

Last Update:

June 27, 2025

**SANKI ENGINEERING CO., LTD.**

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The corporate governance of Sanki Engineering Co., LTD. (the “Company”) is described below.

## I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information

### 1. Basic Views

The Sanki Engineering Group (hereinafter referred to as the “Group”) has established the Sanki Engineering Corporate Governance Guidelines (hereinafter referred to as the “Guidelines”), summarizing its approach to corporate governance. Here, corporate governance is defined as follows.

The Group defines corporate governance as being a structure and initiatives to realize sustainable growth and increase in corporate value over the medium to long term, with the Board of Directors strengthening its function by putting in place a system to oversee the Chief Executive Officer for conducting transparent, fair, prompt and decisive decision-making while engaging in dialogue with stakeholders (customers, shareholders/investors, employees, business partners, local communities, government agencies, etc.).

Please refer to the full text of the Guidelines presented in “2. Other Matters Concerning the Corporate Governance System” under “V. Other” in this report.

### Reasons for Non-compliance with the Principles of the Corporate Governance Code

The information in this section is based on the code as revised on June 11, 2021.

[Supplementary Principle 4.1.3]

Based on the company objectives (business principles, etc.) and specific business strategies, the board should proactively engage in the establishment and implementation of a succession plan for the CEO and other top executives and appropriately oversee the systematic development of succession candidates, deploying sufficient time and resources.

We believe in appointing the optimal human resource at each point in time as CEO to respond to rapidly changing social and economic conditions. Therefore, instead of identifying and developing candidates in advance, the Board of Directors decides on the CEO from the most appropriate candidates selected through deliberation of the Advisory Committee on Nomination and Remuneration, a non-statutory body comprising a majority of external directors, based on an assessment of the social and economic conditions at each point in time.

## Disclosure Based on Each Principle of the Corporate Governance Code

Presented as an appendix to this report, under “The Company’s Initiatives Relating to Each Principle of Japan’s Corporate Governance Code.”

\*Latest update: [Principle 1.4] was updated on June 27, 2025

## Action to Implement Management That Is Conscious of Cost of Capital and Stock Price

Content of Disclosure	Disclosure of Initiatives (Update)
Availability of English Disclosure	Available
Date of Disclosure Update	June 27, 2025

### Explanation of Actions

Regarding “Action to Implement Management that is Conscious of Cost of Capital and Stock Price,” the Company’s Board of Directors has formulated a policy for the appropriate allocation of management resources to contribute to enhancing corporate value, based on its analysis of current return on capital and market valuation, under Medium-term Management Plan 2027, which begins from FY2025.

In FY2024, ROE was 16.3%. This result substantially exceeded the ROE target for FY2024 of 8% or higher under the previous medium-term management plan “Century 2025” Phase 3. The Company’s price-to-book ratio (PBR) is also steadily maintaining a level exceeding 1.0.

Meanwhile, however, the Company estimates that its cost of equity has risen from the previous level of 6–7% to 7–8% due to the recent increase in interest rates.\* Under Medium-term Management Plan 2027, the Company aims to further enhance corporate value by sustainably increasing ROE and EPS, balancing growth investment and shareholder returns with an awareness of the equity spread.

\* The general method used to calculate the cost of equity (CAPM) tends to underestimate investors’ expected return. The Company therefore adopts a strict approach to this estimation by adding a size premium based on the Company’s market capitalization.

$$\begin{array}{ccccccc} \text{Cost of equity} & = & \text{Risk-free rate} & + & \text{Market risk premium} & + & \text{Size premium} \\ & & \text{(Japanese 10-year} & & \text{(Investors' expected} & & \text{(Added based on the} \\ & & \text{government bond yield)} & & \text{return from the} & & \text{Company's market} \\ & & & & \text{Company's shares)} & & \text{capitalization)} \end{array}$$

Regarding the allocation of management resources, the Company has announced its cash allocation under the Medium-term Management Plan 2027 Financial and Capital Strategy, which includes allocating cash generated to future growth investments, while balancing capital efficiency and financial soundness. Of the 95.0 billion yen expected to be generated by FY2027, it will allocate 50.0 billion yen to growth investment and 45.0 billion yen to stakeholder returns. As part of these stakeholder returns, it will pay dividends (DOE of 5.0% or higher) and flexibly implement share buybacks as shareholder returns. Through these measures, the Company will enhance corporate value, which it believes will contribute to reducing the size premium and market risk premium.

The Medium-term Management Plan 2027 Financial and Capital Strategy, management targets, and cash allocation are presented on the Company’s website (SANKI ENGINEERING CO., LTD. – Management Vision and Medium-term Management Plan: <https://www.sanki.co.jp/ir/mid-term/>)

## 2. Capital Structure

Foreign Shareholding Ratio	20% or more but less than 30%
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### Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,473,000	12.50
Meiji Yasuda Life Insurance Company	5,140,000	9.93
Sanki Kyoeikai	3,088,000	5.96
TAIJU LIFE INSURANCE COMPANY LIMITED	2,951,000	5.70
Nippon Life Insurance Company	2,188,000	4.23
Custody Bank of Japan Ltd. (Trust Account)	2,051,000	3.96
State Street Bank and Trust Company 505001	1,809,000	3.50
Sanki Engineering Employee Stock Ownership Association	1,506,000	2.91
JPMorgan Securities Japan Co., Ltd.	699,000	1.35
THE OITA BANK, LTD.	644,000	1.24

Name of Controlling Shareholder, if applicable  
(excluding Parent Companies)

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Name of Parent Company, if applicable

None

### Supplementary Explanation

The Status of Major Shareholders shown above is current as of March 31, 2025.

## 3. Corporate Attributes

Listed Stock Exchange and Market Segment	Tokyo, Prime Market
Fiscal Year-End	March
Business Sector	Construction
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	¥100 billion or more but less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Fewer than 10

## 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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## 5. Other Special Circumstances which May Have a Material Impact on Corporate Governance

The Company does not have a parent company or any publicly listed subsidiaries.

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight

### 1. Organizational Composition and Operation

Corporate Governance System	Company with Audit & Supervisory Board*
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\*Referred to as "Company with *Kansayaku* Board" in the Corporate Governance Code reference translation

### Directors

Number of Directors Stipulated in Articles of Incorporation	16
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	External Director
Number of Directors	12
Election of External Directors	Elected
Number of External Directors	5
Number of Independent Directors	5

### External Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Yukiteru Yamamoto	From another company											
Kazuhiko Kashikura	From another company											
Keiji Kono	From another company											
Akihiko Matsuda	From another company											
Tamami Umeda	Other								△			

\*Categories for "Relationship with the Company".

