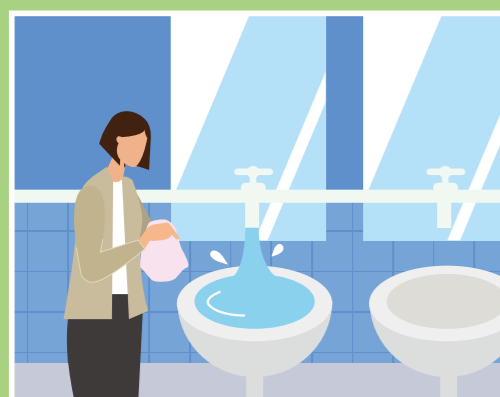
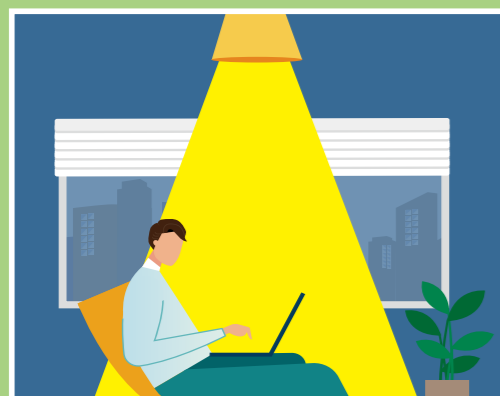


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SANKI REPORT



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#### Editorial Policy

##### ● Boosting Understanding of the Sanki Engineering Group

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 we welcome feedback for enhancing our operations and information disclosure. Key content included in the 2022 report is listed below.

- "Sanki Engineering Group Materiality" to guide the Sanki Engineering Group's sustainability management (pages 24 and 25)
- "Message from the Chief Financial Officer" explaining the Sanki Engineering Group's financial and capital policies (page 29)
- A feature section focusing on concrete measures for value creation by the Sanki Engineering Group (pages 30 to 33)
- Our response to opportunities and risks related to upstream and downstream areas in the "Sanki Engineering Group Value Chain" section (pages 44 and 45)

Major information that was added to our disclosure includes the following.

- Information disclosure on risks and opportunities associated with climate change (pages 49 and 50)
- Volume of GHG emissions (Scope 1,2 and 3) and reduction target (page 51)

##### ● Reference Guidelines

- "International IR Framework" of the IFRS Foundation
- Ministry of Economy, Trade and Industry's "Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation"
- GRI Sustainability Reporting Standards 2016, 2018, 2019, 2020, and 2021
- Ministry of the Environment's "Environmental Reporting Guidelines 2018"
- ISO26000

##### ● Organizations Covered by the Report

The Sanki Engineering Group, which consists of Sanki Engineering Co., Ltd. and its eight subsidiaries.

- 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.

##### ● Reporting Period

April 2021–March 2022 (Some information from outside this period has also been included.)

##### ● Publication Date

September 2022 (previous issue: September 2021; scheduled release of next issue: September 2023)

#### Precaution on Performance Outlooks

In addition to past and present information concerning the Sanki Engineering Group, this report includes the targets, plans, outlooks, strategies, forecasts of future performance, and other information drawn from our long-term vision "Century 2025," Medium-Term Management Plan "Century 2025" Phase 3 (FY2022–2025) as well as other sources. Please be aware that these forecasts are the best estimates by Sanki Engineering management and based on information available at the time and that actual performance may differ significantly from these forecasts, owing to changes such as in economic conditions, market trends, and exchange rates.





## Sanki Engineering Group Philosophy

The Sanki Engineering Group Management Philosophy, the Sanki Standard, 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

#### Sanki Standard

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.



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# 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 lead the way toward a new age, with the power of technology, and toward its 100th anniversary in 2025.

## Origin of Our Corporate Name

Sanki Engineering has its origins in the former Machinery Division of Mitsui & Co. and was named by taking one Chinese character each from "Mitsui" and "Machinery."



## 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

## 1960s

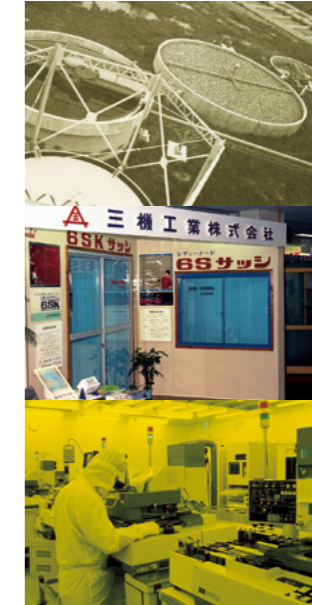
A Manufacturer that Responds to the Needs of the Times

- Completes work on HVAC, 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 HVAC and plumbing for the Yoyogi National Stadium

## 1970s

Wide Range of Technological Innovations

- Completes work on Japan's first largescale 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



History of Sanki Engineering

World Events

## Established in 1925

**April 22, 1925**  
Sanki Engineering is established  
Capital of 500,000 yen and 12 employees

**1931**  
Moves the head office to Hibiya  
**1935**  
Celebrates the tenth anniversary of its founding, with five branches, six field offices, three affiliates, and around 300 employees

**1950**  
The Japanese economy takes a favorable turn, and the expansion in demand for building construction and equipment results in a dramatic improvement in the Company's business performance. Lists shares on the Tokyo Stock Exchange  
**1958**  
Capital exceeds 1 billion yen

**1963**  
Completes the Sagami plant (currently the Sanki Yamato Site), which tailors production equipment for conveyor mass production

**1971**  
Sets up the Environmental Administration office  
**1973**  
Spins off the sash business

**1982**  
Builds the Technical Research Laboratory

**2000**  
Opens the Shonan Training Center  
**2005**  
Moves the head office to Nihonbashi

1920

1923 Great Tokyo Earthquake

1930

1940

1945 End of World War II

1950

1958 Opening of Tokyo Tower

1960

1964 Tokyo Olympics

1970

1970 Japan World Exposition, Osaka  
1972 Reversion of Okinawa

1980

1986 Japan's Equal Employment Opportunity Law

1990

1991 Collapse of Japan's bubble economy  
1995 Great Hanshin Earthquake  
1997 Adoption of the Kyoto Protocol

2000

2008 Lehman Brothers bankruptcy

## From 1925

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

- Begins businesses including heating, plumbing, and building materials, and handles construction work for two major construction projects: the Shiga manufacturing plant of Toyo Rayon (currently Toray Industries, Inc.) and the refrigerated warehouse of Aomori Seihyo Co., Ltd.
- Installs Japan's first centralized air conditioning system for an entire structure at Mitsui's main building
- Launches the electrical systems business

## 1930s

Diversified and Expanded Businesses Lead to Greater Technological Competence

- Develops and installs a proprietary incinerator for facilities in the Sanshin Building
- Establishes Toyo Carrier Industries together with U.S.-based Carrier Engineering and launches the air conditioning business
- Completes work on the Tokyo Office of Nippon Life Insurance Company (currently Takashimaya Nihonbashi department store)

## 1940s

Sanki's Advanced Technology Bolsters a Construction Boom

- Starts manufacturing conveyors
- Concludes sales contracts for machinery used in mining-related chemistry with U.S.-based Dorr Inc. and Oliver, Inc.
- Completes work on the main building of the Dai-ichi Life Insurance Company, Japan's first building with the special high-voltage power reception of 22 kV



## 1980s

Rising to the Challenge of New Businesses

- Launches the information and communications business
- Launches the facility systems business to deal with office integration and moving
- Established a Group company to handle operations and management, as well as repair and maintenance of Sanki facilities

## 1990s

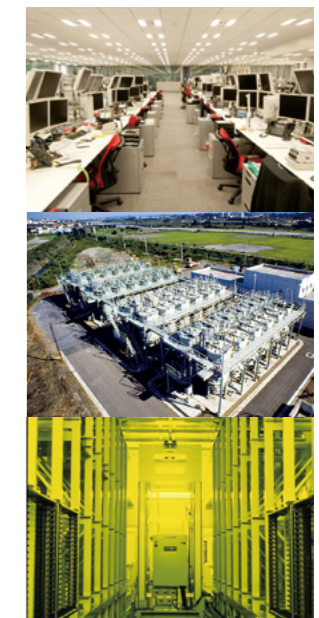
Driving Progress in Environmental and Information Technologies

- Develops environment-related technology, including an ice thermal storage system, sewage advanced treatment systems, and gasification and melting furnaces
- Develops technologies related to clean rooms for pharmaceutical and semiconductor manufacturing plants

## 2000s

Meeting the Needs of a Rapidly Advancing Information Society

- Advances network systems, including LAN, building monitoring and automated control
- Provides HVAC, plumbing and an open BA 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 DBO 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 Toranomon Hills Business Tower
- Completes HVAC, plumbing, and electrical systems for Yoyogi National Stadium 1st Gymnasium



## 2022

### Sustainability Policies

Aiming to realize a strong business base and a sustainable society by "creating comfortable environments through engineering and widely contributing to social development"

[READ MORE](#) P.20

### Sanki's Carbon Neutral Declaration

The Sanki Engineering Group is making serious efforts to address the climate change crisis facing the world and aims to achieve carbon neutrality for the Group's own GHG emissions (Scope 1 and 2) by 2030 and for GHG emissions including the supply chain (Scope 1, 2, and 3) by 2050.

[READ MORE](#) P.25



History of Sanki Engineering

- 2011 Moves the head office to Tsukiji
- 2015 90th Anniversary
- 2016 Launches the long-term vision "Century 2025"
- 2018 Begins operations at all facilities of the Sanki Techno Center
- 2019 Begins operations at the Yamato Product Center

World Events

- 2010
- 2011 Great East Japan Earthquake
- 2015 Adoption of the Sustainable Development Goals
- 2019 Start of the Reiwa era in Japan
- 2020
- 2020 Global COVID-19 pandemic

2025  
Toward the 100th Anniversary

100<sup>th</sup>

MIRAI  
2030

Long-Term Vision (FY2016–2025)

## "Century 2025"

The Sanki Engineering Group regards all people involved in the Group as stakeholders, including customers, shareholders, investors, suppliers, business partners, employees, local communities, and government and administrative agencies. Over the next ten years, we will strive to become the company of choice for all of them.

[READ MORE](#)  
P.26

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

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

**Phase 3** 4-year period to become the company of choice  
Increased reliability will encourage more stakeholders to choose our company

FY2022–2025



# Business Overview by Segment

(Year ended March 2022)

## Facilities Construction Business

Net Sales **155.4** billion yen\*

Net Sales Composition Ratio

**81%**



### HVAC and Plumbing for Building, Industrial HVAC, and Electrical Systems

Net Sales Composition Ratio **75%**

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 HVAC and plumbing systems for buildings, industrial HVAC systems, and electrical systems.

Main Sales Items

#### ● HVAC and Plumbing for Buildings

- 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
- Semiconductor manufacturing facilities
- Battery manufacturing facilities
- Plumbing system for water supply and drainage
- Food service equipment
- Disaster prevention systems

#### ● Electrical Systems

- Electrical systems
- Telecommunication systems
- Electrical civil engineering

### Facility Systems Business

Net Sales Composition Ratio **6%**

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

- Project management and designing of fit-out and relocation of offices and workplaces
- Consulting involving overall work style

#### ● Smart Building Solutions

- Central monitoring and automated control systems
- ITC solutions
- Crisis management (BCP) solutions
- IP phone solutions
- Security-related solutions

## Plants & Machinery Systems Business

Net Sales **35.5** billion yen\*

Net Sales Composition Ratio

**18%**



### Machinery Systems Business

Net Sales Composition Ratio **5%**

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
- Medical handling systems
- Handling information control systems

### Environmental Systems Business

Net Sales Composition Ratio **13%**

We develop unique facilities and systems for water and sewage treatment and waste treatment to enhance living environments while conserving energy and reducing CO<sub>2</sub> emissions.

Main Sales Items

#### ● 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

#### ● Waste Treatment

- Waste incineration facilities
- Landfill wastewater treatment facilities
- Sludge incineration facilities



## Group Companies

### Facilities Construction Business

- Sanki Techno Support Co., Ltd.
- Sanki Construction Engineering (Shanghai) Co., Ltd.
- THAI SANKI ENGINEERING & CONSTRUCTION CO., LTD.
- Tomakomai Netsu Service Co., Ltd.

### HVAC and Plumbing for Buildings Business



### Industrial HVAC Business



### Electrical Systems Business



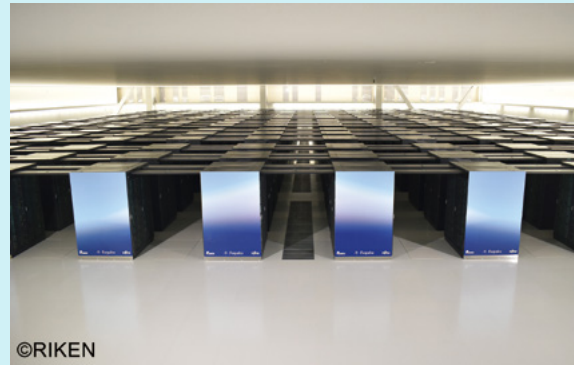
### Smart Building Solutions Business



### Facility Systems Business



## Major Projects



©RIKEN  
Supercomputer Fugaku



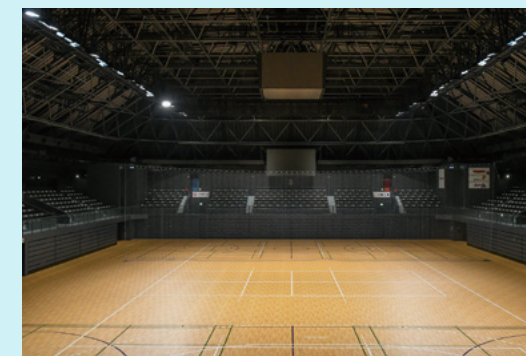
Fukuoka High Court, District Court, Family Court, and Summary Court Building



Abeno Harukas

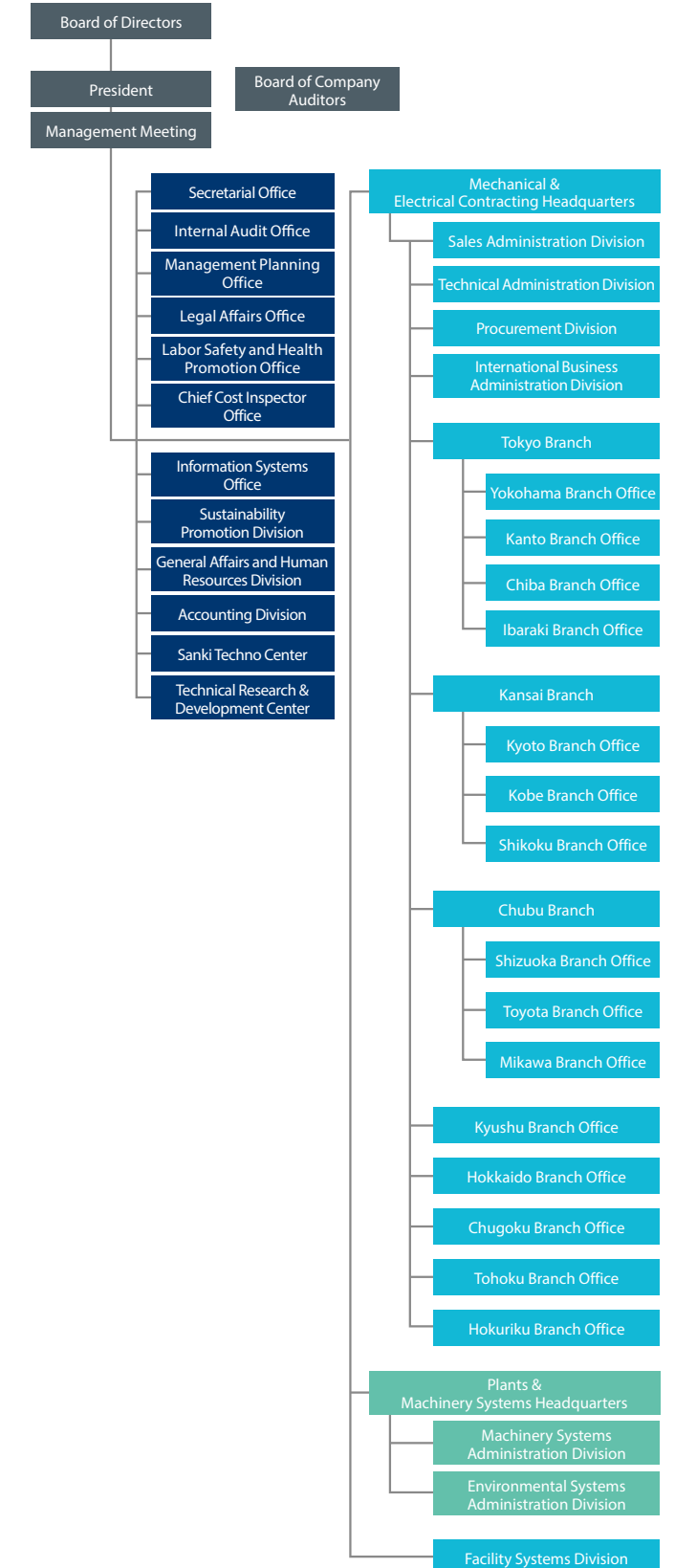


Tokyo Midtown Hibiya



Toyoda Gosei Memorial Gymnasium (ENTRIO)

## Organization (as of April 1, 2022)



## Group Companies

### Machinery Systems Business

- Sanki Sangyo Setsubi Co., Ltd.

### Environmental Systems Business

- Sanki Kako Kensetsu Co., Ltd.
- Sanki Kankyo Service Co., Ltd.
- AQUACONSULT Anlagenbau GmbH
- AEROSTRIP Corporation
- Sendai Kankyo Hozen Co., Ltd.
- PFI Okubo Techno Resource Co., Ltd.

### Machinery Systems Business



### Environmental Systems Business



## Major Projects



South Wing of Narita International Airport's Terminal 1



Minami-Gamo Purification Center

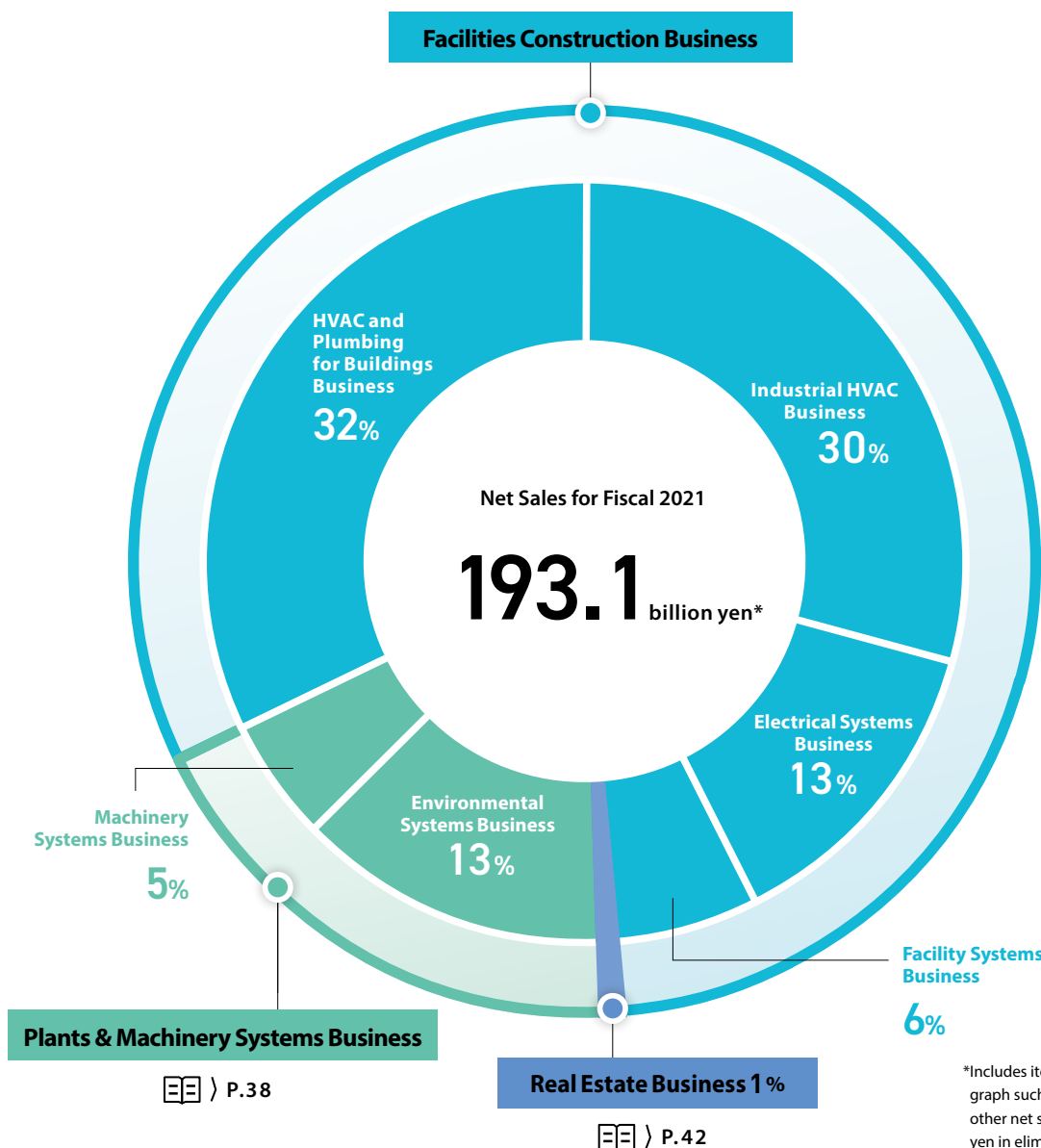


U.S. Forces Yokota Air Base Cargo Handling System



Clean Hill Tenzan





\*Includes items not listed in the graph such as 0.5 billion yen in other net sales and 0.7 billion yen in elimination of inter-segment transactions.

## Real Estate Business

Net Sales **2.4 billion yen\***

Net Sales Composition Ratio **1%**



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

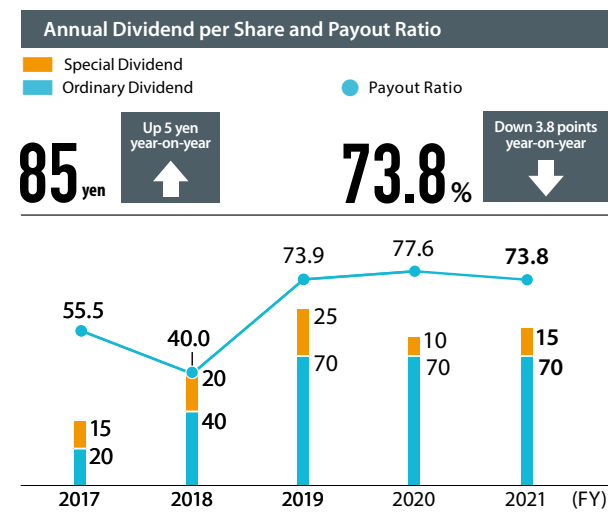
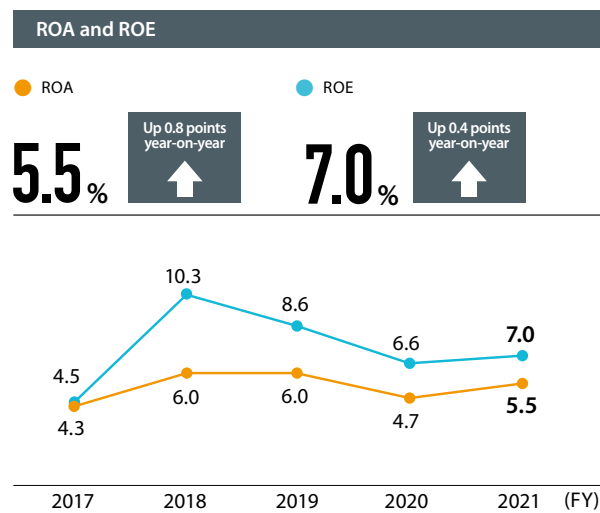
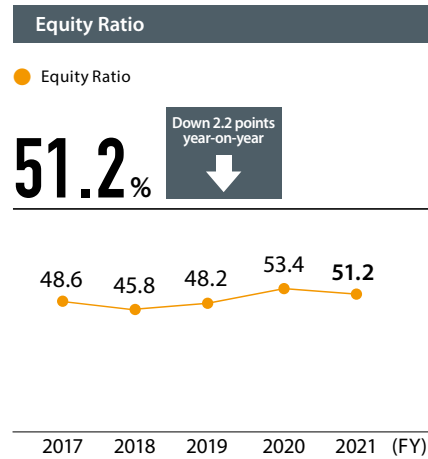
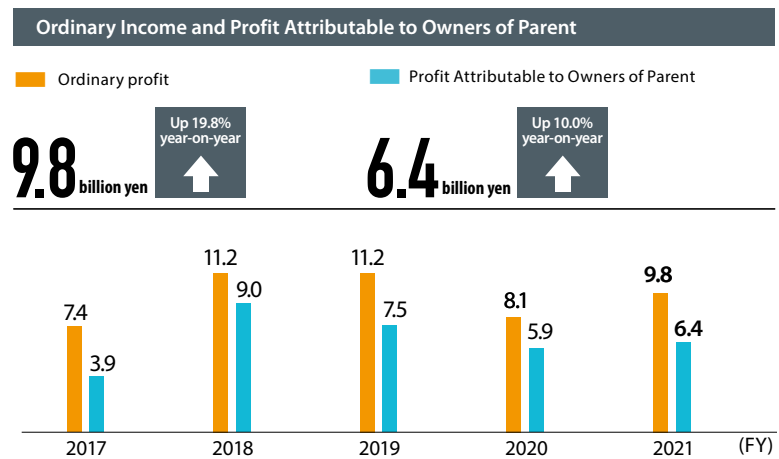
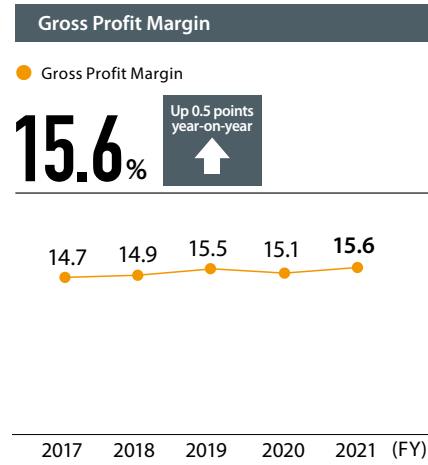
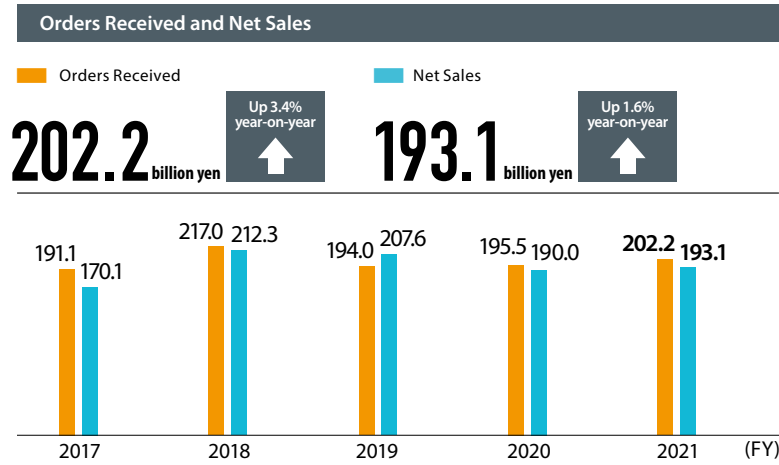
- **Real Estate Leasing**
  - Land leasing
  - Building leasing
- **Building Maintenance and Management**
  - Facility maintenance and upgrades



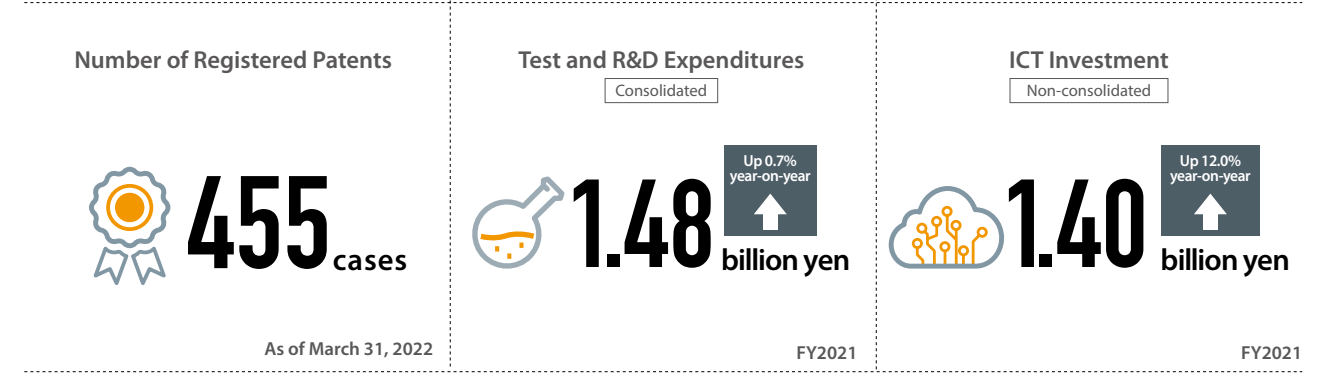
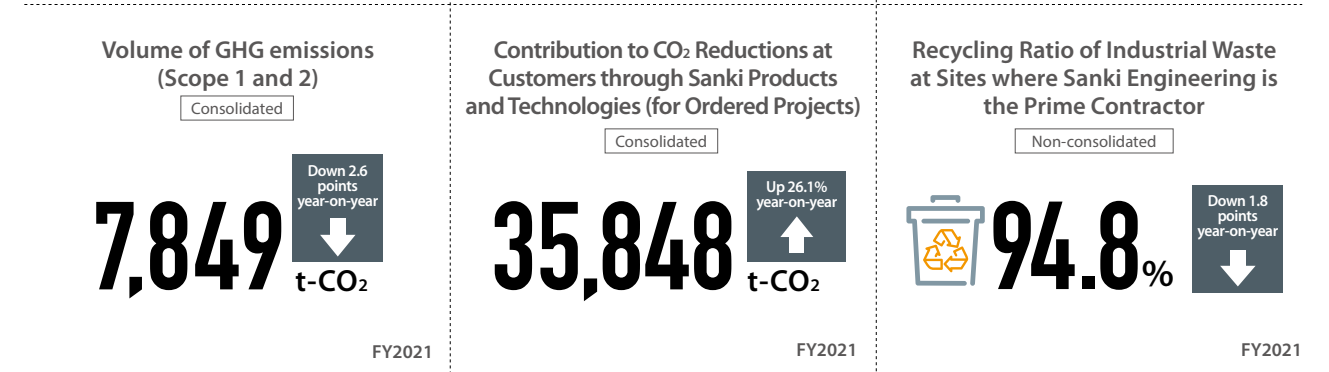
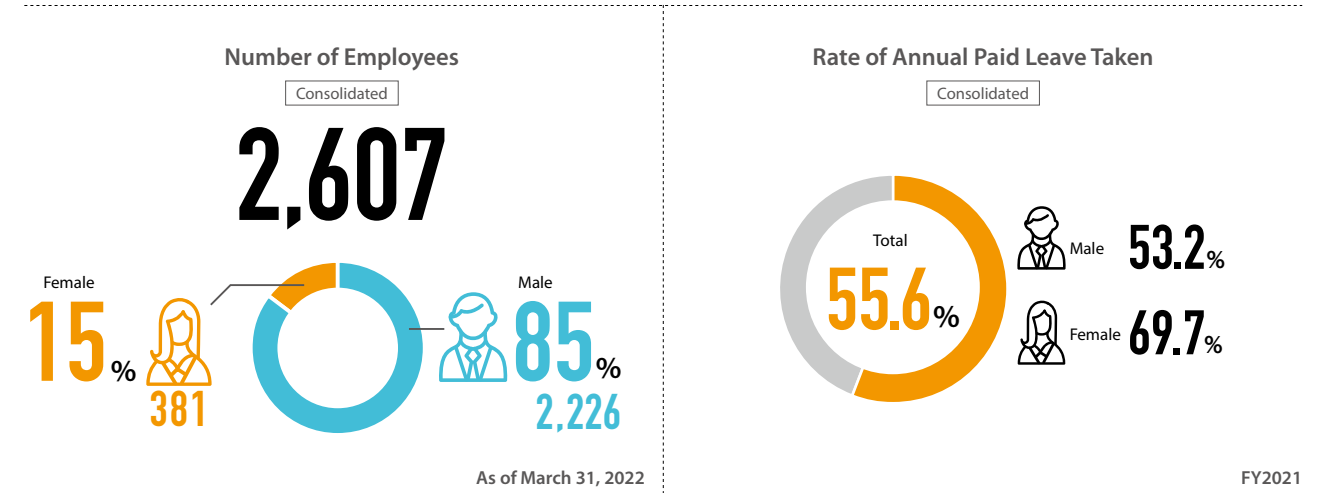


# Financial and Non-Financial Highlights

## Financial Data (Consolidated)



## Non-Financial Data



## Message from the President

We will contribute to creating a sustainable society by providing sophisticated engineering toward becoming the “company of choice.”

