reinforce Information Transmission

- Creation of comfortable environments
- A better, sustainable society

- Large-scale construction work
- CO2 reduction based on our proposals (for ordered projects)
- Customer Satisfaction Survey upon Completion of Construction
- High rating: around 90%
- Annual dividends per share
- 95 yen

- Contribution to SDGs
- Gross profit margin
- 15.5% (FY2018: 14.9%)
- Average monthly overtime work per person
- 34.3 hours
- Industrial accidents frequency rate
- 1.11
- Number of registered patents
- 451 cases

- 21 projects
- 27,624 t-CO2
- 181 cases

- 451 cases
- 95 yen

- *1 A business concept of the Sanki Engineering Group. Throughout the life cycle of a building, we provide services from new construction, repair, and maintenance to renewal and reconstruction.
- *2 Scope of data: Sanki Engineering construction sites (Sanki Engineering Co., Ltd. and business partners)
- *3 As of March 31, 2020
- *4 Source of data: Sanki-Engineering construction sites (Sanki Engineering Co., Ltd. and business partners)
Addressing Social Issues throughout the Value Chain

The Sanki Engineering Group addresses various social issues along its value chain by promoting LCE (life cycle engineering), in which we are responsible for the entire process from the planning of a facility, design, and construction to aftercare, maintenance, and management.
Sanki Techno Center

Comprehensive Training and Research Facility for Refining and Enhancing the Quality of Our Technology and Human Resources

The Sanki Techno Center is a research, training, and study facility for developing and imparting the advanced technical skills of the Sanki Engineering Group. It plays a key role in the Medium-Term Management Plan “Century 2025” Phase 2 (FY2019-2021) as the cornerstone of our strategy for enhancing the quality of our human resources and technology. Since fiscal 2020, the technical divisions of the Facilities Construction Business as well as the Machinery Systems Administration Division and Environmental Systems Administration Division, not to mention Group companies Sanki Sangyo Setsubi Co., Ltd. and Sanki Kako Kenseitsu Co., Ltd., have been aggregated at the site. We intend to continue enhancing its functions as a major technology base for the Sanki Engineering Group.

Value Generated by the Sanki Techno Center

01 Passing on and further developing technical skills
   The center serves as a strategic base for passing on to the next generation the technical skills that represent the backbone of value created by Sanki Engineering employees and are necessary for advancing our technology.

02 Fostering our safety culture
   We will foster Sanki Engineering’s long-standing safety culture by raising employee awareness of safety and cultivating their ability to identify risks.

03 Improving construction work productivity
   We will improve the productivity of our construction work and increase profitability by demonstrating advanced technical skills.

04 Developing human resources across a broad range of fields
   We will develop human resources across the Group by improving our technical skills as well as by providing finely tuned training that covers a broad range of topics, including engineering ethics and management competencies.

To become the company of choice

Technology and safety education facilities

R&D Center

Showroom

Accommodations

Facilities to contribute to the local community

Develop our human resources

Techno Plaza Showroom

Technological skills training using real equipment

Techno Plaza Showroom

Training Area

Acquiring Empirical Knowledge Only Obtainable in the Construction Site

We provide practical training in the Technology and Skills Training area and the Safety Experience area in addition to personnel training, courses for obtaining qualifications, and other classroom lectures. In the Technology and Skills Training area, trainees gain practical technological and other skills typically only acquired onsite, by using mock-ups of actual construction sites and real equipment. In the Safety Experience area, participants gain empirical knowledge by getting a physical sense of safety through experiencing everyday construction site risks, including the use of dummies for checking unsafe actions and using virtual reality to simulate working on scaffolding.

Staff at Group companies and subcontractors can also participate in the various training programs. Moreover, we seek to maximize the effect of training through diverse opportunities that include joint training with Sanki Engineering employees or with a group of contractors, programs for individual subcontractors, and for staff at the same level of qualifications, and programs for each branch and branch office. We have also maintained our efforts to train lectures to address the expected increase in the number of participants. In fiscal 2019, we held 91 internal and external training sessions, including those at Group companies, over an aggregate total of 342 days, that were attended by a total of 12,700 participants.

The Sanki Engineering Group’s total engineering is on display at four booths, exhibits under the themes of “Comfort,” “Industry,” “Energy Saving,” and “The Environment” based on the concept of the SDGs, which are common global goals. In collaboration with the R&D Center, the Techno Plaza serves as a showroom for conveying our unique technologies and future potential to the general public. Furthermore, we organize customer tours to combine their needs with our technological concepts. In fiscal 2019, we held 206 of these for 1,883 visitors.

Accommodation Facilities and Amenities

Providing Facilities that Encourage Thorough and Comfortable Training and Research

The center has a variety of areas for communication, including a cafe and large tatami floor room, to encourage lively interaction between training participants and researchers. In addition to offering ample accommodations with 141 guestrooms that ensure comfort during long stays, the center houses a gym and other facilities. In fiscal 2019, 58 overnight seminars were held and the facility was used by 11,447 participants.

Regional Contribution

Responding to Local Needs in the Event of a Disaster

As a facility that reaches out to the local community, the center is prepared to provide temporary shelter for those unable to return home in the wake of a disaster, under an agreement that Sanki Engineering concluded with Yamato City in 2013. It also serves the local community in ways such as creating opportunities for local citizens and technical staff of the Yamato City government to participate in various seminars on safety management and other topics. The Sanki Environmental Garden adjacent to the center is also open to the public.
Synergy and Innovation

Sanki Engineering’s Value Creation

R&D Center

R&D Base that Combines Our Accumulated Knowledge and Advanced Technology to Meet Emerging Needs

We set up the R&D Center to open up new horizons for Sanki Engineering’s research and development. As a total engineering company, we possess diverse component technologies related to air, water, heat, electricity, machinery, and information. We will fully deploy these technologies to promote R&D aligned with our pursuit of diverse businesses and toward providing solutions with high added value that help create a sustainable society.

01 Accelerating R&D through Closer In-house Collaboration
The R&D Center collaborates with each business division to pursue R&D for new technologies, refine and upgrade proprietary technologies, conduct basic research, and investigate new technologies. In fiscal 2020, the technical divisions of the Facilities Construction Business as well as the Machinery Systems Administration Division and the Environmental Systems Administration Division were relocated to the Sanki Techno Center in order to facilitate meetings and exchanges of information as we strive to accelerate the pace of R&D.

02 Promoting Innovation through the Open Lab
We set up the Open Lab to encourage companies from a broad range of sectors, including our customers, universities, and research institutes as well as Sanki Engineering’s business divisions to get together with an open mind and generate innovation that integrates their knowledge and technologies. Two of the ten ongoing projects have already been commercialized, while five more are in the trial stage for verification.

We offer ample facilities to facilitate open innovation, including large, multi-purpose testing rooms, collaboration areas for lively interaction and discussions, and mock-up areas where full-size prototypes can be created. In fiscal 2019, we steadfastly continued to enhance our research facilities by installing mockups and direct expansion HVAC testing equipment for regenerative medicine.

03 Using the Cloud to Accelerate the Pace of R&D
We have vastly accelerated the pace of our R&D by using the S-Cloud®, our proprietary virtual information system platform incorporating the latest AI and IoT technologies, which has enabled us to automate massive measurement data and raise efficiency. We are also using the platform to verify the AI-based prediction system built into high-spec virtual machines as well as a next-generation high-speed communication system based on 5G and Wi-Fi6. Looking ahead, we will continue to take on the challenges of new technologies.

Cloud Platform for Accelerating the Pace of Development

Areas of Research
- Comfortable air conditioning technology
- Information communications and control technologies
- Water treatment and incineration technologies
- ICT-in-construction technologies
- Specialized environmental technology
- Logistics and conveyance technologies
- Energy-saving technology

Promoting Open Innovation

Social Needs
- Comfort
- Safety
- Reliability
- Labor saving
- Higher productivity
- Disaster prevention, mitigation, and resilience

Test and R&D Expenditures
1.43 billion yen (FY2019)

Number of Registered Patents
451 patents (as of March 31, 2020)

Major R&D Results in Fiscal 2019

<table>
<thead>
<tr>
<th>Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comfort, higher productivity</td>
</tr>
<tr>
<td>Labor-saving construction work</td>
</tr>
<tr>
<td>Space saving and labor saving</td>
</tr>
<tr>
<td>Energy creation, energy conservation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Resulting Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of AI control system for perimeter air conditioning</td>
</tr>
<tr>
<td>Automated robotic air flow meter</td>
</tr>
<tr>
<td>Reverse Sorter compact sorting device</td>
</tr>
<tr>
<td>Highly efficient biomass power generator</td>
</tr>
</tbody>
</table>
Under the Medium-Term Management Plan “Century 2025” Phase 2 (FY2019–2021), launched in fiscal 2019, we will pursue new initiatives for increasing reliability while also maintaining the initiatives of Phase 1 (FY2016–2018), a three-year period for enhancing the quality of our technologies and human resources. Also, we will seek to deepen understanding of the Group by disclosing our financial and capital policies and ESG policies and by reinforcing our transmission of information to enhance the reliability of the Sanki Engineering Group for diverse stakeholders toward our goal of becoming the company of choice in the next phase.

### Phase 1 (FY2016–2018)
Refining technical skills and human resources to enhance quality

### Phase 2 (FY2019–2021)
Enhance Quality

#### Phase 2 Targets and Results

<table>
<thead>
<tr>
<th>Key Initiatives</th>
<th>FY2019 Results</th>
<th>FY2020 Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhance the Sanki Brand</td>
<td>Improve internal communication</td>
<td>Enhance reliability and become the company of choice for stakeholders</td>
</tr>
<tr>
<td>Promote Growth Strategies</td>
<td>Promote technological R&amp;D</td>
<td>Reinforce Information Transmission</td>
</tr>
<tr>
<td>Strengthen Core Businesses</td>
<td>Meet energy saving and labor reduction needs</td>
<td>Disclosure of Financial and Capital Policies, and ESG Policy</td>
</tr>
<tr>
<td></td>
<td>Enhance the Sanki Brand</td>
<td>Key Initiative</td>
</tr>
<tr>
<td></td>
<td>Promote work style reforms by stimulating in-house communication</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Promote growth in the areas of technology and business</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Promote technological R&amp;D</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Further pursue quality</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Improved construction productivity</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Promote technological R&amp;D</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Meet energy saving and labor reduction needs</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Promote work style reforms by stimulating in-house communication</td>
<td></td>
</tr>
</tbody>
</table>

#### Financial and Capital Policies

<table>
<thead>
<tr>
<th>Key Initiative</th>
<th>FY2019 Results</th>
<th>FY2020 Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disclosure of Financial and Capital Policies, and ESG Policy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reinforce Information Transmission</td>
<td></td>
<td></td>
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</tbody>
</table>

### Results of Key Initiatives and Policies for Fiscal 2020

<table>
<thead>
<tr>
<th>Phase 2 FY2019 Results</th>
<th>FY2020 Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilities Construction Business</td>
<td></td>
</tr>
<tr>
<td>- Improved pre-ordering and pre-construction operational processes</td>
<td></td>
</tr>
<tr>
<td>- Implemented next-generation site management systems</td>
<td></td>
</tr>
<tr>
<td>- Improved construction quality through efficient personnel allocation</td>
<td></td>
</tr>
<tr>
<td>Facility Systems Business</td>
<td></td>
</tr>
<tr>
<td>- Rolled out new services led by organizations set up to promote specialized consulting</td>
<td></td>
</tr>
<tr>
<td>- Expanded business in the construction division</td>
<td></td>
</tr>
<tr>
<td>Plants &amp; Machinery Systems Business</td>
<td></td>
</tr>
<tr>
<td>- Full-scale launch of the Yamato Product Center</td>
<td></td>
</tr>
<tr>
<td>- Promoted development of next-generation technologies such as hybrid systems</td>
<td></td>
</tr>
<tr>
<td>Environmental Systems Business</td>
<td></td>
</tr>
<tr>
<td>- Conducted activities to receive orders for DBO projects</td>
<td></td>
</tr>
<tr>
<td>- Maintained and expanded energy saving and energy creating businesses</td>
<td></td>
</tr>
<tr>
<td>Plants &amp; Machinery Systems Business</td>
<td></td>
</tr>
<tr>
<td>- Creation of next-generation technologies led by the R&amp;D Center and Yamato Product Center</td>
<td></td>
</tr>
<tr>
<td>- Steady development of overseas business and restructuring of the Food Service Equipment Business</td>
<td></td>
</tr>
<tr>
<td>- Promote stock-based business for the future</td>
<td></td>
</tr>
<tr>
<td>Facilities Construction Business</td>
<td></td>
</tr>
<tr>
<td>- Bolster Company-wide construction and site support systems</td>
<td></td>
</tr>
<tr>
<td>- Secure construction quality, improve health and safety, and enhance productivity</td>
<td></td>
</tr>
<tr>
<td>Facility Systems Business</td>
<td></td>
</tr>
<tr>
<td>- Expand consulting services led by new specialized organizations</td>
<td></td>
</tr>
<tr>
<td>Plants &amp; Machinery Systems Business</td>
<td></td>
</tr>
<tr>
<td>- Improve productivity and cut cost of conveyors</td>
<td></td>
</tr>
<tr>
<td>- Expand the product lineup for hybrid systems</td>
<td></td>
</tr>
<tr>
<td>Environmental Systems Business</td>
<td></td>
</tr>
<tr>
<td>- Increase orders for large-scale projects</td>
<td></td>
</tr>
<tr>
<td>- Continue receiving orders for a woody biomass power generation system</td>
<td></td>
</tr>
</tbody>
</table>

### FY2019 Targets | FY2019 Results | FY2020 Targets | FY2021 Results |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>200.0 billion yen</td>
<td>207.6 billion yen</td>
<td>200.0 billion yen</td>
</tr>
<tr>
<td>Gross profit (margin)</td>
<td>30.1 billion yen (15.5%)</td>
<td>31.0 billion yen (15.5%)</td>
<td>32.0 billion yen (16.0%)</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>9.0 billion yen (4.5%)</td>
<td>11.2 billion yen (5.4%)</td>
<td>9.5 billion yen (4.8%)</td>
</tr>
</tbody>
</table>

### FY2020 Policy

<table>
<thead>
<tr>
<th>Key Initiative</th>
<th>FY2020 Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disclosure of Financial and Capital Policies, and ESG Policy</td>
<td></td>
</tr>
<tr>
<td>Reinforce Information Transmission</td>
<td></td>
</tr>
</tbody>
</table>

### Phase 2 Targets and Results

<table>
<thead>
<tr>
<th>Phase 2 FY2019 Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extra dividend (yen)</td>
</tr>
<tr>
<td>Regular dividend (yen)</td>
</tr>
<tr>
<td>Dividend per share</td>
</tr>
</tbody>
</table>

### Key Initiatives

- Enhance the Sanki Brand
  - Established the Smile Work Guidelines
- Promote Growth Strategies
  - Completed the STeP project
- Strengthen Core Businesses
  - Improved pre-ordering and pre-construction operational processes
  - Implemented next-generation site management systems
  - Improved construction quality through efficient personnel allocation
- Facility Systems Business
  - Rolled out new services led by organizations set up to promote specialized consulting
  - Expanded business in the construction division
- Plants & Machinery Systems Business
  - Full-scale launch of the Yamato Product Center
  - Promoted development of next-generation technologies such as hybrid systems
- Environmental Systems Business
  - Conducted activities to receive orders for DBO projects
  - Maintained and expanded energy saving and energy creating businesses
- Plants & Machinery Systems Business
  - Creation of next-generation technologies led by the R&D Center and Yamato Product Center
  - Steady development of overseas business and restructuring of the Food Service Equipment Business
  - Promote stock-based business for the future

### Phase 2 (FY2019–2021)
Enhance reliability and become the company of choice for stakeholders

### Long-term Vision

“Century 2025”
Becoming the company of choice for our stakeholders

Phase 3 (FY2022–2025)
Company of Choice
ESG Policies (Create Sustainable Social Value)

To implement sustainable management, we will pursue initiatives based on our ESG policies toward creating a sustainable society and achieving sustainable corporate growth. In fiscal 2020, we designated targets for promoting ESG initiatives under Phase 2.

<table>
<thead>
<tr>
<th>Policies</th>
<th>FY2021 KGI (Indicators for Evaluating FY2021 Results)</th>
<th>KPI (Indicators for Evaluating Progress)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>E</strong> Environment</td>
<td>▪ Develop products and technologies that contribute to realizing a decarbonized society</td>
<td>▪ Number of orders received based on CO₂ reduction proposals under the SANKI YOU Eco Contribution Point system</td>
</tr>
<tr>
<td></td>
<td>▪ Reduce the environmental impact of business activities</td>
<td>▪ 59% or more of total number of proposal</td>
</tr>
<tr>
<td></td>
<td>▪ Number of orders received based on CO₂ reduction proposals under the SANKI YOU Eco Contribution Point system</td>
<td>▪ Sanki Engineering’s CO₂ emissions (result of business activities) (2020 and 2021)</td>
</tr>
<tr>
<td></td>
<td>▪ Reduce by 1% year-on-year</td>
<td>▪ Continuous reduction in Sanki Engineering’s CO₂ emissions (result of business activities)</td>
</tr>
<tr>
<td><strong>S</strong> Social</td>
<td>▪ Contribute to building sustainable infrastructure</td>
<td>▪ Technical training and seminars for preventing problems, claims, and accidents</td>
</tr>
<tr>
<td></td>
<td>▪ Collaborate and engage with the local community</td>
<td>▪ 25 times per year</td>
</tr>
<tr>
<td></td>
<td>▪ Create work environments that are safe and easy to work in</td>
<td>▪ Designate targets for the Smile Project*</td>
</tr>
<tr>
<td></td>
<td>▪ Promote diversity to enhance human resources</td>
<td>▪ Achieve the goals of the Smile Project*</td>
</tr>
<tr>
<td></td>
<td>▪ Reduction rate for number of problems and complaints during construction</td>
<td>▪ Annual inspection of the governance system</td>
</tr>
<tr>
<td></td>
<td>▪ Reduce by 5% year-on-year through divisional collaboration</td>
<td>▪ Implement measures in accordance with the scores</td>
</tr>
<tr>
<td></td>
<td>▪ Reduction rate for number of accidents</td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ Achieve the goals of the Smile Project*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ Average monthly overtime work per person</td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ Paid leave ratio per person</td>
<td></td>
</tr>
<tr>
<td><strong>G</strong> Governance</td>
<td>▪ Reinforce the governance system</td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ Construct a better governance system in line with the changing times</td>
<td></td>
</tr>
</tbody>
</table>

*The Smile Project was established in 2015 under the president’s leadership to promote work style reform unique to Sanki.