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- Person who executes business for the Company or its subsidiary
- Person who executes business for or a non-executive director of the Company's parent company
- Person who executes business for a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for said person/entity
- Major client of the Company or a person who executes business for said client

- f. Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the Company in addition to remuneration as a director/Audit & Supervisory Board Member
- g. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
- h. Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to director him/herself only)
- i. Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to director him/herself only)
- j. Person who executes business for an entity receiving donations from the Company (applies to director him/herself only)
- k. Other

#### External Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Yukiteru Yamamoto	○	-----	<p>[Reason for appointment as External Director]</p> <p>Mr. Yukiteru Yamamoto has served in positions including Representative Director and President of MITSUI LIFE INSURANCE COMPANY LIMITED (currently TAIJU LIFE INSURANCE COMPANY LIMITED) and Executive Member of the Policy Board of the Japan Business Federation, and he thus possesses abundant operational experience and wide-ranging knowledge regarding corporate management. He currently contributes to the enhancement of corporate governance as Chair of the Board of Directors of the Company. His advice and supervision based on the experience and insights developed through this background will lead to sustainable enhancement of the Group's corporate value, and the Company has therefore nominated him again as a candidate for External Director.</p> <p>[Reason for designation as Independent Director]</p> <p>Mr. Yamamoto served as Representative Director and President of TAIJU LIFE INSURANCE COMPANY LIMITED, a business partner of the Company, until June 2013. However, over ten years have passed since he retired from this position, so he no longer corresponds to a person associated with a business partner.</p> <p>In view of this fact, the Company considers that sufficient independence is secured, and that he is a</p>

			<p>suitable person to serve as External Director.</p> <p>The Company also considers that he satisfies the requirements for Independent Director, with no possibility of a conflict of interest with general shareholders, and is therefore a suitable person to serve as Independent Director.</p> <p>His designation as Independent Director has been determined by resolution of the Board of Directors.</p>
Kazuhiko Kashikura	○	———	<p>[Reason for appointment as External Director]</p> <p>Mr. Kazuhiko Kashikura has served as Executive Officer of Sumitomo Mitsui Banking Corporation and a top executive at the same group companies and he thus has abundant experience and broad knowledge in corporate management. His advice and supervision based on the experience and insights developed through this background will lead to sustainable enhancement of the Group's corporate value, and the Company has therefore nominated him again as a candidate for External Director.</p> <p>[Reason for designation as Independent Director]</p> <p>Mr. Kashikura served as Executive Officer of Sumitomo Mitsui Banking Corporation, a business partner of the Company, until April 2008. However, over ten years have passed since he retired from this position, so he no longer corresponds to a person associated with a business partner.</p> <p>In view of this fact, the Company considers that sufficient independence is secured, and that he is a suitable person to serve as External Director.</p> <p>The Company also considers that he satisfies the requirements for Independent Director, with no possibility of a conflict of interest with general shareholders, and is therefore a suitable person to serve as Independent Director.</p> <p>His designation as Independent Director has been</p>

			determined by resolution of the Board of Directors.
Keiji Kono	○		<p>[Reason for appointment as External Director]</p> <p>Mr. Keiji Kono has served in managerial positions in key departments of The Bank of Japan as a financial specialist. At Chugai Pharmaceutical Co., Ltd., he has held the office of Executive Officer serving as Head of the IT Supervisory Division and fulfilled roles including promoting overseas activities that contribute to society, and he thus has abundant experience and broad knowledge. His advice and supervision based on the experience and insights developed through this background will lead to sustainable enhancement of the Group's corporate value, and the Company has therefore nominated him again as a candidate for External Director.</p> <p>[Reason for designation as Independent Director]</p> <p>The Company considers that Mr. Kono satisfies the requirements for Independent Director, with no possibility of a conflict of interest with general shareholders, and is therefore a suitable person to serve as Independent Director.</p> <p>His designation as Independent Director has been determined by resolution of the Board of Directors.</p>
Akihiko Matsuda	○		<p>[Reason for appointment as External Director]</p> <p>Mr. Akihiko Matsuda has served as Executive Officer in Tokyo Gas Co., Ltd. and a top executive at the same group companies and he thus has abundant experience and broad knowledge in the overall energy business. His advice and supervision based on the experience and insights developed through this background will lead to sustainable enhancement of the Group's corporate value, and the Company has therefore nominated him again as a candidate for External Director.</p> <p>[Reason for designation as Independent Director]</p>

			<p>Mr. Matsuda served as Managing Director of Energy Advance Co., Ltd. (currently Tokyo Gas Engineering Solutions Corporation), a business partner of the Company, until March 2015. However, over ten years have passed since he retired from this position, so he no longer corresponds to a person associated with a business partner.</p> <p>In view of this fact, the Company considers that sufficient independence is secured, and that he is a suitable person to serve as External Director.</p> <p>The Company also considers that he satisfies the requirements for Independent Director, with no possibility of a conflict of interest with general shareholders, and is therefore a suitable person to serve as Independent Director.</p> <p>His designation as Independent Director has been determined by resolution of the Board of Directors.</p>
Tamami Umeda	○	<p>Ms. Tamami Umeda previously served at the Ministry of the Environment, but retired from this position in June 2019. The Company has business outsourcing contract transactions with the Ministry of the Environment, but the Company considers that there is no possibility that this could affect decision-making by shareholders or investors, given the scale and nature of the transactions (no more than 0.02% of consolidated net sales during the three most recent fiscal years). An outline of the transactions has therefore been omitted.</p> <p>Ms. Umeda also served as Director General of the National Center for Global Health and Medicine at the</p>	<p>[Reason for appointment as External Director]</p> <p>Ms. Tamami Umeda has held positions such as the Director-General Counsellor, the Ministry of Health, Labour and Welfare and the Director-General, Environmental Health Department, the Ministry of the Environment, and she thus has abundant experience and broad knowledge regarding the health and hygiene administration in Japan and overseas and organizational management. Her advice and supervision based on the experience and insights will lead to sustainable enhancement of the Group's corporate value, and the Company has therefore nominated her again as a candidate for External Director.</p> <p>[Reason for designation as Independent Director]</p> <p>Although the Company has business relationships with the Ministry of the Environment and the National Center for Global Health and Medicine, as described to the left, neither Ms. Umeda, the</p>