Hirokazu Ishida  
President



### Promoting Sustainability Management

Since its founding in 1925, the Sanki Engineering Group has expanded its business by utilizing diverse component technologies related to social infrastructure and has contributed to the development of society at large by creating comfortable environments in the face of the changing needs of the times. We recognize that our business is closely aligned with the pursuit of sustainability, a continuing global trend, and believe this is clearly expressed in our management philosophy: “We create comfortable environments through engineering and widely contribute to social development.”

In this context, the Group established the Sustainability Committee in November 2021, formulated its Sustainability Policy, based on its management philosophy, and laid

out its ultra-long-term vision, “Vision for 2050—Sanki, The Enduring Company of Choice.” We furthermore identified five material issues\* toward achieving a sustainable balance between enhancing the Sanki Engineering Group’s corporate value and improving its environmental and social value. We also announced Sanki’s Carbon-Neutral Declaration. These efforts demonstrate once again our policy of vigorously promoting sustainability management both at home and abroad. Creating comfortable environments and pursuing energy conservation and decarbonization are at the heart of our mission, and the fact that every solution we offer is directly linked to the realization of a sustainable society has become a powerful source of motivation for our employees.

\*Five material issues: Contribute to a carbon-free society, Pursuit of happiness for colleagues, Use engineering to build a comfortable environment, Create new social value, Stable earnings and stronger business base

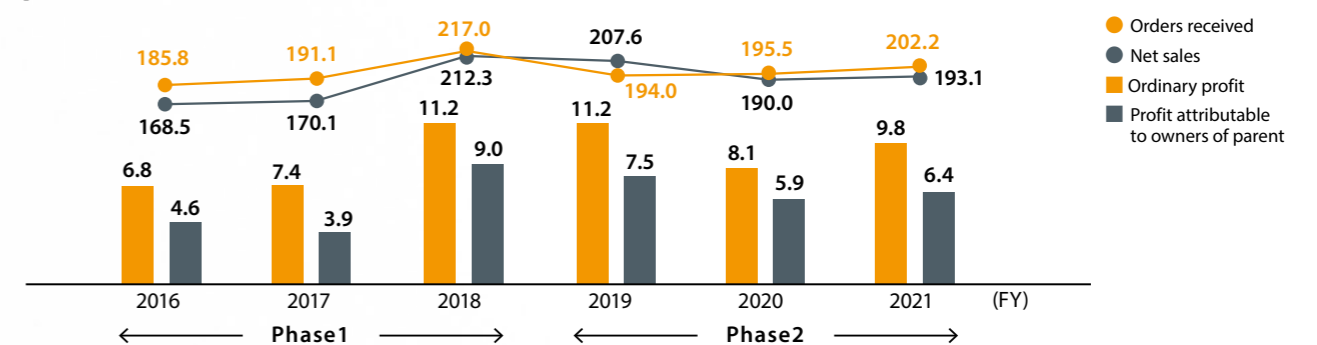
### Business Results for Fiscal 2021 and Review of the Medium-Term Management Plan

The current economic outlook in Japan remains clouded by factors such as the prolonged effects of the COVID-19 pandemic and deteriorating situation in Ukraine. While these are having an increasingly significant impact on the domestic construction market, within the scope of the Sanki Engineering Group’s business domain, large-scale urban redevelopment projects have continued unabated in major cities, capital investment has remained robust in response to the global semiconductor shortage, and demand for data and distribution centers has also increased markedly. We believe the environment for orders will remain stable for the time being, as the need for energy-saving facilities, an area in which we hold a competitive edge, is expected to rise in the future as a carbon-neutral solution. Nevertheless, there are concerns that if labor shortages lead to a rise in labor costs, or a surge in the price of oil and other resources results in higher raw material costs, our profitability

will suffer a significantly negative impact. In addition, a prolonged weakness of the yen may affect our customers’ level of incentive and plans to invest, making it more important than ever to manage risks that may affect Sanki Engineering.

Meanwhile, in fiscal 2021, the final year of the Medium-Term Management Plan “Century 2025” Phase 2 (FY2019-2021), the Group’s performance exceeded that of the previous year in terms of both orders and sales, and all profit items increased due to revenue growth and improved profitability. I believe we were able to essentially achieve our performance and management targets, including shareholder returns, set forth in Phase 2, as a result of the numerous measures we promoted under the themes of enhancing quality in Phase 1 and enhancing reliability in Phase 2 toward becoming the company of choice, which is the goal of our long-term vision “Century 2025.”

Business Performance (Billions of Yen)





Phase 1 specifically focused on the key initiatives of strengthening core businesses, promoting growth strategies, and enhancing the Sanki brand. Phase 2 focused on disclosing financial and capital policies and reinforcing the dissemination of information as key initiatives. As a result, the Company was able to achieve steady growth in overall performance. During Phase 1, however, extremely strong orders came at the price of an overload of work, which significantly increased the Company's workload, especially for onsite employees. Therefore, during Phase 2, we kept the workload at a constant level while thoroughly implementing a profit-oriented business policy of reducing the number of problems and complaints as well as occupational accidents, and as a result we were able to complete the last fiscal year of Phase 2 with a high profit margin. While the construction business operates over a long time span, we sought to curb long working hours

and cut down on unprofitable construction work, and in the sense that we were able to link these efforts to profits, I believe we also succeeded in raising the quality of our work.

In terms of enhancing reliability, we clarified our dividend policy and at the same time switched from a policy of increasing retained earnings for the sake of enhancing financial soundness to emphasizing capital efficiency and shareholder returns. This resulted in an increase of more than 10,000 individual shareholders, which is an indication that the Company's capital policy has been well received by the market. In addition, we produced new commercials and aggressively sought TV and web exposure to appeal to all stakeholders, which I hope will steadily increase our visibility and help us secure excellent human resources in the future.

### Launching the Medium-Term Management Plan "Century 2025" Phase 3

**F**or the Sanki Engineering Group to achieve sustainable growth as the company of choice and as the enduring company of choice into the future, we must strongly emphasize our future-oriented stance with sustainability as the pillar. The new Medium-Term Management Plan "Century 2025" Phase 3 (FY2022-2025) was based on this concept. In Phase 3, we will continue pursuing the five key initiatives set forth in Phases 1 and 2 as our basic route and enhance quality and reliability through the maturity and evolution of these initiatives. At the same time, we will pursue our new initiatives of contributing to the sustainability of society, accelerating work style reforms, and investing toward the next era, toward achieving sustainable future growth through the creation of new social value.

With respect to our basic course of strengthening core businesses as a common theme for each business segment, we will return to the basics of "safety first" and re-emphasize the importance of preventing occupational accidents as well as problems and complaints during construction. We will also promote DX to improve operational efficiency and productivity. As the first step, we will strive to establish a new cloud-based accounting system by the end of fiscal 2022 as part of an effort to establish a management base that can flexibly respond to future changes in the business

environment. We plan to gradually resume activities at the Sanki Techno Center, our comprehensive training and research facility which, since the start of the COVID-19 pandemic, we have not been able to use as much as we had hoped, and to actively invest in human resources, which includes providing education and training for Group employees as well as subcontractor staff.

With regard to promoting growth strategies, in addition to developing technologies to meet the needs for carbon neutrality, we will strengthen our structure in the field of industrial HVAC for battery manufacturing in anticipation of the expansion in semiconductor manufacturing and electric vehicles to meet growing worldwide demand. While taking on the challenge of bringing to market conveyance systems and facilities in response to labor shortages and developing overseas markets for water treatment plants that excel in energy efficiency, we will continue to work on DX, which will generate new value and business opportunities for each of our businesses.

With regard to reinforcing the dissemination of information and disclosing financial and capital policies, we will continue to strive to disclose information and business targets as required by the capital markets and to raise the Company's public visibility, thereby enhancing the Sanki brand.

### New Initiatives for Phase 3 and Business Portfolio Strategy for the Future

**A**s for contributing to the sustainability of society, a new initiative under Phase 3, I believe a key area in which we could deliver value to society through

our engineering is contributing to a carbon-free society, which is one of our material issues. We will further enhance the energy-saving and decarbonizing energy technologies

we have cultivated over the years and apply them in diverse fields, particularly in our Facilities Construction and Plants & Machinery Systems businesses. At the same time, we will promote proposal-based marketing based on our new ambitious targets for the SANKI YOU Eco Contribution Points program, which marked its tenth anniversary last year, to actively reduce CO<sub>2</sub> emissions associated with our customers' business activities.

Accelerating work style reforms is another new initiative that is also urgent in terms of responding to the revised Labor Standards Act of Japan, which will be applied to the construction industry starting in April 2024. As we promote the Smile Project, a top-down reform of work styles, we must also strive to quickly curb working hours by improving productivity and establish work styles for the next generation. We are also focusing on creating an environment in which employees can work for a long time, and we have revised our personnel system with a focus on embracing diversity, actively promoting younger employees, and extending the retirement age. Furthermore, we increased career path options by adopting a new dual-track career course for management and specialists in order to revitalize the organization.

With regard to investing toward the next era, we will continue to invest in our areas of strength, especially in decarbonization technologies, automation and labor-saving technologies, and the LCE\* Business, combined with digitalization. We plan to set aside a highly flexible growth investment quota of approximately 20 billion yen for nurturing new engineering "seeds," with a special focus on

\*Life Cycle Engineering is a business concept of the Sanki Engineering Group. Throughout the life cycle of a building, we provide services ranging from new construction, repair, and maintenance to renewal and reconstruction.

### Creating a Sustainable Society

**F**iscal 2022 represents an important milestone year for the Sanki Engineering Group as we take a giant step toward achieving further evolution and depth in our sustainability management. We are preparing concrete initiatives to realize sustainability, including the establishment of KPI/KGI linked to Phase 3 and information disclosure based on TCFD recommendations, and we have also established a new Environmental Policy and Human Rights Policy. This past June, we appointed our first female external director, and we are achieving steady progress in establishing our corporate governance to meet the standards required by the Tokyo Stock Exchange's Prime Market.

The 100th anniversary of our founding in 2025

open innovation and M&A.

In Phase 3, we also disclosed our business portfolio strategy. While we expect continued growth in our mainstay Facility Construction Business, quite a few challenges lie ahead, such as how to participate in projects to earn appropriate profits amid the ever-expanding scale of redevelopment properties. The Facility Systems Business and Machinery Systems Business are growth areas in which we will expand the scope of our operations by identifying needs as they arise and applying management resources, including investment in human resources, in a timely manner. In the Environmental Systems Business, we will strive to mature as an LCE business that can expect stable profits, while also considering structural transformation, including overseas expansion. While our social infrastructure business is not likely to suddenly run out of work tomorrow, in these rapidly changing times, we must be increasingly sensitive to changes in the business environment and needs. We will not simply pursue size, but will continue to grow honestly as we have in the past to ensure stable earnings and a stronger business base, which constitutes one of our material issues.

will mark a milestone in our ongoing efforts to build a sustainable society. With this in mind, we will strive to steadily implement Phase 3 as the culmination of our long-term vision "Century 2025," with a strong awareness of what lies ahead. We realize that in order to achieve the ambitious goals we have set for ourselves, including carbon neutrality by 2050, we need to reform various aspects of our structure, technology, and awareness. We are determined to accomplish these reforms in our pursuit of happiness of colleagues and to share the fruits of our efforts with our stakeholders. We hope you are as excited as we are for the future progress of the Sanki Engineering Group.



# Promoting Sustainability Management

The Sanki Engineering Group, with its strength in creating comfortable environments through engineering, will contribute to the realization of a sustainable society by promoting sustainability management based on its five material issues to simultaneously enhance corporate value and improve environmental and social value.

## Sanki, the “Enduring Company of Choice”

Striving to be a company that contributes to the realization of a sustainable world by using engineering to resolve social issues such as carbon neutrality and create a pleasant environment

### Sustainability Policies

Aiming to realize a strong business base and a sustainable society by “creating comfortable environments through engineering and widely contributing to social development”

☰ } P.26

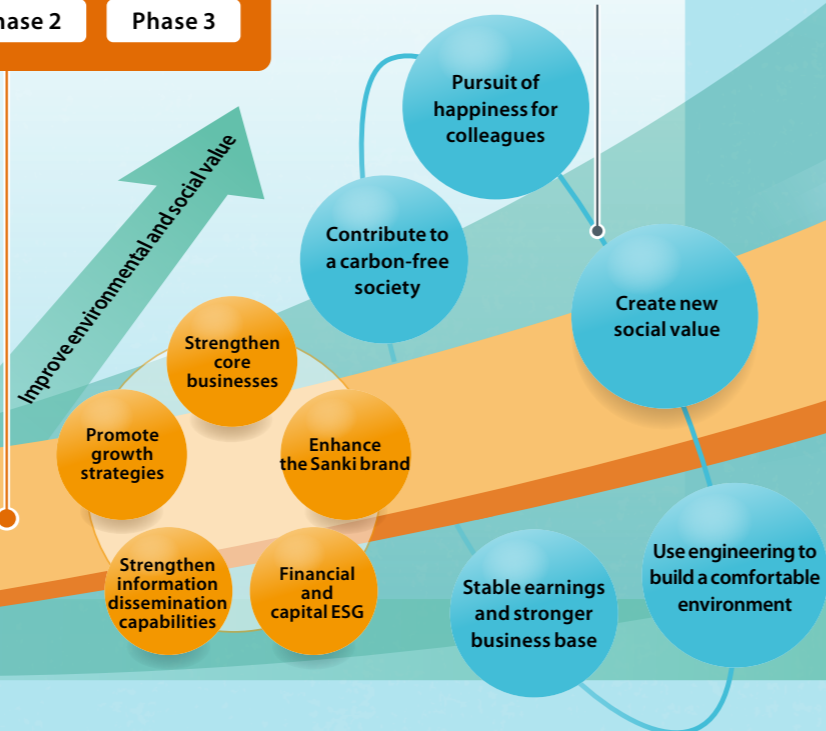
### Long-Term Vision “Century 2025”

Phase 1   Phase 2   Phase 3

Five material issues

☰ } P.24

**Management Philosophy**  
We create comfortable environments through engineering and widely contribute to social development.  
☰ } P.04



2030

“MIRAI 2030”

2050

Sanki's Carbon Neutral Declaration ☰ } P.25

Improve corporate value





# 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.



\*1 Construction projects of over 1 billion yen each \*2 Sanki Engineering construction sites (Sanki Engineering Co., Ltd. and business partners)

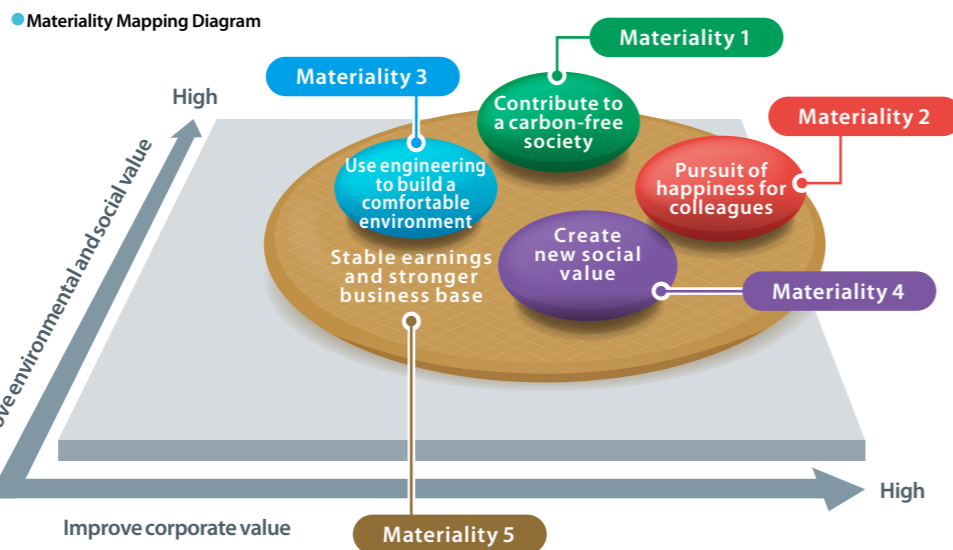
# Sanki Engineering Group Materiality (Key Issues)

The Sanki Engineering Group determines its five material issues by assessing issues selected from a broad perspective in terms of "improving environmental and social value" and "improving corporate value." By strategically allocating management resources to measures corresponding to the materiality, we aim to realize a resilient management foundation and sustainable society.

## Materiality Identified

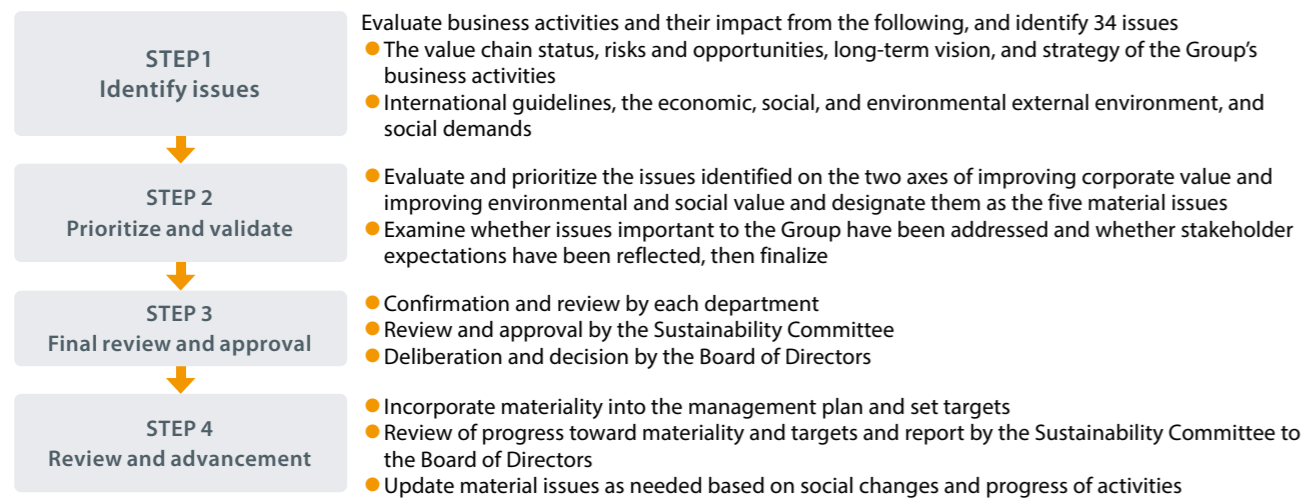
We identified five material issues with a broad perspective and are assessing them in terms of "improving environmental and social value" and "improving corporate value." These issues were reflected in measures under the Medium-Term Management Plan, and specific targets have been set to achieve them.

**P.28** New Measures for Phase 3



**Materiality** <https://www.sanki.co.jp/en/csr/materiality/>

## Materiality Identification Process



**Guidelines, etc., referred to in STEP 1**

(In-house) Long-term vision, business strategy, management plan, exchange of opinions with officers and departments, in-house surveys  
 (External) ISO 26000, SDGs, GRI standards, SASB standards, examination and evaluation of ESG (DJSI, etc.), integrated report survey, opinions and advice from outside experts and advisers, The Global Risk Report

**P.44** Sanki Engineering Group Value Chain **P.46** Stakeholder Engagement

## Our Contributions to Sustainability

Materiality (Key Issues)	Initiatives
<b>Materiality 1</b> Contribute to a carbon-free society	We will contribute to realizing carbon neutrality by applying the energy conservation and energy creation technologies we have cultivated to diverse fields in facilities construction, and plants and machinery systems. <ul style="list-style-type: none"> <li>Promote decarbonization</li> <li>Promote the renewable energy power generation business</li> <li>Expand the decarbonization-related market</li> </ul>
<b>Materiality 2</b> Pursuit of happiness for colleagues	We will aim to achieve sustainable growth by creating an environment in which our human resources, our invaluable assets and fellow workers, can pursue happiness through their work. <ul style="list-style-type: none"> <li>Improve human resource development and technology</li> <li>Promote work style reforms</li> <li>Respect human rights</li> <li>Promote diversity</li> </ul>
<b>Materiality 3</b> Use engineering to build a comfortable environment	We will contribute to constructing a diverse array of comfortable environments that support society by developing comprehensive engineering capabilities that integrate our component technologies across the Group. <ul style="list-style-type: none"> <li>Build strong social infrastructure</li> <li>Diversify the water treatment business</li> </ul>
<b>Materiality 4</b> Create new social value	We will rise to the challenge of creating new social value by mobilizing all our technologies and knowledge in a continuous effort to take the initiative in meeting the changing needs of society. <ul style="list-style-type: none"> <li>Promote activities that contribute to society</li> <li>Expand the automation and labor-saving market</li> <li>Expand consulting services</li> </ul>
<b>Materiality 5</b> Stable earnings and stronger business base	We will strive to build a resilient and flexible management base that generates stable earnings to remain a company that meets the needs of society and contributes to its sound development for years to come. <ul style="list-style-type: none"> <li>Strengthen the governance system</li> <li>Thorough compliance</li> <li>Promote occupational safety and health</li> <li>Improve quality</li> <li>Increase productivity</li> <li>Promote DX</li> <li>Secure stable long-term business</li> <li>Returns to stakeholders</li> </ul>

## Sanki's Carbon Neutral Declaration

Initiatives for energy conservation and energy creation aimed at decarbonization are also directly linked to the Sanki Engineering Group's core business as a total engineering company. Accordingly, we have positioned "Contributing to a Decarbonized Society" as a top priority among the material issues identified. We have established interim and long-term targets to achieve carbon neutrality by 2050.

### Sanki's Carbon Neutral Declaration

The Sanki Engineering Group is making serious efforts to address the climate change crisis facing the world and aims to achieve carbon neutrality for the Group's own GHG emissions (Scope 1 and 2) by 2030 and for GHG emissions including the supply chain (Scope 1, 2, and 3) by 2050.



# Medium-Term Management Plan “Century 2025” Phase 3 (FY2022–2025)

Sanki Engineering formulated the Medium-Term Management Plan “Century 2025” Phase 3 (FY2022–2025) to put the finishing touches to its long-term vision “Century 2025” launched in fiscal 2016.

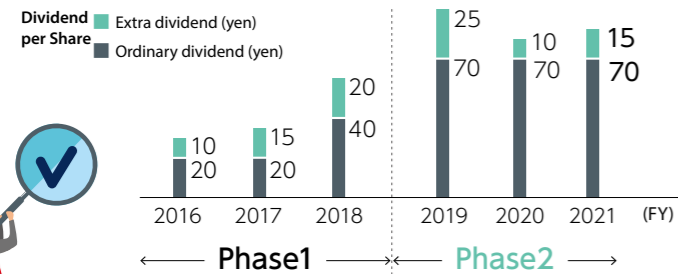
We will continue to work toward achieving maturity and evolution of the Key Initiatives of Phases 1 and 2, in which we strived to enhance quality and reliability. In Phase 3, we will build on past initiatives and implement new ones to become the company of choice.

## Review of Phase 2 (FY2019–2021)

In Phase 2, we came close to attaining our target of 200 billion yen in net sales despite the impact of the COVID-19 pandemic. We were also able to maintain a high level of gross profit margin as a result of our sustained efforts on the Key Initiatives, which began in Phase 1.

	FY2019 targets	FY2019 results	FY2020 targets	FY2020 results	FY2021 targets	FY2021 results
Net sales	200.0 billion yen	207.6 billion yen	200.0 billion yen	190.0 billion yen	200.0 billion yen	193.1 billion yen
Gross profit (%)	30.0 billion yen (15.0%)	32.1 billion yen (15.5%)	31.0 billion yen (15.5%)	28.7 billion yen (15.1%)	32.0 billion yen (16.0%)	30.2 billion yen (15.6%)
Ordinary profit (%)	9.0 billion yen (4.5%)	11.2 billion yen (5.4%)	9.5 billion yen (4.8%)	8.1 billion yen (4.3%)	10.0 billion yen (5.0%)	9.8 billion yen (5.1%)

	Phase 2 (FY2019–2021) Management Targets	FY2019 results	FY2020 results	FY2021 results
Ordinary profit ratio	5.0% or higher (final fiscal year)	5.4%	4.3%	5.1%
Annual dividend	Dividend per share of 60 yen or higher	95 yen	80 yen	85 yen
Acquisition of treasury stock	About 5 million shares	1,958,000 shares	1 million shares (cumulative total: 2,958,000 shares)	1 million shares (cumulative total: 3,958,000 shares)
Total return ratio	70% or higher	111.4%	97.3%	95.7%
ROE	8.0% or higher (final fiscal year)	8.6%	6.6%	7.0%



## FY2019–2021

### Phase 2 Enhance Reliability

- Further Pursue Quality**
- Improve construction productivity
  - Meet energy-saving and labor-reduction needs
  - Promote technological research and development
  - Continue to receive orders for stock projects
  - Create better work conditions
  - Improve internal communication

Disclosure of Financial and Capital Policies

Reinforce the Dissemination of Information

Refining Technical Skills and Human Resources to Enhance Quality

Maturity and Evolution of Measures to Enhance Quality and Reliability

## Course of Action for Phase 3 (FY2022–2025)

### Measures Carried Over from Phase 1

### Maturity and Evolution of Measures to Enhance Quality

In Phase 3, we will continue to work on the three measures as we have done in Phase 1 and 2 to further improve quality.

#### Measures for Enhancing Quality 1 Strengthen Core Businesses

##### Common Points

- Improve technology to prevent occupational accidents and troubles during construction
- Promote occupational safety and health together with the Health and Safety Cooperative Association
- Human resources development aimed at acquiring new unique technologies
- Improve business efficiency through the operation of a new business system
- Introduce the latest SFA and deploy finely tuned sales activities

##### Facilities Construction Business

- Strengthen business base
- Use of digital and robot technologies

##### Facility Systems Business

- Strengthen the total integration business of building ICT
- Expand onsite information and communication infrastructure business
- Expand consulting service offerings

##### Plants & Machinery Systems Business

###### Machinery Systems Business

- Cultivate automation and labor-saving market
- Expand sales of sorting systems for the logistics market
- Commercialization of facility predictive maintenance using AI diagnosis

###### Environmental Systems Business

- Expand sales of products that meet energy-saving needs
- Develop energy creation-related businesses
- Promote LCE business (stock business)

#### Measures for Enhancing Quality 2 Promote Growth Strategy

- Expand proposals including the development of new technology to realize a carbon-free society
- Strengthen the structure of industrial HVAC for semiconductor and other manufacturing facilities in and outside Japan
- Expand business by developing overseas markets for water treatment facilities
- Promote open innovation (cooperation between different industries, universities, and venture companies)
- Business reform and creation of new business opportunities through DX

#### Measures for Enhancing Quality 3 Enhance the Sanki Brand

- Establish the Earth MIRAI Project to explore new technologies
- Conduct capital investment to promote carbon neutrality for the Company
- Strengthen the SANKI YOU Eco Contribution Point system
- Continue to support environmental conservation in Antarctica
- Contribute to society by supporting sports and the arts

## FY2022–2025

### Phase 3 Company of Choice

Contribute to the Sustainability of Society

Accelerate Work Style Reforms

Invest toward the Next Era

### Measures Carried Over from Phase 2

### Maturity and Evolution of Measures to Enhance Reliability

We will focus on further raising awareness of Sanki Engineering measures under Phase 2 to broaden the understanding of our stakeholders.

#### Measures for Enhancing Reliability 1 Disclose Financial and Capital Policies

- ① Stable and sustainable returns for stakeholders
  - Payout ratio of 50% or more
  - Annual dividend per share of 70 yen or more
  - Buyback of about 5,000,000 treasury stock over the term of Phase 3
  - \*Cumulative total during the plan period
  - Further improve payment terms for business partners
- ② ROE target: 8% or more

#### Measures for Enhancing Reliability 2 Strengthen Information Dissemination Capabilities

- Incorporate information transmission methods that are in line with the times, such as online video sites
- Enhance content to be disseminated such as corporate governance, news releases on technological development, and social contribution activities

\*The ESG Policy in Phase 2 has evolved into the Sustainability policy in Phase 3.



## New Measures for Phase 3 (FY2022–2025)

### New measures from Phase 3

### Enhance the Company's Quality and Reliability

Sanki Engineering disclosed its ESG Policy under Phase 2 and has been establishing its framework for sustainable management. In Phase 3, which will mark the culmination of our long-term vision, we will implement three new measures for achieving sustainable future growth.

#### New Measure 1 Contribute to the Sustainability of Society

- Promote the development of new technology to realize a carbon-free society
- Reduce overall greenhouse gas emissions, including in the supply chain
- Promote CSR procurement in consideration of environmental impacts and human rights
- Strengthen the SANKI YOU Eco Contribution Point system
- Formulate and make use of a BCMS to maintain an effective BCP

#### New Measure 2 Accelerate Work Style Reforms

- Continuation of the Smile Project, led by top management
- Reform of the personnel system centered on the active appointment of young people and extension of the retirement age
- Utilize DX to balance improvements in quality and productivity with reduced working hours
- Secure and nurture human resources with due consideration for diversity

#### New Measure 3 Invest Toward the Next Era

- Fields**
- Decarbonization technology (energy-saving, energy creation, etc.)
  - Automation and labor-saving technology (material handling)
  - LCE business (stock business)
  - DX
- Measures**
- Growth investment of about 20 billion yen
  - External collaboration such as open innovation
  - M&A
- Nurture the growth of new engineering businesses in these fields that society requires as we advance toward the future**



**Long-Term Vision  
“Century 2025”**  
Becoming even more the company of choice for stakeholders

### KPIs for Phase 3 (FY2022–2025)

<b>Facilities Construction Business</b>	<ul style="list-style-type: none"> <li>● Implement root-cause analysis of troubles/claims within 5 years following the completion of construction work: 100%; report on root-cause analysis: 4 times per year</li> <li>● Develop digital and robotic technologies related to construction: 5 projects per year; actual cases of application of developed technology: 5 projects per year</li> </ul>
<b>Facility Systems Business</b>	<ul style="list-style-type: none"> <li>● Orders received for consulting/facility engineering: 400 million yen</li> <li>● Orders received for projects related to NeWSICT (Next Work Style with ICT): 500 million yen</li> <li>● Orders received for project management and construction work resulting from consulting and other sales approached: 2.1 billion yen</li> </ul>
<b>Machinery Systems Business</b>	<ul style="list-style-type: none"> <li>● Net sales of robot systems: 5.0 billion yen (cumulative)</li> </ul>
<b>Environmental Systems Business</b>	<ul style="list-style-type: none"> <li>● Orders received (cumulative): AEROWING: 3.6 billion yen; G3 decanter centrifuge: 2.0 billion yen; fluidized bed incinerator: 2 units</li> </ul>
<b>E (Environment)</b>	<ul style="list-style-type: none"> <li>● Scopes 1, 2: 40% reduction in emissions from FY2020 levels</li> <li>● Scope 3: 10% reduction in emissions from FY2020 levels</li> <li>● Reduce CO<sub>2</sub> emissions based on the SANKI YOU Eco Point system by an additional 30% compared to the 3-year average from FY2018 to FY2020</li> </ul>
<b>S (Social)</b>	<ul style="list-style-type: none"> <li>● Rate of childcare leave taken: Male 50% Female 100%</li> <li>● Raise the ratio of women in managerial positions to 3.0% by April 2026</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>● Investments for the next era (decarbonization technology, energy-saving and labor-reduction technologies, LCE business, DX): 20.0 billion yen</li> </ul>

## Message from the Chief Financial Officer



**Investing in the future will enable us to achieve sustainable growth.**

Yoshio Kawabe

Director, Executive Officer, General Manager of the Accounting Division, and Chief Financial Officer

We achieved overall success in the objectives of the Mid-Term Management Plan “Century 2025” Phase 2, in which we promoted each Key Initiative under the theme of enhancing reliability. Although the COVID-19 pandemic has had a certain degree of impact on our business, I feel our performance was generally favorable and that the Sanki brand improved as a result. On the financial side, we disclosed our financial and capital policies and actively returned profits to shareholders through dividends and share buybacks, resulting in a significant increase in the number of individual shareholders and a stable stock price. We were able to consistently implement our capital policy because we have become a company that with confidence can generate profit through measures such as thorough cost control and improved productivity in construction, which we pursued in Phases 1 and 2, and in my analysis this is the most important factor.