Contributing to the SDGs

1. Amenity
Creating comfortable environments through engineering

2. Industry
Applying our unique clean room technology and transport technology to support cutting-edge industries

3. Eco & Energy
Offering technological solutions to help achieve decarbonization, energy saving, and energy creation

4. Environment
Building facilities for water processing and waste disposal to help protect the environment and create a zero-waste society

Tenth Anniversary of the SANKI YOU Eco Contribution Point System

Addressing Social Issues through Businesses Based on Our ESG Policy

- Preventing global warming and helping realize a sustainable society through customer proposals
- Converting the reduction in CO₂ emissions based on energy saving proposals into points and donating the monetary equivalent to environmental organizations

Whenever a customer adopts our energy saving proposal, the reduction in CO₂ emissions is converted into Eco Contribution Points (100 yen per tonne), and we donate the equivalent monetary amount to subsidize environmental conservation activities. The system celebrated its tenth anniversary in 2020. We established the system amid calls for companies to address climate change, and we have continued to promote it over the years as a means for sharing our aspiration of stopping global warming with customers who adopt our proposals. Additionally, it gives our employees with a genuine sense that their work is directly linked to preventing global warming and protecting the environment. We intend to continue reducing CO₂ emissions through our products and technologies and contribute to preventing global warming and realizing a sustainable society.
Facilities Construction Business

Creating Comfortable Environments to Sustain Future Society

The Facilities Construction Business has contributed to social development by harnessing Sanki Engineering’s component technologies to create comfortable environments essential for buildings across broad business areas, encompassing HVAC, plumbing and drainage, electrical systems, smart building solutions, and facility systems.

Under the policies of the Medium-Term Management Plan “Century 2055” Phase 2, we are currently seeking to strengthen and develop our component technologies by improving construction productivity and meeting energy saving needs. We hope to take this one step further to create technologies and solutions for the future that transcend organizational and corporate boundaries. We will actively pursue our businesses as a company that possesses the means to build clean environments now and into the future. Moreover, we will contribute to achieving the SDGs by providing solutions that address social issues such as energy conservation and work style reform.

Opportunities and Risks

• Changes in everyday living and corporate activity, associated with rapid economic growth
• Nationwide labor shortage resulting from a shrinking workforce
• Ongoing demand for construction, including replacement demand and re-development for buildings constructed during Japan’s period of rapid economic growth

Market Conditions

• Shrinking capital investments due to the stagnation of the global economy
• Changes in social life leading to growing demand for ICT facilities, and the need to enhance medical, pharmaceutical, and manufacturing facilities
• Rising concern that the decrease in trained workers associated with demographic trends will result in a labor shortage and social demand for addressing such working conditions as long work hours

Net Sales and Net Sales Composition Ratio for Fiscal 2019

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>152.4</td>
<td>146.8</td>
<td>153.4</td>
<td>157.6</td>
<td>169.3</td>
<td>141.5</td>
</tr>
</tbody>
</table>

Orders Received (Billions of Yen)

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<thead>
<tr>
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<tbody>
<tr>
<td>129.8</td>
<td>120.3</td>
<td>125.7</td>
<td>129.3</td>
<td>139.6</td>
<td>157.0</td>
</tr>
</tbody>
</table>

Status of Business Operations and Future Outlook toward Achieving Phase 2 Direction for Fiscal 2020 Based on Change in Business Environment

We will improve order-taking and productivity with an emphasis on balancing quantity and quality, and further promote the Smiling Site Plan to reduce the workloads of construction managers and further improve construction quality and occupational health and safety. In addition, we will nurture younger employees through a Company-wide system that includes on-the-job training to improve individual skills.

Strengthening Core Businesses that Contribute to Social Development

The Facilities Construction Business meets diverse customer needs and contributes to re-solving issues by constructing buildings and facilities that are comfortable and environmentally sound. Strengthening this business is directly connected to our Management Philosophy, under which “we create comfortable environments through engineering and widely contribute to social development.” In addition, we will seek to strengthen our core businesses by encouraging collaboration with the Plants & Machinery Systems Business and with the R&D Center to harness our total engineering capabilities toward generating new value for society.

Leveraging Shared Customer Data to Promote Sales

In April 2020, we transferred the Mechanical and Electrical Administration Office, set up to develop closer collaboration and integrate functions among branches and branch offices, to the Sales Administration Division of the Mechanical & Electrical Contracting

Major Projects

- Nippon National Stadium 1st Gymnasium (HVAC, plumbing, and electrical systems for new construction work)
- Toranomon Hills Business Tower (HVAC systems and smart building solutions for new construction work)
- Facelift of a building in the Roppongi Hills Area (HVAC systems for new construction work)
- Otemachi One Tower (HVAC systems for new construction work)
Facilities Construction Business

Facility Systems Business

Market Conditions
- The need to improve productivity has grown ahead of the decline in Japan’s population, leading to an expansion in related investments
- Technological progress and the spread of cloud services are increasing opportunities for revising the operation of ICT infrastructure
- Expectations are growing for solutions that boost productivity by making use of AI, IoT, and 5G
- The COVID-19 pandemic has sparked investment in improving office environments and redesigning business spaces

Opportunities and Risks
- Financial institutions are accelerating the pace of organizational restructuring and revisions in branch operations
- New work styles such as teleworking and working from home have led to diverse office use, giving rise to efforts for maintaining communication
- Expectations are growing for merchandise and consulting services that accurately meet new needs
- Reinforced efforts in co-creation and collaboration across the corporate framework and implementation of work style reforms

Key Initiatives of the Medium-Term Management Plan

Facility Systems
- Provide a new consultancy service
  - We will reinforce sales for our consulting service toward expanding the market for the PM and CM* businesses.
- Bolster sales and production systems toward business expansion
  - We will review our organization and strive to improve our response to customers and the competitiveness of our services.
- Strengthen existing business areas
  - We will enlarge our customer base through alliances and other strategies.

Major Results for Fiscal 2019
- Facility Systems
  - We enjoyed a brisk flow of orders for large-scale relocation projects and seized opportunities involving capital investment projects for facility reallocation by customers reviewing their management strategies, which resulted in robust growth in orders received, sales, and gross profit margins.
  - Published Ee-NeWS* to distribute information on work style reform consulting.
  - "Abbreviation of ‘everyone,’ ‘we’ (the sound for ‘good’ in Japanese), ‘new,’ ‘work,’ and ‘style’"

Status of Business Operations and Future Outlook toward Achieving Phase 2

Facility Systems
- In fiscal 2020, we expect the full-scale launch of a large-scale relocation project we have been working on since the previous fiscal year. There have also been clear trends toward corporate reorganizations that transcend the boundaries of financial institutions, which raise expectations for favorable business.
- Furthermore, we are developing new services under the leadership of the Consulting Promotion Department set up in 2020 to specifically promote the consulting business.

Innovation in productivity
- We will aggressively promote our competitive edge in highly versatile central monitoring and automated control systems to meet the labor-saving and cost-cutting needs of large buildings and other structures.
- Amid expectations for steady ICT investments, we will seek to meet the expectations for higher productivity at a time we must also coexist with COVID-19. We will do this by actively pursuing sales activities that meet the growing demand for data centers and other ICT facilities.

Facilities Construction Business

Further Improving Construction Quality
The Quality Control Center set up within the Technical Administration Division in April 2020 will spearhead initiatives for avoiding the risks associated with construction quality at the earliest stage and based on a shared understanding with the construction site. It will do this by widely sharing details about past incidents with branches and branch offices to strengthen measures for preventing problems and claims. As part of our work style reforms under the Smile Site Plan, we will seek to reflect the voice of engineers and others responsible for construction management to ensure construction quality and improving productivity.

Bolstering Site-Support Systems
With a widespread understanding of our system for site-support, instilled by units such as the Design and Engineering Support Center and Technical Support Center, we have seen an increase in situations in which we were able to provide seamless site-support from the start of construction to completion. In fiscal 2020, we will establish site-support systems at each branch and branch office and expand the areas of support and information sharing.

Unique Building Management and HVAC Technology that Contributes to Innovation

In January 2020, the Toranomon Hills Business Tower housing offices, commercial facilities, and business facilities were completed in the Toranomon Hills area, which has been expanding and evolving into a new international capital and global business center. Sanki Engineering was responsible for the construction of the tower’s HVAC system and introduced several new proprietary technologies in collaboration with the R&D Center.

The ARCH incubation center on the fourth floor specializes in new business creation and supports projects. The iSOLACE® building automation system, this highly versatile system is built to global standards and can be linked to the operator’s own systems. Additionally, we incorporated our latest technologies in various other areas to help create a comfortable and highly productive office environment that is also environmentally sound.

In the area of building management solutions, our recent alliances and other strategies.

In the area of network solutions (ICT), our recent efforts for boosting problem-solving capabilities bore fruit in the form of record profits.

Value delivered by Sanki Engineering
- Reduced the environmental impact of an HVAC system
- Helped create a comfortable and highly productive office environment
- Introduced a global standard open system

In the area of network solutions (ICT), our recent efforts for boosting problem-solving capabilities bore fruit in the form of record profits.

Published Ee-NeWS* to distribute information on work style reform consulting.
- "Abbreviation of ‘everyone,’ ‘we’ (the sound for ‘good’ in Japanese), ‘new,’ ‘work,’ and ‘style’"
Always Hearing the Voice of Customers to Deliver Original Solutions that Contribute to Social Development

The Plants & Machinery Systems Business, which comprises the Machinery Systems Business and the Environmental Systems Business, contributes to social development by creating comfortable environments through engineering, which is the essence of our Management Philosophy. Since the completion of the Sanki Techno Center as a comprehensive training and research facility, we have sought to concentrate the facilities and personnel of these two businesses at this site to establish a major platform for our technology. Our next challenge is to vigorously exchange technologies and ideas across business divisions and companies to meet the specific, exacting needs of our customers. Always hearing their voices, we will contribute to resolving social issues by focusing on attaining the goals of the Medium-Term Management Plan “Century 2025” Phase 2, which includes developing next-generation technologies and providing original solutions to promote automation, save labor and energy, and efficiently generate energy.

Machinery Systems Business

Key Initiatives of the Medium-Term Management Plan

- Developing New Markets for Material Handling Systems for the Logistics Market
  Strengthen sales activities focused on new products targeting the logistics market.

- Expanding Sales of Hybrid Facilities
  Focus on increasing sales and expanding marketing channels for hybrid facilities that combine conveyors and robots.

- Improving the Efficiency of Our Production System to Improve Productivity
  Establish a production management system at the Yamato Product Center, our main production base for conveyors, to improve productivity and quality and promote next-generation technologies.

Opportunities and Risks

- Growing need for automation and labor saving solutions arising from the decline in Japan’s working population
- Advances in AI and IoT, and the proliferation of robots

Market Conditions

- Social infrastructure investment in sewage works remains little changed, while investment in waste facilities gradually increases
- Expanding need for decarbonization (energy creation) technologies and technologies that utilize AI and IoT
- Japanese government policy for promoting PPP and PFI*

Environmental Systems Business

Key Initiatives of the Medium-Term Management Plan

- Seeking Further Expansion in Sales of Strategic Products
  Refine and expand sales of core products that meet energy saving and energy creating needs
  Further Promoting the LCE Business
  Conduct a collaborative Group effort to expand the LCE business, such as upgrading, maintaining, and managing water treatment and waste treatment plants.

Opportunities and Risks

- Slowing social infrastructure investment due to the declining population and high coverage rate
- Need for unmanned processes to prevent the spread of COVID-19

Status of Business Operations and Future Outlook toward Achieving Phase 2

Establish a Production Management System for the Yamato Product Center

To maximize the production capacity of the Yamato Product Center as a new factory, we will optimize the production management system to improve the efficiency of conveyor production and reduce costs. Furthermore, we will enhance functions for verifying the performance of conveyance systems, including hybrid facilities and new products for improved quality and stability. And we will use the Sanki Techno Center adjacent to the plant as a center for innovation to accelerate the pace of new product development by sharing information across business divisions in collaboration with the R&D Center.

Develop Packaged Deals and Broaden the Product Lineup for Hybrid Systems for Diverse Automation Needs

We will use the Yamato Product Center as the core facility to promote packaged deals for hybrid systems and broaden our product lineup in response to the diverse automation needs of the food industry and medical institutions.

Machinery Systems Business

Key Initiatives of the Medium-Term Management Plan

- Major Results for Fiscal 2019

- While orders received for conveyance systems fell in line with changing market conditions, there was robust demand for automation due to the declining labor population, resulting in steady sales growth for hybrid facilities that combine robots with conveyors.
- The Yamato Product Center, our main production base for conveyors, began full-scale operations in September 2019. This marked the completed aggregation of our Machinery Systems Business at Sanki Techno Park, allowing us to integrate the management of sales, technology, and manufacturing functions.
- We bolstered the conveyor marketing system to pursue sales activities geared to local needs.

Net Sales and Net Sales Composition Ratio for Fiscal 2019

- Net Sales: 34.4 billion yen (16%)

- Orders Received (Billions of Yen)

- Net Sales (Billions of Yen)

Increase Sales of Logistics Equipment and Develop New Products in Response to Market Expansion

In response to the expanded logistics market brought about by the spread of e-commerce and accompanying rise in labor saving and automation needs, we will promote sales of logistics equipment such as customized conveyor and sorting devices. In April 2020, we set up the Information Control Department to promote production management systems. We will also develop robotic materials handling systems for the diversifying needs of the logistics site.

Promote Sales Geared to Local Needs and Establish New Sales Bases

We will seek to increase orders for standard conveyors by promoting sales geared to local needs while at the same time establishing new sales bases. Moreover, we will use our sales networks for standard conveyors to develop new customers for hybrid facilities.
Environmental Systems Business

Focus


Major Results for Fiscal 2019

- Orders received increased as we won orders for large-scale waste treatment facilities and water supply and drainage disposal plants. Sales growth was led by strategic products such as our decanter centrifuge and ultra-fine bubble air diffuser.
- We received a second order for a woody biomass gasification power generation system, which we have been aggressively promoting.
- We completed construction of the Tenzan area energy recovery waste treatment facilities, a DBO project including construction and management operations that we had received as a bulk order. Our Group company Sanki Kako Kensetsu Co., Ltd., responsible for operational management, repairs, and maintenance, began a 20-year period of operations.
- The continuous heat sterilizer for treating medical and pharmaceutical wastewater, for which we received the first order in fiscal 2018, commenced operation at two locations.

Status of Business Operations and Future Outlook toward Achieving Phase 2

Increase Orders for Large Projects Including Strategic Products

We expect constant demand for infrastructure upgrades primarily in major cities in response to changes in society and the environment, such as a declining population. We will strive to increase orders for large-scale projects by highlighting our strategic products, including the SANDEC G3 decanter centrifuge, AEROWING II ultra-fine bubble air diffuser, and turbo-charged fluidized bed combustion system. In addition, we will maintain our efforts to bolster private sector sales for products such as the continuous heat sterilizer used to treat medical and pharmaceutical wastewater.

Bolster the LCE Business with a Focus on Energy Conservation and Generation

We will actively engage in government initiatives funded by the private sector, such as the PPP/PFI and DBO projects. We will also ensure stable operations of the DBO project Tenzan area energy recovery waste treatment facilities through strong collaboration among Group companies.

In our new business of woody biomass gasification power generation systems, we will pursue new orders through Group-wide collaboration to provide total engineering and toward further expanding the LCE Business with a focus on creating energy.

Expand Business Areas by Leveraging Proprietary Technologies

We will deploy our diverse array of specialized technologies that extend beyond our business, such as at the R&D Center, to seize new opportunities in a timely manner. Moreover, we will contribute to improving hygiene in developing countries by leveraging Sanki Engineering’s proprietary technologies, such as the DHS-based wastewater treatment unit, which helps lower costs and save energy associated with wastewater treatment.

In May 2019, the TOHAN Wako Center commenced operations as the new shipping base for new titles at Tohan Corporation, which distributes publications. Sanki Engineering was responsible for relocating the shipping facility to the TOHAN Wako Center as well as the design and construction of a new building.

The new shipping facility spans 1,800 meters. All books that arrive from the publishers are sorted via two lines into those destined for large stores and those for small- to medium-sized shops, and they are moved into the inspection and shipping lines to be dispatched nationwide. We installed DAS® shipping equipment with digital displays in the sorting line for large bookstores and adopted weight inspection machines for inspecting and shipping. The shipping line is equipped with a system for sorting books by destination to save energy and labor. In addition, Sanki Engineering handled the design and new construction of the ICT, HVAC, and electrical systems, thus meeting comprehensive customer needs as a total engineering company.

The Clean Hill Tenzan energy recovery-type waste treatment facilities were completed in March 2020, marking the start of a 20-year period of operational management by Group company Sanki Kako Kensetsu Co., Ltd. This was the first bulk order for construction and management operations received by the Sanki Engineering Group under the DBO method that involved new construction work.