		<p>Bureau of International Health Cooperation, but retired from this position in April 2021. The Company has transactions such as construction equipment installation contracts with the National Center for Global Health and Medicine, but the Company considers that there is no possibility that this could affect decision-making by shareholders or investors given the scale and nature of the transactions (no more than 0.01% of consolidated net sales during the three most recent fiscal years). An outline of the transactions has therefore been omitted.</p>	<p>Ministry of the Environment, nor the National Center for Global Health and Medicine correspond to a major business partner or major shareholder of the Company. The Company therefore considers that sufficient independence is secured, and that Ms. Umeda is a suitable person to serve as External Director.</p> <p>The Company also considers that she satisfies the requirements for Independent Director, with no possibility of a conflict of interest with general shareholders, and is therefore a suitable person to serve as Independent Director.</p> <p>Her designation as Independent Director has been determined by resolution of the Board of Directors.</p>
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Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee

Established

Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chairperson

	Committee's Name	All Members	Full-time Members	Inside Directors	External Directors	External Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Advisory Committee on Nomination and Remuneration	5	1	0	5	0	0	External Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Advisory Committee on Nomination and Remuneration	5	1	0	5	0	0	External Director

Supplementary Explanation

One External Director serves full-time.

## Audit & Supervisory Board Members\*

\* Referred to as “kansayaku” in Corporate Governance Code reference translation

Establishment of Audit & Supervisory Board	Established
Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Members	5

#### Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Departments

The Audit & Supervisory Board Members meet with the Accounting Auditor regularly and as necessary to cooperate, including exchanging information.

The Audit & Supervisory Board Members cooperate closely with the Internal Audit Office. They are able to request an investigation by the Internal Audit Office into specific matters, and the Internal Audit Office must report the findings of its internal audits to the Audit & Supervisory Board Members.

Appointment of External Audit & Supervisory Board Members	Appointed
Number of External Audit & Supervisory Board Members	3
Number of Independent Audit & Supervisory Board Members	3

#### External Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Shozo Fujita	Lawyer													
Yutaka Atomi	Academic										△		△	
Toshiaki Egashira	From another company										△			

\*Categories for "Relationship with the Company".

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- Person who executes business for the Company or its subsidiary
- A non-executive director or an accounting advisor of the Company or its subsidiaries
- Person who executes business for or a non-executive director of the Company's parent company
- An Audit & Supervisory Board Member of a parent company of the Company
- Person who executes business for a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for said person/entity
- Major client of the Company or a person who executes business for said client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the Company in addition to remuneration as a director/ Audit & Supervisory Board Member
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of f, g, or h above) (applies to the auditor him/herself only)
- Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to the director/auditor him/herself only)
- Person who executes business for an entity receiving donations from the Company (applies to the person him/herself only)

m. Other

External Audit & Supervisory Board Members' Relationship with the Company (2)

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons for Appointment
Shozo Fujita	○	----	<p>[Reason for appointment as External Audit &amp; Supervisory Board Member]</p> <p>Mr. Shozo Fujita has expertise as a public prosecutor and attorney-at-law, and abundant experience and wide-ranging insights through experience including as Representative Director and President of The Resolution and Collection Corporation and as a director who serves as an audit supervisory committee member at other companies. In order to utilize his experience and insight developed through this background to audit the Company, the Company has reappointed him as an External Audit &amp; Supervisory Board Member.</p> <p>[Reason for designation as Independent Audit &amp; Supervisory Board Member]</p> <p>The Company considers that Mr. Fujita satisfies the requirements for Independent Audit &amp; Supervisory Board Member, with no possibility of a conflict of interest with general shareholders, and is therefore a suitable person to serve as Independent Audit &amp; Supervisory Board Member.</p> <p>His designation as Independent Audit &amp; Supervisory Board Member has been determined by resolution of the Board of Directors.</p>
Yutaka Atomi	○	Mr. Yutaka Atomi previously served concurrently as President of Kyorin University, but retired from this position on March 31, 2018. He currently serves concurrently as	<p>[Reason for appointment as External Audit &amp; Supervisory Board Member]</p> <p>Mr. Yutaka Atomi has long been engaged in education and research at universities, having served in positions such as President of Kyorin</p>

		<p>President Emeritus of Kyorin University, but this is not an executive position. The Company has transactions such as facilities construction subcontracting agreements with Kyorin University and also makes donations to it, but the Company considers that there is no possibility that this could affect decision-making by shareholders or investors given the scale and nature of the transactions (no more than 0.81% of consolidated net sales during the three most recent fiscal years). An outline of the transactions has therefore been omitted.</p>	<p>University, and thus possesses deep insight and abundant experience regarding university management. The Company has appointed him as External Audit &amp; Supervisory Board Member to audit the Company's management from an objective and fair standpoint.</p> <p>[Reason for designation as Independent Audit &amp; Supervisory Board Member]</p> <p>Although the Company has business relationships with Kyorin University, as described to the left, neither Mr. Atomi nor Kyorin University corresponds to a major business partner or major shareholder of the Company. The Company therefore considers that sufficient independence is secured, and that Mr. Atomi is a suitable person to serve as External Audit &amp; Supervisory Board Member.</p> <p>The Company also considers that he satisfies the requirements for Independent Audit &amp; Supervisory Board Member, with no possibility of a conflict of interest with general shareholders, and is therefore a suitable person to serve as Independent Audit &amp; Supervisory Board Member.</p> <p>His designation as Independent Audit &amp; Supervisory Board Member has been determined by resolution of the Board of Directors.</p>
Toshiaki Egashira	○	<p>Mr. Toshiaki Egashira previously served concurrently as Director and Standing Advisor of Mitsui Sumitomo Insurance Company, Limited, but retired from this position on June 22, 2016. He currently serves concurrently as Honorary Advisor of Mitsui Sumitomo Insurance Company, Limited, but this is not an executive position. The Company has</p>	<p>[Reason for appointment as External Audit &amp; Supervisory Board Member]</p> <p>Mr. Toshiaki Egashira possesses deep insight and abundant experience as a corporate manager. The Company has appointed him as External Audit &amp; Supervisory Board Member to audit the Company's management from an objective and fair standpoint.</p> <p>[Reason for designation as Independent Audit &amp; Supervisory Board Member]</p>