In the Mid-Term Management Plan “Century 2025” Phase 3, we disclosed our financial and capital policies as our performance and management targets in order to maintain and improve our solid financial base, as we have done in Phase 2. The net sales target of 220 billion yen for the final year (FY2025) will not be easy to achieve in light of the current uncertain business environment. Fortunately, we have an abundant amount of work, and we will strive to achieve the target by improving profitability in combination with work style reforms while also focusing on the Machinery Systems Business and Facility Systems Business, which we have positioned as strategic ventures.

While we intend to steadfastly meet the targets to which we have committed under our financial and capital policies, we believe that in Phase 3 we will enter a stage of also promoting investment, as opposed to the Phase 2 focus on shareholder returns. Now is the time to invest in the next era, as we have made progress in improving quality and have been able to secure high profit margins. Specifically, we have set a growth investment of 20 billion yen, and in addition to the promotion of DX and Research and development for carbon neutrality, we will continue to consider and implement new drivers for the future, including M&A. On the other hand, cash flow will

be consistently maintained at around 20 billion yen as working capital, and we will consider using leverage to increase capital efficiency to support further investments. While maintaining net assets at the current level, we will sell investment securities as appropriate to steadily invest in growth.

Stable and continuous returns to stakeholders will continue to be a key mission. While our shareholder return policy will still be centered on dividends, we also plan to acquire and cancel treasury stocks by keeping an eye on the status of profits, including ROE, and dividends. For our business partners, we plan to continue to provide returns such as improved payment terms, as we did in Phase 2. To ensure that we do not betray the stakeholder expectation for reliability we have built up, we will continue to work diligently to achieve the performance targets set forth in Phase 3, and aim to achieve both sustainable growth and financial soundness.

### Performance Targets

		FY2025
<b>Targets for Final Fiscal Year</b>	Net sales	220.0 billion yen
	Gross profit (%)	16.5%
	Ordinary profit	12.0 billion yen
		FY2022–2025
<b>Phase 3 Management Targets</b>	Ordinary profit ratio	5.0% or higher
	Payout ratio	50% or higher
	Annual dividend per share	70 yen or higher
	Acquisition of treasury stock	About 5 million shares*
	ROE	8.0% or higher
	Growth investment	About 20.0 billion yen*

\*Cumulative total during the plan period

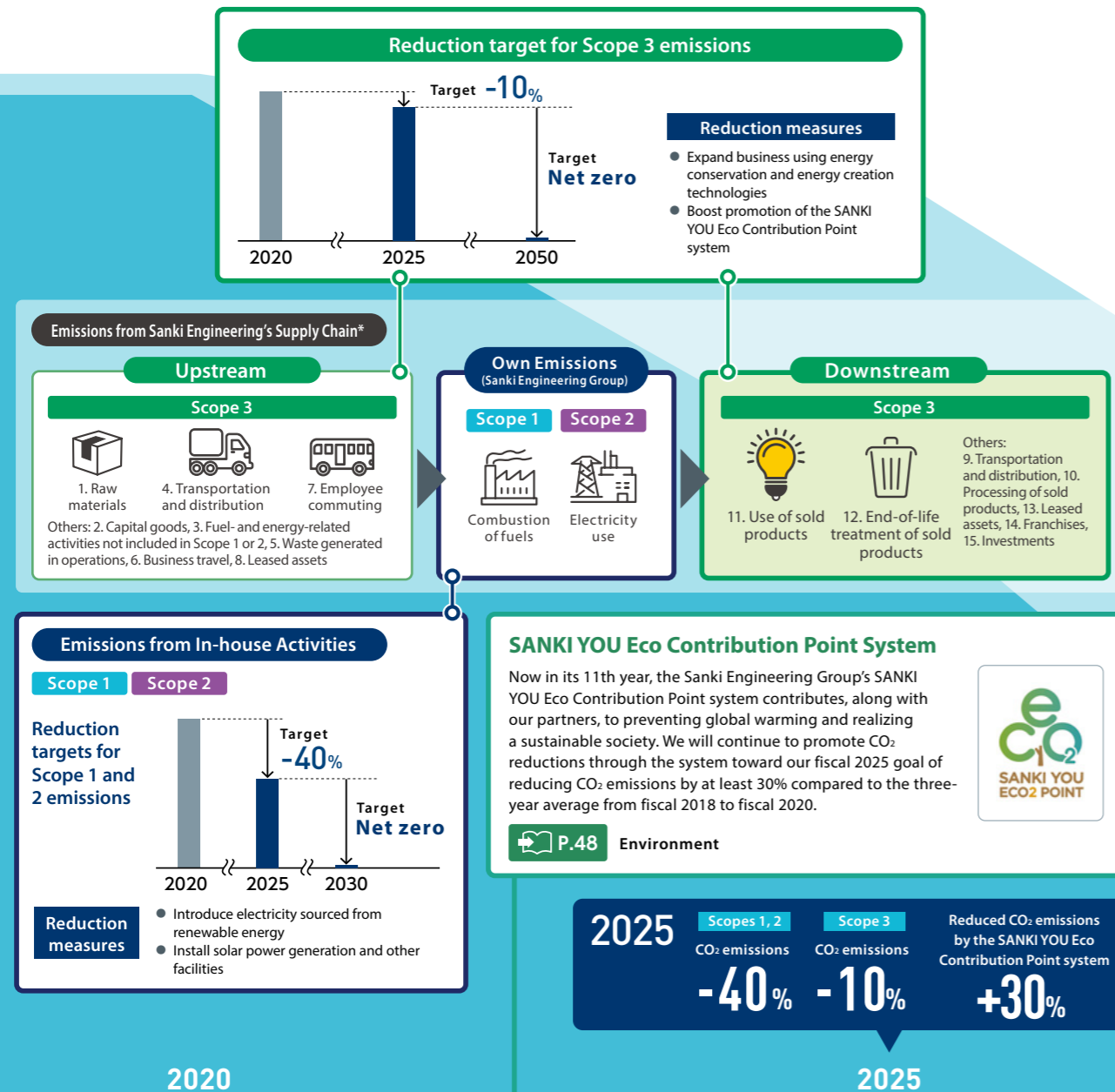




Feature 1

# Sanki Engineering Group's Initiatives for Realizing Carbon Neutrality

The Sanki Engineering Group is committed to achieving carbon neutrality by 2050. Climate change is an issue directly connected to our core business as a total engineering company, and we are addressing it through the active use and introduction of our energy-saving and carbon-free energy technologies in such fields as facility and plant construction. Furthermore, the SANKI YOU Eco Contribution Points system converts our CO<sub>2</sub> reduction solutions, offered to customers, into points that are donated to environmental conservation activities. We will continue to promote this activity to expand the circle of carbon neutrality throughout society.



\*Refers not only to emissions by the business operator itself but also to the total volume of all emissions related to its business activities, and it is classified into Scope 3 emissions (upstream) + Scope 1 and 2 emissions (in-house) + Scope 3 emissions (downstream). Of the 15 categories under Scope 3, "11. Use of sold products" accounts for approximately 90% of greenhouse gas emissions by the Sanki Engineering Group.

Case 1

ESCO Project at Nara Medical University



## Saving Energy and Reducing CO<sub>2</sub> Emissions at Medical Facilities

Demand for energy service company (ESCO) projects has grown every year, as companies and municipalities have been forced to take action such as renovating buildings and factories to address growing environmental awareness and increasingly strict environmental regulations. In an ESCO project, all expenses for energy-saving renovations are covered by the reduction in utility costs, thereby alleviating the cost burden during renovations and contributing to preserving the global environment. As a total engineering company, we have long been proposing ESCO projects for energy conservation and facility upgrades.

In fiscal 2021, Sanki Engineering participated in an ESCO project at Nara Medical University and its affiliated hospitals, which was led by Daiwa Energy Co., Ltd. as the representative contractor. We were responsible for the construction of HVAC, plumbing, and electrical systems. This involved reusing waste heat, reviewing the operational control of equipment, and converting lighting to LED, as well as partially upgrading the central monitoring system that ensures optimal energy management across the entire facility. The facilities we have constructed during this project are estimated to save energy by approximately 25% and reduce CO<sub>2</sub> emissions by about 30% per year, amounting to over 4,000 tonnes in terms of volume, during the contract period of this ESCO project, which ends in March 2035.

Reductions in CO<sub>2</sub> emissions **4,000 t-CO<sub>2</sub>/year** (estimate)

### Disclosure of information on climate change-related risks and opportunities

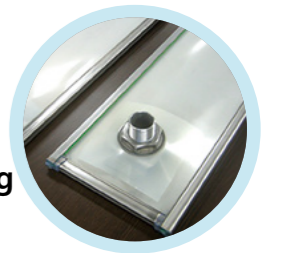
We endorsed the TCFD (Task Force on Climate-related Financial Disclosures) recommendations in November 2021. Our disclosure is in accordance with the TCFD recommendations.



**2030**  
Sanki Engineering Group's GHG emissions  
Carbon neutrality  
Scopes 1, 2

Case 2

AEROWING



## Contributing to Reducing Power Consumption at Drainage Disposal Plants

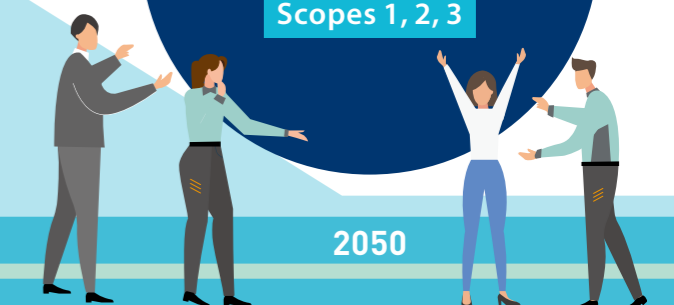
Energy conservation needs are growing at drainage disposal plants around the world, with the increased demand to reduce power consumption levels. Electricity used to supply air to the reaction tanks that remove contaminants from sewage accounts for 30 to 50% of the power consumed at these plants, and reducing the required volume of air is expected to save energy for the entire plant.

Sanki Engineering was the first in Japan to market the AEROWING air diffuser, which generates air bubbles from resin-based membranes in a reaction tank during the process of decomposing and purifying organic matter contained in sewage, thereby significantly reducing the amount of air and power needed for blowers. We are currently marketing AEROWING II, which boasts even higher energy-saving performance and is widely used as a device that significantly reduces electricity consumption.

More than 100,000 units of AEROWING and AEROWING II have been delivered in Japan, and over 560,000 have been delivered worldwide as of March 2022.

Reductions in CO<sub>2</sub> emissions **5,434 t-CO<sub>2</sub>/year** (FY2021/Japan)

**2050**  
Toward Carbon Neutrality  
Scopes 1, 2, 3



Feature 2

## Supporting the Semiconductor Industry with Sanki Engineering's Clean Rooms

A clean room is a controlled environment where a high level of cleanliness is maintained. This requires the use of different filters and other equipment for the removal of airborne dust particulates and gaseous components that may be harmful to products. In some cases, controlling microorganisms, bacterial attachments, and other organisms is required, as well as countermeasures against chemical contamination. Sanki Engineering has been focusing on the research and development of industrial clean rooms toward enhanced quality control in the manufacture of precision equipment, starting with assembly lines at camera factories and photographic film production lines in the 1960s. Since the mid-1970s and the construction of production plants around the world for semiconductor devices and integrated circuits as key components in computer technology, we have been expanding our business to handle a number of industrial clean room types, in and outside of Japan, and have subsequently achieved top-class recognition in the industry. The technologies and know-how we cultivated in the wake of the 1980s have been extended to bio-clean rooms for medical and drug discovery institutions

and biological laboratories, thereby contributing to the advance of medicine, drug discovery, and research and development. The growing importance of clean rooms is partly due to the rapidly increasing demand for semiconductors, now in short supply worldwide. This represents a growth opportunity for Sanki Engineering, and in the Medium-Term Management Plan "Century 2025" Phase 3, we will focus on strengthening the structure of industrial HVAC for semiconductor and other manufacturing facilities as a Key Initiative.

We will continue to meet our customers' needs by leveraging the know-how and advanced technical capabilities we have cultivated over many years.

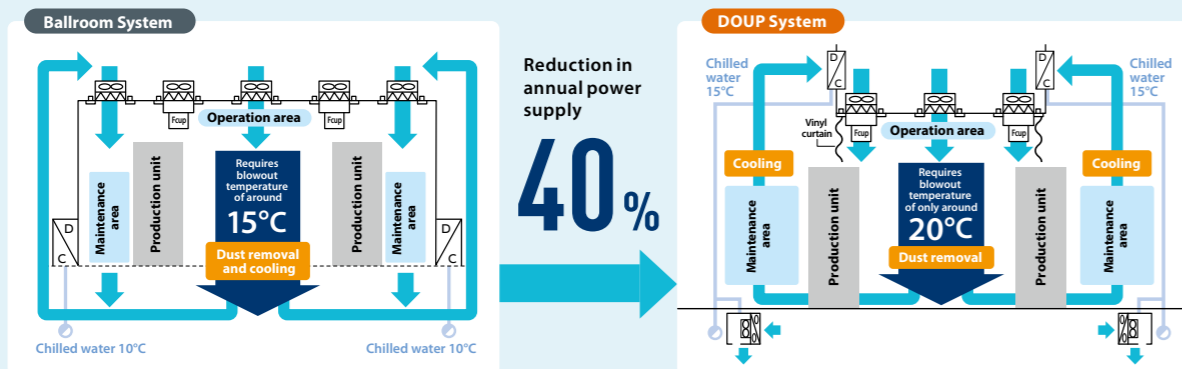
**FY2021**  
Large-scale construction projects including construction work related to clean rooms

- Facility construction for Stage II expansion of the DENSO Hokkaido Plant
- Kurita Innovation Hub, Kurita Water Industries Ltd.



**DOUP®** Energy-Saving HVAC System for Semiconductor Clean Rooms

- 1 Efficient use of HVAC air reduces annual power supply by 40%.
- 2 Maintains a high level of cleanliness by limiting dust diffusion.
- 3 No space required for coils for cooling, allowing for more effective use of floor space.
- 4 Developed in FY2018 and currently in the market.



Feature 3

## Developing Sorting Devices and Systems that Provide Solutions for the Logistics Industry

The e-commerce market, which has for some time been expanding due to advances in online activities, has seen an increase in logistics volume spurred by the COVID-19 pandemic. Sanki Engineering is developing and marketing products for the logistics industry that facilitate high-performance sorting to help address the excessive workloads and labor shortages plaguing this sector and thereby contribute to the prompt delivery of goods to purchasers.



**Reverse Sorter™** Enhancing Sorting Device While Saving Space

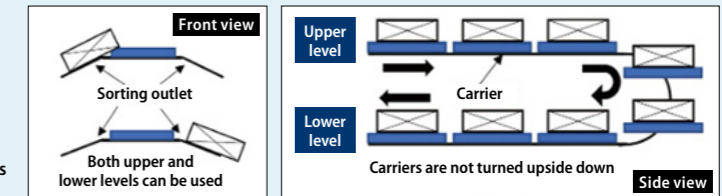
Space saving  
**40%**  
Comparison with our earlier sorter models

- 1 Contributes to enhanced sorting performance and space-saving.
- 2 Allows for the simultaneous sorting of more items due to a unique mechanism that pivots the carrier both horizontally and vertically, so sorter chutes can be set up on the top and bottom as well as on the left and right.
- 3 Saves space by approximately 40% compared to our earlier sorter models.
- 4 Developed in FY2020, sales launched in FY2021, and currently in the market.



Major customers > Transportation industry > e-commerce industry

Reverse Sorter™ (in Japanese) <https://youtu.be/gZUMrynFAZs>



**Meris Bianca™** Supporting Automation and Labor-Saving for Transport and Sorting Operations

- 1 Supports automation and labor-saving of cargo transport and sorting operations in logistics centers.
- 2 High-speed transport through optimal routes made possible by constant monitoring of the position and movement of multiple transport robots by the host system.
- 3 Facilitates easy installation and smooth expansion and relocation owing to a station-type rollout system that distinguishes it from conventional fixed mechanisms.
- 4 Developed in FY2021 and under verification at our R&D center.

Meris Bianca™ (in Japanese) <https://youtu.be/fvCkHpEbziE>



Transport robot



# Facilities Construction Business

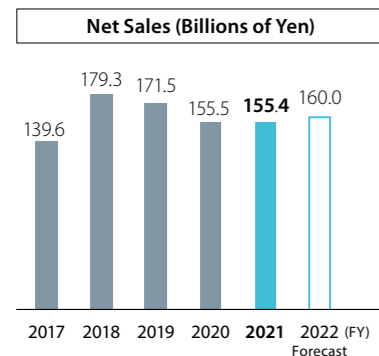
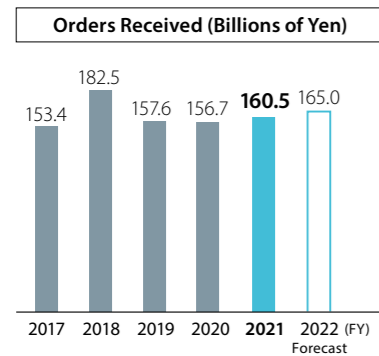
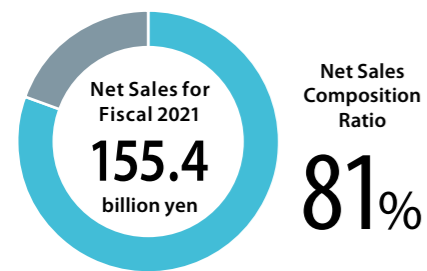


## Achieving Sustainable Growth by Leveraging Our Strengths in Total Engineering

**Eiji Mitsubishi**

Director, Senior Executive Officer and General Manager of the Mechanical & Electrical Contracting Headquarters

The Facilities Construction Business has broadly contributed to the development of society by providing comfortable environments based on total engineering that combines diverse component technologies. A strength of the Sanki Engineering Group that is directly linked to our core business is contributing to a decarbonized society primarily through the introduction of energy-saving and energy-creating equipment, and this will continue to be our top priority as we go forward. Achieving sustainable development for our business in these uncertain times will require establishing a flexible, solid business foundation that can respond to any social demand and expectation. We will steadfastly strengthen our technology, human resources, and business structure, continue to overcome challenges such as eliminating long working hours and promoting digitalization, and contribute to the sustainability of society as a whole.



### Opportunities and Risks in the Business Environment

- Increased demand for environmentally sound facilities for realizing a decarbonized society
- Expanded investments in semiconductor manufacturing facilities and data centers
- Changing views on office environments associated with the spread of teleworking
- Increase in materials and labor costs, and delayed delivery of materials and equipment
- Staff shortages, including at subcontractors, in the face of increasingly large-scale properties

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

#### Key Initiative 1 Improve construction quality

Strengthen the Company-wide division of labor system for construction work and enhance construction quality by promoting occupational health and safety in unison with the Health and Safety Cooperative Association.

#### Key Initiative 2 Improve productivity

Reduce the workload of construction managers and improve operational efficiency by promoting the Smile Site Plan and DX and increase productivity by passing on and fostering technical skills through human resource development.

#### Key Initiative 3 Boost competitive strength

Boost competitive strength by accurately responding to customer needs through information sharing among locations nationwide, thoroughly implementing cost and delivery time management through the collection of procurement data for materials and equipment, and developing technologies in collaboration with the R&D Center.

#### Key Initiative 4 Strengthen business foundation

Strengthen the business foundation through collaboration across the entire Mechanical & Electrical Contracting Headquarters, including the business promotion organizations at the branches and branch offices, as well as the headquarters organization.

### Major Results for Fiscal 2021

- Orders received increased due to large construction orders for industrial HVAC and electrical systems. Net sales were on par with the same period of the previous year, while profits remained high partially due to an improved profit margin.
- We regularly disseminated information on delivery dates and prices of materials and equipment internally to conduct sales activities with an awareness of construction deadlines and to avoid the risk of price hikes.
- We identified issues and developed measures at each location, in addition to implementing a Company-wide division of labor system for construction work and appropriately allocating personnel by promoting the Smile Site Plan.
- The Technical Administration Division collaborated with branches and branch offices in conducting construction quality audits from the design stage to improve construction quality and prevent problems. In addition, we thoroughly investigated the causes of problems and customer complaints within five years of construction completion and took action to avoid recurrence, thereby contributing to higher profit margins.
- We identified issues and examined solutions for the actual operation of BIM and promoted the strengthening of the education system for utilizing BIM software for in-house engineers.



#### Major Projects

- Kurita Innovation Hub, Kurita Water Industries Ltd. (HVAC systems/new construction work)
- Kanae Tochigi Factory No. 3 Factory Building (HVAC and plumbing systems/new construction work)
- Toyota Technical Center Shimoyama (plumbing and electrical systems/new construction work)
- Toyota Industries Corporation Ishihama Plant, Stage I construction work (HVAC and plumbing systems/new construction work)
- Facility construction for Stage II expansion of the DENSO Hokkaido Plant (HVAC, plumbing, and electrical systems/extension work)

### Status of Business Operations and Future Outlook toward Achieving Phase 3

#### Further promote the Smile Site Plan

Looking beyond the enactment of Japan's revised Labor Standards Act in 2024, we will further promote the Smile Site Plan work style reforms toward simultaneously improving onsite capabilities and quality and reducing the workload of construction managers. In addition to continuing the Company-wide measures implemented to date in areas

such as organizational structure, personnel allocation, division of labor, and outsourcing, we will closely exchange opinions on sales information and property status among each division to level out the workload at construction sites and implement measures according to the situation based on progress reviews.

**Promoting DX Across Divisions**

In collaboration with the Technical Administration Division, R&D Center, and Machinery Systems Administration Division, we will focus on digitizing internal operations, developing robot-related technologies, and utilizing BIM to enhance the efficiency of sales activities and field office operations, as well as raising productivity by improving construction work efficiency at construction sites. In addition, we will promote DX Company-wide by introducing Sales Force Automation systems and accounting systems and creating a workflow for various application processes.

**Handling Large-Scale Projects by Establishing a Company-Wide Collaboration System**

Urban redevelopment projects, semiconductor and other production plants, and research facilities are becoming increasingly large in scale, which raises the importance of personnel planning with due consideration for construction areas and periods. We will establish a construction system

through Company-wide collaboration to effectively respond to important properties. The headquarters organization will back up each branch and branch office in terms of sales, design, and construction quality as well as procurement, leading to optimal use of business resources and the development of human resources that transcend expertise and geographical characteristics.

**Promoting Technological Development and Project Proposals that Contribute to Carbon Neutrality**

We will contribute to attaining carbon neutrality for our customers and society as a whole by promoting CO<sub>2</sub> reductions through LCE, which includes the proposal, adoption and delivery, optimal operation and management, and appropriate refurbishment of energy-saving facilities. As the needs of our customers continue to grow, we will develop new technologies and present proposals that accurately meet their requirements.

**Focus**

**Balancing a Wide Range of Temperature Control and Energy-Saving Development of an Environmental Testing Facility to Evaluate Next-Generation Batteries**



**Value delivered by Sanki Engineering**

- Energy-saving system with highly precise temperature control using proprietary control logic

Environmental testing facilities for the evaluation testing of vehicles and electronic components require a wide range of temperature conditions as well as highly accurate controllability in each range. The fields covered by environmental testing facilities have recently expanded in line with the electrification of automobiles, spread of automated driving devices, and increasing performance of mobile devices in the telecommunications field.

Against this background, we have developed an environmental testing facility for evaluating next-generation batteries and installed it at our R&D Center. The evaluation testing of automotive batteries is known to require particularly stringent temperature conditions, ranging from -40 to +100°C. Our facility uses proprietary control logic to achieve highly accurate controllability within ±0.3°C and is capable of reducing operating energy by approximately 40% compared

to conventional facilities. We will continue to verify the system to achieve even higher performance and intend to utilize the facility as a site for open innovation.



Environmental Testing Facility

**Facility Construction Business**  
**Facility Systems Business**

**Opportunities and Risks in the Business Environment**



- Change in the office market due to the introduction of teleworking triggered by the COVID-19 pandemic
- Expanding need to introduce effective mechanisms and ICT tools for work style operations including teleworking
- Increased opportunities for ICT collaboration, such as smart factories using local 5G systems
- Increased opportunities for reconstructing and reviewing ICT infrastructure due to DX-driven change in business models

**Facility Systems**

**Smart Building Solutions**

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

- Expand consulting service offerings
- Enhance sales and production structures for business expansion
- Deepen existing business areas
- Strengthen the total integration business of building ICT
- Expand onsite information and communication infrastructure business
- Nurture specialized engineers

**Major Results for Fiscal 2021**

- Enjoyed strong sales and profit on sales by focusing on the need for large-scale office relocation and revision of space use
- Business opportunities for the newly established Consulting Promotion Division increased as advances in remote work led to more customers seeking consultation on optimal workspaces and work style reform
- In the area of building management solutions (instrumentation), we won orders for large-scale refurbishment projects
- In the area of network solutions (ICT), we enjoyed brisk orders for construction work related to data centers, which are showing a marked increase in investments, in addition to the maintenance of IT devices used in offices

**Status of Business Operations and Future Outlook toward Achieving Phase 3**

- We intend to bolster our sales efforts based on the key concept of creating workspaces to meet the need for work style review. The value demanded of an office is expected to continue changing, so plans call for strengthening activities related to collaborations and M&A toward creating new services, expanding our consulting service offerings, and boosting our business structure, including increasing the number of consulting personnel who can design working environments. Also, facilities engineering services will be developed to support the study and design of building facility specifications for customers moving into an office.
- In the area of instrumentation, we plan to increase orders through total integration of building ICT using our self-developed products. To this end, business expansion will be promoted by strengthening human resource development and enhancing proposal and technical capabilities. In the area of ICT, our focus will be on the onsite information and communications infrastructure business as we continue marketing proposals for information infrastructure facilities to data centers and distribution warehouses, in which investments have grown markedly. In addition, we will expand the scope of orders by considering the introduction of local 5G and proposing other ancillary facilities.



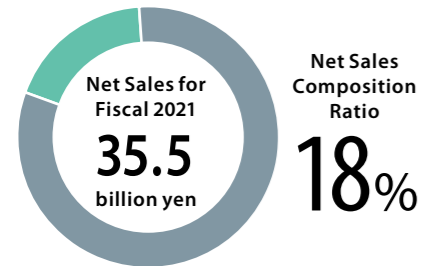
# Plants & Machinery Systems Business



## Continuously Supporting Social Infrastructure to Provide Solutions for Social Issues

**Kazuaki Iijima**  
 Director, Managing Executive Officer and General Manager, Plants & Machinery Systems Headquarters

The Plants & Machinery Systems Business supports social infrastructure by providing unique solutions in the two business domains of Machinery Systems and Environmental Systems. In the former, we focus our knowledge and expertise on the use of new technologies, such as robotics, to meet the needs for automation and labor-saving in the face of a declining population through monozukuri (manufacturing). Meanwhile, in the Environmental Systems Business, we are constructing and operating water treatment and waste treatment facilities and developing technologies for pursuing energy conservation and energy creation that contribute to carbon neutrality. While all of these are highly visible public projects directly related to sustainability and are, in a sense, very rewarding, they also present never-ending challenges. We will continue to contribute to the creation of a sustainable society through a relentless pursuit of what we see the future will require.



### Opportunities and Risks in the Business Environment

#### Machinery Systems Business

- Growing need for automation and labor-saving solutions arising from the decline in Japan's working population
- Expansion in capital investments for logistics facilities targeting the e-commerce market
- Increase in materials and labor costs, and delayed delivery of materials and equipment

#### Environmental Systems Business

- Expansion in decarbonization needs arising from Japan's declaration to achieve carbon neutrality by 2050
- Japanese government policy for promoting PPP and PFI\*
- Intensified competition due to the adoption of fiscal austerity by local governments

\*Public private partnership (PPP): A public-private sector collaboration to provide public services. Private finance initiative (PFI): a representative PPP approach.

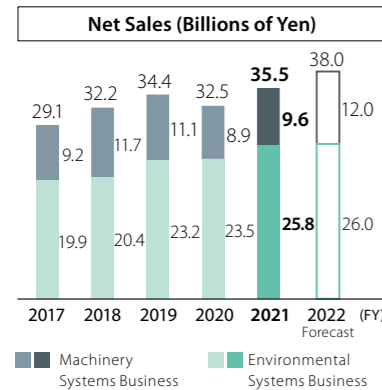
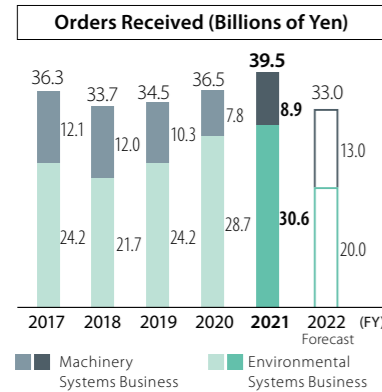
### Key Initiatives of the Medium-Term Management Plan "Century 2025" Phase 3

#### Machinery Systems Business

- Key Initiative 1** Increase orders for standard conveyors
- Key Initiative 2** Expand presence in the automation and labor-saving market and logistics market
- Key Initiative 3** Establish a network of maintenance and servicing businesses

#### Environmental Systems Business

- Key Initiative 1** Promote the energy conservation and energy creation businesses
- Key Initiative 2** Expand the LCE business
- Key Initiative 3** Expand business in overseas markets



## Machinery Systems Business

### Major Results for Fiscal 2021

- Both net sales and profit rose because of a recovery in manufacturing-related orders and net sales, which had previously stagnated due to the COVID-19 pandemic.
- Steady sales expansion of hybrid facilities contributed to an increase in orders related to secondary batteries and medical and pharmaceutical facilities.
- Enjoyed strong sales of reverse sorters™, a space-saving vertical sorting devices developed for the logistics market.
- Developed automated sorting systems that use transport robots and expanded our lineup of sorting systems.
- Enhanced workability and productivity at the Yamato Product Center by strengthening the manufacturing and production system for standard conveyors.
- Boosted productivity and reduced costs at the Yamato Product Center by improving and bolstering the production management system.



**Major Development and Projects Delivered**

- > Transportation industry (delivered March 2022)
- > E-commerce industry (delivered December 2021)

### Status of Business Operations and Future Outlook toward Achieving Phase 3

#### Strengthen Sales Capabilities to Increase Orders for Standard Conveyors

To strengthen our sales capabilities for standard conveyors, we will forge closer relationships with distributors by promoting networking to facilitate timely information sharing. We will also strive to increase orders for standard conveyors by utilizing new technologies such as video and 3D CAD in our sales materials as well as by reviewing our product lineup and improving cost competitiveness.

#### Expand Products and Services to Meet Automation and Labor-Saving Needs

To meet the needs for automation and labor-saving in logistics and other markets, we will promote the development of sales channels and sales expansion of hybrid facilities and our new reverse sorters. In the food industry, we will launch a new conveyor with enhanced

hygiene features and expand sales of hybrid facilities to meet automation needs. Furthermore, in collaboration with the R&D Center, we will commercialize the operation systems for transport robots and develop new products for the logistics market as we also disseminate and gather information by exhibiting at trade shows.

#### Establish a Maintenance and Servicing Business

Toward the establishment of an ICT-based facility predictive maintenance system for post-delivery, for which demand is growing in logistics and other markets, we will promote the development of partnerships, with due consideration for regional characteristics, and cultivate and expand the network of subcontractors. Consequently, this will improve the quality of our maintenance and servicing services and expand our service areas.

## Environmental Systems Business

### Major Results for Fiscal 2021

- Received orders for large-scale construction work for waste treatment facilities and maintenance and management operations due to ongoing needs arising from the Japanese government's national resilience policy. Net sales and profit increased due to progress in construction work carried over from the beginning of the fiscal year.
- Enjoyed steady progress in the maintenance, management, and operation of the PFI project Okubo Water Purification Plant and the DBO\* projects Clean Hill Tenzan and Sendai Clean Center, in collaboration with Group companies.
- Received orders for energy-saving aeration systems at two large water treatment facilities in Denmark.
- Acquired a certification of technology verification for global use from the Japan Sewage Works Agency and achieved progress toward contributing to addressing social issues through water treatment in Thailand.

\*Design Build Operate is a process through which the design, building, operation, and maintenance of a project is awarded to a private enterprise as a bulk order.



Air diffuser at the east sewage treatment plant in Hachinohe City

#### Major Projects

- Okubo Water Purification Plant, upgrade work for the Seibu system 2B flocculator
- Minami Gamo Purification Center No. 4 Sludge Incineration Facility Construction in Sendai City
- East sewage treatment plant in Hachinohe City, mechanical construction work for the extension of a water treatment facility
- Ishikawa Local Living Environment Facility Association Waste Disposal Facility Basic Equipment Improvement Project

### Status of Business Operations and Future Outlook toward Achieving Phase 3

#### Promote the energy conservation and energy creation businesses

As we expect energy conservation needs to continue as demand for decarbonization grows, we will strive to expand sales of energy-saving products, centered on strategic items such as the SANDEC G3 decanter centrifuge, AEROWING II ultra-fine bubble air diffuser, and the turbo-charged fluidized bed incineration systems.