The order for Clean Hill Tenzan was placed by the Saga Prefecture Tenzan Area Environmental Cooperative as a project to build a common garbage incinerator for Taku City and Ogi City in Saga Prefecture. The project is intended to maintain proper treatment of general waste in a safe and secure manner and promote energy recovery toward the creation of a zero-waste society. We installed the most advanced facilities and systems centered on our proprietary water-cooled stoker system to achieve a processing capacity of 57 tonnes of waste per day, and we used the recovered heat energy to power the HVAC and other facility systems. Looking ahead, we will continue environmentally sound operations with a priority on safety and security.
Effective use of portfolio assets
Maintenance and management of portfolio assets
Raise revenues from building stock-based business by accumulating leasing operations

Market Conditions
Redevelopment continues in urban areas such as Tokyo and Osaka along with steady demand for offices.
Increase in third-place offices and other coworking spaces

Opportunities and Risks
Decline in rental fees and prolonged period of vacancies
Growing need to conserve energy and resources, extend the life of aging buildings, and ensure longer life for facilities
Need to improve office environments using advanced technologies such as AI and IoT

Net Sales and Net Sales Composition Ratio for Fiscal 2019

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales (Billions of Yen)</th>
<th>Composition Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>2016</td>
<td>1.7</td>
<td>1.7</td>
</tr>
<tr>
<td>2017</td>
<td>1.9</td>
<td>1.9</td>
</tr>
<tr>
<td>2018</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td>2019</td>
<td>2.2</td>
<td>1.7</td>
</tr>
<tr>
<td>(Fiscal)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Major Results for Fiscal 2019

• Net sales rose from the previous fiscal year due to growth in rental income following the start of tenant operations centered on a portfolio asset in Yamaro City, Kanagawa Prefecture (Sanki Yamato Site).
• The launch of full-scale operations of the Yamaro Product Center in September 2019 marked the completion of the SteP (Sanki Techno Park) project for the Sanki Yamato Site, which we had been implementing since fiscal 2016.
• Completed renovating the interior of the Molive shopping mall in Moriyama City, Shiga Prefecture
• Completed construction in October 2019 for the NISSAI Logistics Center YOKOHAMA-MACHIOA, the logistics facility of Nippon Life Insurance Company at the Sanki Yamato Site, which we have been renting out since May 2018. Sanki Engineering was responsible for constructing the HVAC, plumbing, and electrical systems.

Policy and Outlook for Fiscal 2020

In fiscal 2020, we will maintain our efforts to increase sales and profit for the Real Estate Business by applying Sanki Engineering’s technologies and know-how to the maintenance and management of portfolio assets. At the Sanki Yamato Building, we will seek to raise customer satisfaction by enhancing facilities in response to the increase in tenant employees. We will continue to upgrade the elevator, rooftop air conditioning unit, and electrical substation. Facility renovations at the Molive shopping mall, such as upgrading the escalator control systems, will also be continued to maintain tenant satisfaction and a pleasant shopping experience.
Environmental Management at Sanki Engineering

● Environmental Management System
Under our system for implementing environmental management, headed by the president, each division reports on the status of its activities, and decisions on action plans are made during ISO Promotion Meetings and company-wide EMS and QMS secretariat meetings.

● Major Activities in Fiscal 2019
We pursue our activities by having each section set environmental goals aligned with their respective operations. Major policies for fiscal 2019 were: (1) Enhance Environmental Aspects Assessment and (2) Improve the introduction rate of digital manifests.

No issues were reported regarding noise, dust, or odor at construction sites. In May 2019, Sanki Engineering Co., Ltd. and Group company Sanki Kako Kensetsu Co., Ltd. were found to have unlawfully altered the measured values for two out of 31 data items required for disclosure at an incineration facility constructed by Sanki Engineering. We addressed the issue by providing an explanation at a meeting with local residents organized by the relevant regulatory body, temporarily suspending the ISO 9001 certification of the Environmental Systems Administration Division at Sanki Engineering and the ISO 14001 certification of Sanki Kako Kensetsu from September to October 2019, voluntarily suspending the use of the ISO 9001 and 14001 certification by Sanki Engineering and Sanki Kako Kensetsu from April to September 2020, taking disciplinary action by cutting executive compensation, organizing ethics seminars for the relevant departments, and formulating internal auditing checklists. In March 2020, we implemented corrective work, verified the performance of the relevant facility, and received approval from a third-party institution and the owner of the facility. We are aware of the gravity of this incident and take full responsibility. We will bolster our compliance education and management system to prevent a recurrence.

● Assessment and Response to Environmental Risks and Opportunities
The 2015 version of the ISO standard calls for "visualization" as a requirement under "Initiatives on Risks and Opportunities." To address this, we use the JOB Environmental Aspects Assessment List to identify environmental issues that are unique to each construction site, bylaws governing site location, regional agreements and more. There is an infinite variety to type, scope and regulatory requirements with respect to environmental risks, depending on the project type, such as medical institutions and commercial facilities, and the surrounding environment, community and nature of construction work. The assessment list consists of 10 aspects and around 60 items, and, prior to the start of construction, we seek appropriate action by conducting an environmental risk assessment for each project. In fiscal 2019, we revised the document format, such as categorization, other supplies equipment, and office and regulatory changes.

● Developing Environmental Leaders
We encourage employees to acquire environment-related qualifications in response to regulatory changes.

● Number of Employees with Environment-related Qualifications (as of April 1, 2020)

<table>
<thead>
<tr>
<th>Qualification</th>
<th>Non-consolidated</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certified environmental measurer</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Supervisor of management of industrial waste subject to special control</td>
<td>177</td>
<td>184</td>
</tr>
<tr>
<td>Pollution prevention manager (cumulative total)</td>
<td>15</td>
<td>19</td>
</tr>
</tbody>
</table>
### Contributing through Our Products and Technologies

**Contribution to Decarbonization and the Creation of a Zero-Waste Society**

The Sanki Engineering Group seeks to help customers save and generate energy to reduce CO2 emissions and cut lifecycle costs through its business activities by enhancing functionality and comfort through the products and technologies offered by each of its businesses. In our LCE business, we seek to reduce environmental impact across the entire product lifecycle, from planning and design in facilities construction to operational maintenance after completion and also renovation. This assists in shifting to a decarbonized, zero-waste society as well as environmental preservation. Our Medium-Term Management Plan designates numerical targets for the number of CO2 reduction proposals we present customers. We will also strive to expand the business field of saving and creating energy, such as biomass power generation plants, and pursue resource circulation through wastewater treatment facilities and waste treatment facilities.

**Registered ZEB Planner**

Sanki Engineering is a registered ZEB Planner, which seeks to promote the widespread introduction of ZEBs*1 introduced by Japan’s Agency for Natural Resources and Energy, under the Ministry of Economy, Trade and Industry. As a ZEB Planner, we act as the contact point for customers planning to adopt ZEB in construction projects and play our part in developing a decarbonized society by supporting ZEB planning. In fiscal 2019, we worked on the construction of a ZEB Ready*2 building equipped with highly efficient energy saving solutions. Construction was completed in July 2020.

**SANKI YOU Eco Contribution Point System**

The Sanki Engineering Group’s SANKI YOU Eco Contribution Point System promotes energy to reduce CO2 emissions and cut lifecycle costs through its business activities by enhancing functionality and comfort through the products and technologies, and contributes, along with our partners, to preventing global warming and the creation of a zero-waste society.

*1 Net-Zero Energy Buildings maintain comfortable environments while reducing annual energy consumption to as close to zero as possible by enhancing energy-saving performance using solar power generation and other renewable energy sources.  
*2 ZEB Ready applies to buildings that meet the requirement of reducing primary energy consumption by at least 50% from benchmark primary energy consumption without using renewable energy sources.

**R&D Expenditures Related to Environmental Preservation**

<table>
<thead>
<tr>
<th>(Millions of Yen)</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Woody biomass gasification plant</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Proposal**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Conserved</td>
<td>345</td>
<td>16,210</td>
<td>353</td>
<td>41,985</td>
<td>411</td>
</tr>
<tr>
<td>Non-conserved</td>
<td>313</td>
<td>54,877</td>
<td>321</td>
<td>46,143</td>
<td>375</td>
</tr>
</tbody>
</table>

**Orders received**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Conserved</td>
<td>183</td>
<td>27,624</td>
<td>166</td>
<td>16,949</td>
<td>163</td>
</tr>
<tr>
<td>Non-conserved</td>
<td>168</td>
<td>27,319</td>
<td>157</td>
<td>16,589</td>
<td>162</td>
</tr>
</tbody>
</table>

**Donations to Tree-planting Projects**

Recipients of donations were selected from the framework of global environmental preservation activities mainly handled by private non-profit organizations. In fiscal 2019, we donated to three projects in which our employees participated.

**Donation History for Tree-planting Projects (FY2019)**

<table>
<thead>
<tr>
<th>Recipient</th>
<th>Project</th>
<th>Donation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Silva Association</td>
<td>Tree planting for a forest surrounding Shoren Village (Nikou City, Kanagawa Prefecture)</td>
<td>800,000 yen</td>
</tr>
<tr>
<td>Shinon Gakuen</td>
<td>Tree planting for a forest surrounding Shoren Village (Nikou City, Kanagawa Prefecture)</td>
<td>800,000 yen</td>
</tr>
<tr>
<td>NPO Mori no Umi no Koibito</td>
<td>Tree planting for the Hikobae Forest on Mt. Nago (Iwate Prefecture)</td>
<td>819,700 yen</td>
</tr>
</tbody>
</table>

**ZEB Planner**

Sanki Engineering’s ZEB Planner helps customers plan and achieve ZEB projects. This planning and design in facilities construction to operational maintenance after completion and also renovation. This assists in shifting to a decarbonized society by supporting ZEB planning.

**Our Contribution to the Global Environment**

The SANKI YOU Eco Contribution Point System expresses our aspiration to contribute to social development and create harmony with the natural environment.

**ESG Initiatives**

<table>
<thead>
<tr>
<th>Environment</th>
<th>Social</th>
<th>Governance</th>
</tr>
</thead>
</table>

**Reference**

Tenth anniversary of the SANKI YOU Eco Contribution Point System (page 30)
Sanki Engineering seeks to reduce its CO2 emissions by compiling and managing emissions generated by its business activities. We set numerical targets for CO2 emission reductions in the Medium-Term Management Plan.

**Initiatives for Energy Conservation**

*Energy Conservation Activities*

In fiscal 2019, energy consumption was 2,235 kl, and CO2 emissions generated by energy use was 4,264 t-CO2 on a non-consolidated basis. Energy consumption rose by 10% in fiscal 2018, as that year we began full-scale operations at the Sanki Techno Center and Yamato Product Center, which are essential for improving Sanki Engineering’s technology and promoting human resource development. We strive to reduce energy use at these facilities by incorporating several energy-saving systems, including those that apply our proprietary technologies.

**Proposed Energy-Saving Systems Installed at Group Facilities**

- **Sanki Techno Center**
  - EcoDuct®: a real-time heat source optimization system (proprietary technology)
  - selfFort®: a smart air conditioning system for offices (proprietary technology)
- **Yamato Product Center**
  - periloop, a thermal stratification air conditioning system (proprietary technology)
  - Solar photovoltaic panels

**Proper Disposal of Waste**

**Current State of Industrial Waste**

With respect to industrial waste discharged at our construction sites, we seek to understand the current status by compiling data on waste discharged at sites where Sanki Engineering is the prime contractor.

We have maintained the recycling rate for industrial waste, excluding waste disposed at final landfill sites, at high levels above 90%, and the rate was 97.2% in fiscal 2019. We will continue to promote proper disposal by monitoring and analyzing the discharge of industrial waste. In fiscal 2019, the waste disposal cost for construction sites was 496,654,000 yen. Furthermore, we have been properly disposing waste CFC and halons, the cost of which was 37,803,000 yen in fiscal 2019.

In addition, following the revision of the Waste Management and Public Cleansing Act, we created and distributed posters to disseminate the revisions in storage and disposal procedures for waste containing mercury. We also prepared a flow chart for the proper disposal of asbestos in order to address needs arising from an increase in renovation work.

**Waste Discharged at Sites where Sanki Engineering is the Prime Contractor and at the Sanki Techno Center**

Poster: “How to handle mercury-laced industrial waste”

*Target rate: 90% or higher
Introduction of a Digital Manifest

With the aim of ensuring the proper disposal of industrial waste, in fiscal 2018, we completed a system for introducing digital manifests, which is now available to all departments. The rate of introduction of digital manifests to the total number of manifests issued was 96.0% against the target of 95.0% on a non-consolidated basis in fiscal 2019. To comply with regulatory revisions obligating the use of digital manifests, we will raise our target to 100% on a non-consolidated basis by fiscal 2020. To achieve this goal, we will continue to reinforce our system for accurately monitoring the status of disposal and recommend that business partners who have yet to connect to the digital manifest system do so.

Rate of Introduction of Digital Manifests (%)

![Graph showing the rate of introduction of digital manifests from 2014 to 2019, with 2019 reaching 96.0% against the target of 95.0%.]

Sanki Engineering participates in the ESCO project* currently underway at the Kamihama Campus of Mie University. Our goal is to save energy by installing the EcoSearcher®, real-time heat source optimization service, in the campus energy center for optimal management of the heat source and conveyor system. The use of EcoSearcher® is intended to minimize the overall energy consumed by the heat source system of an HVAC facility. Unlike conventional methods based on predetermined estimates, EcoSearcher® measures real-time data for each unit of equipment under control to improve the accuracy of calculations and expand control functions, thereby enabling optimal operations with a high level of accuracy and efficiency. Our technology reduces energy consumption by 3.8% and CO₂ emissions by 918 tonnes a year.

Conserving the Global Environment with Sanki Technology

Saving Energy with the EcoSearcher® Real-Time Heat Source Optimization Service

Sanki Engineering’s relationship with the Japanese research expedition to Antarctica began in 1957, when we delivered roller conveyors for the second expedition. Since the Protocol on Environmental Protection to the Antarctic Treaty was adopted in 1991, we have been seconding engineers to the National Institute for Polar Research, who were then dispatched to the Showa Base as staff responsible for environmental conservation. The expedition is composed of roughly 60 members divided into either the summering or wintering parties. To date, Sanki Engineering has dispatched 15 members, including myself. Waste and wastewater are generated by the Showa Base as members live there each day. Starting with a survey of actual conditions at the base, Sanki engineers have been surveying waste, taking measurements, and surveying wastewater volume and quality as well as delivering, launching, maintaining, and managing the wastewater processing facility. In November 2018, I set off for Antarctica as a member of the wintering party of Japan’s 60th research expedition. I spent about 14 months at the Showa Base in Antarctica, beginning in mid-December 2018, where I worked on the construction of the HVAC and plumbing facility for the Basic Observation Building, which was completed in November 2019. I also provided repairs and maintenance for the HVAC, plumbing, and fuel facilities in the main building that serves as the living quarters. Repair and maintenance of infrastructure in Antarctica is a vital responsibility on which the lives of expedition members depend. Being able to apply my skills and experience to support the Antarctic research was an extremely valuable experience. Looking ahead, the Sanki Engineering Group will continue to support Antarctic research with total engineering and contribute to the conservation of the global environment.
Ensuring Quality and Enhancing Technologies

Initiatives to Ensure Quality

● Philosophy on Quality and the Quality Management System
Since April 2017, we have been operating an integrated quality management system based on the ISO 9001 (QMS) and ISO 14001 (EMS) standards.

In fiscal 2019, we held discussions focused on creating mechanisms and cultivating human assets to raise the quality of internal audits during the Company-wide QMS and EMS Office Conference. That same year, the quality management of a Sanki Engineering Group project found to be out of compliance. An extraordinary audit held on September resulted in the temporary suspension of ISO 9001 certification at the relevant division and of ISO 14001 certification at the relevant Group company. The suspensions were lifted following another extraordinary audit on preventive measures in October.

Looking ahead, we will continue to incorporate customer opinions into our operations. In fiscal 2018, we received highly positive feedback from about 90%* of the 861 respondents. The content was revised in our operations. In fiscal 2018, we received highly positive feedback from about 90%* of the 861 respondents. The content was revised in our operations.

● Framework for Promoting the Quality and Environmental Management System

FY2021 Goals

Reduce the number of problems and complaints during construction

Target
Reduction rate for number of problems and complaints during construction (consolidated)
Reduce by 5% year-on-year through divisional collaboration

Introduce new labor-saving construction technology

Target
Number of sites introducing new labor-saving construction technologies

Major Action Policy and Initiatives for FY2020

Conduct training and seminars toward preventing problems and complaints

Encourage employee proposals for labor-saving ideas in the construction process

FY2019 Results

Reduction rate for number of problems and complaints during construction (consolidated)
Down 31.6% from FY2018

Number of sites introducing new labor-saving construction technologies
11 sites

Quality Management Activities
We advance construction quality with an emphasis on improving communication. Enhancing our support for construction sites and offering rapid, constructive responses to problems and complaints are areas in which we consistently seek to raise our standards.

Understanding Customer Satisfaction and Utilizing Feedback
In our work to improve construction quality, we conduct a customer satisfaction survey at the completion of construction work and reflect the feedback in our operations. In fiscal 2018, we received highly positive feedback from about 90%* of the 861 respondents. The content was revised by some divisions, and we began applying the new format in fiscal 2019.

Looking ahead, we will continue to incorporate customer opinions into our operations to enhance construction quality.
We accumulate and share our quality-related experiences across the Company by means of technical documents in order to prevent the occurrence of incidents and complaints related to quality or, in the event they do occur, to handle them quickly and effectively. Information about problems and complaints are distributed to construction engineers through a flash bulletin, the “weekly bulletin” is a weekly meeting of the Problems and Claims Evaluation Committee, which is also attended by Group companies, and the “monthly bulletin,” which discusses the causes of issues, corrective measures, and preventive measures. We have been seeking to reduce the number of problems and complaints by setting qualitative targets and in fiscal 2019 reduced them by 31.6% year-on-year thanks to various measures related to providing onsite support. Looking ahead, we will focus on bolstering our support to raise customer satisfaction.

Sharing Information and Preventing the Occurrence of Problems and Complaints

Initiatives on Quality Based on Support for Construction Sites

Providing Operational Support for Construction Sites

To reduce the workload on construction managers and enable them to spend more time on construction work and quality management, and to maintain high quality, we provide operational support from the perspectives of site operations and design, technology and quality. We will also implement various measures under the Smile Site Plan to reduce the workload of construction managers, raise operational efficiency and enhance quality.

Support for Site Operations

The support sections of each branch and branch office, as well as the Technical Administration Division, Procurement Division and Information Systems Office, have taken action to reduce the administrative burden at a construction site. We are also raising the efficiency of our operational processes by sorting, reducing, and digitizing documents used at construction sites. In fiscal 2019, we reviewed and improved the Web registration process at major sites to strengthen the management system.

Supporting Design and Technical Operations

The Design Support Center provides design and technical assistance. In fiscal 2019, we expanded the scope of support, which led to an increase in the number of cases in which continuous support was provided from design to completion. In fiscal 2020, the center will continue to pursue higher design quality by broadening the scope of support and providing information. The Technical Support Center seeks to reduce the burden on construction managers by allocating operations preceding construction work to each relevant department. In fiscal 2019, we sought to bolster support for site launches at the five branch offices and technical support during the busy season.