		<p>transactions such as facilities construction subcontracting agreements and nonlife insurance agreements with Mitsui Sumitomo Insurance Company, Limited, but the Company considers that there is no possibility that this could affect decision-making by shareholders or investors given the scale and nature of the transactions (no more than 0.20% of consolidated net sales during the three most recent fiscal years). An outline of the transactions has therefore been omitted.</p>	<p>Although the Company has business relationships with Mitsui Sumitomo Insurance Company, Limited, as described to the left, neither Mr. Egashira nor Mitsui Sumitomo Insurance Company, Limited corresponds to a major business partner or major shareholder of the Company. The Company therefore considers that sufficient independence is secured, and that Mr. Egashira is a suitable person to serve as External Audit &amp; Supervisory Board Member.</p> <p>The Company also considers that he satisfies the requirements for Independent Audit &amp; Supervisory Board Member, with no possibility of a conflict of interest with general shareholders, and is therefore a suitable person to serve as Independent Audit &amp; Supervisory Board Member.</p> <p>His designation as Independent Audit &amp; Supervisory Board Member has been determined by resolution of the Board of Directors.</p>
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## Matters Concerning Independent Directors and Independent Audit & Supervisory Board Members

Number of Independent Directors and Independent Audit & Supervisory Board Members

8

Other Matters Concerning Independent Directors and Independent Audit & Supervisory Board Members

This information is presented under Principle 4.9 in Disclosure Based on each Principle of the Corporate Governance Code, under Basic Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information in this report.

## Incentives

Implementation Status of Measures related to Incentives Granted to Directors

Introduction of Performance-linked Remuneration Scheme, etc.

Supplementary Explanation for Applicable Items

The performance-linked compensation scheme comprises bonuses, as well as a restricted stock compensation plan. Please also refer to Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods under Director Remuneration in this report and diagram of the content and procedures for the compensation of Directors and Audit & Supervisory Board Members

presented in Article 31 of the Sanki Engineering Corporate Governance Guidelines for details of measures to provide incentives to Directors.

Persons Eligible for Stock Options

Other

#### Supplementary Explanation for Applicable Items

The stock option plan was abolished on June 23, 2022, and the restricted stock compensation plan was introduced. Under the previous plan, stock options were only granted to Executive Directors.

## Director Remuneration

Status of Disclosure of Individual Director's Remuneration

No Disclosure for any Directors

#### Supplementary Explanation for Applicable Items

The amounts of compensation, etc. for Directors and Audit & Supervisory Board Members for the fiscal year ended March 31, 2025, as presented in the Business Report for the 101st Fiscal Year, are as follows.

- 12 Directors  
(Including 5 External Directors)  
Total: 706 million yen (fixed remuneration: 401 million yen; performance-linked compensation: 248 million yen; non-monetary compensation: 57 million yen)  
Total: 95 million yen (fixed remuneration: 85 million yen; performance-linked compensation: 0 million yen; non-monetary compensation: 9 million yen)
- 6 Audit & Supervisory Board Members  
(Including 3 External Audit & Supervisory Board Members)  
Total: 102 million yen (fixed remuneration: 92 million yen; performance-linked compensation: 0 million yen; non-monetary compensation: 9 million yen)  
Total: 38 million yen (fixed remuneration: 32 million yen; performance-linked compensation: 0 million yen; non-monetary compensation: 5 million yen)

Notes:

1. Directors' bonuses are paid as performance-linked compensation to Directors. The performance indicators selected as the basis for calculating performance-linked compensation include performance indicators designated in the Medium-term Management Plan, etc. (net sales, gross profit, ordinary profit). These performance indicators were chosen because the Company has judged that calculating Directors' bonuses based on the degree of achievement of the Medium-term Management Plan, etc., is the most appropriate way to ensure that Directors share the interests of shareholders. Performance-linked compensation is calculated based on the level of these performance indicators and comprehensively takes into account both quantitative and qualitative evaluations of each Director. The results for these performance indicators for the fiscal year ended March 31, 2025 are presented in V. Accounts 1. Consolidated Financial Statements, etc. (1) Consolidated Financial Statements 2) Consolidated statements of income and comprehensive income in the Annual Securities Report for the 101st Fiscal Year (in Japanese only).

2. Performance-linked compensation includes 235 million yen as the portion of provision for bonuses for directors (and other officers) for the Directors.
3. Non-monetary compensation represents the portion of restricted stock compensation recorded as an expense in the fiscal year ended March 31, 2025.
4. The number of Directors and Audit & Supervisory Board Members includes one Audit & Supervisory Board Member who retired at the conclusion of the 100th Annual General Meeting of Shareholders held on June 21, 2024.

Policy on Determining Remuneration Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

1. Policy for determining the content of compensation, etc. for individual Directors
 

The Company has established a policy for determining the content of compensation, etc. for individual Directors. An outline of the policy is presented below. This policy has been determined by the Board of Directors based on the recommendations of the Advisory Committee on Nomination and Remuneration.
- (1) Basic policy on compensation, etc. for Directors
  - Compensation, etc. for Directors shall be aimed at providing an incentive for Directors to sustainably enhance the Company's corporate value to meet the expectations of all stakeholders.
- (2) Policy on the determination of the amount of basic compensation for individual Directors (including policy on the timing of payments)
  - Fixed remuneration shall be paid to Directors monthly.
  - The amount of individual compensation shall be based on rank and role, representative authority, and whether the Director is full- or part-time.
- (3) Policy on the determination of the content of performance indicators and calculation method for performance-linked compensation (Directors' bonuses) within compensation, etc. for individual Directors (including policy on the timing of payments)
  - Performance-linked compensation shall be paid to Executive Directors after the end of each fiscal year as an incentive to improve performance on a year-by-year basis. Extraordinary bonuses may also be paid as appropriate during the fiscal year.
  - The amount of Directors' bonuses shall be calculated based on a comprehensive consideration of the degree of achievement of the performance targets established in the Medium-term Management Plan, etc., as well as indicators such as the quantitative and qualitative evaluation of each Director. The level of these bonuses shall be lowered or no bonuses paid if there is a significant deterioration in performance or a serious compliance violation or similar incident.
- (4) Policy on the determination of the content and number of shares for non-monetary compensation within compensation, etc. for individual Directors (including policy on the timing of the grant of shares)
  - Stock compensation shall be granted at a set time each year as a management incentive with an awareness of medium- and long-term corporate value enhancement based on the rank and role of each Director.