We will also actively engage in sales to win the next orders in the energy creation business, in fields such as woody biomass gasification power generation and turbo-charged fluidized bed incinerators with a binary cycle power generation system, where we have recently made a full-scale entry.

#### Further Promote and Expand the LCE\* Business

We will stabilize projects in which we already engage in maintenance and management and gain operational

\*Life Cycle Engineering is 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.

expertise for the future expansion of the LCE business. In addition, we will work on the establishment of a framework for next-generation investment for securing long-term earnings in the waste treatment business.

#### Develop Overseas Markets for Water Treatment Facilities

To develop overseas markets for water treatment facilities, AQUACONSULT Anlagenbau GmbH, a Group company based in Austria, will strive to expand sales of strategic products such as the AEROWING, an energy-saving ultra-fine bubble air diffuser, mainly in Europe and the Middle East. Meanwhile, in Southeast Asian countries, we intend to develop businesses related to improving the water environment by utilizing our proprietary technologies, such as a drainage treatment unit based on the DHS method, from our foothold in Thailand, where we maintain a base of operations.

### Focus

Machinery Systems Business

#### Contributing to Work Style Reform in the Transportation Industry Opti Sorter for Labor Savings and Efficiency in Home Delivery Operations



Value delivered by Sanki Engineering

- Capable of sorting parcels in sizes 60 to 160 (L+H+W) in 80 directions
- Provides a simple mechanism for saving space

The domestic transportation industry has been promoting more thorough efforts to reduce labor and improve efficiency at logistics sites to meet the recent rapidly growing demand for e-commerce and other services under its work style reform efforts.

The Opti Sorter, delivered in September 2021 to a new distribution center for the transportation industry, is an innovative sorting device developed by a Dutch manufacturer. It is capable of sorting parcels in sizes 60 to 160 (L+H+W), the core items handled by our customers, in 80 directions, and its unique push-tray mechanism allows for the reliable sorting of a wide variety of parcels without any loss in quality. Furthermore, its simple mechanism ensures significant space savings and achieves unprecedented operational efficiency. In fiscal 2022, Sanki Engineering will establish a collaborative

relationship with the manufacturer to further promote the introduction of this product.



Newly delivered Opti Sorter conveyance system

### Focus

Environmental Systems Business

#### Contributing to Significant Energy Savings in the City of Copenhagen Received an Order for Energy-Saving Air Diffusers for Large Water Treatment Plants in Denmark



Value delivered by Sanki Engineering

- High oxygen transfer efficiency due to ultra-fine bubbles
- Reduced power consumption at drainage treatment plants, resulting in energy savings
- Flexible layout according to the tank shape
- Long-term use possible

In February 2022, AQUACONSULT, a Group company, received an order for 9,660 energy-saving air diffusers for use in drainage treatment at the Lynetten and Damhusaen water treatment plants (both in Copenhagen) operated by BIOFOS in Denmark.

The latest order was awarded in recognition of the performance of 1,600 AQUACONSULT air diffusers that have been in operation since 2015 at the Avedore water treatment plant in southern Copenhagen, which have lowered power consumption by approximately 2 million kWh per year, a 40% reduction compared to existing diffusers.

All units are scheduled to be delivered between June 2022 and May 2025, so that energy-saving air diffusers manufactured by AQUACONSULT will be used at water

treatment facilities throughout Copenhagen to further reduce environmental impact by reducing power consumption.

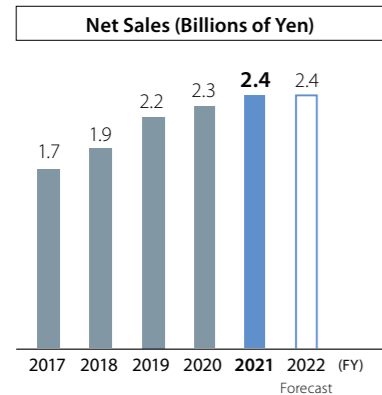
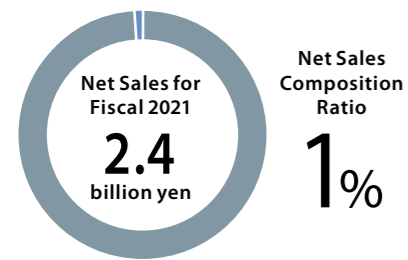


Lynetten water treatment plant



# Real Estate Business

Adding Higher Value to Real Estate by Applying Our Technologies and Expertise



- Basic Strategies for Fiscal 2022**
1. Effective use of portfolio assets
  2. Maintenance and management of portfolio assets
  3. Raise revenues from building stock-based business by accumulating leasing operations

## Opportunities and Risks in the Business Environment

- Need to improve office environments using advanced technologies such as AI and IoT
- Growing need to conserve energy and create comfortable environments
- Falling demand for offices and prolonged period of vacancies due to changing work styles and spread of teleworking

## Major Results for Fiscal 2021

- Net sales and profit increased due to growth in rental income following a rise in the occupancy rate, mainly at a portfolio asset in Yamato City, Kanagawa Prefecture (Sanki Yamato Site).
- Making effective use of Sanki Techno Park, including the Sanki Techno Center and Sanki Yamato Building, we centralized their management, including facility maintenance, security, and cleaning.
- Made a capital investment for renewing escalators and LED lighting at our Molive shopping mall building in Moriyama City, Shiga Prefecture, to promote facility maintenance and energy conservation.

## Policy and Outlook for Fiscal 2022

In fiscal 2022, we will continue to seek sustainable development for the Real Estate Business by continuously applying Sanki Engineering's technologies and expertise to the maintenance and management of portfolio assets while further striving to achieve operational efficiency.

In addition, we will keep enhancing efficiency and convenience regarding our Sanki Techno Park facility through a centralized management system and, in order to maintain and improve the occupancy rate (real estate tenants), we will hold discussions with current tenants and promote activities aimed at attracting new ones.

# Sustainability Management



## Basic Principle

In accordance with its management philosophy of "creating comfortable environments through engineering and widely contributing to social development," the Sanki Engineering Group formulated its Sustainability Policy and laid out its "Vision for 2050—Sanki, The Enduring Company of Choice." We are promoting sustainability management by contributing to social issues through technology and continuing our management activities. We have also identified materiality issues of the Sanki Engineering Group and have set KGIs and KPIs under our Medium-Term Management Plan "Century2025" Phase 3 (FY2022–2025) to assess the progress of our initiatives. Through these efforts, we intend to contribute to the creation of a sustainable society and achieve sustainable growth for the Group.



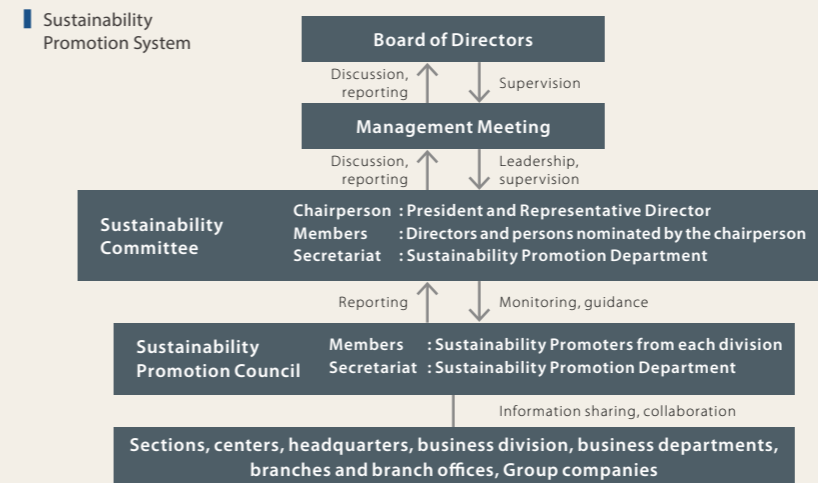
## System for Promoting Sustainability

In November 2021, the Sustainability Committee, chaired by the president and composed of directors, was established as an organizational entity to deliberate and decide on key issues and measures related to sustainability. Important agenda items are submitted to the directors for discussion, reporting, and decision-making.

In fiscal 2021, the committee met twice to discuss the formulation of the Sustainability Policy, Materiality, and Sanki's Carbon-Neutral Declaration. Their deliberations were then submitted to the Board of Directors, which made a final decision.

In addition, a Sustainability Promotion Council, consisting of personnel in charge of sustainability from each division, was established as a subordinate body of the Sustainability Committee to examine and disseminate measures and track progress.

We address sustainability issues throughout the entire value chain in accordance with this promotion system.



- Sustainability Committee**
- Meets twice a year to decide on important issues and measures to realize sustainable management.
- FY2021 Agenda**
- Formulate Sustainability Policy and Materiality
  - Set targets for greenhouse gas reduction (Sanki's Carbon-Neutral Declaration)
- Sustainability Promotion Council**
- Meets twice a year to take measures to ensure awareness of sustainability-related policies and keeps track of progress.

# Sanki Engineering Group Value Chain

The Sanki Engineering Group is engaged in the life cycle engineering (LCE) business, in which we handle the entire process from facility planning and design to procurement, construction, operational management, maintenance and inspection, and renovations and renewal. We seek to generate diverse benefits that meet stakeholder expectations by addressing opportunities and risks in the context of sustainability management across the value chain of our business activities.





## Stakeholder Engagement

The Sanki Engineering Group engages with a wide range of stakeholders in the course of its business activities. We communicate with various stakeholders and reflect the demands of society in our business activities while promoting our sustainability initiatives throughout the entire value chain.

### Sanki Engineering Group's Main Stakeholders

	Outline of Stakeholders	Nature of Engagement	Main Responsibilities of the Sanki Engineering Group	Major Methods of Engagement
 Customers	Building owners, real estate developers, manufacturers, financial and insurance companies, department stores, hospitals, schools, research institutes, etc.	We are aware that our duty is to meet customer needs and do our utmost to resolve social issues by drawing on our diverse component technologies related to social infrastructure.	<ul style="list-style-type: none"> <li>Resolve issues for customers and society at large</li> <li>Provide construction and technical services with high added value</li> <li>Enhance customer satisfaction in terms of quality, delivery, and cost</li> </ul>	<ul style="list-style-type: none"> <li>Dialogue through sales activities and meetings</li> <li>Websites and showrooms</li> <li>Exhibit at trade shows and exchange views</li> </ul>
 Shareholders and Investors	Number of shareholders: approx. 14,524 (as of March 31, 2022)	Gaining the understanding and trust of shareholders and investors is essential for developing a sustainable business, and we place a strong emphasis on disclosing appropriate information and engaging in communication.	<ul style="list-style-type: none"> <li>Enhance corporate value</li> <li>Provide a stable return of profits and appropriately allocate management resources</li> <li>Conduct timely and adequate disclosure of corporate information</li> </ul>	<ul style="list-style-type: none"> <li>General shareholders meeting, shareholder newsletters</li> <li>Results briefings, one-on-one IR interviews, and response to inquiries</li> <li>IR website, Sanki Report</li> <li>Shareholder surveys</li> </ul>
 Business Partners	Subcontractors, general contractors, material/machinery manufacturers, building maintenance companies, etc.	Our business partners support our businesses and are key allies in achieving mutual growth and development. We consider it our mission to conduct fair business transactions and foster relationships of trust.	<ul style="list-style-type: none"> <li>Build fair, equal, and transparent business relationships</li> <li>Foster relationships of trust and collaboration</li> <li>Ensure occupational safety and create good working environments</li> <li>Respect human rights</li> </ul>	<ul style="list-style-type: none"> <li>Dialogue through daily procurement activities</li> <li>Collaboration and support through the Subcontractor Group</li> <li>Corporate Ethics Hotline</li> </ul>
 Partners	Universities, research institutes, architectural design offices, etc.	Acquiring excellent knowledge from external bodies such as universities and research institutes is indispensable for fully applying our component technologies and also results in the resolution of social issues.	<ul style="list-style-type: none"> <li>Promote open innovation</li> <li>Build equal and fair relationships</li> </ul>	<ul style="list-style-type: none"> <li>Industry-academic collaboration</li> <li>Dialogue at the Open Lab</li> </ul>
 Employees	Number of employees Consolidated: 2,607 Non-consolidated: 2,096 (as of March 31, 2022)	Our employees constitute the very foundation of our business activities. We acknowledge that the Group derives its competence from the individual abilities of its diverse human resources characterized by the Sanki Spirit.	<ul style="list-style-type: none"> <li>Ensure equal opportunity and fair evaluation</li> <li>Cultivate human resources, develop capabilities, and promote diversity</li> <li>Ensure occupational safety and create good working environments</li> <li>Respect human rights</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with supervisors and training</li> <li>Various reporting and consulting channels</li> <li>Labor-Management Council</li> <li>Website, intranet</li> <li>In-house surveys</li> </ul>
 Local Communities	Areas around construction sites and offices	Our business activities are directly connected to the local community. We intend to directly address issues faced by local communities and contribute to the development of these places through ongoing dialogue as a good corporate citizen.	<ul style="list-style-type: none"> <li>Develop social infrastructure</li> <li>Pay due consideration to local communities and the environment</li> <li>Disclose information</li> </ul>	<ul style="list-style-type: none"> <li>Branch and branch office counters</li> <li>Briefings related to construction work</li> <li>Dialogue through activities that contribute to the local community</li> </ul>
 Government and Administrative Authorities	Central government ministries and agencies, municipal governments, etc.	We believe that our partnerships with administrative bodies are essential for serving society's needs as we take on public works related to social infrastructure.	<ul style="list-style-type: none"> <li>Comply with laws, regulations, and administrative guidance</li> <li>Pay taxes</li> <li>Develop social infrastructure</li> <li>Contribute to local disaster prevention</li> </ul>	<ul style="list-style-type: none"> <li>Various notifications</li> <li>Branch and branch office counters</li> <li>Briefings and reports related to construction work</li> <li>Dialogue through industry associations</li> </ul>

## Disseminating the Idea of Sustainability across the Group

We are disseminating the concept of sustainability to promote sustainable management, and our guidelines summarizing the Sanki Engineering Group's approach to sustainability have been distributed to all employees. We also regularly provide information through in-house newsletters and other means to foster awareness of the need to resolve social issues.

### Results of Sustainability Initiatives for FY2021

Evaluation of results against FY2021 goals  
 ◎ : Goal attained ○ : Some progress made △ : Goal unattained

		FY2021 Goals	FY2021 Results	Evaluation
Environment	Provide products and services to help reduce the CO <sub>2</sub> emissions of customers	Target CO <sub>2</sub> reduction proposals under the SANKI YOU Eco Contribution Point system (consolidated) More than 300 proposals	<ul style="list-style-type: none"> <li>CO<sub>2</sub> reduction proposals under the SANKI YOU Eco Contribution Point system (consolidated)</li> <li>Orders received: 263/number of proposals: 431 (FY2020: 214 orders received)</li> <li>Contribution to reduction: 35,848 t-CO<sub>2</sub> (FY2020: 28,430 t-CO<sub>2</sub>)</li> </ul>	◎
	Reduce CO <sub>2</sub> in business activities	Target CO <sub>2</sub> emissions (actual results of our business activities)(non-consolidated) 1% lower than in previous fiscal year	<ul style="list-style-type: none"> <li>Scopes 1, 2 (consolidated): 7,849 t-CO<sub>2</sub> (FY2020: 8,061 t-CO<sub>2</sub>)</li> </ul>	◎
Quality Control	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	<ul style="list-style-type: none"> <li>Reduction rate for the number of problems and complaints during construction (consolidated): down 25% from FY2020 (FY2020: down 30.0% from FY2019)</li> </ul>	◎
	Introduce new labor-saving construction technology	Target Number of sites introducing new labor-saving construction technologies Two sites per year	<ul style="list-style-type: none"> <li>Number of sites introducing new labor-saving construction technologies: 5 sites (FY2020: 6 sites)</li> </ul>	◎
Occupational Health and Safety	Reduce the number of accidents	Target Reduce by 20% year-on-year through cooperation among divisions (Sanki Engineering Co., Ltd. and business partners)	<ul style="list-style-type: none"> <li>Number of accidents: (Sanki Engineering Co., Ltd. and business partners): 3 cases (FY2020: 3 cases)</li> </ul>	△
	Implement accident prevention measures for subcontractors	Target Visits to subcontractors Ratio of accidents involving inexperienced workers	<ul style="list-style-type: none"> <li>Ratio of accidents: involving inexperienced workers: 26% (FY2020: 37%)</li> </ul>	○
Social	Further enhance procurement efficiency	Target Digitize operations	<ul style="list-style-type: none"> <li>Percentage of digitized operations (non-consolidated): 95% (FY2020: 91%)</li> </ul>	◎
	Exchange opinions with business partners	Target Exchange opinions with business partners (twice a year)	<ul style="list-style-type: none"> <li>Exchange of opinions</li> <li>Number of companies we exchanged opinions with in FY2021: 30 companies (twice a year)(FY2020: Suspended due to the COVID-19 pandemic)</li> </ul>	◎
Supply Chain	Strengthen cooperation through the Subcontractor Group	Target Expand the scope of participation in the Sanki Health and Safety Cooperative Association	<ul style="list-style-type: none"> <li>Number of participants in the Sanki Health and Safety Cooperative Association 33 in July, 33 in December (FY2020: 11 in July; 30 in December)</li> </ul>	○
	Improve internal communication	Target Strengthen the system for gathering employee feedback	<ul style="list-style-type: none"> <li>Opinion exchange session between new employees and the president (new employee CCU)</li> <li>Workplace surveys</li> </ul>	◎
Human Resources	Balance work and life through the Smile Project	Target Monitor and take action according to the situation Average monthly overtime work per person Rate of paid leave taken per person	<ul style="list-style-type: none"> <li>Rate of paid leave taken per person (consolidated): 55.6% (FY2020: 55.3%)</li> <li>Average monthly overtime work per person (consolidated): 23.9 hours (FY2020: 29.0 hours)</li> </ul>	○
	Contribute to regional disaster prevention	Target Total number of regional disaster prevention activities	<ul style="list-style-type: none"> <li>Carried out activities under the large-scale disaster agreement between Yamato City and the Yamato Engineering Center</li> </ul>	◎
Local Communities	Support cultural activities for the next generation	Target Support cultural activities	<ul style="list-style-type: none"> <li>Held the Third "Kizuna" Tsugaru Shamisen Concert to promote reconstruction of areas affected by the Great East Japan Earthquake</li> </ul>	◎
	Contribute to conservation of the local environment	Target Participate in environmental beautification activities	<ul style="list-style-type: none"> <li>Conducted activities at 35 sites (consolidated) (FY2020: 33 sites)</li> </ul>	◎
Governance	Hold more IR meetings	Target 15 more than in FY2018	<ul style="list-style-type: none"> <li>IR meetings: 35 sessions (FY2020: 40 sessions)</li> </ul>	△
	Provide consistent, steady returns to shareholders	Target Total return ratio: 70% or more	<ul style="list-style-type: none"> <li>Total return ratio: 95.7% (FY2020: 97.3%)</li> </ul>	◎

# Environment



## SANKI Engineering Group Environmental Policy

Established April 1, 2022

The Sanki Engineering Group strives to conserve the global environment in all our business activities, including the supply chain, with the intention of realizing a decarbonized society, recycling oriented society, and society in harmony with nature.

1. We will promote energy-saving and the use of renewable energy in all our business with a view toward carbon neutrality.
2. We will strongly promote the SANKI YOU Eco Contribution Point system, whereby we conduct environmental conservation activities according to the amount of CO<sub>2</sub> emissions reduction from our facilities and contribute to decarbonization of our clients.
3. We will aim to realize a recycling oriented society by thoroughly controlling the generation of waste, recycling resources, and proper disposal of waste.
4. As we recognize that biodiversity is an important foundation for a sustainable society, we aim to realize a society in which nature and humans can coexist in harmony by working toward preserving biodiversity.
5. We will disclose information on conservation of the global environment in a timely and appropriate manner.
6. We will continue to consider the impact of our business activities on climate change and biodiversity, prevent environmental pollution, comply with environment-related laws and regulations, and actively promote global environmental conservation activities.

## Environmental Management System

### 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 QMS and EMS secretariat meetings.

### Initiatives for Environmental Management

We pursue our activities by having each section set environmental goals aligned with their respective operations. In fiscal 2021, we began using the Environmental Aspects Assessment List at our overseas subsidiaries to expand the scope of application. No issues were reported regarding noise, dust, or odor at construction sites.

In May 2019, Sanki Engineering Co., Ltd. and Group company Sanki Chemical Engineering & Construction Co., Ltd. were found to have unlawfully altered the measured values at two incineration facilities constructed by Sanki Engineering. We addressed this by providing an explanation at a meeting with local residents organized by the relevant regulatory body. Furthermore, the ISO 9001 certification of the Environmental Systems Administration Division at Sanki Engineering and the ISO 14001 certification of Sanki Chemical Engineering & Construction were temporarily suspended from September to October 2019. 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 have since maintained appropriate management for the operation of these facilities. The Sanki Engineering Group has sought to prevent a recurrence by continuously bolstering its management system. This includes educating employees on compliance and environmental management and conducting internal audits.

### Assessment and Response to Environmental Risks and Opportunities

We use the JOB Environmental Aspects Assessment List consisting of 10 aspects and around 60 items to identify environmental issues that are unique to each construction site, bylaws governing site location, regional agreements, and more. Prior to the start of construction, we seek appropriate action by conducting an environmental risk assessment for each project to address differences in the 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 the work.

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Quality and Environmental Management System

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Initiatives for Ensuring Quality

#### Environmental Aspects Assessed under the JOB Environmental Aspects Assessment List

1. Use of resources and energy
2. Reduction and proper disposal of waste
3. Abnormal situations and outflow of contaminants
4. Consideration for areas surrounding construction sites
5. Consideration for unique environmental needs
6. Natural disasters
7. Legal compliance
8. Other local bylaws
9. Temporary materials and equipment, and office and other supplies
10. Other aspects

## Addressing Climate Change toward a Decarbonized Society

### Information Disclosure Based on TCFD Recommendations

We endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in November 2021 and disclose information on risks and opportunities related to climate change in accordance with the disclosure framework. With the information disclosed at this time, we will do our utmost to achieve carbon neutrality and realize a decarbonized society.

### Governance

In November 2021, the Sanki Engineering Group established the Sustainability Committee, chaired by the president and composed of members of the Board of Directors, to address climate change and sustainability issues in general. The Sustainability Committee meets twice a year to discuss and decide on key issues and actions for realizing sustainability management. In fiscal 2021, it discussed the Sustainability Policy, materiality, and Sanki's Carbon Neutral Declaration, which were submitted to the Board of Directors for decision. The Sustainability Promotion Council, established as a subordinate body of the committee and composed of persons in charge of the related practical matters in each department, also discusses and promotes decarbonization throughout the Group. In addition, we manage risks associated with climate change, which we recognize as impacting our business, under the Risk Management Committee, which consists of representatives from all departments of the Group, and the Climate Change Risk Subcommittee, a subordinate body of the Risk Management Committee.

Each committee reports on the content of their deliberations and decisions to the Management Meeting, and the Board of Directors conducts an audit of the status of initiatives for addressing the climate-related issues reported to the Management Meeting.

### Risk Management

The Risk Management Committee, which oversees business-related risks, identifies and categorizes the risks, determines the subcommittees in charge and content of control plans, assesses the risks by quantifying their impact and frequency insofar as possible, formulates and implements priorities and response policies, and conducts periodic reviews.

With regard to climate-related risks, the Climate Change Risk Subcommittee examines the assessments and control plans and reports to the Risk Management Committee. The decided measures are submitted to the Sustainability Committee, Management Meeting, and Board of Directors for deliberation and further decision, depending on the relative importance of the assessed risk, and are then implemented by all the departments of the Group in cooperation with the Sustainability Promotion Council. Measures included in the Medium-Term Management Plan are incorporated into the execution plans of each division to manage their progress.

### Scenario Analysis

Scenario analysis is conducted to gain an understanding of the medium and long-term impact of climate change on business. We analyzed a scenario in which it is expected that the average global temperature increase will be kept down to less than 2 degrees C higher than the level of the days of the industrial revolution and another scenario in which the temperature rises by approximately 4 degrees C, in terms of relations to policies and market trends, and also analyzed physical changes engendered by events such as disasters. For each scenario, causes of group-wide risks and opportunities have been identified and their degree of impact on business verified and assessed in three stages: High, medium and low. "Climate-related policies and legislation" and "rising temperatures and abnormal climate" have been identified as high risks to business and "markets,



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Sustainability Promotion System

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Framework of the Risk Management System



products and services” and “resilience” as opportunities.

Policies to handle identified risks and opportunities are incorporated into Phase 3 of the medium-term management plan “Century 2025” and deployed and implemented in the executive plans of each division.

\*1 Acronym for International Energy Agency. This is an international organization that covers overall energy policies under the auspices of the OECD (Organisation for Economic Co-operation and Development), a body with energy safety and security as its goal.

\*2 Acronym for Intergovernmental Panel on Climate Change, an organization established in 1988 by the World Meteorological Organization (WMO) and United Nations Environment Programme (UNEP) with the goal of comprehensive assessment of climate change, impact, adaptation and mitigation policies.

Designated Scenarios	Reference Scenarios
<b>Less than 2°C scenario</b> Stringent measures against climate change are taken, and the temperature increase in 2100 is limited to less than 2°C from the level of the Industrial Revolution	<ul style="list-style-type: none"> <li>● IEA*1: Sustainable Development Scenario (SDS)</li> <li>● IPCC*2: Representative Concentration Pathways (RCP2.6)</li> </ul>
<b>4°C scenario</b> Stringent measures against climate change are not taken, and the temperature increase in 2100 is around 4°C from the level of the Industrial Revolution	<ul style="list-style-type: none"> <li>● IEA: Stated Policies Scenario (STEPS)</li> <li>● IPCC: Representative Concentration Pathways (RCP8.5)</li> </ul>

### Risks and Opportunities

	Transition Risks		Physical Risks	
	Category	Climate-related policies and regulations	Rise in temperatures and extreme weather events	
Risks	Possible event	<ul style="list-style-type: none"> <li>• Rise in construction costs due to carbon pricing</li> <li>• Restrictions on business due to CO<sub>2</sub> emissions regulation</li> <li>• Heightened demand for disclosure of climate change-related information</li> </ul>	<ul style="list-style-type: none"> <li>• Greater impact of rising temperatures on working conditions</li> <li>• Increased severity and frequency of extreme weather events</li> </ul>	
	Impact	Well below 2°C scenario <b>Major</b> 4°C scenario <b>Minor</b>	Well below 2°C scenario <b>Minor</b> 4°C scenario <b>Major</b>	
	Timeline	Medium to long term	Medium to long term	
	Risks and opportunities for the Sanki Engineering Group	<ul style="list-style-type: none"> <li>• Surge in construction costs due to growing demand for suppliers to introduce carbon neutral technologies</li> <li>• Rise in the cost of purchasing environmental value for realizing carbon neutrality, including a shift to green electricity and renewable energy certificates</li> <li>• Decline in corporate reputation and brand due to insufficient information disclosure</li> </ul>	<ul style="list-style-type: none"> <li>• Increased risk of occupational accidents, such as heat stroke</li> <li>• Risk of suspensions or delays in construction due to extreme weather events</li> <li>• Delays in procurement of materials and equipment</li> </ul>	
	Response	<ul style="list-style-type: none"> <li>• Strengthen procurement capabilities based on electronic procurement systems and centralized purchasing</li> <li>• Extend capital investment for advancing carbon neutrality at Sanki Engineering</li> <li>• Promote activities for reducing emissions across the supply chain</li> <li>• Proactively disclose information</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance technology for preventing occupational accidents and problems during construction</li> <li>• Develop alternative robotic technologies for the construction site to improve the labor environment</li> <li>• Construct and operate BCMS for maintaining effective BCPs</li> <li>• Utilize DX to balance improvements in quality and productivity with reduced work hours</li> <li>• Continuation of the Smile Project (work style reforms), led by top management</li> <li>• Promote application of BIM</li> </ul>	
Opportunities	Category	Markets, products, and services	Resilience	
	Possible events	Rise in demand related to energy-conservation and renewable energy	Expansion in demand for technologies that strengthen resilience	
	Impact	Well below 2°C scenario <b>Major</b> 4°C scenario <b>Medium</b>	Well below 2°C scenario <b>Major</b> 4°C scenario <b>Major</b>	
	Timeline	Short to medium term	Medium to long term	
	Risks and opportunities for the Sanki Engineering Group	<ul style="list-style-type: none"> <li>• Rise in demand for ZEB projects and energy-saving projects led by growing need for energy conservation</li> <li>• Rise in demand for renewable energy business</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in demand for renewal projects</li> <li>• Increase in demand for resilience-related services</li> </ul>	
Response	<ul style="list-style-type: none"> <li>• Promote development of new technologies for realizing a decarbonized society</li> <li>• Strengthen the SANKI YOU Eco Contribution Point system, which combines reductions in CO<sub>2</sub> emissions by customers based on energy-saving proposals with donations to environmental preservation activities</li> <li>• Promote open innovation (collaboration with other business sectors, universities, and venture companies)</li> <li>• Develop energy creation businesses such as renewable power generation</li> <li>• Extend growth investments for the next generation, including decarbonization technologies (energy conservation, energy creation, and others)</li> <li>• Further development of automation and labor-saving markets</li> <li>• Promote application of BIM</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen the total integration business of building ICT</li> <li>• Promote our LCE Business (stock-based business)</li> <li>• Expand onsite information and communication infrastructure business</li> <li>• Expand consulting service offerings</li> <li>• Strengthen system to quickly respond to energy-saving technology and customer needs</li> </ul>		

### Indicators and Targets

In February 2022, we established the Sanki Carbon Neutral Declaration as a long-term goal. We will address the climate change issue by focusing on reducing greenhouse gases based on the following indicators.

#### List of Targets

Initiative	Base Year	FY2025	FY2030	FY2050
Scopes 1, 2	FY2020	40% reduction	Carbon neutrality	Carbon neutrality
Scope 3	FY2020	10% reduction	—	Carbon neutrality
Reductions through the SANKI YOU Eco Contribution Point system	FY2018–FY2020 (average)	30% increase	—	—

#### Greenhouse Gas Emissions

Scope/Category	Applicable Activities	FY2020 emissions (t-CO <sub>2</sub> )	FY2021* emissions (t-CO <sub>2</sub> )
Scope 1 (direct emissions)	Direct emissions from businesses owned or controlled by the Company	1,658	1,722
Scope 2 (indirect emissions from purchased energy)	Indirect emissions caused by use of purchased electricity or heat	6,403	6,127
Scope 3 (other indirect emissions)		6,161,990	5,005,392
Category 1	Emissions from the manufacturing of products and services purchased	344,460	345,217
Category 2	Emissions from the construction, manufacturing, and transportation of capital goods purchased	7,419	5,518
Category 3	Emissions from the extraction, production, and transportation of fuels, electricity, and heat purchased	1,006	1,336
Category 4	Emissions from the distribution and transportation of products purchased to the Company	819	1,123
Category 5	Emissions from the transportation, disposal, and treatment of waste generated by business activities	1,481	1,744
Category 6	Emissions from the transportation of employees for business-related activities	332	401
Category 7	Emissions from transportation used for employee commuting	658	965
Category 11	Emissions from the use of goods and services sold	5,800,139	4,643,385
Category 12	Emissions from the waste disposal and treatment of products sold	1,483	1,381
Category 13	Emissions from the energy used by leased assets	4,193	4,322
<b>Total</b>		<b>6,170,051</b>	<b>5,013,241</b>

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Scope: Sanki Engineering Group  
 \* We have obtained third-party assurance for the FY2021 results.  
 Note: Categories 8, 9, 14, and 15 are not applicable.

Independent Third-Party Assurance Report

[https://www.sanki.co.jp/csr/environment/tcfd/doc/assurance\\_report.pdf](https://www.sanki.co.jp/csr/environment/tcfd/doc/assurance_report.pdf) (Japanese only)

### Initiatives for Emissions Reduction (Scope 1 and 2)

To reduce emissions at our plants, offices, and construction sites, we have been thoroughly implementing energy conservation activities by effectively operating facilities at each location. At the Sanki Techno Center and Yamato Product Center, we have installed several energy-saving systems to reduce energy, including those that apply our proprietary technologies. Sanki Techno Center has switched to electricity derived from renewable power sources to meet its electricity needs since April 2022. Looking ahead, we will consider installing solar photovoltaic panels and converting Company vehicles to EVs.