In fiscal 2020, we established the Quality Control Center to clarify the responsibility of our quality management and strengthen the activities of quality assurance administrators and technical experts, who are highly skilled former office managers. They visit construction sites to conduct construction audits and quality reviews as a means of improving quality and preventing problems and complaints, while also mentoring junior employees. Moreover, we set goals each year to reduce problems and complaints as an ongoing initiative while also thoroughly disseminating information across the Company by issuing and sharing technical memos.

Such support has enabled us to reduce the number of problems and complaints by 31.6% from the previous fiscal year, even though the number of construction projects is on the rise. We will bolster the system of support and continue to develop an environment that helps with the management of construction sites.

Use of Digital Tools to Enhance Quality Control

We hope to raise the level of construction quality by using digital tools such as ICT and BIM, which we apply to automate processes used in design, construction and acceptance inspections. Furthermore, in April 2015, we established the BIM Promotion Center to launch our initiative for medium- to long-term use of BIM.

Enhancing Our Technologies

Technical Awards for Improving Construction Methods and Operational Processes

In fiscal 2017, we began presenting awards for excellent ideas that improve operational processes, such as raising efficiency, in addition to ideas that improve construction work. As a result, we received 1,893 applications in fiscal 2019.

Fostering Human Resources to Sustain Our Technological Level

The Sanki Techno Center fosters human resources by helping employees acquire basic skills, brush up on skills, and attain qualifications. New employees receive four and a half months of basic training and safety training. The company conducts training for construction managers every three years, and the content is based on how many years of experience the manager has in their role. As for the skills of our engineers, we develop them through hands-on practice and drills using actual machinery and facilities at the Sanki Techno Center.
### ESG Initiatives

#### Social

Health and Safety Policy and Structure

The Sanki Engineering Group was one of the first in the construction facilities industry to introduce an occupational health and safety management system (Sanki OHSMS) in 2001 and has since engaged in activities in partnership with subcontractors. Under the Sanki Engineering Group Basic Health and Safety Principles, we formulate a Company-wide health and safety activities plan based on the Safety Guidelines for each year. Also, we seek to visualize our PDCA cycles, including the analysis of risk factors and implementation of remedial and preventive actions.

**WEB**

#### Major Action Policy and Initiatives for FY2020

- Reduce the number of accidents
  - Target: Reduce by 20% year-on-year through cooperation among divisions (Sanki Engineering Co., Ltd. and business partners)

- Implement the Accident Prevention Measures for Subcontractors
  - Target: Visits to subcontractors

- Continuation of the Health and Safety Training
  - Target: Promote health and safety training sessions for employees and subcontractors

**FY2021 Goals**

- Preventive measures and training for reducing accidents
- Measures for preventing accidents involving inexperienced workers
- Continuation of the Health and Safety Training

**FY2019 Results**

- Number of accidents: 11 (FY2018: 1 accident)
- Ratio of accidents involving inexperienced workers: 1,041% (FY2018: 44%)

**Promote training and guidance on topics such as the use of ICT**

**FY2020 Initiatives for Safety**

- **Number of Personnel with Quality-Related Qualifications** (Totals as of April 1 for Each Fiscal Year)

<table>
<thead>
<tr>
<th>Qualification</th>
<th>Non-consolidated</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional engineer</td>
<td>383</td>
<td>435</td>
</tr>
<tr>
<td>Project management technician</td>
<td>1,164</td>
<td>1,202</td>
</tr>
<tr>
<td>Architect</td>
<td>42</td>
<td>40</td>
</tr>
<tr>
<td>Facilities construction architect</td>
<td>211</td>
<td>215</td>
</tr>
<tr>
<td>Electrical engineer</td>
<td>154</td>
<td>158</td>
</tr>
<tr>
<td>Chief electrical engineer</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>First class instrument engineer</td>
<td>255</td>
<td>258</td>
</tr>
<tr>
<td>Fire protection engineer</td>
<td>673</td>
<td>686</td>
</tr>
<tr>
<td>Qualified managing engineer</td>
<td>1,943</td>
<td>2,088</td>
</tr>
</tbody>
</table>

**Note:** Cumulative figures are shown for all qualifications.

#### Collaborating in the Industry through Open Technology

To the Aluminum Plumbing Equipment Association (APEA) we provided construction instructions for the Aluminger® aluminum refrigerant piping method we developed. By promoting the adoption of our method, which reduces labor by 25% compared to conventional methods, we are contributing to standardizing environmentally sound technology across the entire industry.

Moreover, we support the cause of the "IP Open Access Declaration against COVID-19," launched at the initiative of companies and universities to prevent the spread of the novel coronavirus, and participate in this initiative. We are also promoting the use of our HVAC systems and other proprietary technologies as our contribution to ending the pandemic.

### Major Skill Development Activities for Fiscal 2019

#### Initiatives at the Sanki Techno Center

- **Training for new employees**
  - Examination preparation for employees who want to be construction management engineers and fire protection engineers
  - 20 participants

- **Initiatives based on operational experience**
  - Third year in construction work
  - Fourth year in construction work
  - Total 118 participants

#### Initiatives for paneling on technology

- **On-the-job training by technical experts**
  - Practical on-the-job training offered by technical experts selected from all branches who participate in onsite management discussions and construction audits
  - 21 technical experts (3,000 site visits, cumulative total)

#### Initiatives for Group companies and subcontracts

- **Explanation of problems and complaints**
  - 6th conference on electrical construction quality for all branches

**Note:** A new construction method whereby lightweight aluminum pipes are used instead of copper pipes, and they are connected with specialized tools to save labor.
Health and Safety Environment of the Construction Industry

The construction industry has been relatively unaffected by the COVID-19 pandemic, although strict adherence to measures for preventing infections at construction sites has become a major issue. Meanwhile, the worsening labor shortage is increasing the urgency for securing engineers and skilled workers, raising operational efficiency, and addressing the risks of industrial accidents, long working hours, and mental health issues associated with the labor shortage and a decline in experienced workers. From here on, an influx of workers from other industries is expected due to higher unemployment caused by the economic downturn and the protracted period of self-imposed business suspensions. It is therefore important to reinforce health and safety management addressing new workers, including those who are elderly.

Initiatives in Fiscal 2019

Key Items Implemented in Fiscal 2019
In 2018, there were occurrences of “cuts/abrasion” accidents, in addition to accidents in the “falls/tumbles” and “caught/pinched” categories and traffic accidents, which have been occurring with greater frequency every year. Many of them have involved inexperienced workers and primary subcontractors who were not members of the Cooperative Association. We therefore implemented preventive measures for each category of accident and total improvement of our safety education system by streaming an instructional video on accident prevention by category and sharing best safety practices across subcontractors and construction sites.

Outline of Activities in Fiscal 2019

Policy of the Central Safety and Health Committee Chairperson

Bogun “Pursue safe operations to raise reliability. Together, let’s create a new era – Always check first! Safety and health is our top priority.”

Key Actions

Safety
1. Deploy measures to achieve zero accidents
   • Educate inexperienced workers about safety rules
   • Foster safety awareness among new employees during introductory training and education
   • Produce safety and health handbook and educational video for newcomers
   • Share best practices for safety and health across subcontractors, construction sites and site supervisors
   • Develop a video on accident prevention by category
   • Develop initiatives by involving the Sanki Health and Safety Cooperative Association
   • Improve operational manual for risk assessment

2. Bolster site-support system
   • Support input and operational procedures for creating work safety documents
   • Discuss policy on communicating disaster updates and news on safety and health

3. Continue health and safety training
   • Systematically enroll foremen and safety managers in training for bolstering leadership skills
   • Promote special training sessions using full harness-type equipment
   • Promote safety and health education using the Sanki Techno Center

Health
1. Initiatives for preventing health disorders
   2. Initiatives for mental health

Safety and Quality Conventions and Safety Patrols
Every year in June, the preparatory month for National Safety Week, Sanki Engineering holds safety and quality conventions at each branch, branch office and division at nine domestic sites and two overseas sites. In fiscal 2019, as in other years, the president and Central Safety and Health Committee chairperson attended the convention for all offices to share his stance and thoughts on safety. We also conduct special joint safety patrols, during which the president and directors tour 39 construction sites in the summer and before and after year-end.

Health and Safety Training
For our own employees and for staff employed by subcontractors, Sanki Engineering provides training led by in-house instructors or at designated training institutes. In view of the regulatory revisions, we particularly focused on conducting special training sessions using full harness-type equipment with the aim of preventing falls. For newcomers to the construction site, we distribute health and safety handbooks and organize joint training sessions with the Sanki Health and Safety Cooperative Association.

The Ministry of Land, Infrastructure and Transport launched the Construction Career Up System, for the purpose of securing and cultivating competent personnel, in April 2019. Consequently, in fiscal 2019 we held 17 briefings on the system for subcontractors. In addition, we produced operational manuals for our employees and subcontractors and held eight briefings on operational instructions for using the system.

Number of Participants in Health and Safety Training (Fiscal 2019)*

<table>
<thead>
<tr>
<th>Type of Participant</th>
<th>Number of Participants (From Subcontractors)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health and safety training for foremen</td>
<td>236 (2019)</td>
</tr>
<tr>
<td>In-house health and safety training</td>
<td>247 (2019)</td>
</tr>
<tr>
<td>Other client-focused training</td>
<td>1,383 (2019)</td>
</tr>
<tr>
<td>Total</td>
<td>4,968 (2019)</td>
</tr>
</tbody>
</table>

Accidents in 2019
In 2019, 19 accidents occurred (11 lost workday accidents, 8 with no lost workdays), increasing in number as well as severity. According to our analysis, these were due to inadequate work plans and procedures on the part of managers as well as to workers paying less attention to hazards as they became familiar with the tasks and lack of experience. We must respond by promoting thorough compliance with the rules and raise the level of our activities by sharing information.

Number of Accidents, Frequency Rate¹, and Severity Rate²

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Accidents</th>
<th>Frequency Rate for Sanki-Engineering</th>
<th>Average Severity Rate for the General Construction Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>0.06</td>
<td>1.02</td>
<td>0.29</td>
</tr>
<tr>
<td>2016</td>
<td>0.03</td>
<td>0.74</td>
<td>0.06</td>
</tr>
<tr>
<td>2017</td>
<td>0.00</td>
<td>0.21</td>
<td>0.11</td>
</tr>
<tr>
<td>2018</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

¹ Frequency rate: calculated as the number of deaths and injuries caused by accidents in the construction site per one thousand working hours. This figure indicates the frequency with which accidents occur.
² Severity rate: calculated as the number of lost workdays caused by accidents in the construction site per one thousand working hours. This figure indicates the severity of the accidents.

Action Policies for Fiscal 2020
In view of the latest developments in society and industry, relevance to the SDGs and the types of accidents that occurred in 2019, we are focusing on the following key action areas for safety in fiscal 2020: (1) Prevent accidents associated with repetitive tasks, (2) Enhance partnerships, and (3) Provide education for raising reliability. We will utilize the Sanki Techno Center as we undertake these actions.
Building Fair, Equal and Transparent Business Relationships

Overview of Procurement
The procurement cost of materials and equipment used by Sanki Engineering for construction work is approximately 33.5 billion yen, with domestic suppliers representing the source for nearly all procurement. Delivery delays that occurred at the onset of the novel coronavirus pandemic have now been resolved, and the impact on procurement has been negligible (as of August 2020).

Thoroughly Ensuring Fair and Transparent Transactions
To build and maintain equal, fair, and transparent relationships with our business partners, we develop and distribute an order procedure manual that prohibits the abuse of a superior bargaining position and strive to ensure thorough compliance by providing employee education each year. Upon starting business with a new company, such as a construction subcontractor, materials manufacturer, agent, or expense-related business partner, we assign a business partner code based on objective standards covering various areas, including the registration status of quality and environmental management systems, financial conditions, procurement track records, delivery, pricing, and response to problems and complaints. In addition, the provisions of a basic sales contract include product safety, quality control, intellectual property, legal compliance, and the exclusion of anti-social forces.

Handling Anti-social Forces
Sanki Engineering is committed to eliminating anti-social forces from its procurement activities. We clearly state this as a precondition for doing business with us and request that business partners submit a letter pledging to sever any ties with anti-social forces. As of March 31, 2020, we have received pledges from 3,823 companies.

Execution of Action Plans
Reducing costs and improving our profit ratio are important initiatives in our new medium-term management plan, and to this end we helped negotiate prices for all offices and manage procurement-related information for them as well through centralized purchasing and the sharing of our findings through price surveys in-house. We began digitizing the ordering process in fiscal 2017 and claim forms for completed work in fiscal 2018 at divisions related to technology and procurement at all offices. Upon digitizing the forms for ordering and completed work claims, we held an introduction briefing for business partners, and created an instruction manual. We continued to expand digitization by following up with our business partners in fiscal 2019.

As a result, the number of digitally processed forms now accounts for about 88% of all orders. We also began using iPads for acceptance inspections in February 2020. Looking ahead, we intend to continue raising efficiency, establishing procurement policies, and approaching our business partners.

Exploratory Visits to Business Partners
We exchange views with Procurement Web users at our major business partners. In fiscal 2019, our procurement department staff visited 26 specialty contractors and suppliers and exchanged views on topics that included management conditions, confirmation of delivery dates, BCPs, response to the lack of engineers, and work style reforms. Going forward, we will continue to develop an optimal procurement environment.
Seminars and Training for Procurement Staff
We organize seminars and training as needed to promote appropriate procurement activities and enhance the purchasing and negotiating skills of procurement staff. In addition, we encouraged procurement staff to obtain registered qualifications for Certified Procurement Professionals (CPP), construction business accountants, and fundamental information technology engineers, among others, to enhance their skills and knowledge.

Outline of Main Training Sessions (FY2019)

<table>
<thead>
<tr>
<th>Theme</th>
<th>Content</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>General procurement</td>
<td>Basic knowledge about specialty construction, Evaluation checklist for specialty construction</td>
<td>12 sessions, 69 participants</td>
</tr>
<tr>
<td>Basic knowledge of accounting</td>
<td>Basic knowledge about accounting, Compliance, How to read financial statements</td>
<td>4 sessions, 40 participants</td>
</tr>
</tbody>
</table>

Operation of Internal Whistleblowing Hotlines
We operate the Corporate Ethics Hotline to prevent any improper transactions. Also, we are striving to conduct fair transactions with our business partners by providing them with information on how to use the hotline and asking them in letters for their cooperation in ensuring that business activities are sincere and fair.

Promoting Good 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 results.

Providing Assessment Feedback to 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, conduct an assessment of their safety management. We visit and provide them with feedback on the assessment results and exchange information on improvements as needed to enhance their safety management capabilities.

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 organizing safety and health education as well as courses on obtaining qualifications led by Sanki Engineering employees, and by conducting joint patrols. In fiscal 2018, we began holding the Sanki Health and Safety Cooperative Association twice a year. Led by subcontractors directly involved in construction, the meeting is expected to raise awareness about disaster prevention. The July meeting was attended by 20 employees from our Group and 46 from subcontractor groups, and the December meeting was attended by 24 employees from our Group and 23 from subcontractor groups. Sanki Engineering directors, including our chairman and president, also attended the meetings.

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Reference
Whistleblowing System
Page 78

Voice
Participation in Practical Training to Acquire Useful Onsite Knowledge
In January 2020, I participated in a two-day training program for mid-career employees and specialists at subcontractors with around three years of experience at the excellent facilities of the Sanki Techno Center, along with a group of 16 colleagues, including ten duct workers, four insulation workers and two other staff.

The training sessions expanded the scope of my knowledge of onsite construction work through practical courses on duct and insulation work, drawing facility construction drawings, and training in the Safety Experience area. I was also impressed by the video episodes shared by the Sanki Masters and gained valuable advice on site management. In fact, there are three Sanki Masters at our company. I hope to be counted among them one day and work in a friendly rivalry at Sanki Engineering’s construction sites.

Mr. Junya Takezawa
Shin-Dkat Kogyo K.K.
The Sanki Engineering Group believes that creating working environments in which various personnel are able to demonstrate their particular capabilities will raise the value of our company. With this in mind, we are cultivating a corporate culture that respects the diversity of employees and establishing various programs toward our goal of creating a working environment that is even more pleasant for employees.

● Respect for Human Rights
We declare our respect for human rights in the Sanki Engineering Group Code of Conduct and Action Guidelines, which prohibits discrimination based on nationality, gender, age, and disability. We also endeavor to instill respect for human rights across the Company through various means, including educational programs. We have set up guidelines for preventing harassment, a system offering consultation on harassment, and other workplace issues. And we have a counter staffed by qualified external counselors and the Women’s Hotline, through which callers can consult with female advisors. Additionally, we seek to incorporate results of our compliance awareness survey when monitoring human rights issues.

● Respecting Diversity in Employment
We seek to bring on board human resources that differ in gender and nationality as well as in talent and personality. Staff from the sales, design, technology, and other divisions join the Human Resources Department to ensure fairness based on multiple perspectives. As of April 1, 2020, 24 people (6 women and 18 men) are working with us from 7 countries: China, Peru, South Korea, Thailand, Vietnam, the U.K., and Russia. Under our medium-term management plan, we will continue to hire foreign nationals so that we steadily develop our overseas operations and promote diversity.

Promoting Women’s Careers
We believe that creating opportunities in which our female employees can further demonstrate their talents would lead to the sustainable growth of the Company and in turn boost our corporate value. In addition, we have formulated an action plan to create an environment in which our female employees can continuously develop their careers based on the Act of Promotion of Women’s Participation and Advancement in the Workplace—commonly referred to as the Act for Promoting Women’s Careers—and are pursuing various measures to promote women’s careers. Through these efforts we are steadily achieving results.