(5) Policy on the determination of the relative proportions of (2), (3), and (4) above (out of compensation, etc. for individual Directors)

- The relative proportions of each type of compensation shall be set upon comprehensive consideration of factors such as rank, the degree of achievement of performance targets, and individual evaluation.

(6) Matters concerning decisions on the content of compensation, etc. for individual Directors

- Decisions on fixed remuneration and Directors' bonuses for individual Directors shall be delegated to the Representative Director and President.
- In determining the fixed remuneration and Directors' bonuses for individual Directors, the Representative Director and President shall consult with, and respect the recommendations of, the Advisory Committee on Nomination and Remuneration.
- Stock compensation for individual Directors shall be determined by the Board of Directors after receiving the recommendations of the Advisory Committee on Nomination and Remuneration.

2. Resolutions of the General Meeting of Shareholders concerning compensation, etc. for Directors

Compensation for Directors of up to 800 million yen per year was resolved by the 101st Annual General Meeting of Shareholders held on June 26, 2025. There were 12 Directors (including 5 External Directors) in office at the conclusion of this Annual General Meeting of Shareholders. Compensation for External Directors of up to 150 million yen per year, within the aforementioned limit of 800 million yen per year, was resolved by the 101st Annual General Meeting of Shareholders held on June 26, 2025. There were 5 External Directors in office at the conclusion of this Annual General Meeting of Shareholders. The provision of monetary claims of up to 340 million yen per year (including up to 40 million yen per year for External Directors) for the grant of restricted stock, in addition to the aforementioned compensation limits, was resolved by the 101st Annual General Meeting of Shareholders held on June 26, 2025. The issuance or disposal of a total of up to 85,000 shares of common stock per year (including up to 10,000 shares per year for External Directors) to be granted as restricted stock was resolved by the 98th Annual General Meeting of Shareholders held on June 23, 2022. There were 12 Directors (including 5 External Directors) in office at the conclusion of the 101st Annual General Meeting of Shareholders held on June 26, 2025.

3. Delegation of decisions on the content of compensation, etc. for individual Directors

The Company's Representative Director and President, Mr. Hirokazu Ishida, has been delegated the authority for determining the fixed remuneration and Directors' bonuses for each individual Director based on a resolution of the Board of Directors. This authority is delegated to the Representative Director and President because he is the most suitable person to evaluate the performance of each Director's assigned business while overseeing the Company's overall performance.

The Board of Directors takes steps to ensure that this authority is exercised appropriately by requiring the Representative Director and President to respect the recommendations presented, upon deliberation, by the Advisory Committee on Nomination and Remuneration when determining fixed remuneration and Directors' bonuses for each individual Director. Stock compensation for each individual Director is determined by the Board of Directors based on the recommendations of the Advisory Committee on Nomination and Remuneration.

The Board of Directors believes that the content of compensation, etc. for individual Directors is in line with the decision policy as it is determined through the procedures described above.



## Support System for External Directors (and/or External Audit & Supervisory Board Members)

In principle, meeting agenda items and briefing materials are sent to each External Director and External Audit & Supervisory Board Member prior to meetings of the Board of Directors and the Audit & Supervisory Board, and explanations are provided in advance for important agenda items to communicate information to the External Directors and External Audit & Supervisory Board Members.

## Status of Persons who have Retired as Representative Director and President, etc.

Information on Persons Holding Advisory Positions (*Sodanyaku, Komon*, etc.) after Retiring as Representative Director and President, etc.

Name	Job title/ position	Responsibilities	Terms and Conditions of Employment (Full/part time, with/without remuneration, etc.)	Date when former role as president/ CEO ended	Term
Takuichi Kajiura	Senior Adviser	External activities (Keidanren Japan Business Federation, The Tokyo Chamber of Commerce and Industry, etc.)	Full-time, paid	March 31, 2015	2 years

Number of Persons Holding Advisory Positions (*Sodanyaku, Komon*, etc.)  
After Retiring as Representative Director and President, etc.

1

Other Related Matters

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## 2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System)

The Company has chosen the form of a company with audit & supervisory board. It has also adopted an executive officer system where the decision-making and supervisory functions are undertaken by the Board of Directors and its constituent Directors while the executive functions are undertaken by the Executive Officers, to clearly distinguish between the decision-making and supervisory functions and the executive functions of management.

### 1. Directors and the Board of Directors

The Board of Directors is composed of 12 Directors, including 5 External Directors, and is chaired by an External Director. It makes important decisions and supervises the execution of duties by the Directors based on laws, regulations, the Company's Articles of Incorporation, the Rules for the Board of Directors and other internal rules. At meetings of the Board of Directors, the External Directors provide opinions from independent standpoints based on their individual experience and insight.

## 2. Audit & Supervisory Board Members and the Audit & Supervisory Board

The Audit & Supervisory Board is composed of 5 Audit & Supervisory Board Members, including 3 External Audit & Supervisory Board Members. The Audit & Supervisory Board Members attend meetings of the Board of Directors and other important meetings, providing their opinions as necessary and otherwise conducting appropriate auditing based on the Audit & Supervisory Board Regulations, the Code of Audit & Supervisory Board Member Auditing Standards, and the auditing policy established by the Audit & Supervisory Board. The Audit & Supervisory Board Members strive to enhance the effectiveness of accounting and business auditing through cooperation with the Accounting Auditor, the Internal Audit Office, and the internal control department.

## 3. Internal Audit Department

The Internal Audit Office, composed of 6 members, conducts internal auditing. Based on the annual audit plan, it verifies and evaluates whether the operating activities of each department responsible for business execution comply with laws, regulations, and other rules, and are carried out properly and efficiently. It makes recommendations accordingly and reports the audit findings to the President, the Executive Officers responsible, and the Audit & Supervisory Board Members. Although no mechanism is in place for the Internal Audit Office to report directly to the Board of Directors, the Company believes that the effectiveness of internal auditing is ensured as the Internal Audit Office reports directly to the President, the Directors serving as Executive Officers responsible for each department audited, and the Full-time Audit & Supervisory Board Members, who attend meetings of the Board of Directors. The Internal Audit Office also exchanges opinions regularly with the Full-time Audit & Supervisory Board Members and the Accounting Auditor and strives to enhance information-sharing and the auditing environment, as well as making recommendations on the improvement and correction of issues and exchanging opinions as appropriate with the Accounting Division, which is responsible for internal controls.