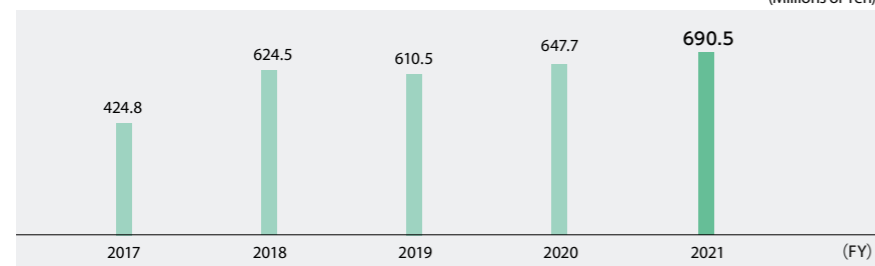
#### Energy Consumption

FY2021		(MWh)
Energy consumption	22,474	

### Contribution to Reductions through Our Business Activities (Scope 3)

The Sanki Engineering Group seeks to help customers save and generate energy to reduce CO<sub>2</sub> emissions and cut lifecycle costs through its business activities by enhancing the functionality and comfort offered by the technologies and products of 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. We will continue to expand business contributions to save and create energy, such as biomass power generation plants, and pursue resource circulation through wastewater treatment facilities and waste treatment facilities.

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



### Registered ZEB Planner

Sanki Engineering is a registered ZEB Planner, which seeks to promote the widespread introduction of ZEBs\* 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.

### SANKI YOU Eco Contribution Point System

The Sanki Engineering Group's SANKI YOU Eco Contribution Point system contributes, along with our partners, to preventing global warming and realizing a sustainable society. Under the system, when we propose an energy-saving solution that reduces CO<sub>2</sub> emissions to a customer and that proposal is adopted, the amount of the achieved emissions reduction is converted to Eco Contribution Points, which are used to support environmental conservation activities.

In fiscal 2021, customers adopted 263 of our proposals, resulting in reductions of 35,848 tonnes of CO<sub>2</sub> emissions, which raised the overall total to 267,310 tonnes, with

#### Energy-Saving Systems Installed at Sanki Engineering Facilities

- **Sanki Techno Center**
  - EcoSearcher® real-time heat source optimization system (proprietary technology)
  - selFort® smart HVAC system for offices (proprietary technology)
- **Yamato Product Center**
  - Periloop thermal stratification HVAC system (proprietary technology)
  - Solar photovoltaic panels

Scope: Sanki Engineering Group  
\* We have obtained third-party assurance.

#### Independent Third-Party Assurance Report

[https://www.sanki.co.jp/csr/environment/tcfid/doc/assurance\\_report.pdf](https://www.sanki.co.jp/csr/environment/tcfid/doc/assurance_report.pdf)  
(Japanese only)



Trans-Heat Container for delivering thermal energy



Woody biomass gasification plant

\* 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 measures.



over 19,000 trees planted.

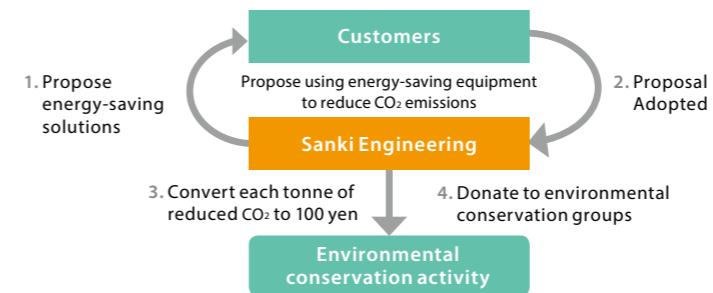
Under the Medium-Term Management Plan "Century 2025" Phase 3, we aim to bolster this system as a measure for reducing Scope 3 emissions.

We will continue to actively develop proposals for reducing CO<sub>2</sub> emissions and offer an even greater contribution to environmental conservation activities.

#### Proposals for CO<sub>2</sub> Reduction and Outcomes

	FY2018		FY2019		FY2020		FY2021		(CO <sub>2</sub> Reduction Unit: t-CO <sub>2</sub> )
	Numbers	CO <sub>2</sub> reduction	Numbers	CO <sub>2</sub> reduction	Numbers	CO <sub>2</sub> reduction	Numbers	CO <sub>2</sub> reduction	
<b>Proposals</b>									
Consolidated	411	50,072	405	45,685	379	68,810	431	134,399	
Non-consolidated	370	45,531	377	44,756	352	68,243	367	112,550	
<b>Orders received</b>									
Consolidated	183	20,699	181	27,624	214	28,430	263	35,848	
Non-consolidated	163	16,608	163	27,221	200	28,296	218	14,355	

#### SANKI YOU Eco Contribution Point System



### 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, 2022)

Qualification	Non-consolidated	Consolidated
Certified environmental measurer	8	9
Supervisor of management of industrial waste subject to special control	188	205
Pollution prevention manager (cumulative total)	79	104
Qualified person for energy management	90	93

### Contributing to a Zero-Waste Society

#### 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 and reduction rate for industrial waste, excluding waste disposed at final landfill sites, at high levels above 90%, and the rate was 94.8% in fiscal 2021. We will continue to promote proper disposal by monitoring and analyzing the discharge of industrial waste. In fiscal 2021, the waste disposal cost for construction sites was 532,647,000 yen. Furthermore, we have been properly disposing waste CFC and



The logo of the SANKI YOU Eco Contribution Point system expresses our aspiration to contribute to social development and create harmony with the natural environment.  
ECO2: We reduce CO<sub>2</sub> emissions through our contribution to ecology.



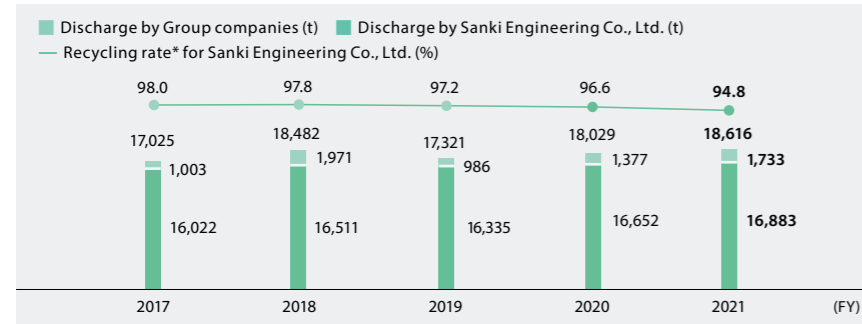
Explanation for handling CFC during HVAC inspections



halons, the cost of which was 41,529,000 yen in fiscal 2021.

We work to reduce emissions of waste plastics and promote the recycling of plastics in accordance with the Plastic Resource Circulation Act.

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



Proper Disposal of Hazardous Substances

We properly dispose of hazardous substances in accordance with the laws and regulations while informing our employees about proper methods of managing these substances. We have created and distributed posters to inform them of the revisions in storage and disposal procedures for mercury-laced waste in accordance with the revision of the Waste Management and Public Cleansing Act\*. Regarding asbestos, we prepare a flow chart for the proper disposal of asbestos at construction sites for renovation work. Also, in accordance with the Air Pollution Control Law, we will properly report the presence or absence of asbestos-containing building materials at construction sites during demolition and renovation work.

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 was 98.7% on a non-consolidated basis in fiscal 2021. To comply with regulatory revisions obligating the use of digital manifests, 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.

Limiting Water Use

At each site where facilities are owned by the Sanki Engineering Group, we regularly monitor water use and continuously consider ways to improve the efficiency of our water resources to reduce water use.

Water Use (m³)

	FY2021
Water use	37,065
Tap water	10,540
Well water	26,525

\*Target rate: 90% or higher

\*Waste Management and Public Cleansing Law



Poster: "How to handle mercury-laced industrial waste"

Scope: Eight sites including the Sanki Techno Center, Yamato Product Center, Nasu Techno Station, and field offices.

Realizing a Society in Harmony with Nature

Our Response to Biodiversity

We expressed our support for the Keidanren Declaration of Biodiversity and Action Policies in 2020 and established the Sanki Engineering Group Action Guidelines on Biodiversity in April 2022. Under the action guidelines, we will further strengthen our activities for planting and nurturing trees and promoting environment-related facilities.

Tree-Planting and Raising Activities

In addition to the tree-planting and nurturing activities launched in 2010 under the SANKI YOU Eco Contribution Point system, we created the Sanki Forest in Kai City, Yamanashi Prefecture, to commemorate the 90th anniversary of our founding, and a Kansha-no-Mori to commemorate the 10th anniversary of the SANKI YOU Eco Contribution Point system. We donate to reforestation projects that take full advantage of the diversity of local vegetation and tree-planting activities that lead to enriching the bounties of the sea, and also engage in environmental conservation activities that include employee participation.

In fiscal 2021, we held a lecture by the Silva Association, our partner in tree-planting projects, and educated our employees on preserving the forest and contributing to the natural environment.

We also facilitated donations to two projects by three organizations in fiscal 2021 to support environmental conservation activities for forest management under the SANKI YOU Eco Contribution Point system.

Donation History for Tree-Planting Projects

Project	Recipient	Location
Planting trees in the Hikobae Forest on Mt. Yagoshi	NPO Mori wa Umi no Koibito	Ichinoseki City, Iwate Prefecture
Planting trees in a forest surrounding Shonan Village	Silva Association, Shinwa Gakuen	Yokosuka City, Kanagawa Prefecture
Kansha-no-Mori forestation to commemorate the 10th anniversary of the SANKI YOU Eco Contribution Point system	NPO Environmental Relations	Kai City, Yamanashi Prefecture
Creation of the Sanki Forest to commemorate the 90th anniversary of our founding	NPO Environmental Relations	Kai City, Yamanashi Prefecture
Creation of the Kijimadaira Beech Forest	NPO The Life style Research Institute of Forests	Kijimadaira Village, Nagano Prefecture
Creation of the Present Tree Forest	NPO Environmental Relations	Takayama City, Gifu Prefecture, Miyako City, Iwate Prefecture, Sanmu City, Chiba Prefecture

Spreading Our Sewage Treatment Technology Overseas

We provide sanitary water resources through our sewage treatment technology, based on the DHS method and suitable for use in temperate regions. We have also been participating in demonstration experiments conducted by the Japan Sewage Works Agency in Thailand. The validity of our technology was confirmed by the results of a demonstration experiment\*1 at a sewage treatment plant in Khon Kaen City and a demonstration experiment\*2 in Bangkok City, and we obtained a technology certificate. We will continue to provide our technology to Southeast Asia and other regions where sewage treatment has not yet been widely adopted, and we will contribute to the preservation of the natural environment in those regions as well.



Keidanren Initiative for Biodiversity Conservation

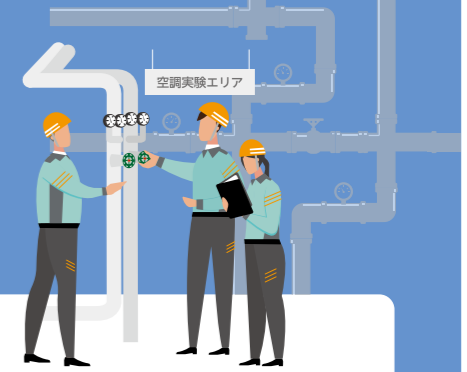


Clearing undergrowth at the Sanki Forest



\*1 With the cooperation of Khon Kaen City and Khon Kaen University in Thailand, Sanki Engineering participated along with NJS Consultants Co., Ltd. (currently NJS Co., Ltd.), Tohoku University, and Nagaoka University of Technology in the Wonder Of Wastewater Technology Of JAPAN (WOW TO JAPAN) overseas sewage technology verification project conducted by the Ministry of Land, Infrastructure, Transport and Tourism of Japan.

\*2 Data provided by the National Institute for Environmental Studies, Japan.



# Quality Control

## Basic Principle

We will raise customer satisfaction and deliver new value for society by fully demonstrating the Sanki Engineering Group's comprehensive capabilities and proposal-making capabilities to provide products that meet customer needs in each business area and for high-quality systems.

## Initiatives for Ensuring Quality

### Basic 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 2021, we reviewed the operational flow of the Facilities Construction Business and clarified its initiatives for enhancing the consistency of design drawings to reduce the workload of site operations and improve design and construction quality. For the Plants & Machinery Systems Business, we reviewed various forms and manuals to boost the effectiveness of its quality control. Moreover, for the Environmental Systems Business, we continued to improve its checking system for each process, including stricter design reviews. In fiscal 2019, the quality management of a Sanki Engineering Group project was found to be out of compliance. This resulted in the temporary suspension of ISO 9001 certification at the relevant division and of ISO 14001 certification at the relevant Group company. In response, Sanki Engineering voluntarily suspended the use of its ISO 9001 and ISO 14001 certifications for six months from April 2020. We have been continuing to improve our quality management system to prevent a recurrence. In fiscal 2021, we applied greater rigor to the completion measurement process in the Environmental Systems Business and created and applied the Environmental Aspects Assessment List in overseas operations.

### Group Companies with ISO Certification

- **ISO9001**  
2 companies:  
Sanki Engineering Co., Ltd.  
Sanki Kankyo Service Co., Ltd.
- **ISO14001**  
3 companies:  
Sanki Engineering Co., Ltd.  
Sanki Kako Kensetsu Co., Ltd.  
Sanki Kankyo Service Co., Ltd.

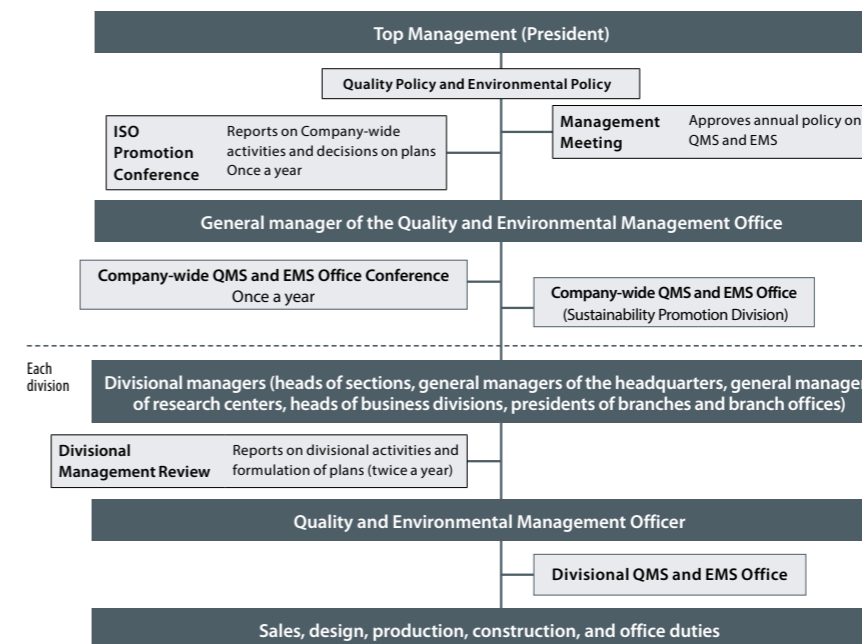
### Our Response to ISO 9001 and ISO 14001 Noncompliance (FY2019)

- Voluntary suspension of ISO 9001 and ISO 14001 certifications
- Penalty for directors (reduced compensation)
- Conducted ethics seminars for relevant divisions

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Initiatives for Environmental Management

### Quality and Environmental Management System



ISO 9001 Scope of Accreditation

<https://www.sanki.co.jp/en/csr/social/quality/>

## VOICE



Iceberg and snowmobile

Construction in progress

Seals taking a nap

Photo credit: National Institute of Polar Research

## Supporting the Activities of Team Members by Providing Maintenance and Management of HVAC and Plumbing Facilities

# Contributing to the Antarctic Research Expedition with People and Technology

Sanki Engineering's connection to the Antarctic Research Expedition began in 1957, when we delivered roller conveyors for the second expedition. The Protocol on Environmental Protection to the Antarctic Treaty was subsequently established in 1991 to protect the environment and ecosystem of Antarctica, and we dispatched staff to Japan's Showa Base for the first time by seconding personnel to the National Institute for Polar Research. Since then, Sanki Engineering has continually dispatched engineers to Antarctica, and I am the 16th to be assigned. At the Showa Base, where members of the expedition team operate, waste and wastewater are generated as a result of daily life. Sanki engineers have been responsible for investigating actual conditions, surveying and weighing waste, monitoring the quantity and quality of wastewater, delivering and starting up wastewater processing facilities, and providing maintenance and management.

As a member of the 62nd Antarctic Research Expedition, I stayed at Showa Base for 14 months starting December 2020, managing the water supply, drainage, and HVAC systems in more than 60 buildings and installing a new nitrogen gas extinguishing system in the Basic Observation

Building. A malfunction of any of these facilities could mean life or death for the entire team. Having sole responsibility for these tasks, I was under a lot of pressure, but the advice from a member of the previous expedition and support from team members were truly reassuring, and I became more appreciative of my surroundings through my work under the harsh environment. I will spare no effort, of course, to cooperate with my successors.

Antarctic research holds the key to deciphering the future of the Earth and humankind. I am honored to have played a part in this activity using my skills, and I will bring this experience back to the business activities of Sanki Engineering, which continues to support the expedition.

### Yoshiyuki Arai

3rd Air-Conditioning & Plumbing Field Engineering Department Tokyo Branch





● **Quality Management Activities**

We are working to improve our construction quality with an emphasis on better communication. To attain our quality targets as quickly as possible, we conduct risk management and implement various measures. Along with securing quality, we recognize that responding to problems and complaints promptly and appropriately is a basic concern for quality management, and we consistently seek to raise our standards.

● **Understanding Customer Satisfaction and Reflecting 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 2021, we received highly positive feedback from about 95%\* of the 618 respondents. Looking ahead, we will continue to incorporate customer opinions into our operations to enhance construction quality.

● **Sharing Information and Preventing the Occurrence of Problems and Complaints**

We accumulate and share our quality-related experiences across the Company by means of technical documents in order to prevent the occurrence of problems and complaints related to quality or, in the event they do occur, to handle them quickly and effectively. We strive to prevent recurrences by distributing information about problems and complaints to construction engineers through a flash bulletin, weekly bulletin (a weekly meeting of the Problems and Complaints Evaluation Committee, which is also attended by Group companies), and monthly bulletin, which not only reports the occurrence of issues but also discusses their causes, corrective measures, and preventive measures. In addition to efforts to share information, quality risk assessments are conducted by the Quality Risk Subcommittee set up under the Risk Management Committee. We also endeavor to prevent problems and complaints by identifying risks that may affect quality and quickly taking action.

We have sought to reduce the number of problems and complaints by setting qualitative targets and in fiscal 2021 reduced them by 25% (down 24 cases) year-on-year thanks to various measures for providing onsite support. Looking ahead, we will bolster our measures to raise customer satisfaction.

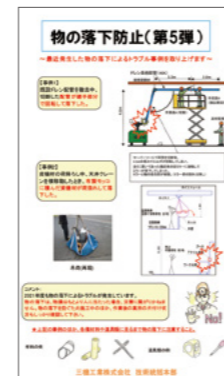
**Initiatives for Ensuring Quality at Construction Sites**

● **Improving Productivity and Maintaining High Quality**

Sanki Engineering implements the Smile Site Plan, intended to create a rewarding workplace that encourages staff to focus on their tasks by reducing workloads at construction sites and creating effective working environments, to satisfy both customers and the Company while maintaining high quality.

Under the Smile Site Plan, we are leveling operations by establishing and effectively implementing an operational support system for the processes of sales, design, procurement, construction management, and quality management to improve productivity while maintaining high quality. In an effort to simultaneously improve productivity and maintain high quality, we particularly emphasize design verification and pre-construction reviews before starting construction work, to raise productivity and avoid quality risks, and to prevent rework, problems, and complaints. In fiscal 2021, we focused on conducting separate hearings with each branch and branch office to align their respective initiatives.

\* Calculated by regarding the following responses as "highly positive feedback." Facilities Construction Business: score of 4 ("Somewhat satisfied") or higher out of 5; Plants & Machinery Systems Business: score of 3 ("High") out of 3; Environmental Systems Business: score of 70 points or higher out of 100.



A poster for raising awareness of preventing problems and complaints is created each month and displayed at worksites.



Promoting the Smile Project

● **Initiatives for Design and Technical Operations**

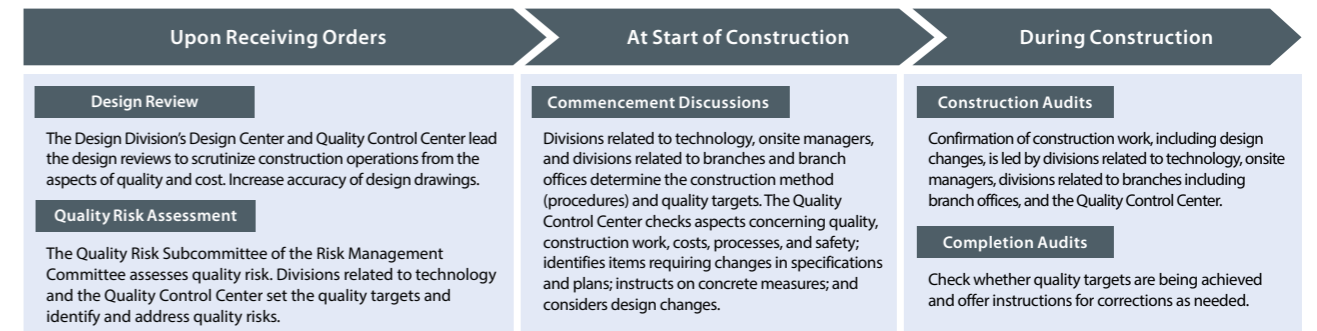
We are working on improving quality throughout the construction process from planning and design to completion. In design, we identify and resolve issues at an early stage by enhancing design reviews, regardless of whether they are Sanki Engineering's drawings or those of other companies.

In technological management, we facilitate onsite operations after the start of construction work by holding commencement discussions to decide on construction methods, procedures, and policies that result in higher quality and productivity.

Moreover, we avoid falsifications and deficiencies in quality across all processes by having line staff and the Quality Control Center conduct stringent checks and follow-ups. We will continue to improve quality and hand down technical expertise by having highly skilled quality assurance administrators and technical experts conduct audits during and after construction, implement quality confirmation and corrections, and mentor junior employees.

In fiscal 2021, we sought to further improve quality by revising our quality manual and standards as well as reviewing operational processes.

**Initiatives on Design and Technical Operations at Construction Sites**



● **Initiatives for Improving Quality by Promoting DX**

We are raising the level of construction quality by promoting DX, such as ICT and BIM.

We established the BIM Promotion Center in April 2019 to launch our initiative for medium- to long-term use of BIM from the perspectives of making design drawings more precise and setting optimal construction periods. From here on, we will implement in-house education for promoting the use of BIM. We will also promote the application, research, and development of digital tools for design, construction, and acceptance inspections to accelerate our drive to improve construction quality and promote work style reform by saving labor in construction work and alleviating the burden of management operations.

With the DX Promotion Section we set up within the Information Systems Office in April 2021, we will bolster the application of DX to operations across the Company, including construction sites, while at the same time creating more comfortable workplace environments.

**Enhancing Our Technologies**

● **Technical Awards for Improving Construction Methods and Operational Processes**

We have been presenting awards for excellent ideas that improve operational processes, such as raising efficiency, in addition to ideas that improve construction work. In fiscal 2021, we received 2,017 applications.



Quality check by a quality assurance administrator

**Digital Tools Developed by the Sanki Engineering Group**

- **Automated robotic air flow meter**  
Automatic measurement of air flow from air conditioner vents. Expected to reduce man-hours by 75% compared to the conventionally used process.



Air-flow measurement by an automated robot

### Fostering Human Resources to Sustain Our Technological Competence

The Sanki Techno Center provides training to help employees acquire basic skills, brush up on their skills, and attain qualifications. Due to the spread of COVID-19, in fiscal 2021 we conducted new employee training, including basic skills training and safety training, both online and through group training at four separate sites (Sanki Techno Center, Tokyo branch, Kansai branch, and Chubu branch) over two months.

We also conduct training for construction managers every three years, and the content is based on number of years of experience. 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.

#### Number of Personnel with Quality-Related Qualifications (as of April 1 of each fiscal year)

Qualification	FY2021		FY2022	
	Non-consolidated	Consolidated	Non-consolidated	Consolidated
Professional engineers	93	103	92	102
Construction managing engineers (civil works, construction, electrical construction, pipe-laying works)	1,132	1,324	1,125	1,277
Architect	39	45	37	42
Facilities construction architect	205	215	201	210
Electrical engineers	160	229	162	236
Chief electrical engineers	27	38	26	34
First class instrument engineers	302	312	297	306
Fire protection engineers	688	767	699	783
Qualified managing engineers	1,655	1,939	1,635	1,921

#### Major Skill Development Activities for Fiscal 2021

Initiatives	Training	Description of Training	Results
Initiatives at the Sanki Techno Center	Training for new employees	• Seminar for new employees, basic skills training	73 participants
	Correspondence course for attaining qualifications	• Preparation for qualification exams for construction managing engineers and fire protection engineers	85 participants
	Training based on operational experience* Third (fourth) year in construction work Sixth (seventh) year in construction work Ninth (tenth) year in construction work	• 3- to 5-day training sessions that are held 2 to 5 times per year at 3-year intervals • Standardized group-based training according to operational experience • Technical training using actual equipment and mock-ups • Drills for preventing problems and complaints required in construction management	Held 10 times  182 participants
Initiatives for passing 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 commencement discussions and construction audits	19 technical experts made 1,408 site visits (cumulative total)
Initiatives for Group companies and subcontractors	Conference on electrical construction quality for all branches	• Test of practical skills for electrical technicians from subcontractors of all branches, written exam based on past cases. Participants receive the Sanki Engineering-certified Class A Electrical Engineer qualification.	21 participating technicians from 18 subcontractors
	Explanation of problems and complaints	• Case studies at liaison meetings held at branches and branch offices	Number of sessions Tokyo branch: 4 Kansai branch: 25 Chubu branch: 11 Kyushu branch office: 22 Hokkaido branch office: 3 Chugoku branch office: 9 Tohoku branch office: 10 Hokuriku branch office: 6

### Collaborating in the Industry through Open Technology

Construction instructions for the Aluminger\*\* aluminum refrigerant piping method developed by Sanki Engineering have been made available to the Aluminum Plumbing Equipment Association (APEA). 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 to play our role in ending the pandemic. We are contributing nine proprietary technologies deemed useful for preventing infections, such as our clean room units, which have been installed in medical and research facilities.



Training for new employees

Note:  
Cumulative figures are shown for all qualifications.



20th conference on electrical construction quality

\* Due to the spread of COVID-19, training based on operational experience was not held in fiscal 2020. Therefore, the equivalent of two years of training sessions took place in fiscal 2021.

\*\* A new construction method whereby lightweight aluminum pipes are used instead of copper pipes, and they are connected with specialized tools to save labor.



# Occupational Health and Safety



## Occupational 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.

Basic Health and Safety Principles  
<https://www.sanki.co.jp/en/csr/social/safety/>

## Initiatives in Fiscal 2021

### Key Items Implemented in Fiscal 2021

In fiscal 2021, there were fewer accidents than in previous years, and we saw a declining trend in the number of falls or tumbles and traffic accidents, which had been occurring with greater frequency, as well as in the percentage of accidents involving workers with five years of experience or less. However, the number and percentage of accidents involving skilled workers with 21 or more years of experience rose. In fiscal 2021, while continuing online classroom training, we strengthened educational activities for reducing accidents by holding face-to-face training sessions with a focus on practical skills and also group discussions.

In light of the social and industry trends and accidents that occurred in fiscal 2021, we will implement focused patrols that address accident tendencies and increase training opportunities for safety managers and workers in fiscal 2022.



Poster promoting safety

Poster promoting health

## Outline of Activities in Fiscal 2021: Policies on Health and Safety Activities

### Slogan

Stop and Check! Let's all follow operational procedures as basics that stay the same in changing times.

### Safety

#### Key Actions

1. Prevent accidents associated with repetitious tasks (experience, form, time)
  - Promote and expand onsite hazard prediction activities by each individual
  - Hold liaison meetings with the relevant Safety and Health Committee secretariat
  - Review the disaster notification method
  - Implement systematic patrols
2. Develop sustainable partnerships
  - Bolster collaboration with subcontractors
  - Review the Sanki OHSMS system
  - Provide guidance on how to manage safety documents
3. Implement a new style of education to build trust
  - Provide original educational programs for employees
  - Establish an educational system that meets the needs of subcontractors

### Health

1. Implement measures on health and productivity management
  - Reduce long working hours, encourage employees to take days off
  - Implement health improvement activities and education
2. Implement mental health measures
  - Provide mental health education



### ● 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 11 domestic sites and 2 overseas sites. In fiscal 2021, as in the previous year, the convention was held online due to the spread of COVID-19. It was attended by the president and the Central Safety and Health Committee Chairperson. We also conduct special joint safety patrols, during which the president and directors tour 23 construction sites in the summer and before and after year-end.

### ● Health and Safety Training

For our own Group employees and for staff employed by subcontractors, Sanki Engineering provides training led by in-house instructors or at designated training institutes. Specifically, 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.

In fiscal 2021, as in the previous year, we focused on conducting special training sessions using full harness-type equipment with the aim of preventing falls, in view of regulatory revisions. While there were concerns about the spread of COVID-19, we offered a program combining online and face-to-face training sessions to effectively implement health and safety education. We also sought to enhance the safety management capability of the Sanki Engineering Group as a whole by conducting position-based programs for young and mid-career employees across the Group, which had been offered in the past at each branch or branch office.

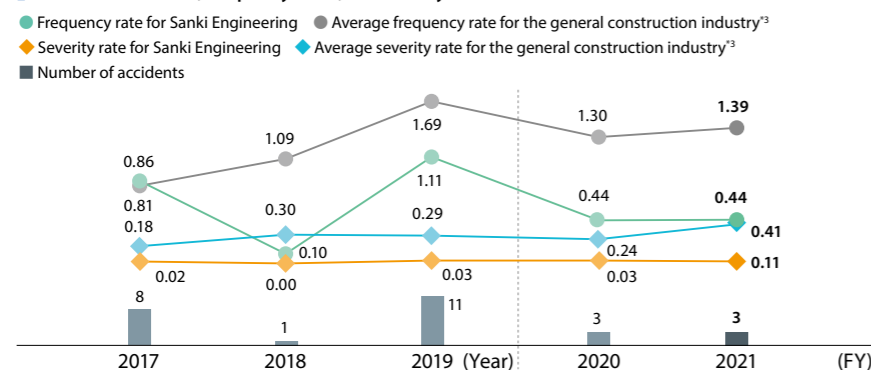
#### ■ Number of Participants in Health and Safety Training (Fiscal 2021)\*

Type	Number of Participants (from Subcontractors)	
Special education and other courses	1,936	(1,390)
Health and safety training for foremen	163	(108)
In-house health and safety training	410	(4)
Position-based training for young and mid-career employees	385	(40)
Other client-focused training	115	(115)
<b>Total</b>	<b>3,009</b>	<b>(1,657)</b>

### ● Accidents in Fiscal 2021

In fiscal 2021, there were three accidents, the same as in fiscal 2020. A detailed analysis of the circumstances of these accidents revealed they were mostly the result of shortcomings in operational procedures, so a continuous effort will be required to promote thorough compliance with the rules and raise the level of our activities by sharing information.

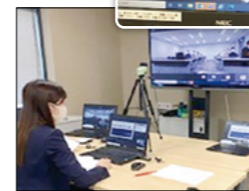
#### ■ Number of Accidents, Frequency Rate<sup>1</sup>, and Severity Rate<sup>2</sup>



Safety patrol by the president



Instructional video on preventing falls to be viewed before using full harness-type equipment



Online health and safety training

\* Limited to training by in-house instructors, not including training at designated educational institutions

Scope: Sanki Engineering construction sites (Sanki Engineering Co., Ltd. and business partners)

Number of accidents: interrupted work for one day or longer

Period: The data compilation period was changed from the calendar year to the fiscal year starting with fiscal 2020 results.

<sup>1</sup> Frequency rate: Calculated as the number of deaths and injuries caused by accidents in the construction site per one million working hours, this figure indicates the frequency with which accidents occur.

<sup>2</sup> 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.

<sup>3</sup> Source: Survey on Industrial Accidents, Ministry of Health, Labor and Welfare.

# Supply Chain



### Basic Principle

The Sanki Engineering Group Code of Conduct and Action Guidelines stipulate that we engage in fair transactions with all business partners. We promote free market competition and conduct business in good faith and in accordance with the relevant laws and individual contracts while at the same time fulfilling our social responsibility by following the Sanki Engineering Group Procurement Policies. We also uphold the Sanki Engineering Environmental Policy to promote environmentally sound procurement activities, including green procurement, as part of our environmental management. Under these principles, we endeavor to build trust with our business partners to jointly provide high-quality systems and services to customers.