Action Plan Based on the Act for Promoting Women’s Careers
Plan period: April 1, 2016 to March 31, 2021

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>1. Join the Action Plan on Women’s Active Participation in the Workplace advocated by the Keidanren (Japan Business Federation) and published our voluntary action plan on the promotion of female executives and managers.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
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</tr>
<tr>
<td>2. Launched and continued diversity training for general managers and department managers.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
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<tr>
<td>3. Held a roundtable discussion for working mothers.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>4. Opened the Women’s Hotline, which accepts consultations.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>5. Held a roundtable meeting for female engineers.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>6. Due to the abolishment of regional positions, the number of employees switching to career-track positions increased.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
</tbody>
</table>

*Calculated using the number excluding the section chief, and therefore differing from the “number of managers” referred to on page 67.

Measures for Promoting Women’s Careers

<table>
<thead>
<tr>
<th>Reference</th>
<th>Whistleblowing System</th>
<th>Page 78</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reference</td>
<td>Compliance Awareness Survey</td>
<td>Page 86</td>
</tr>
</tbody>
</table>

Our Commitment to Employees
Guided by our management philosophy, “We place significance on communication and mutual respect,” we endeavor to create a working environment and a corporate culture in which all employees grow with the Company, respect individuality, and are able to succeed and thrive. We know that the technical capabilities and skills of our employees are valuable assets and that each employee is an invaluable human resource. We recognize that the technical capabilities and skills of our employees are valuable assets and that each employee is an invaluable human resource. We recognize that the technical capabilities and skills of our employees are valuable assets and that each employee is an invaluable human resource. We recognize that the technical capabilities and skills of our employees are valuable assets and that each employee is an invaluable human resource.

Improving the Value of Human Resources and Creating a Comfortable Working Environment

Improving the Value of Human Resources

<table>
<thead>
<tr>
<th>FY2019 Goals</th>
<th>FY2021 Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve internal communication</td>
<td>Improve work-life balance through the Smile Project</td>
</tr>
<tr>
<td>Target</td>
<td>Target</td>
</tr>
<tr>
<td>Strengthen the system</td>
<td>Monitor and take action according to the situation</td>
</tr>
<tr>
<td>for gathering employee feedback</td>
<td>Average monthly overtime work per person</td>
</tr>
<tr>
<td></td>
<td>Paid leave ratio per person</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reference</th>
<th>Sanki Ladies’ Roundtable</th>
<th>Page 67</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reference</td>
<td>Career Change System</td>
<td>Page 86</td>
</tr>
</tbody>
</table>

Reference

- SANKI REPORT 2020
- ESG Initiatives
  - Environment
  - Social
  - Governance

Improving the Value of Human Resources and Creating a Comfortable Working Environment

Social

Promoting Diversity

In 2019, we established new career types, namely career-track position and operational
Developing and Evaluating Human Resources

Creating Workplaces for Persons with Disabilities
We continue to hire persons with disabilities and are working to create an environment in which they can work comfortably over long periods. As of June 2020, the employment ratios of persons with disabilities are 1.97% and 1.94% on a non-consolidated and consolidated basis, respectively.

In recruiting activities, we expanded our recruitment routes while at the same time matched applicants with each department, leading to positive results. Also, in order to retain human resources, we hold problem-solving seminars, opinion exchange sessions, and management training for employees who are hearing-impaired to promote workplace management so that all employees can thrive. In an effort to establish a safe working environment, all offices have been installed with lamps that bear evacuation instructions for hearing-impaired employees.

System for Reemploying Workers Following Retirement
Seeking to provide employment opportunities for older employees with advanced skills and expertise, we led the industry by introducing a system for the reemployment of employees following retirement. In fiscal 2019, we reemployed 240 retired employees on a consolidated basis, compared with 232 in fiscal 2018.

Personal and Treatment Systems for Workplaces Where People Can Grow
Our personnel system ensures equal opportunity as well as fair evaluation and treatment for all employees while also supporting employee initiatives for self-directed career development.

In our personnel system, we introduced an early career system for employees in their 20s to provide them with experiences in different jobs early on in their career development. In fiscal 2019, we introduced individual interviews by personnel managers for employees in their third and fifth years of service. And once a year all employees fill in a Career Development Sheet and receive feedback through an interview with their supervisors. To collect their opinions, we have another system that allows employees to bypass their superiors and speak directly with the Human Resources Department through, for example, an interview with this division, depending on the content of the sheet. These measures are offered separately from the evaluation system. As for treatment, we raised base pay and also provided executives with allowances for treatment for all employees while also supporting employee initiatives for self-improvement.

Education and Training Systems
We maintain training systems associated with each career path, such as management training, technical training, and training by field of expertise in order to strengthen specialized skills, technical skills, and management skills and boost personal growth. In fiscal 2019, we conducted a nine-month technical training program for new recruits in the Facility Construction Business to bolster their design skills and on-the-job training.

In technical training, we actively use the Sanki Techno Center to provide practical training using real equipment as well as classroom lectures. In fiscal 2020, we conducted all new recruit training sessions online for two to three months to prevent the spread of COVID-19.

<table>
<thead>
<tr>
<th>Training Systems</th>
<th>FY2019 Average Educational Training Cost per Capita (Consolidated)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Management Training</td>
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<tr>
<td></td>
<td>Safety Training</td>
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<tr>
<td></td>
<td>Corporate Ethics Training</td>
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<tr>
<td></td>
<td>Facility Construction Personnel Systems Training</td>
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<tr>
<td></td>
<td>ESG Initiatives</td>
</tr>
</tbody>
</table>

Promoting Work Style Reform
Promoting Work-Life Balance
We have been augmenting our programs in response to employee requests for broader support of a healthy balance of work and personal life so both male and female employees can continue to work with a sense of security while attending to various life events. In fiscal 2019, we introduced a full-scale telecommuting and telework system to create a working environment that is beneficial for employees raising children or caring for the elderly. During the state of emergency declared due to the spread of COVID-19, we responded to the government’s request by expanding the use of telecommuting and implementing new recruit training online.

<table>
<thead>
<tr>
<th>Number of Employees on Leave, and Work Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2019 Average Monthly Overtime Work per Person (Consolidated)</td>
</tr>
</tbody>
</table>

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</table>

In President CCJ online, all new recruits were divided into small groups that each exchanged opinions with the president.
Major Programs Supporting Work-Life Balance (Non-consolidated) (as of April 2020)

**Areas**

- **Technical**
  - **Health training program**
    - For new employees at a construction site for more than 3 months before moving to another site.
  - **Health awareness training**
    - For employees who have been working for more than one year and are unable to continue daily commuting due to childcare, nursing care, or personal health reasons.
  - **Program activity by supervisors and other senior staff**
    - In support of employees who have been working for more than one year and are unable to continue daily commuting due to childcare, nursing care, or personal health reasons.

- **Workplace**
  - **Flexible work arrangements**
    - For employees who have been working for more than one year and are unable to continue daily commuting due to childcare, nursing care, or personal health reasons.
  - **Teleworking system**
    - For employees who have been working for more than one year and are unable to continue daily commuting due to childcare, nursing care, or personal health reasons.
  - **Reserved leave**
    - For employees who have been working for more than one year and are unable to continue daily commuting due to childcare, nursing care, or personal health reasons.

- **Children and nursery care**
  - **Return to work program**
    - For employees who have been working for more than one year and are unable to continue daily commuting due to childcare, nursing care, or personal health reasons.

- **Special childcare/nursing leave**
  - Can be obtained multiple times and up to 20 days in total for childcare and nursing care.

**Measures Implemented in FY2020**

- **Shorter work hours**
- **Partial increase of paid days**

**FY2019 Average rate of paid leave taken (consolidated)**

<table>
<thead>
<tr>
<th>Area</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work</td>
<td>57.4%</td>
<td>57.4%</td>
<td>57.4%</td>
</tr>
</tbody>
</table>

**Major Programs Supporting Work-Life Balance (Non-consolidated) (as of April 2020)**

**Promoting Flexible Work Styles**

Promoting flexible work styles by reviewing our work and leave programs. As a result, the average rate of paid leave taken in fiscal 2019 increased by 0.3 points year on year.

**Promoting the Smile Project**

Sanki Engineering launched the Company-wide Smile Project, led by the president, in fiscal 2015 to promote work style reform. We have been working to improve the work environment and systems to support employees and their families.

**Acquiring the Kurumin Mark and Recognition for Supporting Childcare**

In 2015, the Chubu Branch became the first construction equipment company to be recognized by the City of Nagoya as a company supporting childcare. In 2014, the company was certified as 3.5 stars in the NIKKEI Smart Work Management Survey, which selects advanced companies that cooperate on work and leave arrangements.

**Measures Implemented in FY2020**

- **Allocation of iPad to field personnel**
- **Work on work schedules at computer log-in time**
- **Establishment of Smile Work Guidelines**

**Acquiring Design and Construction Management Skills to Eventually Contribute to Overseas Business**

In April 2015, I joined the company because I was interested in Japanese construction technology, which in my home country of Thailand, I was unable to learn much about. Construction sites involve a lot of people, such as prime contractors and cooperating companies as well as my colleagues. I had to remember many technical terms, so there were times I had difficulty communicating with people in different positions. Consequently, my supervisors and other senior staff supported me in a range of both work- and life-related issues, and I worked day in and day out to meet their expectations. I am currently involved in construction site operations and in charge of constructing infrastructure while also acquiring the skills required in such areas as safety, quality, and process control. Looking ahead, I hope to apply my design and construction management skills gained in Japan to contribute to the company's overseas business and to Thai Sanki Engineering & Construction Co., Ltd.
Coexistence with Local Communities

Our Approach to Local Communities

As stated in the Sanki Engineering Group Code of Conduct and Action Guidelines, “We seek to contribute to society in order to aid in the development of local communities as a good corporate citizen and member of society,” and our activities reflect this principle. Looking ahead, we will participate in local activities and help develop communities while maintaining active communication with stakeholders in the areas where we operate.

Major Action Policy and Initiatives for FY2020

<table>
<thead>
<tr>
<th>FY2021 Goals</th>
<th>FY2019 Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contribute to regional disaster prevention</strong></td>
<td>Carried out activities under the large-scale disaster agreement between Yamato City and the Yamato Engineering Center</td>
</tr>
<tr>
<td><strong>Target</strong></td>
<td><strong>Conducted activities at</strong></td>
</tr>
<tr>
<td><strong>Total number of regional disaster prevention activities</strong></td>
<td>41 sites (FY2018: 31 sites)</td>
</tr>
<tr>
<td><strong>Support cultural activities for the next generation</strong></td>
<td>Held a Great East Japan Earthquake reconstruction concert called “Kizuna”</td>
</tr>
<tr>
<td><strong>Target</strong></td>
<td><strong>Held a Great East Japan Earthquake reconstruction concert called “Kizuna”</strong></td>
</tr>
<tr>
<td><strong>Support cultural activities</strong></td>
<td><strong>Held a Great East Japan Earthquake reconstruction concert called “Kizuna”</strong></td>
</tr>
<tr>
<td><strong>Participate in conservation of the local environment</strong></td>
<td><strong>Held a Great East Japan Earthquake reconstruction concert called “Kizuna”</strong></td>
</tr>
<tr>
<td><strong>Target</strong></td>
<td><strong>Held a Great East Japan Earthquake reconstruction concert called “Kizuna”</strong></td>
</tr>
<tr>
<td><strong>Participate in environmental beautification activities</strong></td>
<td><strong>Held a Great East Japan Earthquake reconstruction concert called “Kizuna”</strong></td>
</tr>
</tbody>
</table>

Agreement for the Provision of Facilities in Times of Disaster and Other Activities

In fiscal 2013, Sanki Engineering, which maintains a business site in Yamato City, Kanagawa Prefecture, concluded an agreement with the city to provide its facilities as a temporary shelter for those unable to return home in the wake of a disaster. We currently offer the Sanki Techno Center, which opened in October 2018, as a temporary shelter. The center functions to serve regional disaster prevention such as by stockpiling supplies, including emergency food and Japanese-style futon bedding.

Furthermore, the Company has concluded an agreement with Yamato City on the emergency recovery of water supply and sewage facilities. Under the agreement, we will work to restore the functions of the city’s water quality management centers promptly in the event they are damaged by a disaster.

Cleanup and Environmental Beautification Activities

Each branch, branch office, and Group company participates in cleanup activities in areas around their offices or construction sites as well as environmental beautification activities organized by local governments. In fiscal 2019, employees of Group company Sanki Kako Kensetsu Co., Ltd. conducted a cleaning campaign along roads near the waste treatment facility, which the company operates and manages. In addition, employees of Sanki Kanko Service Co., Ltd. cleaned the streets near water treatment and other facilities. On a Group-wide basis, we carried out activities in more than 41 local communities.

Earthquake Reconstruction Project

In May of the year following the Great East Japan Earthquake in 2011, Sanki Engineering launched the Earthquake Reconstruction Project, a Company-wide action team within the Tohoku Branch. Since then, it has developed proposals for putting its comprehensive engineering capabilities toward the early reconstruction of local social infrastructure. Initially focused on current business, the project has involved the management and support departments while also engaging new businesses and in social contribution activities.

In fiscal 2019, we held the Kizuna concert at Suntory Hall in Tokyo. We also conducted the Kitasanriku Tour to preserve the memory of the earthquake disaster, and we held “Ganbaransho, Fukushima,” a reconstruction support event that offered dishes featuring ingredients from the prefecture at the Sanki Techno Center’s cafeteria. Going forward, we will continue to provide reliable recovery support as a corporate citizen.
Supporting the Development of the Next Generation

- **Opening the Sanki Environmental Garden to the Local Public**
The Sanki Environmental Garden, which is attached to the Sanki Techno Center, is open to the local community at all times, and many children visit from neighboring daycare centers. In June 2019, we held Fireflies Dance Night, an event for viewing fireflies that had been grown using our DHS water purification technology. Around 570 local residents visited the garden, and children expressed their curiosity about fireflies, which they were seeing for the first time. In fall 2019, we planted persimmon and chestnut trees. We expect that the Sanki Environmental Garden will continue to be used as a place in the community to relax and to nurture the next generation over the long term.

- **Sanki Kankyo Service Welcomes Social Studies Tours by Local Schools**
Our Group company Sanki Kankyo Service Co., Ltd. actively invites elementary school children for field trips at its offices and water purification plant.
In May 2019, 43 students from Imakane and Tanekawa Elementary Schools participated in tours at the Imakane office in Hokkaido. In September, the Suttusu office in the same prefecture received 16 students from Suttusu Elementary School and 6 from Oshoro Elementary School. In addition, the Ryotsu office in Niigata Prefecture welcomed 18 students from Yoshii Elementary School in September, 34 from Kamo Elementary School in November, and 18 from Kawasaki Elementary School in December. The students learned about the role and workings of the sewerage system. We also organize facility tours for people living in the neighborhood.

Support for Sports Promotion and Revitalization

Since February 2018, we have been an official sponsor of Yamato Sylphid, a women’s soccer team in Yamato City, Kanagawa Prefecture, where the Sanki Techno Center is located. In September 2019, we sponsored a game at Yamato Nadeshiko Stadium as part of our contribution to the community, and many of our employees were there to cheer for the team. In addition, as a gold sponsor of the non-profit organization, Japan Deaf Rugby Football Union (Deaf Rugby), we help disseminate information to raise awareness of the sport. Going forward, we will continue to contribute to society by supporting sports while at the same time creating a working environment that encourages employees to actively engage with the local community.

Donations and Contributions

We extend donations to universities and research institutes and sponsor cultural activities by the Japan Philharmonic Orchestra, the Japan Chamber Music Foundation, and other institutions. We also support the training of guide dogs by continuously collecting donations for this cause and encourage our employees to give blood donations at the head office. Moreover, our branches, branch offices, and Group companies each take part in a variety of activities in which anyone can get involved, such as by donating used stamps and cards. We also contribute to Mitsui Group social contribution activities through our support for the Mitsui Volunteer Network, which promotes the voluntary efforts of retired, former employees of Mitsui Group companies.

Corporate Governance System

- **Corporate Governance System**
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 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. In addition, to increase management efficiency and simultaneously speed up the decision-making process, we employ an executive officer system in which we divide management functions between the Board of Directors, responsible for decision-making and supervision functions, and executive officers, responsible for the execution of business affairs.

Corporate Governance Guidelines

We established the Sanki Engineering Corporate Governance Guidelines to clarify the Sanki Engineering Group’s basic philosophy and policy on corporate governance. Once a year, we review the status of our compliance with the Corporate Governance Code and revise it as needed. We will continuously seek to enhance our corporate governance under the guidelines in order to achieve sustainable growth for the Group and strengthen its corporate value over the medium to long term.

Summary of the Corporate Governance System (as of June 25, 2020)

<table>
<thead>
<tr>
<th>Position</th>
<th>Number of Persons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman of the Board of Directors</td>
<td>1</td>
</tr>
<tr>
<td>Directors (men/women)</td>
<td>10/6</td>
</tr>
<tr>
<td>External directors (independent directors)</td>
<td>3 (0)</td>
</tr>
<tr>
<td>Executive officers (men/women)</td>
<td>37/6</td>
</tr>
<tr>
<td>Those also serving as directors</td>
<td>5</td>
</tr>
<tr>
<td>Auditors (men/women)</td>
<td>5/0</td>
</tr>
<tr>
<td>External auditors (independent auditors)</td>
<td>3 (0)</td>
</tr>
</tbody>
</table>

Frequency of Major Meetings (FY2019)

<table>
<thead>
<tr>
<th>Meeting</th>
<th>Frequency</th>
<th>Average Attendance of External Officers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>12</td>
<td>94%</td>
</tr>
<tr>
<td>Board of Auditors</td>
<td>8</td>
<td>100%</td>
</tr>
<tr>
<td>Management Meeting</td>
<td>29</td>
<td>(attended by only internal officers)</td>
</tr>
</tbody>
</table>

Points for Strengthening the System
- An external director (independent officer) is appointed chair of the Board of Directors.
- The Advisory Committee on Nomination and Remuneration consists solely of external directors.
- The chair of the Board of Directors attends Management Meetings.

WEB
Sanki Engineering Corporate Governance Guidelines
https://www.sanki.co.jp/corporate/governance/report.html

Corporate Governance Report (in Japanese)
https://www.sanki.co.jp/corporate/governance/report.html
### Framework of the Corporate Governance System (as of June 25, 2020)

#### General Shareholders’ Meeting
- Board of Directors
- Board of Company Auditors
- Advisory Committee on Nomination and Remuneration
- Accounting Auditors
- Supervisory Board of Directors
- Executive Officers
- Internal Audit Department

#### Compliance with the Corporate Governance Code
The principles required to be disclosed in the Corporate Governance Code are summarized in the following sections.