## 4. Accounting Auditor

Ernst & Young ShinNihon LLC has served continuously as the Company's Accounting Auditor for 73 years. The Audit & Supervisory Board conducts an annual evaluation of the Accounting Auditor to determine its appointment or reappointment. The two CPAs who execute the accounting audit services are Osamu Suwabe and Hideaki Sato (designated limited liability partners under Article 34-10-5 of the Certified Public Accountants Act). The length of continuous engagement is omitted for both CPAs, as they are both within the maximum terms stipulated under the Certified Public Accountants Act (5 years for the lead engagement partner and 7 years for other engagement partners). Persons assisting in accounting audits include 5 CPAs, 3 persons who have passed the CPA exam or equivalent, and 15 other staff members.

## 5. Advisory Committee on Nomination and Remuneration

The Company has established the Advisory Committee on Nomination and Remuneration as a voluntary, non-statutory committee to deliberate and report recommendations to the Board of Directors on the nomination of candidates for the position of Director, compensation, and other matters when consulted by the Board of Directors. The committee is chaired by an External Director and composed of External Directors.

## 6. Liaison Meetings of External Officers

These meetings are held between External Directors and External Audit & Supervisory Board Members to exchange information and share views.

Executive committees are also established to contribute to the execution of duties by the Executive Officers in accurately and swiftly executing the business decided by the Board of Directors. The main committee members and purposes are described below.

#### 7. Management Meeting

These meetings are held for the purpose of discussing and making decisions from a management perspective on fundamental and important matters related to business execution, based on the fundamental management policies established by the Board of Directors.

#### 8. Executive Officer Committee

These meetings are held for the purpose of communicating policies from the President and the Executive Officers in charge of each department, receiving reports on business conditions from each Executive Officer, and discussing measures to achieve management plans.

#### 9. Corporate Ethics Committee

The Corporate Ethics Committee meets to oversee matters related to all aspects of corporate ethics, including the establishment of codes of conduct for the Group's officers and employees, as well as monitoring of the whistleblowing system.

#### 10. Internal Finance Control Committee

The Internal Control and Finance Committee meets to assess and discuss measures to respond to significant risks that may impact the reliability of financial reporting.

#### 11. Risk Management Committee

The Risk Management Committee meets for the purposes of comprehensively ascertaining the risks that may impede normal business operations Group-wide, preventing the materialization of these risks, and minimizing losses in the event that they do materialize.

#### 12. Sustainability Committee

The Sustainability Committee meets to decide on important issues and measures to achieve sustainability management.

#### < Liability limitation agreements with Directors and Audit & Supervisory Board Members >

The Company has entered into agreements with the non-executive Directors and Audit & Supervisory Board Members to limit their liability for damages as provided for in Article 423, Paragraph 1 of the Companies Act, based on the provisions of Article 427, Paragraph 1 of the Companies Act. The Company's Articles of Incorporation provide that the maximum liability based on these agreements is the higher of a predesignated amount of at least 10 million yen and the amount stipulated by laws and regulations.

### 3. Reasons for Adoption of Current Corporate Governance System

#### <Reason for adopting the current system>

The Company has adopted an executive officer system that separates the management functions into the decision-making and supervisory functions, which are undertaken by the Board of Directors, and the executive functions, which are undertaken by the

Executive Officers, in order to improve management efficiency and accelerate decision-making. It has also established a multi-layered monitoring and checking system involving External Directors, the Audit & Supervisory Board Members (including External Audit & Supervisory Board Members), the Internal Audit Department, and the Accounting Auditor to ensure the legality and appropriateness of decision-making by the Board of Directors and business operations executed by the Executive Officers.

<Matters concerning the External Directors>

The External Directors directly participate in decision-making by the Board of Directors by exercising their voting rights, thereby fulfilling the functions of monitoring and checking decision-making by the Board and the execution of business operations by the Executive Officers.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize General Meeting of Shareholders and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Posting of Notice of the General Meeting of Shareholders	Posted on June 5, 2025.
Scheduling of the General Meeting of Shareholders on a Non-Peak Day	The General Meeting of Shareholders is scheduled carefully based on Article 6 of the Sanki Engineering Corporate Governance Guidelines. The 101st Annual General Meeting of Shareholders was held on June 26.
Electronic Exercise of Voting Rights	Since the General Meeting of Shareholders held in June 2017, the Company provides shareholders with the opportunity to exercise their voting rights via the internet.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	Since the 93rd Annual General Meeting of Shareholders held in 2017, the Company participates in the voting rights exercise platform operated by ICJ, Inc., a joint venture established by Tokyo Stock Exchange, Inc. and others.
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English	The Company prepares a Notice of Convocation in English and discloses it through the websites of the Company and the stock exchange on which the Company's shares are listed.
Other	The Company discloses the Notice of Convocation through the websites of the Company and the stock exchange on which the Company's shares are listed before it is sent to shareholders. In 2025, the notice was disclosed through the websites of the Company and the relevant stock exchange on June 2.

## 2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	The Company's Disclosure Policy is posted on the Company's website. <a href="https://www.sanki.co.jp/en/ir/disclosure/">https://www.sanki.co.jp/en/ir/disclosure/</a>	
Regular Investor Briefings held for Analysts and Institutional Investors	The Company's top management holds financial results briefings twice a year (May and November) in principle and whenever necessary.	Held
Online Disclosure of IR Information	The consolidated financial results (including quarterly results), progress on the Medium-term Management Plan, financial results briefing materials (financial results summaries), annual securities reports and shareholder communications (in Japanese) are posted on the Company's website.	
Establishment of Department and/or Placement of a Manager in Charge of IR	The Corporate Division's Corporate Communications Department and the Accounting Division's Finance Department serve as contact points for dialogue with shareholders.	