### Building Fair, Equal, and Transparent Business Relationships

#### ● Procurement Activities and Initiatives

In April 2021, we formulated the Sanki Engineering Group Procurement Policy and have been engaging in procurement activities with the understanding and agreement of all business partners.

The procurement cost of materials and equipment used by Sanki Engineering for construction work is approximately 42.0 billion yen, with domestic suppliers representing the source for nearly all procurement. The role of the procurement department includes contributing to profit and supporting orders through cost reductions, building and managing procurement databases, and collecting and disclosing information on material and equipment price trends and delivery dates. As the prices of materials and equipment surge and delivery delays continue due to the international situation, including the COVID-19 pandemic and semiconductor shortage, the department will continue to collect information as quickly as possible while also taking countermeasures (as of August 2022).

#### ● Thoroughly Ensuring Fair and Equitable Transactions

We engage in fair, equitable, and transparent transactions with all business partners in accordance with the Sanki Engineering Group Code of Conduct and Action Guidelines and with the Sanki Engineering Group Procurement Policies. Furthermore, our basic contract includes provisions on product safety, quality control, intellectual property, legal compliance, and the exclusion of anti-social forces.

#### ● Initiatives to Raise the Efficiency of Procurement Operations

As part of our work style reform initiatives, the Procurement Division is focusing on raising the efficiency of procurement operations in the procurement and technical departments at each site of the Facility Construction Business by encouraging the adoption of a centralized ordering method based on exchanging data with major business partners and with a "one-stop work-sharing" system that handles everything from price negotiations to ordering operations. The division also promoted the digitization of ordering and progress billing, introduced a procurement website and web-based invoicing system, held briefings for business partners, and conducted follow-ups. In fiscal 2021, a cloud-based system was developed for suppliers for greater convenience, and 95% of all orders are now processed electronically. We plan to extend the Procurement Web to Group companies to further improve the efficiency of our procurement operations.

#### Procurement Policies (excerpt)

1. Fair Market Competition and Trading
2. Protection of the Global Environment
3. Contribution to Society Through Business Activity
4. Respect for Human Rights
5. Information Security Risk Management
6. Development of Partnerships

#### Sanki Engineering Group Procurement Policies

<https://www.sanki.co.jp/en/csr/social/scm/>



Procurement website

### ● Exchange of Views with Business Partners

We visit our major business partners and hold meetings to exchange opinions. We select the partners we visit each year according to their relative importance to our business and the monetary value of transactions. In fiscal 2021, we visited 30 equipment and materials manufacturers and specialized construction companies to exchange opinions. The discussions covered a wide range of topics, including sustainability initiatives, price and delivery date information, and their requests to Sanki Engineering, which will be incorporated into future procurement activities.

### ● Training for Procurement Staff

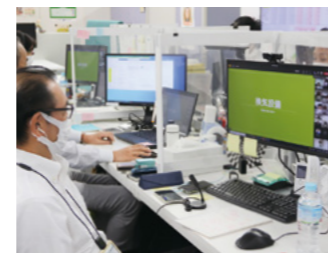
We organize training as needed to promote appropriate procurement activities and enhance the purchasing and negotiating skills of procurement staff. We also provide support for obtaining registered qualifications for Certified Procurement Professionals, construction business accountants, and fundamental information technology engineers. In addition, we provide training for developing purchasing and negotiating skills and conduct compliance training in areas such as fair trade and respect for human rights to enhance skills and knowledge.

#### Outline of Main Training Sessions (FY2021)

Theme	Content	Results
Negotiating skills	• Logical thinking • Emotional Intelligence Quotient management • Enhanced communication skills • Enhanced problem-solving skills	20 sessions 320 participants
Basic knowledge on procurement and technology	• Cloud-based Procurement Web • Basic knowledge of accounting • Compliance • Automated control systems • Basic knowledge of facilities technology	23 sessions 554 participants

### ● Operation of Internal Whistleblowing Hotlines

We operate the Corporate Ethics Hotline to prevent any improper transactions. Also, we strive to conduct fair transactions with our business partners by providing them with information on how to use the hotline and sending written requests for their cooperation in ensuring that business activities are sincere and fair.



Procurement staff training

P.82 Whistleblowing System

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

- Lighting equipment
- Transformers and condensers
- HVAC equipment

## Strengthening Cooperation with Business Partners

### ● Promoting Green Procurement

As part of our environmental management, Sanki Engineering procures goods that comply with Japan's Act on Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities (Green Purchasing Act), and confirms the aggregate 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 pay visits to 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 dispatching employees to provide safety and health education as well as courses on obtaining qualifications and by conducting joint patrols.

The Sanki Health and Safety Cooperative Association meets twice a year. In fiscal 2021, we held three online meetings due to the spread of COVID-19, and these were attended by a total of 58 employees from our Group and 66 from subcontractor groups. Sanki Engineering directors, including our chairman and president, also attended the meetings and stressed the importance of maintaining and improving safety awareness throughout the Group, including business partners. Led by subcontractors directly involved in construction, the meeting is expected to raise awareness about disaster prevention.



Online national meeting of Sanki Health and Safety Cooperative Association

### ● Awards Programs

We established the Sanki Super Meister System to certify and commend foremen of Group subcontractors whose superior construction techniques have significantly contributed to elevating the quality of our construction work and also the Sanki Best Partner Program to commend subcontractors who have significantly contributed through their superior levels of management and construction skills, and for having consecutive years of zero accidents. We provide subsidies designed to encourage further quality improvements to subcontractors to which the certified foremen belong, from the standpoint of promoting consistent contributions to quality improvements at construction sites.

Number of Sanki Super Meister Award Recipients
● FY2020: 17
● FY2021: 9
Number of Sanki Best Partner Award Recipients
● FY2020: 172
● FY2021: 168

### ● Initiatives for Maintaining and Upgrading the Technical Skills of Subcontractors

To support subcontractors in the development of their technical skills, we subsidize the acquisition of qualifications, and we have been publicizing the system during Central Safety and Health Committee meetings to encourage its use. We have promoted the creation of a mechanism for enhancing technical skills based on collaboration between Sanki Engineering and subcontractors, in which the Sanki Techno Center is also used to train new hires and mid-career employees of subcontractors (no training was conducted in fiscal 2021 due to the COVID-19 pandemic). Furthermore, as part of our technical training program, new hires at Sanki Engineering receive guidance from employees of subcontractors.

### ● Providing Support to Stabilize the Management of Subcontractors

As of March 2020, we are making all our payments in cash to subcontractors with capital of less than 40 million yen by modifying the payment terms. Under the Medium-Term Management Plan "Century 2025" Phase 3, we intend to further improve payment terms for our business partners, with a plan to extend these terms to subcontractors with capital of 40 million yen or more. We are committed to supporting the stable management of subcontractors to pursue sustainable growth together.

### VOICE Practicing Safety First, Even During the Pandemic

Amid the ongoing COVID-19 pandemic, Sanki Engineering has provided various kinds of support for implementing disaster prevention to members of the association under its policy for developing sustainable partnerships as a key action area for safety. I feel that Sanki Engineering has contributed to enhancing safety management by creating opportunities for concrete learning, such as by holding seminars and creating video tutorials for accidents, and is thereby expanding the scope of activities of the Sanki Health and Safety Cooperative Association.

Air Products Co., Ltd. Chairman, Chubu Sanki Health and Safety Cooperative Association | Mr. Koichi Nishino





# Human Resources



## 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 are therefore creating a comfortable working environment that fosters the development of human resources based on our unique Sanki spirit, enabling them to work to their full potential. In January 2020, we established the Smile Work Guidelines, which outline the basic policies for our working environment and human resource development.

Smile Work Guideline  
<https://www.sanki.co.jp/en/csr/social/smile-project/>

## Promoting Diversity

We believe 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.

### 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 March 31, 2022, 109 employees (25 women and 84 men) from the U.K., Thailand, Vietnam, Peru, Russia, South Korea, China, Austria, Germany, Slovakia, Slovenia, and Bosnia are working with us at Group companies around the world. 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 female employees can further demonstrate their talents would lead to sustainable growth for 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. We have set new action plan targets that reflect the results of fiscal 2020 and have begun to take actions for achieving the new targets in fiscal 2021.

**Action Plan Based on the Act for Promoting Women’s Careers**  
 Plan period: April 1, 2021 to March 31, 2026

Goals	Results (as of April 1, 2022, non-consolidated)
1 Increase the average length of service for women by 10% or more from April 2021.	14.1 years (4.4% increase)
2 Raise the ratio of women in managerial positions* to the construction industry average of 3%.	2.3% (1.4 percentage point increase)



Employees at Sanki Construction Engineering (Shanghai) Co., Ltd.

\* Aggregated on different date from “number of managers” referred to on page 71

### Career Change System

In 2019, we established new career types, namely the career-track position and operational position, and introduced a system that allows employees to switch between these career paths. Job relocation is excluded from the requirements for the career-track position, and the system is designed to enable a wider range of employees to thrive. In fiscal 2021, eight employees changed their career type for a work style that better suits their particular stage in life.

### 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 2021, the employment ratios of persons with disabilities were 2.10% and 1.82% on a non-consolidated and consolidated basis, respectively. As of June 2022, the employment ratio of persons with disabilities was 2.24% on a non-consolidated basis.

In recruiting, we expanded our channels and at the same time matched applicants with each department and provided care upon acceptance. Also, in order to retain human resources, we hold problem-solving seminars, opinion exchange sessions, and management training to promote understanding among managers, for employees who are hearing impaired. In addition, we are promoting the improvement of our working environment so that all employees can play an active role by, for example, installing lamps in all offices that bear evacuation instructions for hearing-impaired employees in the event of a disaster and by providing closed captioned presentations during Web-based training and financial results briefings.

### Extension of Retirement Age and Post-Retirement Reemployment System

To provide an environment in which employees can continue to work with a sense of security for a long time, we have extended the retirement age to 65 as of April 2022. In conjunction with the introduction of an optional retirement age system, employees will receive full retirement benefits from age 60 to 65, even if they retire at their own request. Employees may also choose to be reemployed between the ages of 60 and 65. In fiscal 2021, we reemployed 226 retired employees on a consolidated basis.

## Developing and Evaluating Human Resources

### Revision of Personnel System

As one of the key measures for becoming the “Company of Choice” under the Medium-Term Management Plan “Century 2025” Phase 3, we launched a new personnel system to improve employee comfort and satisfaction in April 2022. It had been pointed out that our past system contained too many grades and the roles and salary structure of line managers were unclear. We addressed this by clarifying the roles of managers, such as labor management and development of subordinates. We also revised the number of grades for managers and simplified the compensation system and rules for raising salaries and promoting managers.

Furthermore, under the past compensation system, employees who demonstrated their talents in specialized fields received a pay raise when they were assigned to line management, making it difficult to assign the right personnel to the right positions. To address this, we established a compensation system that rewards competent employees in specialized areas of expertise and, at the same time, conducted a major review of the number of line managers assigned to management duties.



Training using a transliteration app

Employment rate of persons with disabilities (non-consolidated) as of June 2022

**2.24%**

### Initiatives for Reviewing the Personnel System

- Correct long working hours by clarifying the roles of managers
- Provide a clearer assessment of each employee’s performance by simplifying the compensation system and rules for pay raises and promotions
- Establish a working environment for extending the retirement age to 65 and enabling employees to work up to age 70
- Create a compensation system that rewards employees who are competent in specialized fields

### ● Personnel System for Workplaces Where People Can Grow

Our personnel system ensures equal opportunity as well as fair evaluation and treatment for all employees while supporting employee initiatives for self-directed career development. For younger employees, we conduct individual interviews by personnel managers in their third and fifth years of service. We also introduced a mentor system for supporting younger employees.

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 depending on the content of the sheet. These measures are offered separately from the evaluation system.

In addition, we strategically appoint diverse human resources as core personnel. On a consolidated basis, there were 197 mid-career hires in management positions as of March 31, 2021.

### ● 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, technical, and management skills. We take advantage of the Sanki Technology Center to conduct various training programs.

In fiscal 2021, we conducted all new employee training sessions online for two to three months to prevent the spread of COVID-19. In fiscal 2022, we conducted face-to-face training for new employees by implementing thorough measures against infection.

#### ■ Training Systems

	Younger Employees	Mid-Career Employees	Executives
Management Training	New employee training Second-year training Fourth-year training Seventh-year training	Leadership position training Management candidate training Section chief training	Department manager training
Safety Training	New employee training Qualification training Safety experiential training		
Corporate Ethics Training	Corporate ethics training Mid-career staff training		
Technical Training	Qualification training Technical experiential training		
	Facilities Construction	New employee training Third-year construction work training Sixth-year construction work training Ninth-year construction work training	
Plants & Machinery Systems	Qualification training New employee training Inspector education Training on our products and systems		
Quality & Environment System Training	ISO9001/ISO14001 New employee training Mid-career staff training Education to develop internal auditors		

Average education and training costs per employee in FY2021 (consolidated)

**76,000**  
yen/year

### System for Gathering Employee Feedback

Sanki Engineering seeks to provide a rewarding and fulfilling working environment for each individual by engaging with its employees and, to that end, it conducts a questionnaire on the working environment. In response to questionnaire items on employee awareness, 98.6% of the respondents indicated they felt that the Group's business is contributing to society\*. We will consider introducing various measures based on the results of the questionnaire.

Furthermore, since fiscal 2016, we have been holding Century Communication Up (CCU) discussion events in accordance with the Century 2025 long-term vision. Opinions and proposals obtained through the CCU have been applied to improving our operations and systems. In April 2022, we organized a new employee CCU to provide an opportunity for face-to-face dialogue between new employees and executive officers.

### ● Sound Employer-Employee Relationships

The Human Resources Department and employees union at Sanki Engineering meet monthly to discuss improvements in the working environment and the development and operation of Company systems. Also, we provide the employees union with opportunities to present their proposals or requests to management and have been implementing measures based on the dialogues.

### ● Maintaining and Improving Employee Health

We introduced a 24-hour toll-free health consultation service to offer advice on health, medical, nursing, and childcare issues for employees and their families. The service was set up outside the Company, and caller privacy is strictly protected.

We conduct stress checks to prevent employees from developing mental health issues. We are working to identify sources of stress by also consulting the results of evaluations by external organizations. Also, to maintain and improve employee health, we conduct a variety of projects such as quarterly health-related campaigns using a walking application.

### Promoting Work Style Reform

#### ● Promoting Work-Life Balance

We have been augmenting our programs in response to employee requests for broad 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 addition, we are promoting improvement of the environment that enables flexible work styles by reviewing our work and leave programs. 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 employee training online.

In February 2022, we held an online lecture on balancing work with nursing care and childcare, with 183 participants, mainly managers, including those from Group companies. We invited Ms. Yumiko Onishi of Work-Life Balance Co., Ltd. to give a lecture based on her own experience on how to balance work with life events such as childcare and nursing care, and how to support subordinates as a manager. The lecture helped participants to deepen their understanding about improving the work-life balance across the entire workplace.



New employee CCU with executive officers

\*The percentage of employees who responded "Yes" when asked whether they felt the Sanki Engineering Group is contributing to society under the topic of "working at the Sanki Engineering Group," for which the response options were "Yes," "No," or "no response."



Screen displaying the "aruku&" walking app

FY2021 rate of paid leave taken (consolidated)

**55.6%**

Average monthly overtime work per person (consolidated)

**23.9** hours



### ● Acquiring the Kurumin Mark and Recognition for Supporting Childcare by the City of Nagoya

In 2015, Sanki Engineering was granted an update for the Kurumin mark, a certificate granted by the Tokyo Labor Bureau of the Ministry of Health, Labour and Welfare and based on the Act on Advancement of Measures to Support Raising Next-Generation Children, for meeting certain criteria as a company supporting childcare. In 2014, the Chubu Branch became the first construction equipment company to be recognized by the City of Nagoya as a company supporting childcare, and the certification was updated in 2017.



Certified as 3.5 stars in the NIKKEI Smart Work Management Survey

#### Major Initiatives of the Smile Project

- Clarify work responsibilities by reviewing the personnel system
- Follow up with employees who work long hours based on stress check results
- Raise efficiency by introducing cloud-based systems

P.58 Initiatives for Ensuring Quality at Construction Sites

### Major Programs Supporting Work-Life Balance (Non-consolidated) (as of April 2022)

Area	Program	Details
Work	Refresh leave	Five consecutive days of leave for each five-year period of employment using employee's reserved leave.
	Consecutive leave for construction managers	Three consecutive days of leave after staying at a construction site for more than six months or before moving to another site.
	Half-day/hourly off	Paid leave for half a day or by the hour.
	Anniversary leave	A planned paid leave on special dates for employees or their families, requested at the start of the fiscal year.
	Sanki Smile Day	The Company's own Premium Friday, a scheme based on that launched by the Japanese government. Employees are encouraged to take a full or half day of paid leave on monthly payday and avoid overtime.
	Reserved leave	The use of reserved days off for childcare, nursing, or volunteer activities.
	Telecommuting and telework system	Aims to improve operational efficiency and business continuity during childcare and nursing care or in the event of emergencies such as natural disasters and pandemics.
	Sliding work hours	Employees can slide the start and end times forward or back for business or non-business reasons insofar as this does not interfere with their work.
Childcare and nursing care	Return to Work program	Employees who have left the Company for unavoidable reasons such as childbirth, childcare, nursing care, or a spouse's transfer can apply for reinstatement.
	Childcare leave	Can be obtained for the requested period of time up to when the child turns one year old.
	Nursing leave	Can be obtained five times for up to 180 days per person on nursing leave.
	Shortened work hours	Employees caring for children or other family members can apply for shortened or sliding work hours. In the case of childcare, the program applies to children up to the third grade of elementary school.
	Support for childcare leave and reinstatement	An interview is held with the supervisor before and after applying for childcare leave.
Special childcare/nursing leave	Can be obtained multiple times and up to 20 days in total for childcare and nursing care.	

### Number of Employees on Leave and Work Hours

		FY2017			FY2018			FY2019			FY2020			FY2021		
		Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Childcare leave	Consolidated	2	18	20	7	11	18	9	27	36	7	33	40	10	32	42
	Non-consolidated	2	14	16	7	9	16	7	24	31	7	27	34	9	30	39
Reinstatement after childcare leave (%)	Consolidated	100.0	100.0	100.0	100.0	88.9	93.8	100	96.3	97.2	100.0	100.0	100.0	100	93.8	95.2
	Non-consolidated	100.0	100.0	100.0	100.0	88.9	93.8	100	100	100	100.0	100.0	100.0	100	100	100
Nursing care leave	Consolidated	0	0	0	1	0	1	1	1	2	0	0	0	0	0	0
	Non-consolidated	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Rate of paid leave taken (%)	Consolidated	—	—	—	54.0	76.1	57.1	54.3	76.3	57.4	53.4	67.1	55.3	53.2	69.7	55.6
	Non-consolidated	49.9	78.2	53.7	53.0	74.2	55.9	51.9	74.4	55.1	52.5	65.8	54.5	52.4	69.5	55.0
Average monthly overtime work (hours per person)	Consolidated	—	—	—	—	—	—	37.4	14.7	34.3	31.7	12.3	29.0	28.3	8.98	23.9
	Non-consolidated	31.2	13.3	28.6	35.0	14.7	32.0	34.5	13.6	31.3	33.0	13.3	29.9	33.0	12.8	22.9

### Employee Data (as of March 31 of Each Fiscal Year)

		FY2017			FY2018			FY2019			FY2020			FY2021		
		Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
<b>Employees</b>																
Number of employees	Consolidated	2,079	305	2,384	2,072	322	2,394	2,152	349	2,501	2,190	358	2,548	2,226	381	2,607
	Non-consolidated	1,698	271	1,969	1,694	273	1,967	1,705	287	1,992	1,740	308	2,048	1,770	326	2,096
Number of non-Japanese employees	Consolidated	—	—	—	—	—	—	—	—	—	91	22	113	84	25	109
	Non-consolidated	—	—	—	—	—	—	—	—	—	17	6	23	19	5	24
Number of managers	Consolidated	664	5	669	602	5	607	646	7	653	643	8	651	687	9	696
	Non-consolidated	586	5	591	528	3	531	526	3	529	527	4	531	582	5	587
Average age	Consolidated	—	—	—	44.5	38.2	43.7	44.7	38.3	43.8	44.7	38.8	43.8	45.3	41.1	44.4
	Non-consolidated	43.8	36.3	42.8	43.9	37.1	43.0	44.1	37.6	43.2	44.2	38.0	43.2	44.2	38.2	43.2
Average years of service	Consolidated	—	—	—	17.3	13.0	16.7	17.3	12.9	16.7	17.5	13.2	16.9	14.0	10.9	13.5
	Non-consolidated	18.8	13.2	18.0	19.0	13.9	18.3	19.3	14.1	18.5	19.4	14.0	18.6	19.5	14.2	18.6
<b>Employment</b>																
Number of new recruits	Consolidated	—	—	—	—	—	—	70	15	85	73	18	91	79	20	99
	Non-consolidated	72	20	92	71	9	80	67	15	82	70	18	88	76	19	95
Number of mid-career hires	Consolidated	—	—	—	—	—	—	32	13	45	26	13	39	25	12	37
	Non-consolidated	13	1	14	4	2	6	7	8	15	5	9	14	5	3	8
Number of rehired employees after retirement	Consolidated	217	5	222	223	9	232	229	11	240	212	12	224	216	10	226
	Non-consolidated	164	3	167	161	5	166	169	8	177	173	9	182	176	10	186
Rate of persons with disabilities <sup>*1</sup> (%)	Consolidated	—	—	—	—	—	1.89	—	—	1.94	—	—	1.77	—	—	1.82
	Non-consolidated	—	—	1.78	—	—	1.93	—	—	1.97	—	—	1.99	—	—	2.10
Turnover rate due to personal reasons <sup>*2</sup> (%)	Consolidated	—	—	—	—	—	—	—	—	—	1.7	2.2	1.8	2.4	3.5	2.6
	Non-consolidated	—	—	—	—	—	—	—	—	—	1.5	1.6	1.5	1.7	2.3	1.8

\*1 As of June 1 of each fiscal year \*2 Ratio of retired employees to the total number of employees in each fiscal year

### Employees by Age (as of March 31, 2022)

	10s			20s			30s			40s			50s			60s			70s			Total
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	
Consolidated	3	0	3	380	105	485	463	112	575	506	92	598	604	57	661	233	14	247	37	1	38	2,607
Non-consolidated	3	0	3	341	97	438	389	99	488	362	75	437	478	45	523	171	9	180	26	1	27	2,096

# 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. We will continue to participate in local activities and help with their development while maintaining active communication with stakeholders in the areas where we operate.

## Cooperating with Local Communities

### ● Agreement for the Provision of Facilities in Times of Disaster

Sanki Engineering has concluded an agreement with Yamato City in Kanagawa Prefecture to provide a temporary shelter for those unable to return home in the wake of a disaster. Under the agreement, Sanki Techno Center will, in the event of an earthquake or other calamity, serve as a base of operations for local disaster prevention and emergency firefighting teams, and the Company will work to restore facilities for water supply and sewage in Yamato City. We also offer the use of our facilities to raise disaster awareness in the community. In fiscal 2021, we held a safety experience program at the Sanki Techno Center at the request of the Kanagawa Labor Bureau.

### ● 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 municipal governments. Employees at Group companies have continuously participated in cleaning the streets near the waste and water treatment facilities respectively operated and managed by Sanki Kako Kensetsu and Sanki Kankyo Service, and in removing snow after heavy snowfalls. On a Group-wide basis, we carried out activities in more than 35 local communities in fiscal 2021.

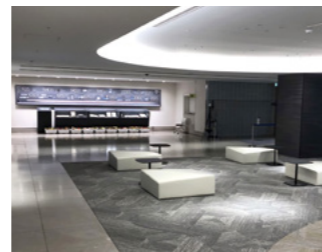
## Earthquake Reconstruction Project

We launched the Earthquake Reconstruction Project in May 2012, a year after the Great East Japan Earthquake, as a Company-wide action team for contributing to the early recovery of the affected areas. Since then, we have conducted various activities each year to support the reconstruction effort, prevent memories of the disaster from fading, dispel harmful rumors, and share information on disaster prevention and mitigation.

The year 2021 marked the tenth anniversary of the earthquake and tsunami, and we engaged in reconstruction support activities under the project, despite the restrictions imposed on external activities by the COVID-19 pandemic.

### Activities in Fiscal 2021

- Held the third "Kizuna" Tsugaru Shamisen Concert to promote reconstruction from the Great East Japan Earthquake at the Ginza Oji Hall and broadcast the event on YouTube
- Paid our sixth visit to affected areas in Kamaishi and Rikuzentakata
- Provided a lunch menu featuring ingredients sourced from the Tohoku region at the Sanki Techno Center cafeteria
- Purchased products from a gift catalog supporting the affected areas, in collaboration with the employees union
- Produced the video *Record of the Great East Japan Earthquake—Sanki's Response*



Space in the Sanki Techno Center (lobby) for sheltering people unable to return home in the wake of a disaster



Snow removal work



Field trip to Kamaishi and Rikuzentakata under the Earthquake Reconstruction Project

## Supporting the Development of the Next Generation

### ● Opening the Sanki Environmental Garden to the Local Public

The Sanki Environmental Garden, adjacent to the Sanki Techno Center, is open round the clock to members of the local community, providing a place to play for many children from neighboring daycare centers. In March 2022, the total number of visitors reached 36,000. We expect that the Sanki Environmental Garden will continue to be used by the community as a place to relax, and to nurture the next generation over the long term.

### ● Dispatching Employees as Lecturers

Our employees are available for lectures and educational support outside the Company. In the area of dispatching lecturers, we draw upon our business expertise to offer lectures on construction and environmental engineering at Tokyo Zokei University. As for educational support, we cooperated in the "Let's Experience Heat" summer vacation event for parents and children, hosted by the Japan Society of Mechanical Engineers, and provided hands-on learning for 26 participating families.

### ● Sanki Kankyo Service Welcomes Social Studies Tours by Local Schools

Our Group company Sanki Kankyo Service actively invites elementary school children for field trips at its offices.

In May 2021, the Imakane office in Hokkaido received 41 students from Imakane and Tanekawa Elementary Schools. In August, the Suttso office in the same prefecture welcomed 19 students from Suttso Elementary School. In addition, the Suttso office in Hokkaido welcomed nine students from Oshoro Elementary School in September, and the students learned about the role and workings of the sewerage system. We also organize facility tours for local residents.

### ● Support for Sports Promotion and Revitalization

Since 2018, we have been an official sponsor of Yamato Sylphid, a women's soccer team in Yamato City. We also sponsor the non-profit organization Japan Deaf Rugby Football Union (Deaf Rugby), Japan Handball Association, and East Hokkaido Cranes, an ice hockey team in Kushiro City, Hokkaido Prefecture. Going forward, we will continue to contribute to society by supporting sports while at the same time promoting the creation of a working environment that encourages employees to proactively engage with local communities.

### ● 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 nature conservation activities in developing countries in the Asia-Pacific region and other areas as well as the training of guide dogs by continuously collecting donations for this cause and encourage our employees to donate blood 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 donating used stamps and cards, as well as fixtures and food. We also help with 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.



Sanki Environmental Garden



Yamato Sylphid women's soccer team on Sanki Match Day in 2019



East Hokkaido Cranes



# Corporate Governance



## 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 are also taking appropriate action to comply with revisions made to the Corporate Governance Code in June 2021 and will continuously strive to achieve sustainable growth for the Group and strengthen its corporate value over the medium to long term.

<https://www.sanki.co.jp/en/corporate/governance/guideline.html>

## 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 the executive officers responsible for the execution of business affairs.

### Summary of the Corporate Governance System (as of June 23, 2022)

	Number of persons
<b>Chairperson of the Board of Directors</b>	External director
<b>Directors (women)</b>	12 (1)
External directors (independent directors)	5 (5)
<b>Executive officers (women)</b>	37 (0)
Those also serving as directors	5
<b>Auditors (women)</b>	5 (0)
External auditors (independent auditors)	3 (3)

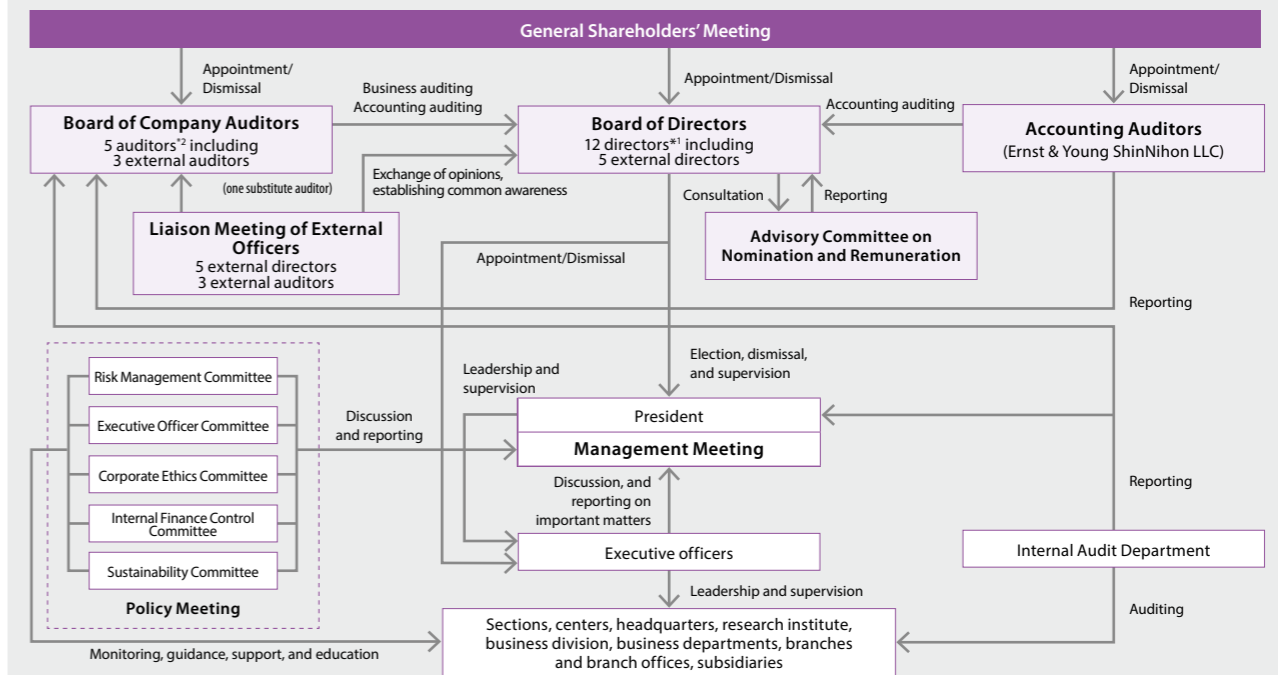
### Frequency of Major Meetings (FY2021)

Meeting	Frequency	Average Attendance of External Officers
<b>Board of Directors</b>	13*	100%
<b>Board of Auditors</b>	8	95.7%
<b>Management Meeting</b>	31	— (attended by only internal officers)

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

\* Mr. Keiji Kono and Mr. Akihiko Matsuda were appointed external directors of Sanki Engineering in June 2021 and have attended 11 out of 11 meetings.

## Corporate Governance System (as of June 23, 2022)



\*1 The Articles of Incorporation stipulate that the number of directors shall not exceed 16.  
 \*2 One of the auditors possesses a considerable degree of knowledge of finance and accounting.

### Board of Directors

The Board of Directors holds a meeting, led by the chairperson, elected by and from among the directors, at least once a month to decide on important matters and supervise the status of execution of business affairs.

### Board of Company Auditors

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

### Internal Audit Department

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

### Advisory Committee on Nomination and Remuneration

The committee, which meets as needed, consists solely of external directors and deliberates on the nomination and remuneration of candidates for directors.

### Management Meeting

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

### Executive Officer Committee

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

### Corporate Ethics Committee

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

### Internal Finance Control Committee

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

### Risk Management Committee

The committee consists of members of the Management Meeting and chairpersons of various subcommittees appointed by the executive officer in charge of risk management. It meets four times a year and oversees risk management for the entire Group. Currently, the executive officer in charge of risk management is the president.

### Sustainability Committee

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

**Bolstering Training for Officers**

We provide regular training for officers to enhance their knowledge. In fiscal 2021, we conducted sustainability training for full-time officers and invited outside lecturers to exchange views. In addition, we held inspection tours of our construction sites for external directors and external auditors.

**Compliance with the Corporate Governance Code**

The principles required to be disclosed in the Corporate Governance Code are as follows.