<table>
<thead>
<tr>
<th>Principle</th>
<th>Guidelines</th>
<th>Disclosed Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principle 4-4</td>
<td>Basic policy on cross-shareholdings and voting rights</td>
<td>Article 10</td>
</tr>
<tr>
<td>Principle 5-7</td>
<td>Procedure for related party transactions</td>
<td>Article 23, Article 18.4</td>
</tr>
<tr>
<td>Principle 3-1</td>
<td>Full Disclosure</td>
<td>Article 16</td>
</tr>
<tr>
<td>Principle 4-9</td>
<td>Independence standards for external auditors</td>
<td>Article 16</td>
</tr>
</tbody>
</table>

#### Strengthening the Effectiveness of the Governance System
We are strengthening our system in line with the Sanki Engineering Corporate Governance Guidelines.

**Efforts in Fiscal 2020**

**Strengthening of the Transparency and Supervisory Function of the Board of Directors**
An external director (independent officer) was appointed as the chair of the Board of Directors to enhance the transparency and oversight function of the Board of Directors. To enhance the transparency and neutrality of the Advisory Committee on Nomination and Remuneration, we revised the composition to include only external directors, from one group consisting of the president and external directors (the chairperson and majority of committee members are external directors).
Assessing the Effectiveness of the Board of Directors

The directors conduct an annual self-assessment to verify their deliberation process and identify possible improvements as well as to analyze and evaluate the effectiveness of the process toward improving the board’s effectiveness and disclosing a summary of the results. In fiscal 2019, instead of using the conventional questionnaire, we conducted individual interviews by external third parties and shared their analytical results at a Board of Directors meeting. 

Overview of FY2019 Effectiveness Assessment

<table>
<thead>
<tr>
<th>Theme</th>
<th>Main Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvement related to past issues</td>
<td>• Improved material for the Board of Directors and stipulated when and how the information should be provided to them.</td>
</tr>
<tr>
<td>• Strengthened our provision of information regarding discussions in management meetings longitudinally.</td>
<td></td>
</tr>
<tr>
<td>Atmosphere of Board of Directors</td>
<td>• Directors provided varied opinions stemming from experience and knowledge.</td>
</tr>
<tr>
<td>Looking to the future</td>
<td>• Matters for further discussion: medium-term management plan, company directors’ medium- to long-term strategy, management issues, our role in the industry, how the Board of Directors should operate.</td>
</tr>
<tr>
<td>Corporate governance in general</td>
<td>• Internally developed the skills of female director candidates for gender diversity in the Board of Directors.</td>
</tr>
</tbody>
</table>

Appointment of Directors and Independence of External Officers

Our officers possess a wealth of work experience and knowledge as well as deep insight and ethical understanding.

The Advisory Committee on Nomination and Remuneration considers candidates for directors and submits the results to the Board of Directors for deliberation. 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.

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 matters including the system and level of remuneration. In order to strengthen the transparency and neutrality of the Committee, we revised the composition in fiscal 2020, from a structure consisting of the president and representative director and external directors to one of external directors only.

The remuneration for directors comprises, within the limits adopted by our general shareholders’ meeting, of fixed remuneration, bonus, and stock options. Each fiscal year, we decide amounts, with due consideration for balancing each of the following elements, in order to raise the level of motivation for maximizing corporate value in tandem with the long-term interests of shareholders.
ESG Initiatives
Governance

Remuneration for Directors and Auditors in Fiscal 2019

<table>
<thead>
<tr>
<th>Category</th>
<th>Directors (external directors)</th>
<th>Auditors (external auditors)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment</td>
<td>12,29</td>
<td>7,30</td>
</tr>
<tr>
<td>Remuneration</td>
<td>1,307,782,380,000 yen</td>
<td>116,000,298,850 yen</td>
</tr>
</tbody>
</table>

- **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 full-time auditor as efforts to diligently 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. 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, consisting 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 Department, instruct that the department 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 department and Group company presidents, receiving reports from the accounting auditors, and exchanging opinions.

- **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 based on the Financial Instruments Exchange Act of Japan. Moreover, we promote the establishment and appropriate management of an internal control system to ensure that internal controls related to financial reporting are being exercised effectively. In the report for fiscal 2019, accounting auditors expressed their opinion that our financial reports were presented in an appropriate manner in terms of all material aspects.

<table>
<thead>
<tr>
<th>Category</th>
<th>Remuneration</th>
<th>Bonus</th>
<th>Stock Options</th>
<th>Procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors (including external directors)</td>
<td>○</td>
<td>○</td>
<td>Excluding non-executive directors</td>
<td>Determined by the Board of Directors following deliberation on the Board Meeting and Remuneration Committee Meeting</td>
</tr>
<tr>
<td>Auditors (including external auditors)</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>Determined through consultation among auditors</td>
</tr>
</tbody>
</table>

- **Remuneration for Directors and Auditors in Fiscal 2020**

<table>
<thead>
<tr>
<th>Category</th>
<th>Remuneration</th>
<th>Bonus</th>
<th>Stock Options</th>
<th>Procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors (including external directors)</td>
<td>○</td>
<td>○</td>
<td>Excluding non-executive directors</td>
<td>Determined by the Board of Directors following deliberation on the Board Meeting and Remuneration Committee Meeting</td>
</tr>
<tr>
<td>Auditors (including external auditors)</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>Determined through consultation among auditors</td>
</tr>
</tbody>
</table>

- **Compensation of Officer Remuneration**
  - Fixed remuneration: rank and scope of responsibilities
  - Performance bonus linked to performance during the period
  - Stock options: granted according to rank as a long-term incentive

- **Directors**
  - Representative Director and Chairman
    - Taishuji Hasegawa
      Joined the Company in 1975. He has many years of experience in the division management of the Facilities Construction Business and Sales Administration Division. Since assuming the post of representative director and president in 2015, he has been in his current position since 2020.

  - Representative Director and President
    - Hirokazu Ishida
      Joined the Company in 1980. He engaged in the Facilities Construction Business for many years. In 2018, he was appointed to the position of chief executive officer and planning officer. He was appointed to his current position in 2020.

- **Auditors**
  - External Auditor
    - Etsuji Hitomi
      Joined the Company in 1970. He served in the accounting and finance departments for many years. In 2007, he became the representative director and chairman of the Audit Office and, in 2013, director of Sanki Kankyo Service Co., Ltd. He has been in his current position since 2019.

  - External Auditor
    - Kazuo Saito
      Joined the Company in 1974. He has had experience in the division management of the Facilities Construction Business. He has been in his current position since April 2020.

- **Executives of the Sanki Engineering Group**
  - Representative Director and Chairman
    - Takashi Motomatsu
      Joined the Company in 1976. He has many years of experience in the operation and division management of the Facilities Construction Business. Since 2017, he has served as general manager of the Environmental Systems Business. Currently, he is the chairman of the Board.

  - Director
    - Eiji Mitsuhashi
      Joined the Company in 1972. He has many years of experience in the operation and division management of the Facilities Construction Business. Currently, he is the chairman of the Board.

  - External Director
    - Shou Fujita
      Joined the Company in 1976. He has many years of experience in the operation and division management of the Facilities Construction Business. Currently, he is the chairman of the Board.

  - External Director
    - Makoto Nukaga
      Joined the Company in 1968. He has many years of experience in the operation and division management of the Facilities Construction Business. Since 2016, he has been General Manager of the Planning & Marketing Systems Business.

  - External Director
    - Kazuhiro Rashikura
      Joined the Company in 1978. He has many years of experience as an officer responsible for the Information Systems Office, the International Business Office, the Facilities Systems Office, and the Real Estate Business Office.

- **Reference**
  - Whistleblowing System
    - Page 78

- **Corporate Governance**
Thorough Compliance Governance

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. In principle, it meets twice a year to review, monitor, and provide guidance with respect to compliance guidelines and action plans for the entire Group.

Compliance Promotion Activities

Whistleblowing System

We set up the Corporate Ethics Hotline for reporting on compliance-related issues and a Fair Trade Hotline for reporting on violations of the Anti-Monopoly Act. In fiscal 2019, there were 13 reported incidents (10 internally and 3 externally), and all incidents were handled appropriately. The names of individuals who report to the Corporate Ethics Hotline will not be disclosed to others without the reporter’s prior consent. The reporter will also be protected from retaliation.

Corporate Ethics Training

Sanki Engineering conducts corporate ethics training for all employees on a regular basis in order to ensure thorough compliance with the Code of Conduct and Action Guidelines. We also hold training on the Anti-Monopoly Act for newly assigned sales staff.
Compliance Awareness Survey
We conduct an annual awareness survey on issues such as compliance and CSR targeting all executive officers and employees. The survey questions include those related to harassment in the workplace, customers, and business partners.
Survey results are disclosed to all Group executive officers and employees and used to monitor and improve the effectiveness of our CSR activities and identify human rights risks.

We noted feedback and issues concerning harassment in the results of the questionnaire and from the current state of reports, and we are taking action to prevent and eradicate any harassment by consistently carrying out preventive education through corporate ethics training and division training.

Excerpted Results of a Questionnaire Regarding Compliance Awareness for 2020*1

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes (%)</th>
<th>Somewhat (%)</th>
<th>No (%)</th>
<th>I’m leaning toward “no”. Here (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you think that compliance behavior (social responsibility-conscious people) has permeated our company?</td>
<td>42%</td>
<td>53%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>Did you know that it is a violation of the Anti-Monopoly Act for businesses to consult with each other in advance of public or private works to determine prospective contractors and order amounts?</td>
<td>98%</td>
<td>2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Please answer all of the following that apply to your current working environment. (Multiple answers are allowed.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I think that personal relationships in the workplace are relatively good.</td>
<td>75%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>It seems easy to take various kinds of leaves.</td>
<td>63%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Your supervisor is willing to listen to opinions and suggestions.</td>
<td>58%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Compliance Audit
The Internal Audit Department conducts compliance audits and seeks to strengthen compliance by providing guidance on legal compliance and through monitoring. In fiscal 2019, internal audits were carried out at 22 worksites including 16 domestic worksites and those of 4 domestic subsidiaries and 2 overseas Group companies. In addition, to raise awareness at our construction sites, we conduct onsite hearings with site managers to gain a better understanding of the situation.

Anti-Bribery Efforts
We are working to prevent corruption under the Sanki Engineering Group Action Guidelines, which prohibits the provision of profits such as bribery and excessive entertainment to public employees. In addition to a bribery program as part of our corporate ethics training, we conducted training for the International Business Division and three overseas subsidiaries in fiscal 2019.

Strengthening Compliance with the Anti-Monopoly Act

Ongoing Promotion of Recurrence Prevention Measures
The following are key stepped-up measures we undertook between fiscal 2013 and fiscal 2019. Applying the results of the compliance awareness survey, we will continue our Group-wide effort to prevent violations of the Anti-Monopoly Act in fiscal 2020.

Policies and Manuals
- Formulated the Sanki Engineering Group Compliance Declaration and Sanki Engineering Group Conduct Standards.
- Issued and revised the Compliance Handbook.
- Issued and revised an Anti-Monopoly Act Compliance Manual.
- Clearly stipulated breaches of laws such as the Anti-Monopoly Act as grounds for disciplinary action.

Structural Reinforcements
- Resolved to establish a comprehensive, Group-wide Anti-Monopoly Act Compliance Program at a meeting of the Board of Directors and implemented the program.
- Assigned a compliance manager in each department and began supervising the process for deciding the bid amount for public works and operating a system of advance application and reporting when attending a meeting with any companies in the same industry.
- Introduced regular relations for sales staff assignments.
- Established a Compliance Risk Subcommittee within the Risk Management Committee.
- Reconsidered membership in outside groups.
- Began an in-house leniency system (voluntary reporting system).
- Established the Fair Trade Hotline for reporting on violations of the Anti-Monopoly Act and sought awareness among employees.

Training and Education
- Submitted compliance commitment letters.
- Raised awareness of compliance-related hotlines.
- Top management visited all business bases to hold corporate ethics training sessions through direct exchange with all Group executives and employees.
- Held training on the Anti-Monopoly Act for newly assigned sales staff and mid-career hires.

Respecting Human Rights
Along with globalization, social demands for response to corporate human rights issues are not only being made on employees but also on the entire value chain of business.
The Sanki Engineering Group endeavors to understand international standards such as the Universal Declaration of Human Rights and the Guiding Principles on Business and Human Rights. In addition, it is working to comply with specific items regarding human rights as stipulated in the Sanki Engineering Group Code of Conduct and Action Guidelines.


Risk Management Promotion System

We set up the Risk Management Committee, chaired by a risk management officer, to centrally manage Group-wide risks and implement an organized response. The committee monitors important risks throughout the Group, formulates a control plan, and monitors risks reported by subcommittees and divisions. To enhance the effectiveness of our risk assessment and control, we have set up the Risk Management Subcommittee to address specific risks under the Risk Management Committee. In July 2019, we reorganized the subcommittee and launched others, including the Quality Subcommittee, to create a 10-subcommittee system. Moreover, the Internal Audit Department conducts regular audits to check the status of risk management at each division and verify the appropriateness of risk management.

Risk Management Activities

Each fiscal year, the Risk Management Committee identifies risks that affect business activities and stipulates priority risk items for the next fiscal year. The committee receives reports from the risk management subcommittees to monitor risks and consider necessary countermeasures, provides instructions, and confirms the status of progress.

In fiscal 2019, the committee convened four times to review some of the monitoring indicators and prepare for more quantitative risk management, and also to review the system to ensure that risk management operations are aligned with current conditions.

In addition, the committee discussed and responded to various issues such as risks linked to climate change, confirmation of safety in times of disaster, and risks associated with the Olympics and Paralympics.

Basic Philosophy

The Sanki Engineering Group has established a Group-wide risk management system based on its Risk Management Rules to comprehensively identify risks that pose an obstacle to conducting normal business operations and prevent such risks from materializing, and also to minimize loss in the case that it does occur.

Framework of the Risk Management System (as of June 25, 2020)

- **President**
- **Internal Audit Department**
  - Chairperson: Risk management executive (president)
  - Management meeting constituent members and persons nominated by the chairperson
  - Risk Management Committee
    - Roles: 1. Monitor important risks and formulate a control plan
    - Convene: Once a quarter in principle and additionally as required
- **Audit**
- **Divisions**
- **Committees and Management System**
  - Central Disaster Countermeasures Committee
  - Corporate Ethics Committee
  - Internal Finance Control Committee
  - Management reviews of EHS and OHS
  - Central Safety and Health Committee

Major Risk Countermeasures in Fiscal 2019

<table>
<thead>
<tr>
<th>Risks</th>
<th>Countermeasures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer credit</td>
<td>• Analyzed the portfolio based on performance at the end of March and September</td>
</tr>
<tr>
<td>Supplier credit</td>
<td>• Activated an alarm using bankruptcy predictions every month</td>
</tr>
<tr>
<td>Operational</td>
<td>• Set up the COVID-19 task force and took action for prevention</td>
</tr>
<tr>
<td>Information security</td>
<td>• Developed supplier information database for use in times of natural disasters</td>
</tr>
<tr>
<td>Overseas</td>
<td>• Developed a supplier information database for use in times of natural disasters</td>
</tr>
<tr>
<td>Compliance</td>
<td>• Identified department-specific risks through questionnaires and took preventive measures</td>
</tr>
</tbody>
</table>

Responding to Disaster Risks with a BCP

The Sanki Engineering Group’s business continuity plan (BCP) aims to ensure the safety of all related persons, including employees, through the integrated efforts of all divisions and employees. The Company has also built a framework to contribute to customers and society through swift business restoration in collaboration with business partners. We have sought to maintain our system under normal conditions and clearly establish the codes of action and division of roles for times of disaster in order to ensure that restoration activities can be implemented more promptly. To date, we have relocated the directors’ offices from the upper floors to the lower floors to ensure the functionality of the emergency response headquarters, conducted a drill on the assumption that the head office sustained damage and another office served as an alternative headquarters after a major disaster, modified the way we operate our safety confirmation system, and expanded the use of the disaster information sharing tool throughout the Group.

In fiscal 2019, we: 1. Handled the initial response handbook during a large-scale disaster, 2. Provided emergency communication training for all Group officers and employees, 3. Considered using the Sanki Techno Center as a backup office in the event of a large-scale disaster, and 4. Established the COVID-19 Task Force and implemented related measures.
The status of information security measures during onsite inspections by Company-wide and manage risks. In fiscal 2019, we held two subcommittee meetings of the Risk Management Committee to control information security measures for the business, and their families, which are revised each year. In fiscal 2018, we consolidated our subcommittee business, which includes overseas employees, those traveling overseas on business, and their families, which are revised each year. In fiscal 2018, we consolidated our subcommittee business, which includes overseas employees, those traveling overseas on business, and their families, which are revised each year.

Strengthening Risk Management in Overseas Operations

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, which are revised each year. In fiscal 2018, we worked to improve our Group management system, including overseas sites, to enable our auditors to concurrently serve as auditors of Group companies.

Initiatives to Ensure Information Security

We have established the Information Security Risk Subcommittee within the Risk Management Committee to control information security measures. We have consolidated, manage risks. In fiscal 2019, we launched the COVID-19 Countermeasures Project in March 2020 and implemented appropriate measures as the situation developed.

Measures to Prevent the Spread of the Novel Coronavirus

In the wake of the spread of the novel coronavirus, we launched the COVID-19 Countermeasures Project in March 2020 and gradually stepped up our response. Afterward, we set up the COVID-19 Task Force in April 2020 and implemented appropriate measures as the situation developed.

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Information Disclosure Based on Disclosure Policy

Sanki Engineering strives to disclose required corporate information in an easy-to-understand, fair, speedy, timely, and appropriate manner pursuant to the stipulations of our Disclosure Policy. We proactively disclose information beyond legal mandates when we deem such information to be useful to shareholders and investors, in order to ensure management transparency.