## 3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	Sanki Engineering Group Code of Conduct and Action Guidelines and the Sanki Engineering Corporate Governance Guidelines incorporate the Group's emphasis on communication with stakeholders and its respect for their position.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	Through its businesses, the Company researches, develops, and introduces new technologies that contribute to environmental conservation. As part of its environmental conservation activities, the Company is also engaged in reducing environmental impact in line with ISO 14001, as well as undertaking tree-planting activities through its unique "SANKI YOU Eco Contribution Point System" donation system. Through these activities, the Company participates in the Ministry of the Environment's "30 by 30 Alliance for Biodiversity." In terms of CSR activities, the Company conducts corporate ethics training for employees across the Group and other awareness-raising activities, as well as supporting various sports and other pursuits.
Formulation of Policies, etc. on Provision of Information to Stakeholders	The Action Guidelines stipulate that corporate information such as the Company's operating results and business activities will be disclosed to

stakeholders in a timely and appropriate manner, and the Company actively provides such information through forums such as its website and integrated report, the SANKI REPORT.

## IV. Matters Concerning the Internal Control System

### 1. Basic Views on Internal Control System and Status of Development

<Basic views on the internal control system>

The Company recognizes the maintenance of good long-term relationships with customers, shareholders, investors, employees, business partners, local communities, government agencies and its various other stakeholders as a top-priority issue for management strategy. It believes that ensuring thorough compliance is essential.

<Status of development of the internal control system>

#### 1. Systems to ensure appropriate business operations

The Company has established a basic policy on the development of the systems required to ensure the appropriateness of the Group's business operations (the Basic Policy for Internal Financial Control). The content of the policy is presented below.

#### (1) System to ensure that the Group's directors and employees perform their respective duties in compliance with applicable laws and regulations and the Articles of Incorporation

- 1) Under the Corporate Ethics Regulations, the Corporate Ethics Committee chaired by the President will, as the lead organization, strive to familiarize directors and employees with the Company rules such as the Sanki Engineering Group Compliance Declaration, the Sanki Engineering Group Code of Conduct and Guidelines and the Sanki Engineering Group Standards of Conduct, and perform compliance promotion activities.
- 2) The awareness of compliance shall be increased by conducting training on compliance with laws and regulations.
- 3) The Internal Audit Department and other relevant departments will direct and monitor compliance with applicable legislation, and enhance the compliance consciousness of directors and employees.
- 4) The self-governing mechanism shall be improved by utilizing the whistleblower contact points to prevent misconduct from occurring.
- 5) Anti-social forces that threaten the public order and safety shall be resolutely removed.
- 6) If any event in violation of compliance requirements should occur, it shall be strictly dealt with pursuant to the relevant regulations such as the employment regulations.

#### (2) System for the storage and management of information concerning the performance of duties by the Group's directors

In accordance with the provisions of applicable laws and regulations and the Company rules (such as the document storage and saving rules and the information security risk management rules), relevant information shall be properly stored and managed, the state of which will be confirmed from time to time.

#### (3) Regulations and other systems to manage the risk of losses within the Group

- 1) The business risk (meaning the risk related to issues such as compliance, information security, quality, profit and loss, environment and disasters) will be managed by establishing the Risk Management Committee to handle such issues across the whole Company in an integrated manner. Subcommittees will be established under the Risk Management Committee to assess and control the risk related to specific issues.

- 2) If necessary to deal with a newly developed risk, the President will promptly appoint the department and Executive Officer responsible for dealing with the risk. Matters requiring important management decisions will be determined by the Management Meeting and the Board of Directors according to the degree of importance.
- 3) In accordance with the Company regulations concerning financial reporting such as the Internal Controls Regulations and the Accounting Regulations, the appropriateness of financial reporting shall be ensured.
- (4) System to ensure that the Company's Directors and the directors of Group companies perform their duties in an efficient manner
  - 1) The Company shall ensure that business efficiency is increased and that the decision-making process is speeded up by maintaining the Executive Officer system, developing Company rules, such as Organization Regulations and Segregation of Duties Regulations, as well as holding deliberations and presenting reports at organization meetings, such as the Management Meeting, and to the Board of Executive Officers.
  - 2) The Company shall ensure that Group companies establish a system that complies with the Company's segregation of duties process, chain-of-command structure, decision-making process, and other organizational standards.
- (5) System to ensure that the Group conducts its business appropriately and that Group companies report to the Company matters concerning their directors' performance of duties
  - 1) Material matters concerning Group companies, such as matters concerning their respective organizations, accounting, business, and financial status, shall be managed by promptly reporting to the responsible Executive Officer and the relevant department in charge of each group company and obtaining the approval thereof, in accordance with the Subsidiary Management Rules.
  - 2) In a regular audit conducted by the Internal Audit Department, confirmation about how the system has been implemented shall be made.
- (6) System to ensure that audits are effectively conducted by the Audit & Supervisory Board Members
  - 1) The Audit & Supervisory Board Members may, when necessary, request the Directors to engage temporary audit staff. In addition, the temporary audit staff shall comply with the instructions of the Audit & Supervisory Board Members.
  - 2) The Executive Officer in charge of Personnel Affairs shall obtain the prior consent of the relevant Audit & Supervisory Board Member when making changes in temporary audit staff.
  - 3) The Audit & Supervisory Board Members will attend meetings of the Board of Directors, Management Meeting, Corporate Ethics Committee and Board of Executive Officers, and other important meetings.
  - 4) The Audit & Supervisory Board Members will be presented reports and material documents by the Executive Officers and employees, and internal audit reports by the Internal Audit Department.
  - 5) The directors, company auditors, and employees of Group companies (hereinafter referred to as "Officers and Employees of Group Companies") shall, when required by the Audit & Supervisory Board Members to report matters concerning the performance of duties, report thereon promptly and appropriately.
  - 6) The Officers and Employees of Group Companies, and any person who has received a report from the Officers and Employees of Group companies may directly or indirectly report to the Audit & Supervisory Board Members matters deemed necessary to report to the Audit & Supervisory Board Members.
  - 7) Directors and employees of the Group who have made a report to the Audit & Supervisory Board Members will not be treated unfavorably for making such a report.

- 8) If the Audit & Supervisory Board Members require advance payment, etc., for the expenses necessary for their performance of duties, the Company shall promptly pay the relevant expenses.
- 9) The Audit & Supervisory Board Members will consult with the Internal Audit Department and accounting auditors from time to time, and if necessary, may request the Internal Audit Department to conduct an investigation into specific matters.
- 10) The Audit & Supervisory Board Members may request the Group's directors and employees to conduct an investigation or provide an explanation of any necessary matters concerning the performance of duties. Those Group Directors and employees who are requested to do so shall conduct a prompt investigation and provide an appropriate explanation.
- 11) The President will exchange opinions with the Audit & Supervisory Board Members on a regular basis.