Principle	Principle	Guideline <sup>*1</sup>	Disclosed Location	
			Website <sup>*2</sup>	Report <sup>*3</sup>
Principle 1-4	Formulation and disclosure of policies on cross-shareholdings and concrete standards for exercising voting rights	Article 10	—	●
Principle 1-7	Formulation and disclosure of procedures for preventing conflicts of interest with regard to transactions between related parties	Article 9.3 Article 18.4	—	●
Supplementary Principle 2-4.1	Disclosure related to ensuring diversity with regard to assignments and other treatment of core personnel	Article 14	●	●
Principle 2-6	Disclosure of efforts on personnel and management to ensure that the corporate pension program is fully functional, and management of conflicts of interest	Article 16	—	●
Principle 3-1	(i) The Company's aspirations (business principles), business strategies, and business plans	—	●	●
	(ii) Basic views and guidelines on corporate governance based on the principles of the Corporate Governance Code	Article 2	●	●
	(iii) Policies and procedures for determining the remuneration for executive managers and directors	Article 31	—	●
	(iv) Policies and procedures for selecting, dismissing, or nominating executive managers, directors, and candidates for auditor	Article 18 Article 20 Article 21 Article 22 Article 24 Article 25	—	●
	(v) Reasons for selecting, dismissing, or nominating individual executive managers, directors, and auditors	Article 23	—	●
Supplementary Principle 3-1.3	Disclosure on initiatives on the sustainability of the Company	Article 13 Article 17	●	●
Supplementary Principle 4-1.1	Disclosure of the scope and overview of matters delegated to management	—	—	●
Principle 4-9	Formulation and disclosure of the Board of Directors' independence standards for external officers, and selection of director candidates who are expected to contribute to constructive discussions by the Board of Directors	(Appendix) Independence standards for external officers	—	●
Supplementary Principle 4-10.1	Establishment of independent committees on nomination and remuneration, and the involvement and advice of these committees in deliberations concerning nominations and remuneration	Article 24	—	●
Supplementary Principle 4-11.1	Disclosure of policies and procedures related to: identifying the skills required of directors; approach to balancing the overall knowledge represented by the Board of Directors, diversity, and scope; and combining and selecting the skills and other qualities of directors	Article 19	—	●
Supplementary Principle 4-11-2	Disclosure of the time and effort taken to properly fulfil the roles and responsibilities of directors and auditors, limits placed on holding concurrent positions at other companies, and current status of concurrent positions held by directors and auditors	Article 26	—	●
Supplementary Principle 4-11-3	Disclosure of analysis and evaluation conducted by the Board of Directors on the Board's effectiveness, and overall results	Article 29	—	●
Supplementary Principle 4-14-2	Disclosure of training policy for directors and auditors	Article 30	—	●
Principle 5-1	Constructive response within reasonable limits by the Board of Directors to shareholders' requests for dialogue, and approval and disclosure of the board's policies on promoting dialogue	Article 32	—	●

\*1 Company's Corporate Governance Guidelines  
 \*2 Company's website  
 \*3 Company's Corporate Governance Report



<https://www.sanki.co.jp/en/corporate/governance/guideline.html>



<https://www.sanki.co.jp/corporate/governance/report.html>



**Strengthening the Effectiveness of the Governance System**

We are strengthening our system in line with the Sanki Engineering Corporate Governance Guidelines.

**Efforts in Fiscal 2022**

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**Appointment of a Female Director**

We appointed one female director to further strengthen our corporate governance structure. Also, we conducted construction site visits and provided information to deepen the understanding of our business among external directors and auditors.

**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 effectiveness of overall governance. A summary of the results is disclosed. In fiscal 2021, we conducted a non-anonymous self-assessment questionnaire for all directors and auditors to evaluate the effectiveness of the Board of Directors and exchanged opinions on the evaluation. The Board of Directors discussed issues identified from analyzing the results of these questionnaires and the exchange of opinions, as well as improvements to be made and the future direction.

**Overview of Effectiveness Assessment for Fiscal 2021**

Issues identified	The issues extracted from the results of the self-assessment questionnaire and opinion exchange meetings are as follows. (1) Deepen discussion on mid- to long-term management strategies (2) Enhance training for directors and auditors
Future initiatives	Measures and future direction to improve the issues identified are as follows. (1) Promote the Medium-Term Management Plan "Century 2025" Phase 3 and discuss business concepts beyond 2025 (2) Discuss ways to enhance sustainability (3) Discuss medium- to long-term human resource development (4) Provide directors and auditors with opportunities to systematically acquire knowledge (5) Provide external directors and auditors with opportunities to visit Company sites

**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.



External Officers' Terms in Office and Reasons for Selection

Position	Name	Independent Officer	Years Served	Reasons for Selection
External Director	Yukiteru Yamamoto	●	8 years	Mr. Yukiteru Yamamoto has served in positions including representative director and president of Mitsui Life Insurance Company Limited (currently Taiju Life Insurance Company Limited) and was active as an executive member of the Policy Board of the Japan Business Federation from August 2013 to March 2017. He thus possesses abundant operational experience and broad knowledge regarding corporate management. The Company selected Mr. Yamamoto as an external director for his experience and insight developed through this background.
	Kazuhiro Kashikura	●	4 years	Mr. Kazuhiro Kashikura has served as an executive officer of Sumitomo Mitsui Banking Corporation and has managed several of its group companies as a top executive. He thus possesses abundant experience and broad knowledge regarding corporate management. The Company selected Mr. Kashikura as an external director for his experience and insight developed through this background.
	Keiji Kono	●	1 years	Mr. Keiji Kono, as a financial specialist, has held managerial positions in major departments of the Bank of Japan. He has also served as an executive officer at Chugai Pharmaceutical Co., Ltd., where he managed the IT management department as the head of the division and promoted social contribution activities overseas. He thus possesses a wide range of knowledge and experience in those fields. The Company selected Mr. Kono as an external director for his experience and insight developed through this background.
	Akihiko Matsuda	●	1 years	Mr. Akihiko Matsuda has served as an executive officer of Tokyo Gas Co., Ltd. and has managed several of its group companies as a top executive. He thus possesses abundant experience and broad insight across all aspects of energy-related businesses. The Company selected Mr. Matsuda as an external director for his experience and insight developed through this background.
	Tamami Umeda	●	—*	Ms. Tamami Umeda is a licensed physician and has held positions such as director-general counsellor, Ministry of Health, Labour and Welfare, and director-general, Environmental Health Department, Ministry of the Environment, and she thus has abundant experience and broad insight regarding the health and hygiene and organizational management. The Company selected Ms. Umeda as an external director for her experience and insight developed through this background.
External Auditors	Shozo Fujita	●	4 years	Mr. Shozo Fujita has served as a public prosecutor and attorney-at-law, as representative director and president of the Resolution and Collection Corporation, and as a director who serves as an audit and supervisory board member at other companies. He thus possesses abundant experience and broad insight. The Company selected Mr. Fujita as an external auditor for his experience and insight developed through his background to audit the Company.
	Yutaka Atomi	●	3 years	Mr. Yutaka Atomi has long been engaged in education and research at universities, serving in positions including president of Kyorin University. He thus possesses deep insight and abundant experience regarding university management. The Company selected Mr. Atomi as an external auditor for his experience and insight developed through his background to audit the Company.
	Toshiaki Egashira	●	3 years	Mr. Toshiaki Egashira has served in positions including representative director and president of Mitsui Sumitomo Insurance Company, Limited. He thus possesses abundant administrative experience and wide-ranging knowledge regarding corporate management. The Company selected Mr. Egashira as an external auditor for his experience and insight developed through his background to audit the Company.

Skills, Careers, and Expertise<sup>1</sup> of Members of the Board of Directors and Board of Auditors (17 Persons)

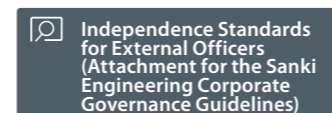
Field	Number of Directors and Auditors (External Directors and External Auditors)	Field	Number of Directors and Auditors (External Directors and External Auditors)
Management experience <sup>2</sup>	8 (6)	Finance and capital markets	6 (4)
Engineering	7 (1)	Risk management	5 (2)
R&D	2 (0)	Governance	5 (2)
Overseas operations	3 (1)	Law	1 (1)

Officer Remuneration

Sanki Engineering has established the Advisory Committee on Nomination and Remuneration under the Board of Directors, to nominate candidates for directors and to deliberate on remuneration. To strengthen the transparency and neutrality of the committee, we revised the composition in fiscal 2020, from a structure consisting of the president and external directors to one consisting of external directors only.

The remuneration for directors comprises, within the limits adopted by our general shareholders' meeting, of fixed remuneration, bonus, and restricted stock compensation. We abolished the stock compensation-type stock option system and introduced a restricted stock compensation system in fiscal 2022. Each fiscal year, we decide on amounts, with due consideration for balancing each of the elements, in order to raise the level of motivation for maximizing corporate value in tandem with the long-term interests of shareholders.

\*Appointed in June 2022.



<https://www.sanki.co.jp/en/corporate/governance/guideline.html>

\*1 Two to three fields of particular strength were selected.

\*2 Experience as head of an organization, such as chairperson or president of a company, chairperson of an organization, or president of a university.

Elements and Procedures for Remuneration for Directors and Auditors (as of June 27, 2022)

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

Remuneration for Directors and Auditors<sup>2</sup> in Fiscal 2021

Category	Persons Receiving Payment	Total Payment (Millions of Yen)
Directors (external directors)	13 (5)	513 (79)
Auditors (external auditors)	5 (3)	109 (36)

Internal Controls

Basic Policy and Systems for Internal Controls

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

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

Ensuring the Reliability of Financial Reporting

The Internal Finance Control Committee meets four times a year to conduct our financial reporting in accordance with the internal control framework stipulated by the Financial Instruments Exchange Act of Japan. Moreover, we promote the establishment and appropriate operation of an internal control system to safeguard the reliability of our financial reporting by having the committee deliberate on the assessment and response with respect to the accounting risks within each department and Group company. A report is produced in adherence with the internal control reporting system to ensure that internal controls related to financial reporting are being exercised effectively. In the report for fiscal 2021, accounting auditors expressed their opinion that our financial reports were presented in an appropriate manner in terms of all material aspects.

Composition of the Advisory Committee on Nomination and Remuneration

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

Composition of Officer Remuneration

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

\*1 Excluding non-operational executive officers.

\*2 The number of officers covered includes two directors who retired at the conclusion of the 97th Annual General Meeting of Shareholders on June 23, 2021.



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## Executives of the Sanki Engineering Group (as of June 27, 2022)

External

### Directors



Representative Director and Chairman  
**Tsutomu 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. He assumed the post of representative director and president in 2015 and has served as representative director and chairman since 2020.



Representative Director and President  
**Hirokazu Ishida**

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



Director  
**Eiji Mitsuishi**

Joined the Company in 1972. He has many years of experience in operation and division management of the Facilities Construction Business. Since 2017, he has served as general manager of the Mechanical & Electrical Contracting Headquarters and has made a focused effort to promote work style reform and prevent industrial accidents at construction sites. He also leads the Labor Safety, Health, Quality Management & Environment Promotion Office.



Director  
**Masayuki Kudo**

Joined the Company in 1985. He gained abundant experience as an engineer in the Facilities Construction Business, including many overseas assignments. Having served as general manager of the Facility Systems Division since 2014, he was appointed general manager of the Sustainability Promotion Division in 2021 and has been devoting his efforts to promote sustainability and establish compliance.



Director  
**Kazuaki Iijima**

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



Director  
**Hirotohi Fukui**

Joined the Company in 1982. He amassed a wide range of operational experience as an engineer in the Facilities Construction Business. Thereafter, he served as a manager responsible for the technology development departments. After serving as a full-time Audit & Supervisory Board member starting in 2016, he was appointed general manager of the General Affairs and Human Resources Division in 2020 and has worked to develop human resources and improve the workplace environment.



Chief Financial Officer  
Director  
**Yoshio Kawabe**

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



Chair of the Board of Directors  
External Director  
**Yukiteru Yamamoto**

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



External Director  
**Kazuhiko Kashikura**

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



External Director  
**Keiji Kono**

Held managerial positions in major departments of the Bank of Japan. From 2010, he served as an executive officer at Chugai Pharmaceutical Co., Ltd., heading the IT Supervisory Division and promoting social contribution activities. He was appointed external director of the Company in 2021.



External Director  
**Akihiko Matsuda**

Served as an executive officer and advisor of Tokyo Gas Co., Ltd. and managed several of its group companies as a top executive. He was appointed external director of the Company in 2021.



External Director  
**Tamami Umeda**

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

### Auditors




Full-time Auditor  
**Kazuo Saito**

Joined the Company in 1974. He engaged in the technical field of the Facilities Construction Business. He gained experience in department management and served as the manager of technical administration departments in the Facilities Construction Business. After serving as general manager of technical administration starting in 2014, he was appointed full-time auditor in 2020.



Full-time Auditor  
**Kunihiko Tachi**

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



External Auditor  
**Shozo Fujita**

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



External Auditor  
**Yutaka Atomi**

Long involved in education and research at a university, he served as dean of the faculty of medicine at Kyorin University from 2004 and president from 2010, and is currently its honorary president. He was appointed external auditor of the Company in 2019.



External Auditor  
**Toshiaki Egashira**

Has served in positions including president and chief executive officer of Mitsui Sumitomo Insurance Company, Limited. He was appointed external auditor of the Company in 2019. As a significant concurrent position, he serves as a special advisor to Mitsui Sumitomo Insurance Company, Limited.



# Compliance

## Basic Philosophy

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

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

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

## Compliance Promotion System

We have established a Corporate Ethics Committee, chaired by the president, who nominates officers responsible for corporate ethics to oversee the committee's activities. 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, the Fair Trade Hotline for reporting on violations of the Anti-Monopoly Act, the Women's Hotline for accepting consultations from women, and the Consulting Office for Harassment and Other Concerns. The full-time auditor and Sustainability Promotion Division are responsible for the internal hotlines, while our consulting attorney's office and external services entrusted by the Company are responsible for the external hotlines. We act swiftly to resolve the issues that are reported, with due consideration for the protection of anyone seeking consultation or providing information in accordance with the Corporate Ethics Regulations. All reported information is presented to the executives responsible for corporate ethics, and important information is reported to the Board of Directors. In fiscal 2021, there were 17 reported incidents (16 internally and 1 externally), and all incidents were handled appropriately.

The names of individuals who report to the Corporate Ethics Hotline will be handled in secrecy by the executives responsible for corporate ethics and will not be disclosed to others without the reporter's prior consent. The reporter will not be placed at a disadvantage for consulting or reporting to the hotline. To raise awareness of the system, we provide related information in the Sanki Engineering Group Sustainability Handbook, which is distributed to all Group employees. The hotline is also available to business partners, and the Company provides contact information.

### Number of Reports in Fiscal 2021

	Number of Reports
Corporate Ethics Hotline	15
Fair Trade Hotline	0
Women's Hotline	1
Consulting Office for Harassment and Other Concerns	1

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#### Corporate Governance System

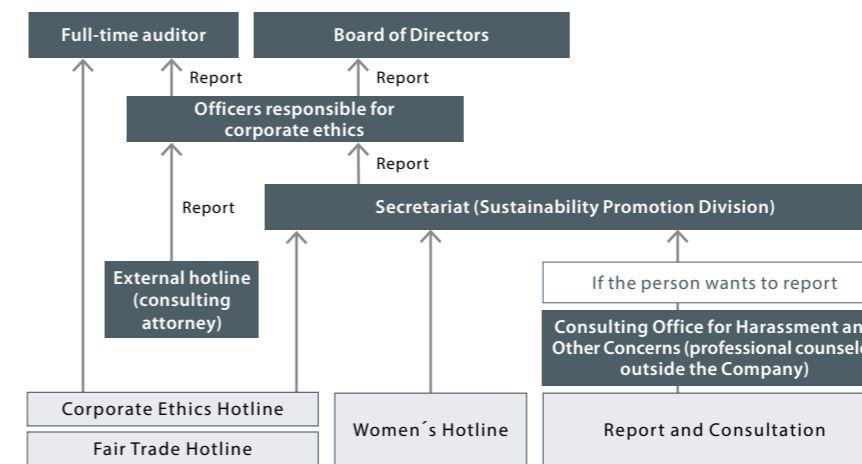


Sustainability Handbook



Poster Promoting the Whistleblowing System

### Whistleblowing System



### Compliance Confirmation Sheets from All Executives and Employees

In order for all Group executives and employees to refresh their awareness of the responsibilities they must fulfill in their respective positions and roles, compliance confirmation sheets covering items such as observance of the Code of Conduct and Action Guidelines, and eliminating anti-social forces, are submitted at the beginning of each fiscal year.

### Number of People Submitting Compliance Confirmation Sheets (Fiscal 2022)

	Sanki Engineering (Target Employees)	Group Companies (Target Employees)
Compliance confirmation sheets concerning performance of duties <sup>1</sup>	39 (39)	39 (39)
Compliance confirmation sheets <sup>2</sup>	2,103 (2,137)	460 (465)

### Response to Antisocial Forces

We clearly state that severing relationships with antisocial forces is a condition for doing business with our partners and ask them to submit a Letter of Intent Regarding the Elimination of Antisocial Forces. As of March 31, 2022, we have received the letter from a cumulative total of 3,375 companies.

### 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. Separate special training is provided for mid-career hires when they join the Company and for new sales representatives when they start their new positions.

### Results of Corporate Ethics Training (Fiscal 2021)

Theme	Target	Frequency and Participation (Attendance Rate)
Code of Conduct and Action Guidelines, and compliance with the Anti-Monopoly Act	All Group executive officers and employees	10 sessions 2,617 employees (99%)*
	Mid-career hires	11 employees (100%)
Compliance with the Anti-Monopoly Act	Newly assigned sales staff	16 employees (100%)

\*1 Directors and executive officers submit compliance confirmation sheets related to the execution of operations.

\*2 Individuals who did not submit compliance confirmation sheets were unable to do so due to reasons such as maternity leave and medical treatment.

\* Individuals who did not participate in training were unable to do so due to reasons such as maternity leave and medical treatment.

### ● Compliance Awareness Survey

We conduct an annual awareness survey on issues such as compliance and sustainability, targeting all executive officers and employees.

The survey includes questions on harassment related to 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 sustainability activities and identify human rights risks.

### ● Compliance Audit

The Internal Audit Department seeks to strengthen compliance by providing guidance on audits. In fiscal 2021, internal audits were carried out at 18 worksites, including 14 sites and 4 subsidiaries in Japan. In addition, we conducted hearings with site managers by visiting construction sites and via web conferencing to foster compliance awareness.

### Initiatives for Preventing Bribery

We are working to prevent corrupt practices under the Sanki Engineering Group Action Guidelines, which prohibits bribing public officials and providing benefits such as excessive business entertainment. In addition to establishing a program specifically related to bribery as part of our corporate ethics training, we provide e-learning for all employees.

### Reinforcing Compliance with the Anti-Monopoly Act

### ● Ongoing Measures for Recurrence Prevention

The following are key measures on reinforcing compliance that we undertook between fiscal 2013 and fiscal 2021. 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 2022.

#### 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 the 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 ran/implemented the program
- Assigned a compliance manager in each division 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 rotations 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 special training on the Anti-Monopoly Act for newly assigned sales staff and mid-career hires
- Conducted e-learning on the Anti-Monopoly Act for all employees

#### Excerpts from the Results of the Compliance Awareness Survey for 2022

Survey period: June 2022  
Participants: all Group executive officers and employees

☑ Do you think that compliance-conscious behavior has permeated our company?

- Yes. 33%
- Somewhat. 60%
- I'm leaning toward "no" here. 5%

☑ Please answer all of the following that apply to your current working environment. (Multiple answers are allowed.)

- I think that personal relationships in the workplace are relatively good. 66%
- It seems easy to take various kinds of leaves. 56%
- Your supervisor is willing to listen to your opinions and suggestions. 47%

☑ What do you think is important for creating a workplace that is less prone to compliance violations? (multiple answers allowed)

- Improving personal morals and awareness 76%
- Improving communication in the workplace 50%
- Eliminating work overload and understaffing 44%

# Risk Management



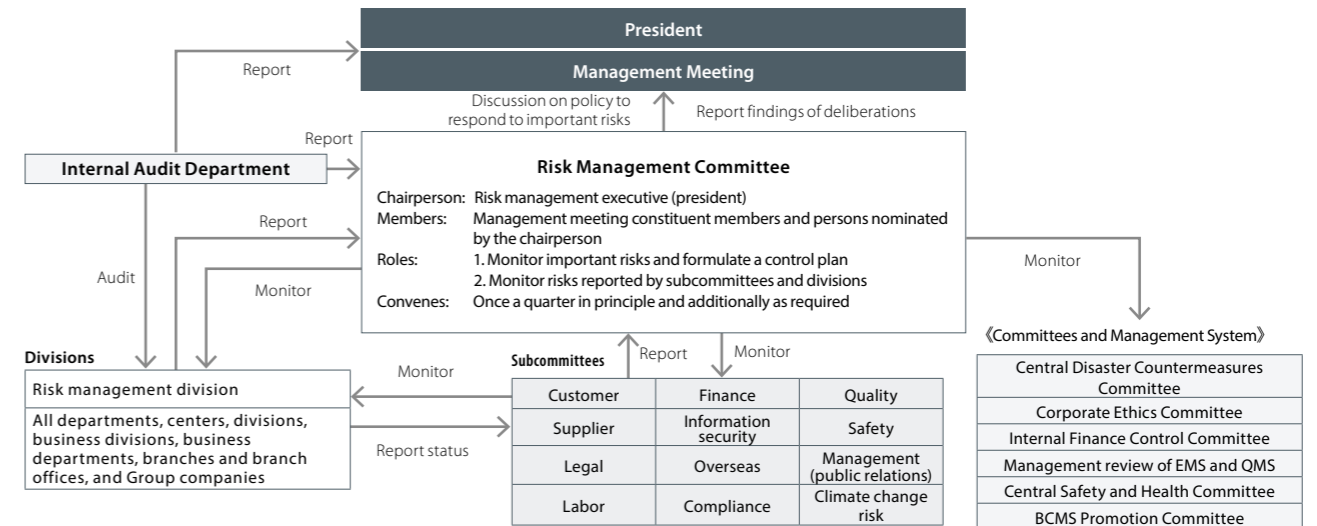
### Basic Philosophy

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 case they do.

### 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 October 2021, we recognized climate change as a risk to our business and established a Climate Change Risk Subcommittee to manage related risks. 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.

#### Framework of the Risk Management System (as of June 27, 2022)



### Risk Management Activities

#### ● Risk Management Response

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 monitors risks using reports submitted by the risk management subcommittees and identifies necessary countermeasures, provides instructions, and confirms progress.

In fiscal 2021, the committee convened four times to review the monitoring indicators and structure of the subcommittees. In addition, it discussed and addressed various issues such as risks linked to climate change, confirmation of safety in times of disaster, risks associated with the Olympics and Paralympics,



COVID-19 risks, and reporting procedures in the event that a serious risk arises. Furthermore, we established an operational policy and brushed up on the details of our initiatives.

**Fiscal 2021 Operational Policy for Risk Management**

Policy	Outline
Coordination with BCMS	Establish a system to coordinate with the Business Continuity Management System (BCMS), which will be created in fiscal 2021.
Company-wide Risk Management Committee	Hold an expanded Risk Management Committee meeting, not only for members of the Risk Management Committee but also for all executive officers, to further disseminate risk management across the Company and ensure a smooth start for the newly established BCMS.

**Risk Management Associated with COVID-19**

In response to the COVID-19 pandemic, we established the COVID-19 Task Force in April 2020 and have been implementing countermeasures as the situation evolves. Also, the Risk Management Committee conducts regular monitoring.

**Risks and Opportunities Posed by COVID-19 to Business Activities**

<b>Risks</b>	<ul style="list-style-type: none"> <li>Contraction in capital investments due to economic stagnation</li> <li>Decline in demand for office buildings in central urban areas due to the spread of teleworking</li> <li>Deterioration in profit and loss due to construction delays and other factors</li> </ul>
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>Growing demand for ICT facilities and medical and pharmaceutical facilities</li> <li>Increased need for investment in improving office environments and review of workspaces due to changing work styles</li> <li>Need for unmanned operations to prevent the spread of COVID-19</li> </ul>

**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. In response to Risk Management Committee suggestions on strengthening the risk management system, we established a BCMS in fiscal 2021 as a mechanism for the effective maintenance and management of the BCP.

Under the BCMS, we set an annual plan to periodically review the BCP through PDCA activities (business impact analysis, education, training, internal audits, management review, review, and improvement) and began operating the system in April 2022. In conjunction with this, we reviewed the events assumed in the BCP, and based on the Common Version, which describes our basic response policy, we formulated risk-specific response guidelines for each of the six events: natural disasters, infectious diseases, industrial accidents, cyberattacks, terrorism, and misconduct, to realize a system for rapid business recovery and maintenance.

Furthermore, prior to the Tokyo Olympic and Paralympic Games, we conducted a Company-wide counter-terrorism drill in June 2021, a Company-wide initial response exercise in October for a large-scale earthquake, and a drill in February 2022, for a Nankai Trough earthquake, that was organized by the emergency response headquarters.

We will strive to strengthen our ability to respond to risk so that everyone involved with the Sanki Engineering Group, including shareholders, investors,

**Major Business Risks**

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

Annual Securities Report for the 98th Business Term (from April 1, 2021 to March 31, 2022) in the "Business and Other Risks" Section (pages 17-19) (in Japanese)

[https://www.sanki.co.jp/ir/library/doc/securities\\_R3-4q.pdf](https://www.sanki.co.jp/ir/library/doc/securities_R3-4q.pdf)

customers, subcontractors, business partners, and local communities, can feel secure.

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

**Initiatives on Information Security**

We have established the Information Security Risk Subcommittee within the Risk Management Committee to control information security measures Company-wide and manage risks. In fiscal 2021, we held three subcommittee meetings, and we also upgraded security software and revised guidelines for ensuring information security. In addition, we use checklists in a thorough assessment of the status of information security measures during onsite inspections by supervisors at each branch and branch office.

**Key Information Security Measures**

Type	Action
Dissemination of rules	<ul style="list-style-type: none"> <li>E-learning course for all Group executive officers and employees</li> <li>Corporate ethics training, submission of compliance confirmation sheets (once a year)</li> <li>Continuously sending alerts on information security</li> <li>Status review of information security countermeasures during onsite inspections (8 sites)</li> </ul>
Information device management	<ul style="list-style-type: none"> <li>Encryption of information terminals</li> <li>Regular inventory reviews (conducted once)</li> </ul>
Prevention of unauthorized use	<ul style="list-style-type: none"> <li>ID and password management, and security measures for entering and exiting rooms</li> <li>Confirmation using asset management tools</li> <li>Preventing non-Company-owned PCs brought into the office from being connected to the in-house network</li> </ul>
Measures against external threats	<ul style="list-style-type: none"> <li>Antivirus measures and automatic updating of security patches (once a month)</li> <li>Web filtering and countermeasures against unsolicited emails</li> <li>Monitoring of illegal outbound data streams</li> <li>Installation of security software capable of detecting malware intrusion at an early stage</li> </ul>
Measures for social media	<ul style="list-style-type: none"> <li>Instill an understanding among Group employees based on guidelines</li> <li>Improving the level of security regarding social media</li> </ul>



BCP drill

**Risk Management Manual for Overseas Operations**

- Response rules and procedures to be followed by the head office and overseas bases in the event of a crisis overseas
- Risks to physical well-being and life, violation of laws and regulations, response to mass media, litigation, etc.

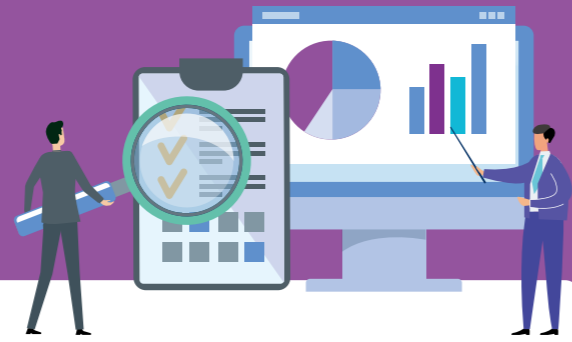
**Manual to Ensure Safety in Foreign Countries**

- A practical guide on risk avoidance and emergency response for employees working overseas
- Actions required in the event of a terrorist attack or disaster, prevention of damage from crime and other risks, compliance with anti-corruption and other laws, personnel/labor management of locally employed staff, religion, and other related matters

**Information Security Rules and Standards**

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

# Human Rights



## Basic Philosophy

In April 2022, the Sanki Engineering Group established the Sanki Engineering Group Human Rights Policy based on the Sanki Engineering Group Code of Conduct and Action Guidelines. Under the policy, we will respect the human rights of all people in all our business activities, including throughout the supply chain, eliminate discrimination and acts that undermine individual dignity, and conduct human rights due diligence (identifying, preventing, and addressing impacts on human rights).

 Sanki Engineering Group Human Rights Policy  
<https://www.sanki.co.jp/en/csr/social/human-rights/>


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

# Dialogue with Shareholders and Investors



## Basic Philosophy

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

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



## Human Rights Promotion System

The Risk Management Committee (Compliance Risk Subcommittee), chaired by the president, will identify human rights risks among the managed risks and discuss monitoring them. In addition, the Corporate Ethics Committee, also chaired by the president, monitors compliance-related matters.

## Addressing Human Rights Issues in the Workplace

The Sanki Engineering Group Human Rights Policy declares our commitment to ensure that no member of our organization will be discriminated against on the basis of nationality, gender, age, disability, or other factors. In addition to formulating guidelines for preventing harassment, we seek to understand the opinions and issues related to harassment from responses to the Compliance Awareness Survey as well as any concerns that have been reported. We continuously provide employee training to prevent and eradicate harassment.


## Consultation Service for Human Rights Issues

To ensure that all employees can seek advice on issues related to human rights, we have established a hotline for workplace-related concerns, a counter staffed by qualified external counselors, and a Women's Hotline staffed by female counselors. Reporters will not be placed at a disadvantage for consulting or reporting issues and any personally identifiable information will be protected.

Consultation services are also available to business partners, and the Company provides contact information.

## Human Rights Training

To deepen understanding of respect for human rights among all employees, we provide learning opportunities during corporate ethics training and internal training held in each division. We also hold study sessions on remote harassment, which may become a concern due to the introduction of telework to prevent the spread of COVID-19.

 P.84 Compliance Awareness Survey

 P.82 Whistleblowing System

 P.83 Corporate Ethics Training

## Information Disclosure Based on Our Disclosure Policy

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

### ● Reinforcing the Dissemination of Information

We are working to enhance our IR activities to reinforce our dissemination of information, a key initiative laid out in the Medium-Term Management Plan "Century 2025" Phases 2 and 3. We foster a better understanding of the Company among shareholders and investors by making use of current methods for disseminating information and enhancing content, such as by posting videos of business reports and explanations of issues to be addressed on our website prior to the general meeting of shareholders.

### ● Communication with Shareholders and Investors

From the standpoint of preventing the spread of COVID-19, we accepted questions via the corporate website ahead of the general meeting of shareholders, which was also livestreamed.

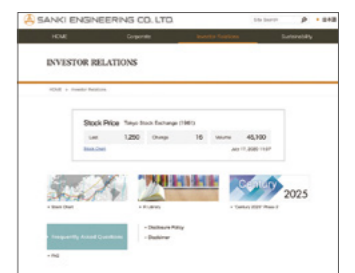
We engage our investors by holding results briefings for analysts and institutional investors, as well as individual IR meetings throughout the year (35 times in fiscal 2021). We also periodically conduct shareholder surveys, and the needs and opinions identified through such dialogue with shareholders and investors are regularly presented to the Board of Directors and the Management Meeting. We will continue to encourage interactive dialogue beyond one-way messaging.

### ● 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 the third consecutive year, 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.