● Reinforce Information Transmission
We are working to improve our IR activities as part of our basic policy of reinforcing information transmission laid out in the Medium-Term Management Plan “Century 2025” Phase 2. We will seek to increase recognition of the Sanki brand and install a deeper understanding of the company by disclosing our ESG policy in addition to our financial and capital policies and by creating more opportunities for dialogue with shareholders and investors to reinforce our information transmission. Furthermore, we facilitate the effective exercise of voting rights by shareholders through efforts such as releasing the convocation notice of shareholders’ meetings well in advance and posting information at an early date on our corporate website, in English and Japanese.

● Communication with Shareholders and Investors
We engage our investors by holding results briefings for analysts and institutional investors twice a year. In fiscal 2019, 55 individuals participated. 56 IR meetings were also held, which we convene as needed throughout the year. We are actively increasing opportunities for dialogue with individual investors by continually exhibiting at IR events for individual investors and conducting surveys to better understand their needs. We also address the needs of overseas investors by maintaining an English language version of our corporate website. We are working to improve our IR activities as part of our basic policy of reinforcing information transmission laid out in the Medium-Term Management Plan “Century 2025” Phase 2. We will seek to increase recognition of the Sanki brand and instill a deeper understanding of the company by disclosing our ESG policy in addition to our financial and capital policies and by creating more opportunities for dialogue with shareholders and investors to reinforce our information transmission. Furthermore, we facilitate the effective exercise of voting rights by shareholders through efforts such as releasing the convocation notice of shareholders’ meetings well in advance and posting information at an early date on our corporate website, in English and Japanese.

● Exhibiting at the Nikkei IR Fair 2019 for Individual Investors
In August 2019, we exhibited for the third time at the Nikkei IR Fair 2019 for individual investors. We were able to explain our businesses, financial performance, and ESG initiatives by directly communicating with over 1,200 shareholders and investors, in order to ensure management transparency.

● Obtained an AA Rating in the ESG/SDGs Assessment Loan Scheme
Sanki Engineering obtained an AA rating, the second highest on a seven-point scale, for an ESG/SDGs Assessment Syndicated Loan scheme in which the Sumitomo Mitsui Banking Corporation extends loans based on an independent corporate evaluation conducted by the Japan Research Institute. We will continue to actively disclose information to increase our recognition further as a company that excels in its initiatives and disclosure related to ESG and to realizing the SDGs.
Basic Policy on Financial and Capital Management

Sanki Engineering is working to strengthen its corporate value over the medium to long term in accordance with financial and capital policies established under the Medium-Term Management Plan “Century 2025” Phase 2.

Financial and Capital Policies

- **Investments in the future**: Strengthen investments for future growth such as R&D, capital investments, and education
- **Return of profits to stakeholders**: Set the total return ratio as targets and return profits to shareholders in a stable and continuous manner
- **Return of funds to business partners**: Return funds to business partners by improving payment terms and other means
- **Improved capital efficiency**: Continuously reduce strategic shareholdings, review the composition of equity capital and ensure the flexibility and maneuverability of capital policies

Returning Profits to Shareholders

For fiscal 2019, we paid a full-year dividend of 95 yen, up 35 yen from the previous year. In addition, we strived to enhance shareholder returns and improve capital efficiency by retiring 2,000 shares of treasury stock in August 2019 and acquiring another 1,958 shares of Company stock, worth approximately 2.89 billion yen.

- **Dividend Payments per Share**
  - **Year-end dividend (yen)**: 20 20 40 60
  - **Interim dividend (yen)**: 10 15 20 25
  - **Year-end dividend (yen)**: 20 20 40 60
  - **Payout ratio (¥%):** 40.6 55.5 40 25
  - **Total return ratio (¥%):** 72.8

- **Acquisition of treasury stock** (thousand shares): 3,000
- **Retirement of treasury stock** (thousand shares): 2,000

Financial Report and Corporate Information

- **Financial Report**: Page 90
- **Corporate Information, Business Locations and Group Companies**: Page 98
- **Share Information**: Page 100
- **Third-Party Opinion**: Page 101

Shareholder Return Targets (Fiscal 2011 to 2021)

- **Dividend**: annual dividend of 60 yen or more per share
- **Treasury stock to be acquired**: approximately 5 million shares
- **Total return ratio**: 70% or more

### Reference

- **Overview of the Medium-Term Management Plan**: Page 28
- **Supply Chain Management**: Page 58

### Table

<table>
<thead>
<tr>
<th>Year</th>
<th>Annual dividend (yen)</th>
<th>Interim dividend (yen)</th>
<th>Year-end dividend (yen)</th>
<th>Payout ratio (%)</th>
<th>Total return ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016</td>
<td>30</td>
<td>50</td>
<td>20</td>
<td>20</td>
<td>40.6</td>
</tr>
<tr>
<td>FY2017</td>
<td>35</td>
<td>15</td>
<td>20</td>
<td>20</td>
<td>55.5</td>
</tr>
<tr>
<td>FY2018</td>
<td>60</td>
<td>20</td>
<td>40</td>
<td>40</td>
<td>40.0</td>
</tr>
<tr>
<td>FY2019</td>
<td>60</td>
<td>20</td>
<td>40</td>
<td>40</td>
<td>52.0</td>
</tr>
</tbody>
</table>

*Notes*

- Of the year-end dividend for FY2016, 10 yen was an extra-dividend.
- Of the interim dividend for FY2017, 5 yen was an extra-dividend.
- Of the year-end dividend for FY2017, 10 yen was an extra-dividend.
- Of the year-end dividend for FY2018, 20 yen was an extra-dividend.
- Of the year-end dividend for FY2019, 25 yen was an extra-dividend.
# Financial Report

## 11-year Consolidated Financial Summary

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Year ended March 31, 2019</th>
<th>Year ended March 31, 2020</th>
<th>Year ended March 31, 2021</th>
<th>Year ended March 31, 2022</th>
<th>Year ended March 31, 2023</th>
<th>Year ended March 31, 2024</th>
<th>Year ended March 31, 2025</th>
<th>Year ended March 31, 2026</th>
<th>Year ended March 31, 2027</th>
<th>Year ended March 31, 2028</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>165,800</td>
<td>168,295</td>
<td>173,398</td>
<td>183,270</td>
<td>185,880</td>
<td>191,113</td>
<td>217,096</td>
<td>194,018</td>
<td>207,684</td>
<td>201,157</td>
</tr>
<tr>
<td><strong>Selling, general and administrative expenses</strong></td>
<td>15,199</td>
<td>15,604</td>
<td>16,419</td>
<td>16,526</td>
<td>18,466</td>
<td>21,046</td>
<td>21,436</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating income or loss</strong></td>
<td>2,391</td>
<td>2,818</td>
<td>3,992</td>
<td>4,698</td>
<td>3,906</td>
<td>9,046</td>
<td>7,576</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Ordinary income or loss</strong></td>
<td>2,680</td>
<td>3,146</td>
<td>4,992</td>
<td>4,698</td>
<td>3,906</td>
<td>9,046</td>
<td>7,576</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Profit (loss) attributable to owners of parent</strong></td>
<td>176</td>
<td>4,992</td>
<td>4,992</td>
<td>4,992</td>
<td>4,992</td>
<td>4,992</td>
<td>4,992</td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td>9,403</td>
<td>9,403</td>
<td>9,403</td>
<td>9,403</td>
<td>9,403</td>
<td>9,403</td>
<td>9,403</td>
<td></td>
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</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td>3,506</td>
<td>3,440</td>
<td>5,520</td>
<td>1,644</td>
<td>1,644</td>
<td>1,644</td>
<td>1,644</td>
<td></td>
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</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td>4,152</td>
<td>2,901</td>
<td>1,826</td>
<td>2,458</td>
<td>1,814</td>
<td>5,215</td>
<td>8,955</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of fiscal year</strong></td>
<td>42,612</td>
<td>45,946</td>
<td>45,946</td>
<td>45,946</td>
<td>45,946</td>
<td>45,946</td>
<td>45,946</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>180,805</td>
<td>195,321</td>
<td>212,214</td>
<td>207,684</td>
<td>201,157</td>
<td>195,321</td>
<td>180,805</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>87,364</td>
<td>89,772</td>
<td>89,772</td>
<td>89,772</td>
<td>89,772</td>
<td>89,772</td>
<td>89,772</td>
<td></td>
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</tr>
<tr>
<td><strong>Number of employees</strong></td>
<td>2,501</td>
<td>2,394</td>
<td>2,384</td>
<td>2,339</td>
<td>2,309</td>
<td>2,309</td>
<td>2,309</td>
<td></td>
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</tr>
<tr>
<td><strong>Per share information</strong></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Earnings per share (yen)</strong></td>
<td>42.86</td>
<td>29.67</td>
<td>2.46</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Book-value per share (yen)</strong></td>
<td>1,119.40</td>
<td>1,115.41</td>
<td>1,113.70</td>
<td>1,106.32</td>
<td>1,142.74</td>
<td>1,334.65</td>
<td>1,328.60</td>
<td>1,350.08</td>
<td>1,419.77</td>
<td>1,502.53</td>
</tr>
<tr>
<td><strong>Cash dividends (yen)</strong></td>
<td>15.00</td>
<td>15.00</td>
<td>15.00</td>
<td>15.00</td>
<td>15.00</td>
<td>20.00</td>
<td>30.00</td>
<td>30.00</td>
<td>35.00</td>
<td>60.00</td>
</tr>
<tr>
<td><strong>Other information</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Equity ratio (%)</strong></td>
<td>49.3</td>
<td>50.3</td>
<td>48.8</td>
<td>46.2</td>
<td>44.0</td>
<td>48.1</td>
<td>49.8</td>
<td>51.5</td>
<td>48.6</td>
<td>45.8</td>
</tr>
<tr>
<td><strong>Return on assets (%)</strong></td>
<td>3.2</td>
<td>2.6</td>
<td>1.4</td>
<td>1.6</td>
<td>1.9</td>
<td>2.2</td>
<td>4.7</td>
<td>4.1</td>
<td>4.3</td>
<td>6.0</td>
</tr>
<tr>
<td><strong>Return on equity (%)</strong></td>
<td>3.9</td>
<td>2.7</td>
<td>0.2</td>
<td>6.4</td>
<td>2.3</td>
<td>3.0</td>
<td>6.3</td>
<td>5.5</td>
<td>4.5</td>
<td>10.3</td>
</tr>
</tbody>
</table>

*The revised Accounting Standard for Business Combination and other standards have been applied since fiscal 2015. Accordingly, "Profit (loss) attributable to owners of parent," as listed in fiscal 2015 and after, is equivalent to "Net income" listed for the consolidated fiscal years between fiscal 2009 and fiscal 2014.

**Change in Dividend Per Share and Consolidated Payout Ratio**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Increase in dividend per share (yen)</strong></td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Consolidated payout ratio (%)</strong></td>
<td>48.2</td>
<td>48.2</td>
<td>48.2</td>
<td>48.2</td>
<td>48.2</td>
<td>48.2</td>
<td>48.2</td>
<td>48.2</td>
<td>48.2</td>
<td>48.2</td>
</tr>
</tbody>
</table>

*The payout ratio was not calculated for fiscal 2012 since the Company reported a net loss.
## Consolidated Balance Sheet

<table>
<thead>
<tr>
<th>Assets</th>
<th>As of March 31, 2019 (Millions of yen)</th>
<th>As of March 31, 2020 (Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and deposits</td>
<td>¥42,612</td>
<td>¥44,946</td>
</tr>
<tr>
<td>Notes and accounts receivable on completed construction contracts and other</td>
<td>¥85,243</td>
<td>¥71,739</td>
</tr>
<tr>
<td>Electronically recorded monetary claims</td>
<td>¥6,562</td>
<td>¥5,063</td>
</tr>
<tr>
<td>Total current assets</td>
<td>¥141,342</td>
<td>¥130,765</td>
</tr>
<tr>
<td><strong>Noncurrent assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings and structures</td>
<td>¥2,049</td>
<td>¥2,589</td>
</tr>
<tr>
<td>Machinery, equipment, vehicles, and tools, furniture and fixtures</td>
<td>¥1,967</td>
<td>¥2,007</td>
</tr>
<tr>
<td>Total property, plant and equipment</td>
<td>¥3,016</td>
<td>¥4,596</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>¥278</td>
<td>¥278</td>
</tr>
<tr>
<td>Investments and other assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment securities</td>
<td>¥20,384</td>
<td>¥22,470</td>
</tr>
<tr>
<td>Long-term loans receivable</td>
<td>¥111</td>
<td>¥111</td>
</tr>
<tr>
<td>Insurance funds</td>
<td>¥320</td>
<td>¥320</td>
</tr>
<tr>
<td>Other</td>
<td>¥5,994</td>
<td>¥5,979</td>
</tr>
<tr>
<td>Total investments and other assets</td>
<td>¥25,699</td>
<td>¥27,581</td>
</tr>
<tr>
<td><strong>Intangible assets:</strong></td>
<td>¥278</td>
<td>¥278</td>
</tr>
<tr>
<td><strong>Total assets:</strong></td>
<td>¥195,321</td>
<td>¥180,805</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Net Assets</th>
<th>As of March 31, 2019 (Millions of yen)</th>
<th>As of March 31, 2020 (Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes and accounts payable on construction contracts and other</td>
<td>¥2,059</td>
<td>¥1,526</td>
</tr>
<tr>
<td>Electronically recorded monetary claims</td>
<td>¥240</td>
<td>¥240</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>¥2,299</td>
<td>¥1,766</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term loans payable</td>
<td>¥5,220</td>
<td>¥3,850</td>
</tr>
<tr>
<td>Lease obligations</td>
<td>¥52</td>
<td>¥39</td>
</tr>
<tr>
<td>Liability for retirement benefits</td>
<td>¥3,120</td>
<td>¥3,465</td>
</tr>
<tr>
<td>Total noncurrent liabilities</td>
<td>¥14,232</td>
<td>¥13,735</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>¥105,549</td>
<td>¥93,440</td>
</tr>
<tr>
<td><strong>Net assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>¥81,836</td>
<td>¥82,254</td>
</tr>
<tr>
<td>Accumulated other comprehensive income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized gains on available-for-sale securities</td>
<td>¥7,700</td>
<td>¥7,700</td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td>¥20</td>
<td>¥20</td>
</tr>
<tr>
<td>Total accumulated other comprehensive income</td>
<td>¥7,900</td>
<td>¥7,900</td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>¥195,321</td>
<td>¥180,805</td>
</tr>
</tbody>
</table>
### Consolidated Statement of Income and Comprehensive Income

<table>
<thead>
<tr>
<th></th>
<th>Year ended March 31, 2019</th>
<th>Year ended March 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total sales</td>
<td>¥75,762</td>
<td>¥77,580</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>¥57,794</td>
<td>¥60,618</td>
</tr>
<tr>
<td>Gross profit</td>
<td>¥17,968</td>
<td>¥16,962</td>
</tr>
<tr>
<td>Operating income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total operating income</td>
<td>¥12,155</td>
<td>¥11,214</td>
</tr>
<tr>
<td>Extraordinary income</td>
<td>¥3,150</td>
<td>¥5,563</td>
</tr>
<tr>
<td>Operating income</td>
<td>¥15,305</td>
<td>¥16,777</td>
</tr>
<tr>
<td>Total non-operating income</td>
<td>¥4,686</td>
<td>¥9,674</td>
</tr>
<tr>
<td>Profit (loss)</td>
<td>¥10,619</td>
<td>¥6,703</td>
</tr>
<tr>
<td><strong>Total income taxes</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income taxes</td>
<td>¥7,576</td>
<td>¥4,686</td>
</tr>
<tr>
<td>Extraordinary income</td>
<td>¥2,890</td>
<td>¥4,986</td>
</tr>
<tr>
<td>Total income taxes</td>
<td>¥10,466</td>
<td>¥9,674</td>
</tr>
<tr>
<td>Profit (loss) attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit from continuing operations</td>
<td>¥10,619</td>
<td>¥6,703</td>
</tr>
<tr>
<td>Extraordinary income</td>
<td>¥3,150</td>
<td>¥5,563</td>
</tr>
<tr>
<td>Profit (loss) attributable to owners of parent</td>
<td>¥13,769</td>
<td>¥12,266</td>
</tr>
<tr>
<td><strong>Balance at the beginning of current period</strong></td>
<td>¥11,687</td>
<td>¥10,674</td>
</tr>
<tr>
<td><strong>Changes in items during the period</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends from surplus</td>
<td>¥4,469</td>
<td>¥2,423</td>
</tr>
<tr>
<td>Retirement of treasury stock</td>
<td>¥2,437</td>
<td>¥7,576</td>
</tr>
<tr>
<td>Total changes in items during the period</td>
<td>¥9,395</td>
<td>¥12,023</td>
</tr>
<tr>
<td>Balance at the end of current period</td>
<td>¥21,082</td>
<td>¥22,697</td>
</tr>
</tbody>
</table>

### Consolidated Statement of Changes in Net Assets

#### For the year ended March 31, 2019

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Shareholders’ equity</strong></td>
<td></td>
</tr>
<tr>
<td>Capital stock</td>
<td>¥14,105</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>¥46,161</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>¥1,557</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>¥5,441</td>
</tr>
<tr>
<td><strong>Total shareholders’ equity</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Balance at the beginning of current period</strong></td>
<td>¥86,191</td>
</tr>
<tr>
<td>Changes in items during the period</td>
<td></td>
</tr>
<tr>
<td>Dividends from surplus</td>
<td>¥2,423</td>
</tr>
<tr>
<td>Retirement of treasury stock</td>
<td>¥2,412</td>
</tr>
<tr>
<td>Total changes in items other than shareholders’ equity</td>
<td>(2,890)</td>
</tr>
<tr>
<td>Balance at the end of current period</td>
<td>¥94,000</td>
</tr>
</tbody>
</table>

#### For the year ended March 31, 2020

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Shareholders’ equity</strong></td>
<td></td>
</tr>
<tr>
<td>Capital stock</td>
<td>¥14,105</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>¥46,161</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>¥1,557</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>¥5,309</td>
</tr>
<tr>
<td><strong>Total shareholders’ equity</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Balance at the beginning of current period</strong></td>
<td>¥86,191</td>
</tr>
<tr>
<td>Changes in items during the period</td>
<td></td>
</tr>
<tr>
<td>Dividends from surplus</td>
<td>¥2,890</td>
</tr>
<tr>
<td>Retirement of treasury stock</td>
<td>¥2,899</td>
</tr>
<tr>
<td>Total changes in items other than shareholders’ equity</td>
<td>(5,789)</td>
</tr>
<tr>
<td>Balance at the end of current period</td>
<td>¥12,001</td>
</tr>
</tbody>
</table>
### Consolidated Statement of Cash Flows

<table>
<thead>
<tr>
<th>Year ended March 31, 2019</th>
<th>Year ended March 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
</tr>
<tr>
<td>Profit (loss) before income taxes</td>
<td>¥11,326</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>1,340</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>808</td>
</tr>
<tr>
<td>Loss on sale of reduction unit of noncurrent assets</td>
<td>30</td>
</tr>
<tr>
<td>Gain on sales of investment securities</td>
<td>408</td>
</tr>
<tr>
<td>Loss on retirement of noncurrent assets</td>
<td>68</td>
</tr>
<tr>
<td>Loss on tax purpose reduction entry of noncurrent assets</td>
<td>100</td>
</tr>
<tr>
<td>Office transfer expenses</td>
<td>15</td>
</tr>
<tr>
<td>Environmental expenses</td>
<td>178</td>
</tr>
<tr>
<td>Loss on valuation of investments in capital of subsidiaries and affiliates</td>
<td>–</td>
</tr>
<tr>
<td>Loss on valuation of shares of subsidiaries and associates</td>
<td>–</td>
</tr>
<tr>
<td>Increase (decrease) in provision for loss on business of subsidiaries and associates</td>
<td>–</td>
</tr>
<tr>
<td>Loss on support to subsidiaries and affiliates</td>
<td>379</td>
</tr>
<tr>
<td>Increase in provision for compensation for damages</td>
<td>190</td>
</tr>
<tr>
<td>Increase (decrease) in allowance for doubtful accounts</td>
<td>21</td>
</tr>
<tr>
<td>Increase in provision for bonuses</td>
<td>1,525</td>
</tr>
<tr>
<td>Increase in liability for retirement benefits</td>
<td>1,171</td>
</tr>
<tr>
<td>Decrease in provision for directors' retirement benefits</td>
<td>(9)</td>
</tr>
<tr>
<td>Increase (decrease) in provision for loss on construction contracts</td>
<td>(578)</td>
</tr>
<tr>
<td>Interest and dividends received</td>
<td>615</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(143)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(5,542)</td>
</tr>
<tr>
<td>Penalties received</td>
<td>601</td>
</tr>
<tr>
<td>Payments for office transfer expenses</td>
<td>(62)</td>
</tr>
<tr>
<td>Payments for environmental expenses</td>
<td>(190)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>¥6,786</td>
</tr>
</tbody>
</table>

| **Cash flows from investing activities** |                          |
| Purchase of securities | (19,000) | (16,000) |
| Proceeds from redemption of securities | 20,200 | 16,100 |
| Purchase of property, plant and equipment | (6,447) | (1,839) |
| Proceeds from sales of property, plant and equipment | 51 | 812 |
| Payments for retirement of property, plant and equipment | (599) | (58) |
| Proceeds from sales of investment securities | 2,198 | 1,041 |
| Execution of loan | (376) | 10 |
| Collection of loans receivable | 15 | 20 |
| Subsidies received | – | 20 |
| Proceeds from maturity of insurance funds | 296 | 30 |
| Other | (84) | (136) |
| Net cash used in investing activities | (3,775) | (303) |

| **Cash flows from financing activities** |                          |
| Net decrease (increase) in short-term loans payable | (19) | 14 |
| Repayments of long-term loans payable | (1,390) | (1,390) |
| Purchase of treasury stock | (1,191) | (2,899) |
| Proceeds from exercise of stock options | – | – |
| Repayments of lease obligations | (191) | (211) |
| Cash dividends paid | (2,423) | (4,469) |
| Net cash (used in) provided by financing activities | (5,215) | (8,955) |

| Effect of exchange rate changes on cash and cash equivalents |                          |
| Net decrease (increase) in cash and cash equivalents | (2,254) | 2,636 |

<p>| <strong>Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation</strong> |                          |</p>
<table>
<thead>
<tr>
<th>Year ended March 31, 2019</th>
<th>Year ended March 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by operating activities</td>
<td>¥6,786</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(3,775)</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period</td>
<td>¥42,612</td>
</tr>
</tbody>
</table>
The Sanki Engineering Group aims to build a comfortable environment for people and the Earth by leveraging “total engineering competency” in a wide range of regions and business domains. Together with our customers, we will strive as a group to contribute to the realization of a sustainable society.

**Corporate Information, Business Locations and Group Companies** (as of April 1, 2020)

**Corporate Information**

- **Company name**: Sanki Engineering Co., Ltd.
- **Date of establishment**: April 22, 1925
- **Stated capital**: 8,105.18 million yen
- **Representative**: Hirokazu Ishida, President

**Principal lines of business**
Facilities construction, plant and machinery systems, real estate.

**Number of employees** (as of March 31, 2020)
- **Consolidated**: 2,501
- **Non-consolidated**: 1,992

**Offices**
- Branches: 3
- Branch offices: 15
- Training Center: 1
- Laboratory: 1
- Factory: 1
- Head office: 6-1, Akashi-cho, Chuo-ku, Tokyo

**Domestic Business Locations**

**Sanki Sangyo Setsubi Co., Ltd.**
- **Established**: May 1, 1980
- **Capital**: 20 million yen
- **Business areas**:
  - Electrical wiring, instrumentation work and computer networks
  - Installation, relocation, removal and altering of general equipment
  - Design, construction, operation/management, repair and maintenance of HVAC, plumbing and electricity work
  - Energy saving diagnosis and consulting

**Sanki Techno Support Co., Ltd.**
- **Established**: June 29, 1990
- **Capital**: 100 million yen
- **Business areas**:
  - Design, construction and maintenance/management of water/wastewater treatment facilities
  - Design, construction, operation/management, repair and maintenance of water/wastewater treatment facilities
  - Design, construction, operation/management of water/sewage facilities

**Sanki Kankyo Service Co., Ltd.**
- **Established**: November 7, 2016
- **Capital**: 100 million yen
- **Business areas**:
  - Operation, maintenance and management, and updating, maintenance, management and operation of wastewater treatment facilities
  - Management of operation and maintenance for the renovation work of the Sendai Clean Center

**Sanki Kako Kensetsu Co., Ltd.**
- **Established**: July 20, 1971
- **Capital**: 100 million yen
- **Business areas**:
  - Manufacturing and sale of solid-liquid separators
  - Design, construction, operation/management, repair and maintenance of wastewater treatment facilities
  - Design, construction, operation/management, repair and maintenance of water treatment facilities

**Sanki Partners Co., Ltd.**
- **Established**: August 1, 1980
- **Capital**: 10 million yen
- **Business areas**:
  - Design, construction, operation/management, maintenance, upgrading and improving of water treatment facilities
  - Design, construction, operation/management, maintenance, upgrading and improving of wastewater treatment facilities

**Sanki Construction Engineering (Shanghai) Co., Ltd.**
- **Established**: July 20, 2005
- **Capital**: 165 million yen
- **Business areas**:
  - Manufacturing and sale of aeration systems
  - Facility design, construction, maintenance and consulting

**Non-consolidated Subsidiaries**

- **Sanki Kako Nenpojo Co., Ltd.**
  - **Established**: September 1, 1980
  - **Capital**: 50 million yen
  - **Business areas**:
    - Design, construction, operation/management, maintenance, upgrading and improving of wastewater treatment facilities
    - Design, construction and maintenance/management of water/wastewater treatment facilities

- **Sanki Kenkyu Service Co., Ltd.**
  - **Established**: June 29, 1990
  - **Capital**: 50 million yen
  - **Business areas**:
    - Design, construction, management and work contracting of environmental protection facilities, including water supply and sewage facilities and wastewater treatment facilities, etc.
    - Design, construction and maintenance/management, and sale of chemical products for these facilities

- **THAI SANKI ENGINEERING & CONSTRUCTION CO., LTD.**
  - **Established**: May 6, 2008
  - **Capital**: 18 thousand euro
  - **Business areas**:
    - Manufacture and sale of aeration systems
    - Facility design, construction, maintenance and consulting

**Representative Offices and Group Companies Overseas**

**AEROSTRIP Corporation**
- **Sale of aeration systems**

**Affiliate Not Accounted for by the Equity Method**

- **PPR Obuho Techno Resource Co., Ltd.**
  - **Established**: December 3, 2004
  - **Capital**: 10 million yen
  - **Business areas**:
    - Updating, maintenance, management and operation of wastewater treatment facilities and emergency generators at the Obuho Water Purification Plant, Saitama Prefecture
    - 3 years and 4 months for design and construction; 20 years for operation, maintenance and management

**Domestic Business Locations Representative Offices and Group Companies Overseas**

- **Head office**
- **Chugoku branch office**
- **Shikoku branch office**
- **Kansai branch office**
- **Tokyo branch office**
- **Osaka branch office**
- **Kobe branch office**
- **Kyoto branch office**
- **Ibaraki branch office**
- **Tohoku branch office**
- **Hokuriku branch office**
- **Chubu branch office**
- **Hokkaido branch office**
- **Hirokazu Ishida, President**
- **Date of establishment**: April 22, 1925
- **Company name**: Sanki Engineering Co., Ltd.
- **Capital**: 8,105.18 million yen

**Corporate Information, Business Locations and Group Companies** (as of April 1, 2020)

**Sanki Techno Support Co., Ltd.**
- **Established**: June 29, 1990
- **Capital**: 100 million yen
- **Business areas**:
  - Design, construction, operation/management, maintenance, upgrading and improving of wastewater treatment facilities
  - Design, construction and maintenance/management of water/wastewater treatment facilities

**Sanki Kako Kensetsu Co., Ltd.**
- **Established**: November 7, 2016
- **Capital**: 100 million yen
- **Business areas**:
  - Operation, maintenance and management, and updating, maintenance, management and operation of wastewater treatment facilities
  - Management of operation and maintenance for the renovation work of the Sendai Clean Center

**AQUACONSULT Anlagenbau GmbH**
- **Facility design, construction, maintenance and consulting**

**Facility design, construction, maintenance and consulting**

- **Capital**: 3.80 million U.S. dollars
- **Established**: July 20, 2005

**Sanki Construction Engineering (Shanghai) Co., Ltd.**
- **Established**: December 3, 2004
- **Capital**: 10 million yen
- **Business areas**:
  - Updating, maintenance, management and operation of wastewater treatment facilities and emergency generators at the Obuho Water Purification Plant, Saitama Prefecture
  - 3 years and 4 months for design and construction; 20 years for operation, maintenance and management

**Sanki Kako Nenpojo Co., Ltd.**
- **Established**: September 1, 1980
- **Capital**: 50 million yen
- **Business areas**:
  - Design, construction, operation/management, maintenance, upgrading and improving of wastewater treatment facilities
  - Design, construction and maintenance/management of water/wastewater treatment facilities

**Sanki Partners Co., Ltd.**
- **Established**: August 1, 1980
- **Capital**: 10 million yen
- **Business areas**:
  - Design, construction, operation/management, maintenance, upgrading and improving of water treatment facilities
  - Insurance agency, leasing and temporary staffing

**Sanki Construction Engineering (Shanghai) Co., Ltd.**
- **Established**: July 20, 2005
- **Capital**: 3.80 million U.S. dollars
- **Business areas**:
  - Manufacture and sale of aeration systems
  - Facility design, construction, maintenance and consulting

**THAI SANKI ENGINEERING & CONSTRUCTION CO., LTD.**
- **Established**: November 7, 2016
- **Capital**: 100 million yen
- **Business areas**:
  - Management of operation and maintenance for the renovation work for key facilities of the Sendai Clean Center

**AEROSTRIP Corporation**
- **Sale of aeration systems**
Share Information

Share Information (as of March 31, 2020)

Fiscal year: April 1 to March 31 of the following year
Annual general meeting of shareholders: Late June each year
Trading unit: 100 shares
Number of authorized shares: 193,945,000
Number of issued shares: 60,661,156
Number of shareholders: 4,216
Transfer agent and special account management institution: Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Stock exchange listing: Tokyo Stock Exchange
Securities code: 1961

Ownership Statistics

<table>
<thead>
<tr>
<th>Type of Shareholders</th>
<th>Number of Shares Held (Thousand Shares)</th>
<th>Shareholding Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individuals and other: 3,028</td>
<td>10,468 thousand shares</td>
<td>17.20%</td>
</tr>
<tr>
<td>Treasury stock: 1</td>
<td>3,028 thousand shares</td>
<td>4.94%</td>
</tr>
<tr>
<td>Financial institutions: 36</td>
<td>25,394 thousand shares</td>
<td>41.70%</td>
</tr>
<tr>
<td>Securities companies: 28</td>
<td>1,086 thousand shares</td>
<td>1.70%</td>
</tr>
<tr>
<td>Foreign corporations and other: 200</td>
<td>17,073 thousand shares</td>
<td>28.13%</td>
</tr>
<tr>
<td>Other corporations: 124</td>
<td>3,743 thousand shares</td>
<td>6.17%</td>
</tr>
</tbody>
</table>

Major Shareholders

<table>
<thead>
<tr>
<th>Name of Shareholder</th>
<th>Number of Shares Held (Thousand Shares)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meiji Yasuda Life Insurance Company</td>
<td>5,700</td>
</tr>
<tr>
<td>Taiyu Life Insurance Company Limited</td>
<td>3,724</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (Trust account)</td>
<td>3,365</td>
</tr>
<tr>
<td>Nippon Life Insurance Company</td>
<td>3,038</td>
</tr>
<tr>
<td>Sanki Kyoueikai</td>
<td>2,796</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust account)</td>
<td>2,442</td>
</tr>
<tr>
<td>State Street Bank and Trust Company</td>
<td>1,367</td>
</tr>
<tr>
<td>Sanki Engineering Employee Shareholding Association</td>
<td>1,228</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust account 9)</td>
<td>975</td>
</tr>
<tr>
<td>DFA International Small Cap Value Portfolio</td>
<td>965</td>
</tr>
</tbody>
</table>

Notes:
- Although the Company holds 3,028 thousand shares of treasury stock, it is excluded from the list of major shareholders. Calculation of shareholding ratio excludes treasury stock.
- The list covers beneficial shareholders whose shareholdings as of the end of the fiscal year under review had been confirmed by the Company.

Share Information / Third-Party Opinion

1. Advances in ESG-minded Management

ESG-minded corporate management is essential for creating a sustainable society. The Sanki Engineering Group has been promoting this approach by upholding its ESG policy as a key initiative since the launch of its “Century 2025” long-term vision. Under the Medium-Term Management Plan Phase 2, which began in fiscal 2019, concrete targets were set for each ESG policy, further reinforcing the progress of related initiatives. This is an explicit commitment to implementing the plan under ESG-minded management and a major step in practicing the integrated thinking that clearly demonstrates the Sanki Engineering Group’s approach to managing for realizing a sustainable society.

While there is room for further considering the validity of each target, various improvements are apparent in the result of its ESG policy. For example, supply chain management efforts have focused on stabilizing relatively smaller suppliers by offering payments in cash, which helps establish a sustainable supply chain.

In the area of governance, an independent external director has been appointed as chairperson of the board, thereby separating the functions of supervision and business execution, while the Advisory Committee on Nomination and Remuneration is new entirely composed of external directors. As in previous fiscal years, many other commendable actions have been reported, such as the establishment of an ESG CCU.

2. Multifaceted Developments in Work Style Reform

Work style reform is another area in which companies can demonstrate significant progress under their ESG policy, and Sanki Engineering Group has done so. This year, the Group began quantitatively reporting on the status of its action plan under the Act for Promoting Women’s Careers while disclosing average educational training cost per capita, in human resource development, and overtime work hours, both on a consolidated basis. The Group is consistently striving to improve disclosure every year.

In terms of improvements in internal systems, a sliding work hour program was introduced to provide flexible working hours options that enable employees to shift their starting or finishing times. They are also allowed to take paid leave in hourly units, making it easier for working parents to apply. These work style reforms have been highly regarded, as evidenced by the Third Nikkei Smart Work survey, in which Sanki Engineering received 3.5 stars.

3. Tenth Anniversary of the SANKI YOU Eco Contribution Point System

The SANKI YOU Eco Contribution Point System, which marked its tenth anniversary in 2020, is another distinctive social contribution along with the dispatch of Research Expedition. A number of orders received for CO2 reduction proposals under this system has been adopted as both KGI and KPI targets for the Group’s ESG policy as key benchmarks for ESG-minded management. Aggregate total donations since launch in fiscal 2010 have exceeded 20 million yen, and about 17,000 trees, or 5 hectares, have been planted, earning strong external recognition. I hope the Group will continue this effort for many years to come.

4. Breach of Standard Values at a Waste Incineration Facility

With regard to the breach of standard values that occurred at a waste incineration facility of Sanki Engineering and its Group company, the latest SANKI REPORT promptly reported the facts and corrective measures and adopted a resolution response that included reducing directors’ salary and voluntarily suspending its ISO certification. Such issues can considerably damage public trust in a company and require a steadfast effort to stringently prevent recurrence.

5. Challenges Ahead

Meeting the statutory requirement for the employment ratio of persons with disabilities remains a major challenge. The Value Chain Map of business processes is still incomplete and also needs improvement. Moreover, understanding the Group’s Scope 3 emissions poses another key challenge to taking action against climate change across the value chain.

Response to Third-Party Opinion

We are sincerely grateful for the valuable insights you have provided on the SANKI REPORT 2020. This is the ninth fiscal year for publishing an integrated report, and we appreciate your evaluation of our advances in ESG management and multifaceted developments in work style reforms. We will continue to strengthen these efforts and implement concrete actions.

Taking our cue from the breach in required values at our waste incineration facility, we will reinforce our compliance education and quality control systems. With regard to attaining the statutory employment ratio of persons with disabilities and understanding our Scope 3 emissions, which you have pointed out over several years, we recognize these pressing issues and will strive harder to improve the situation and disclose even more information.

We are resolved to make the best use of the SANKI REPORT to further advance our business activities and help realize a sustainable society.

Takashi Torasaku
Executive Officer and General Manager, Management Planning Office