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

 Medium-Term Management Plan "Century 2025" Phase 3 (FY2022-2025)  
[https://www.sanki.co.jp/en/ir/library/doc/century\\_2025\\_phase3.pdf](https://www.sanki.co.jp/en/ir/library/doc/century_2025_phase3.pdf)



Investor Relations Website



Video of the General Meeting of Shareholders



Sumitomo Mitsui Banking Corporation ESG/SDGs Assessment Loan



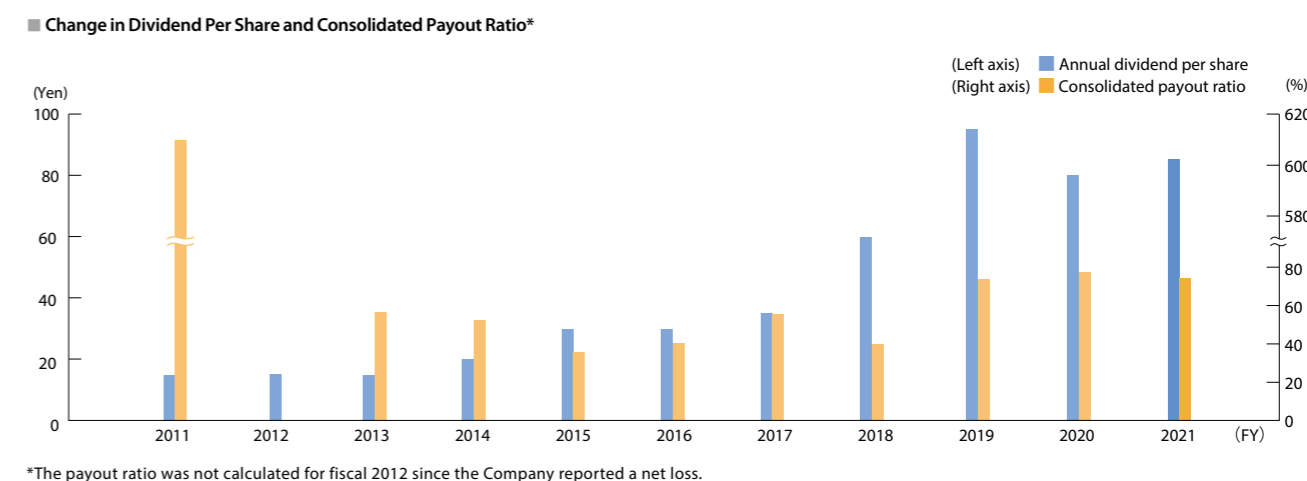
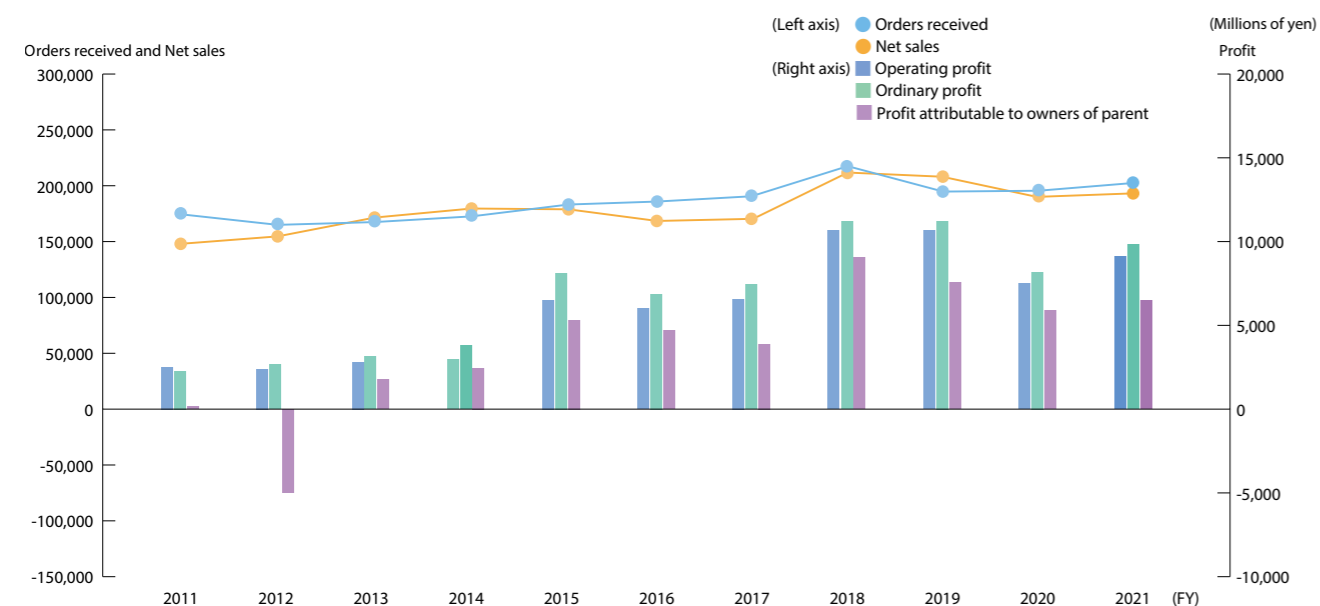
# Financial Report

## 11-year Consolidated Financial Summary

(Millions of yen)

Fiscal year	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2022
<b>Fiscal year</b>											
Orders received	175,291	165,800	168,295	173,398	183,270	185,880	191,113	217,096	194,018	195,580	202,250
Balance carried forward	100,272	111,414	108,219	102,019	106,388	123,756	144,712	149,495	136,163	141,676	150,737
Net sales	147,994	154,658	171,496	179,598	178,901	168,512	170,157	212,314	207,684	190,067	193,189
Selling, general and administrative expenses	15,712	15,199	15,604	15,015	16,419	16,526	18,466	21,046	21,436	21,255	21,110
Operating profit	2,525	2,391	2,818	2,951	6,509	6,012	6,593	10,637	10,674	7,498	9,112
Ordinary profit	2,268	2,680	3,146	3,809	8,135	6,880	7,434	11,204	11,224	8,196	9,817
Profit attributable to owners of parent*	176	(4,992)	1,763	2,461	5,327	4,698	3,906	9,046	7,576	5,901	6,489
Cash flows from operating activities	(2,697)	9,729	(9,403)	(139)	5,220	10,845	6,306	6,786	11,940	(483)	18,529
Cash flows from investing activities	(1,046)	(9,481)	(3,506)	3,440	5,520	(1,644)	(2,510)	(3,775)	(303)	(1,423)	(3,384)
Cash flows from financing activities	(280)	(1,028)	(4,152)	(2,901)	(1,826)	(2,458)	1,814	(5,215)	(8,955)	(6,974)	(7,518)
Cash and cash equivalents at end of period	41,097	40,367	23,510	23,667	32,501	39,187	44,866	42,612	45,946	37,087	44,779
<b>As of end of fiscal year under review</b>											
Total assets	163,120	166,477	170,181	176,382	169,423	166,612	177,014	195,321	180,805	171,313	183,609
Net assets	79,662	76,932	74,917	84,869	84,557	85,961	86,191	89,772	87,364	91,699	94,278
Number of employees	2,289	2,246	2,283	2,282	2,309	2,339	2,384	2,394	2,501	2,548	2,607
<b>Per share information</b>											
Earnings per share (yen)	2.46	(71.04)	26.46	38.30	83.84	73.91	63.02	150.02	128.51	103.12	115.13
Book-value per share (yen)	1,113.70	1,106.32	1,142.74	1,334.65	1,328.60	1,350.08	1,419.77	1,502.53	1,510.59	1,611.76	1,685.20
Cash dividends (yen)	15.00	15.00	15.00	20.00	30.00	30.00	35.00	60.00	95.00	80.00	85.00
<b>Other information</b>											
Equity ratio (%)	48.8	46.2	44.0	48.1	49.8	51.5	48.6	45.8	48.2	53.4	51.2
Return on assets (%)	1.4	1.6	1.9	2.2	4.7	4.1	4.3	6.0	6.0	4.7	5.5
Return on equity (%)	0.2	(6.4)	2.3	3.0	6.3	5.5	4.5	10.3	8.6	6.6	7.0

\* The revised Accounting Standard for Business Combination and other standards have been applied since fiscal 2015. Accordingly, "Profit 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 2010 and fiscal 2014.



\*The payout ratio was not calculated for fiscal 2012 since the Company reported a net loss.

## Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
<b>Assets</b>		
<b>Current assets:</b>		
Cash and deposits	¥36,087	¥42,779
Notes receivable - trade	987	595
Electronically recorded monetary claims - operating	6,487	7,124
Accounts receivable from completed construction contracts and other	64,610	39,412
Contract assets	—	19,629
Securities	2,999	5,999
Costs on construction contracts in progress	2,343	2,921
Raw materials and supplies	493	756
Other	2,057	6,541
Allowance for doubtful accounts	(12)	(17)
<b>Total current assets</b>	<b>116,054</b>	<b>125,742</b>
<b>Non-current assets:</b>		
<b>Property, plant and equipment:</b>		
Buildings and structures	43,594	43,830
Accumulated depreciation	(33,445)	(34,123)
Buildings and structures, net	10,148	9,707
Machinery, vehicles, tools, furniture and fixtures	2,025	2,028
Accumulated depreciation	(1,621)	(1,630)
Machinery, vehicles, and tools, furniture and fixtures, net	404	398
Land	3,107	3,085
Lease assets	539	542
Accumulated depreciation	(250)	(230)
Leased assets, net	289	311
Construction in progress	22	1
<b>Total property, plant and equipment</b>	<b>13,972</b>	<b>13,504</b>
<b>Intangible assets:</b>		
Other	937	1,255
<b>Total intangible assets</b>	<b>937</b>	<b>1,255</b>
<b>Investments and other assets:</b>		
Investment securities	28,816	30,447
Long-term loans receivable	85	73
Retirement benefit asset	5,233	6,303
Leasehold and guarantee deposits	1,456	1,466
Insurance funds	873	1,252
Deferred tax assets	786	821
Other	3,516	3,160
Allowance for doubtful accounts	(419)	(419)
<b>Total investments and other assets</b>	<b>40,348</b>	<b>43,106</b>
<b>Total non-current assets</b>	<b>55,258</b>	<b>57,866</b>
<b>Total assets</b>	<b>¥171,313</b>	<b>¥183,609</b>

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Electronically recorded obligations - operating	¥873	¥2,588
Accounts payable for construction contracts	40,836	37,932
Short-term borrowings	7,135	8,885
Lease obligations	133	94
Income taxes payable	840	2,659
Advances received on construction contracts in progress	8,580	—
Contract liabilities	—	14,754
Provision for bonuses	3,792	4,143
Provision for directors' bonuses	230	234
Provision for warranties for completed construction	788	1,289
Provision for loss on construction contracts	—	9
Other	4,671	6,617
<b>Total current liabilities</b>	<b>67,882</b>	<b>79,210</b>
<b>Noncurrent liabilities:</b>		
Long-term borrowings	3,460	320
Lease obligations	274	325
Retirement benefit liability	1,710	2,581
Provision for loss on business of subsidiaries and associates	300	440
Deferred tax liabilities	285	670
Other	5,701	5,784
<b>Total noncurrent liabilities</b>	<b>11,731</b>	<b>10,121</b>
<b>Total liabilities</b>	<b>79,614</b>	<b>89,331</b>
<b>Net assets:</b>		
<b>Shareholders' equity:</b>		
Share capital	8,105	8,105
Capital surplus	4,181	4,181
Retained earnings	73,158	75,097
Treasury shares	(3,859)	(5,243)
<b>Total shareholders' equity</b>	<b>81,585</b>	<b>82,140</b>
<b>Accumulated other comprehensive income:</b>		
Valuation difference on available-for-sale securities	10,853	12,116
Deferred gains or losses on hedges	2	(5)
Foreign currency translation adjustment	(116)	(19)
Remasurements of defined benefit plans	(908)	(265)
<b>Total accumulated other comprehensive income</b>	<b>9,831</b>	<b>11,827</b>
Shares acquisition rights	282	310
<b>Total net assets</b>	<b>91,699</b>	<b>94,278</b>
<b>Total liabilities and net assets</b>	<b>¥171,313</b>	<b>¥183,609</b>



## Consolidated Statement of Income and Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
<b>Net sales:</b>		
Net sales of completed construction contracts	¥187,559	¥190,646
Net sales of real estate business and other	2,507	2,542
<b>Total net sales</b>	<b>190,067</b>	<b>193,189</b>
<b>Cost of sales:</b>		
Cost of sales of completed construction contracts	159,793	161,430
Cost of sales on real estate business and other	1,519	1,535
<b>Total cost of sales</b>	<b>161,313</b>	<b>162,965</b>
<b>Gross profit:</b>		
Gross profit on completed construction contracts	27,765	29,216
Gross profit on real estate business and other	988	1,007
<b>Total gross profit</b>	<b>28,754</b>	<b>30,223</b>
<b>Selling, general and administrative expenses:</b>		
Employees' salaries and allowances	7,591	7,750
Provision for bonuses	1,613	1,771
Provision for bonuses for directors (and other officers)	230	234
Retirement benefit expenses	684	495
Provision of allowance for doubtful accounts	—	3
Depreciation	1,079	969
Other	10,055	9,886
<b>Total selling, general and administrative expenses</b>	<b>21,255</b>	<b>21,110</b>
<b>Operating profit</b>	<b>7,498</b>	<b>9,112</b>
<b>Non-operating income:</b>		
Interest income	19	15
Dividend income	521	560
Insurance claim income	247	112
Waste disposal income	109	175
Other	170	184
<b>Total non-operating income</b>	<b>1,068</b>	<b>1,047</b>
<b>Non-operating expenses:</b>		
Interest expenses	113	112
Construction repair expenses	63	86
Other	160	144
<b>Total non-operating expenses</b>	<b>370</b>	<b>342</b>
<b>Ordinary profit</b>	<b>8,196</b>	<b>9,817</b>
<b>Extraordinary income:</b>		
Gain on sale of investment securities	—	50
<b>Total extraordinary income</b>	<b>¥—</b>	<b>¥50</b>
<b>Extraordinary losses:</b>		
Impairment losses	¥1	¥22
Loss on retirement of non-current assets	79	114
Loss on valuation of investment securities	19	77
Office relocation expenses	68	—
Provision for loss on business of subsidiaries and associates	—	140
Compensation for damage	231	—
<b>Total extraordinary losses</b>	<b>399</b>	<b>354</b>
<b>Profit before income taxes</b>	<b>7,797</b>	<b>9,514</b>
Income taxes-current	2,232	3,512
Income taxes-deferred	(336)	(487)
<b>Total income taxes</b>	<b>1,895</b>	<b>3,024</b>
<b>Profit</b>	<b>¥5,901</b>	<b>¥6,489</b>
<b>(Breakdown)</b>		
Profit attributable to owners of parent	¥5,901	¥6,489
Profit attributable to non-controlling interests	¥—	¥—
<b>Other comprehensive income:</b>		
Valuation difference on available-for-sale securities	¥3,579	¥1,263
Deferred gains or losses on hedges	2	(7)
Foreign currency translation adjustment	63	97
Remeasurements of defined benefit plans	1,378	643
<b>Total other comprehensive income</b>	<b>5,023</b>	<b>1,995</b>
<b>Comprehensive income</b>	<b>¥10,924</b>	<b>¥8,485</b>
<b>(Breakdown)</b>		
Comprehensive income attributable to owners of parent	¥10,924	¥8,485
Comprehensive income attributable to non-controlling interests	¥—	¥—

## Consolidated Statement of Changes in equity

Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity					Share acquisition rights	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity		
Balance at beginning of period	¥8,105	¥4,181	¥74,155	¥ (4,187)			¥82,254
Changes during period							
Dividends of surplus			(5,474)				(5,474)
Profit attributable to owners of parent			5,901				5,901
Purchase of treasury shares				(1,171)			(1,171)
Disposal of treasury shares				116			75
Transfer of loss on disposal of treasury shares		(40)					—
Cancellation of treasury shares		40					—
Net changes in items other than shareholders' equity			(1,383)	1,383			—
<b>Total changes in items during period</b>	<b>—</b>	<b>—</b>	<b>(996)</b>	<b>328</b>			<b>(668)</b>
<b>Balance at end of period</b>	<b>¥8,105</b>	<b>¥4,181</b>	<b>¥73,158</b>	<b>¥ (3,859)</b>			<b>¥81,585</b>
	Accumulated other comprehensive income					Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	¥7,274	—	¥ (179)	¥ (2,286)	¥4,807	¥302	¥87,364
Changes during period							
Dividends of surplus							(5,474)
Profit attributable to owners of parent							5,901
Purchase of treasury shares							(1,171)
Disposal of treasury shares							75
Transfer of loss on disposal of treasury shares							—
Cancellation of treasury shares							—
Net changes in items other than shareholders' equity	3,579	2	63	1,378	5,023	(19)	5,003
<b>Total changes during period</b>	<b>3,579</b>	<b>2</b>	<b>63</b>	<b>1,378</b>	<b>5,023</b>	<b>(19)</b>	<b>4,334</b>
<b>Balance at end of period</b>	<b>¥10,853</b>	<b>¥2</b>	<b>¥ (116)</b>	<b>¥ (908)</b>	<b>¥9,831</b>	<b>¥282</b>	<b>¥91,699</b>

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity					Share acquisition rights	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity		
Balance at beginning of period	¥8,105	¥4,181	¥73,158	¥ (3,859)			¥81,585
Changes during period							
Dividends of surplus			(4,537)				(4,537)
Profit attributable to owners of parent			6,489				6,489
Purchase of treasury shares				(1,438)			(1,438)
Disposal of treasury shares				55			41
Transfer of loss on disposal of treasury shares		(13)					—
Net changes in items other than shareholders' equity			1,938	(1,383)			555
<b>Total changes during period</b>	<b>—</b>	<b>—</b>	<b>1,938</b>	<b>(1,383)</b>			<b>555</b>
<b>Balance at end of period</b>	<b>¥8,105</b>	<b>¥4,181</b>	<b>¥75,097</b>	<b>¥ (5,243)</b>			<b>¥82,140</b>
	Accumulated other comprehensive income					Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	¥10,853	¥2	¥ (116)	¥ (908)	¥9,831	¥282	¥91,699
Changes during period							
Dividends of surplus							(4,537)
Profit attributable to owners of parent							6,489
Purchase of treasury shares							(1,438)
Disposal of treasury shares							41
Transfer of loss on disposal of treasury shares							—
Net changes in items other than shareholders' equity	1,263	(7)	97	643	1,995	27	2,023
<b>Total changes during period</b>	<b>1,263</b>	<b>(7)</b>	<b>97</b>	<b>643</b>	<b>1,995</b>	<b>27</b>	<b>2,578</b>
<b>Balance at end of period</b>	<b>¥12,116</b>	<b>¥ (5)</b>	<b>¥ (19)</b>	<b>¥ (265)</b>	<b>¥11,827</b>	<b>¥310</b>	<b>¥94,278</b>

## Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
<b>Cash flows from operating activities:</b>		
Profit before income taxes	¥7,797	¥9,514
Depreciation	1,700	1,587
Impairment losses	1	22
Loss on retirement of non-current assets	79	114
Office relocation expenses	68	6
Increase (decrease) in provision for loss on business of subsidiaries and associates	-	140
Compensation for damage	231	-
Increase (decrease) in allowance for doubtful accounts	(1,525)	3
Increase (decrease) in provision for bonuses	(296)	351
Increase (decrease) in net defined benefit liability	(1,594)	726
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(39)	-
Increase (decrease) in provision for loss on construction contracts	(50)	9
Interest and dividend income	(540)	(575)
Interest expenses	113	112
Loss (gain) on sale of investment securities	(7)	(50)
Loss on valuation of investment securities	19	77
Decrease (increase) in trade receivables	4,770	5,389
Decrease (increase) in costs on construction contracts in progress	246	(573)
Increase (decrease) in trade payables	(10,777)	(1,218)
Increase (decrease) in advances received on construction contracts in progress	1,088	-
Increase (decrease) in contract liabilities	-	6,154
Increase (decrease) in other current liabilities	(1,706)	2,080
Other	3,159	(4,324)
Subtotal	2,737	19,548
Interest and dividends received	540	575
Interest paid	(114)	(112)
Commitment fee payment	(29)	(10)
Income taxes paid	(3,079)	(1,839)
Income taxes refund	-	374
Office relocation costs paid	(115)	(6)
Compensation for damage paid	(421)	-
Cash flows from operating activities	¥(483)	¥18,529
<b>Cash flows from investing activities:</b>		
Purchase of securities	(17,000)	(19,000)
Proceeds from redemption of securities	17,000	17,000
Purchase of property, plant and equipment	(1,494)	(1,010)
Payments for retirement of property, plant and equipment	(93)	(117)
Purchase of investment securities	(23)	(21)
Proceeds from sale of investment securities	358	182
Proceeds from collection of loans receivable	15	12
Subsidies received	20	20
Proceeds from maturity of insurance funds	74	304
Other	(280)	(755)
Cash flows from investing activities	(1,423)	(3,384)

(Millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
<b>Cash flows from financing activities:</b>		
Net increase (decrease) in short-term borrowings	245	0
Proceeds from long-term borrowings	1,000	-
Repayments of long-term borrowings	(1,370)	(1,390)
Purchase of treasury shares	(1,171)	(1,438)
Proceeds from exercise of shares options	0	0
Repayments of lease obligations	(203)	(152)
Dividends paid	(5,474)	(4,537)
Cash flows from financing activities	(6,974)	(7,518)
Effect of exchange rate changes on cash and cash equivalents	21	64
Net increase (decrease) in cash and cash equivalents	(8,859)	7,692
Cash and cash equivalents at beginning of period	45,946	37,087
Cash and cash equivalents at end of period	¥37,087	¥44,779



# Corporate Information, Business Locations and Group Companies

(as of April 1, 2022)

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

**Company name**  
Sanki Engineering Co., Ltd.

**Date of establishment**  
April 22, 1925

**Share 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, 2022)**  
Consolidated: 2,607  
Non-consolidated: 2,096

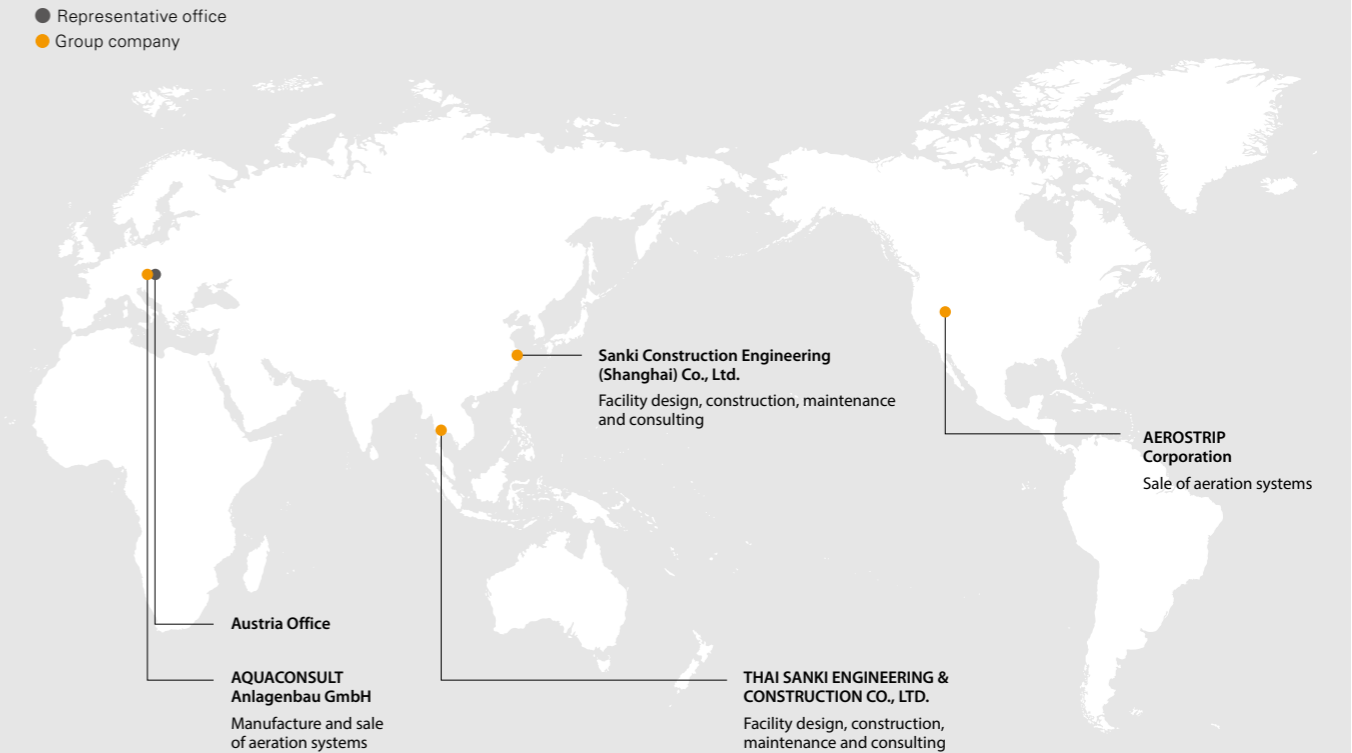
**Offices**  
Branches: 3  
Branch offices: 15  
Training Center : 1  
Laboratory : 1  
Factory: 1

**Head office**  
8-1 Akashi-cho, Chuo-ku, Tokyo

## Domestic Business Locations



## Representative Offices and Group Companies Overseas



### Consolidated Subsidiaries

**Sanki Techno Support Co., Ltd.**  
Established: April 1, 1980  
Capital: 100 million yen  
Business areas:  
• Design, construction, operation/management, repair and maintenance of HVAC, plumbing and electricity work  
• Energy saving diagnosis and consulting  
• Building IP phone systems, call center systems and networks

**Sanki Sangyo Setsubi Co., Ltd.**  
Established: May 1, 1980  
Capital: 20 million yen  
Business areas:  
• Safety management, installation, instrumentation work, renovation, periodic maintenance, and upkeep of general equipment (production, transportation, etc.) as necessary  
• Development and maintenance of computer software for transportation management

**Sanki Chemical Engineering & Construction Co., Ltd.**  
Established: September 1, 1980  
Capital: 80 million yen  
Business areas:  
• Design, construction, operation/management, maintenance, upgrading and improving of waste treatment facilities  
• Manufacture, sale and installation of solid-liquid separators  
• Design, construction and maintenance/management of water/wastewater treatment facilities

**Sanki Kankyo 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 waste treatment facilities, etc.  
• Operation, maintenance and management, and sale of chemical products for these facilities

**Sanki Partners Co., Ltd.**  
Established: August 1, 1980  
Capital: 10 million yen  
Business areas:  
• 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:  
• Facility design, construction, maintenance and consulting

**AQUACONSULT Anlagenbau GmbH**  
Acquired a controlling interest in September 2006  
Capital: 18 thousand euro  
Business areas:  
• Manufacture and sale of aeration systems

**THAI SANKI ENGINEERING & CONSTRUCTION CO., LTD.**  
Established: May 6, 2008  
Capital: 16 million baht  
Business areas:  
• Facility design, construction, maintenance and consulting

### Non-consolidated Subsidiaries

**Tomakomai Netsu Service Co., Ltd.**  
Established: July 20, 1971  
Capital: 165 million yen  
Business areas:  
• Heat supply to multi-unit housing, and operation and maintenance of cleaning center facilities

**AEROSTRIP Corporation**  
Acquired a controlling interest in September 2006  
Capital: 100 U.S. dollars  
Business areas:  
• Sale of aeration systems

**Sendai Kankyo Hozen 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

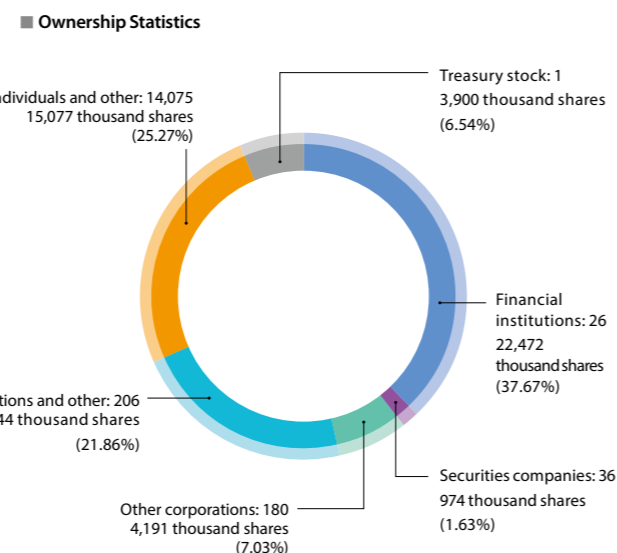
### Affiliate Not Accounted for by the Equity Method

**PFI Okubo 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 Okubo Water Purification Plant, Saitama Prefecture  
Period of business:  
• 3 years and 4 months for design and construction; 20 years for operation, maintenance and management

## Share Information

### Share Information (as of March 31, 2022)

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	192,945,000
Number of issued shares	59,661,156
Number of shareholders	14,524
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



#### Major Shareholders

Name of Shareholder	Number of Shares Held (Thousand Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	6,899	12.37
Meiji Yasuda Life Insurance Company	5,570	9.99
Taiju Life Insurance Company Limited	3,134	5.62
Sanki Kyoueikai	2,965	5.32
Nippon Life Insurance Company	2,324	4.17
Custody Bank of Japan, Ltd. (Trust Account)	1,970	3.53
Sanki Engineering Employee Shareholding Association	1,446	2.59
State Street Bank and Trust Company	919	1.65
MSIP Client Securities	887	1.59
JPMorgan Chase & Co.	729	1.31

Notes:  
Although the Company holds 3,900 thousand shares of treasury stock, it is excluded from the list of major shareholders. Calculation of shareholding ratio excludes treasury stock.

## Third-Party Opinion



### 1. Reinforced Framework for Promoting Sustainability Management

The Sanki Engineering Group has been reinforcing its framework for promoting sustainability management ahead of "Century 2025" Phase 3, which starts in fiscal 2022. In terms of organization, the Company established a Sustainability Committee in November 2021. Chaired by the president and comprising directors as members, the committee has been launching in quick succession important sustainability initiatives that include formulating a sustainability policy, setting an ultra-long-term vision, determining materiality, and publicizing a carbon neutrality declaration. In terms of governance, the Company appointed its first female external director. In addition, through its new initiatives under Phase 3, it has made further contributions toward realizing a decarbonized society by developing new technologies and raising the goals of the SANKI YOU Eco Contribution Point system while significantly improving working conditions through work style reforms such as promoting the Smile Project, driving DX to raise productivity and reduce work hours, and broadly revising its personnel system. These are all indicative of a policy of integrating sustainability management and business strategy, and they convey a powerful message from management concerning Sanki Engineering's growth strategies in a sustainable society.

### 2. Response to TCFD Recommendations

In fiscal 2021, the Company made several important decisions on TCFD compliance, which is required of companies listed on the Prime Market of the Tokyo Stock Exchange, and began disclosing relevant information. These also count as commendable efforts made in fiscal 2021. One important decision was the 2050 Vision of becoming the "Enduring Company of Choice," an ultra-long-term vision of contributing to the realization of a sustainable society by addressing social issues through engineering, which together with its Carbon Neutral Declaration, clearly expresses

Sanki Engineering's commitment to the Japanese government's 2050 Carbon Neutral Declaration. The Company also set its fiscal 2025 targets for Scope 1, 2, and 3 emissions as an interim goal.

I am slightly concerned that the scenario analysis consisted of a below 2°C scenario and a 4°C scenario. Given the current situation, in which the below 1.5°C scenario is rapidly becoming dominant as the global community advocates net-zero emissions by 2050, it may be necessary to update and reanalyze the scenario. Also, the Company has not provided a clear enough transition plan from its 2025 target to 2050 for Scope 3 emissions, which account for 99.8% of its GHG emissions, leaving room for improvement in the future.

### 3. Other New Initiatives

The formulation of a human rights policy and environmental policy was a timely initiative, considering how human rights and environmental due diligence have become institutionalized in Europe and the strong likelihood that Japan will need to follow suit sooner or later. In the area of disclosure, the newly published message from the CFO, in which he explains the Company's capital and financial policies, made a favorable impression and is expected to be useful as supportive information for understanding the financial impact of climate risk as required by the TCFD. Another commendable move in fiscal 2021 is the value chain map, which has now been modified with appropriate information. This makes it easier to understand the risks and opportunities upstream and downstream of the value chain.

### 4. Future Considerations

Since human rights risks are highly likely to occur with greater frequency in the supply chain beyond secondary suppliers, the Company will need to extend the upstream scope of its current value chain map beyond subcontractors. It is desirable to at least include secondary subcontractors within the scope of risk management. In this connection, the establishment of a reporting system addressing supply chain human rights risks will be essential. This issue requires the Company to respond promptly by establishing a reporting framework, including the external use of its corporate ethics hotline and other whistleblowing systems. In terms of social issues, since fiscal 2015 the Company has persistently fallen short of meeting the legally mandated employment rate of persons with disabilities; this calls for an examination of more effective remedial measures, including a review of hiring policies.

### Response to Third-Party Opinion

We are deeply grateful for the valuable insights you have provided on the SANKI REPORT 2022.

This was the 11th year since we began publishing an integrated report, and we appreciate your evaluation of issues, such as our efforts to reinforce the framework for promoting sustainability management. Going forward, we will take concrete steps toward achieving our tasks and goals to steadily promote the sustainability management of the Sanki Engineering Group.

We will work to make improvements in the areas you pointed out, including the analysis of TCFD scenarios, review of the upstream scope of our value chain map, and the employment rate of persons with disabilities.

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

**Takeshi Terazaki** Executive Officer and General Manager, Management Planning Office



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