## 2. Overview of the operational status of the systems to ensure appropriate business operations

An overview of the operational status of the systems to ensure appropriate business operations is presented below.

### (1) System to ensure compliance with applicable laws and regulations and the Articles of Incorporation

The Company has established behavioral standards for all officers and employees in the Group, such as the Sanki Engineering Group Compliance Declaration, the Sanki Engineering Group Code of Conduct and Guidelines and the Sanki Engineering Group Standards of Conduct. The Corporate Ethics Committee also plays a central role in considering measures to ensure that all members of the Group act responsibly based on high ethical standards. Through corporate ethics training and monitoring through questionnaire surveys, the Company strives to enhance compliance awareness.

In addition to the whistleblower contact points for overall corporate ethics, the Company enables employees to report to the Full-time Audit & Supervisory Board Members, who are in a position independent of the management team, and also operates whistleblower contact points for women to provide backup for women's empowerment and create work-friendly workplaces.

The results of deliberations by the Corporate Ethics Committee and the status of operation of the whistleblower contact points are reported regularly to the Board of Directors, and the status of operation of the whistleblowing system is disclosed within the Group.

### (2) System for the storage and management of information

The Company appropriately stores and manages the minutes of the General Meeting of Shareholders and meetings of the Board of Directors and other bodies in accordance with the provisions of laws, regulations, and internal rules. The status of this storage and management is confirmed by the Internal Audit Department.

### (3) Systems to manage the risk of losses

The Company's Risk Management Committee plays a central part in identifying the Group's potential risks and determining measures to prevent or respond to these risks. The committee verifies the effectiveness of countermeasures to address risks concerning overall management, as well as risks associated with natural disasters, information security, overseas Group companies, etc.

The results of deliberations by the Risk Management Committee are reported regularly to the Board of Directors.

Regarding information security countermeasures, the Company strives to raise awareness of risk management by providing regular annual training on information security in accordance with the Guidelines to all Group officers and employees.

The Company also verifies risk reports from these overseas Group companies as a risk countermeasure for overseas Group companies.

The Internal Audit Office confirms the overall status of risk management through regular internal audits.

### (4) System to ensure the efficient performance of duties



The Company holds meetings of the Board of Directors to make decisions on matters specified by laws, regulations, and the Articles of Incorporation, as well as matters relating to business execution. The Board of Directors also supervises the proper execution of business. A system has been established through the Management Meeting to enable the efficient execution of business in accordance with the Company's standards for proposals and reports.

At the External Officers' Liaison Meetings, External Directors and Audit & Supervisory Board Members exchange relevant information and share their views to strengthen the management oversight function.

(5) System to ensure that the Group conducts its business appropriately

The Company has outlined its organizational structure, job responsibilities, job titles, and authority in documents such as the Organization Regulations and Segregation of Duties Regulations, and engages in the organizational management of operations.

For Group companies, important matters are decided by the Board of Directors to ensure the appropriateness of operations.

The Sanki Engineering Group Management Philosophy of "creating comfortable environments through engineering and widely contributing to social development" indicates the Group's vision and purpose in society. All of the Group's officers and employees share the values represented in this Management Philosophy.

(6) System to ensure that audits are effectively conducted by the Audit & Supervisory Board Members

The Audit & Supervisory Board Members regularly engage in separate discussions with the Representative Directors and the Accounting Auditor. In addition, the Full-time Audit & Supervisory Board Members attend important meetings such of bodies such as the Management Meeting, the Long-term Planning Committee, the Comprehensive Budget Meeting, the Risk Management Committee, and the Executive Officers' Meeting to confirm the operational status of the internal control system.

The Full-time Audit & Supervisory Board Members also regularly exchange information and opinions with the Internal Audit Department to improve the effectiveness of audits, concurrently serve as company auditors at each Group company, conduct on-site inspections at Group companies and regularly exchange views with their respective presidents to grasp the overall situation regarding internal control across the Group.

In addition, the Audit & Supervisory Board Members work to enhance the effectiveness of audits by coordinating with the Accounting Auditor. This includes exchanging information as necessary, monitoring the independence and appropriateness of the audits by the Accounting Auditor, and receiving reports on its audit plans and findings.

## **2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development**

<Basic views on measures for eliminating anti-social forces>

The resolute elimination of anti-social forces that threaten the order and safety of civil society is a basic policy of the Company.

<Status of implementation of systems to eliminate anti-social forces>

1. The Company presents its policy on responding to anti-social forces in the Sanki Engineering Group Code of Conduct and Action Guidelines. This policy is made known to officers and employees through training.
2. The Company strives to gather information on anti-social forces. It cooperates with specialist external agencies to block and eliminate any relationship with anti-social forces.
3. The General Affairs and Human Resources Division manages the Company's response to any approach by anti-social forces. It responds with a resolute attitude in close coordination with the department in charge of preventing unjust demands at each business location.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation for Applicable Items
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### 2. Other Matters Concerning the Corporate Governance System

The Sanki Engineering Corporate Governance Guidelines, which set out the Group's basic views on corporate governance, are presented from the following page onward.

# **Sanki Engineering Corporate Governance Guidelines**

Established on December 18, 2015

Revised on June 27, 2022

## **Chapter 1 General Provisions**

### **(Purpose)**

#### **Article 1**

The Sanki Engineering Corporate Governance Guidelines (hereinafter referred to as “these Guidelines”) set out the basic concept regarding corporate governance of Sanki Engineering Co., Ltd. (hereinafter referred to as “the Company”) and the Sanki Engineering Group (hereinafter referred to as “the Group”) based on the Group’s management philosophy.

### **(Definition)**

#### **Article 2**

The Group defines corporate governance as being a structure and initiatives to realize sustainable growth and increase in corporate value over the medium to long term, with the Board of Directors strengthening its function by putting in place a system to oversee the Chief Executive Officer for conducting transparent, fair, prompt and decisive decision-making while engaging in dialogue with stakeholders (customers, shareholders/investors, employees, business partners, local communities, government agencies, etc.).

### **(Organizational structure for corporate decision-making)**

#### **Article 3**

The Company has adopted the organizational structure of a company with an audit and supervisory board comprised of independent members and full-time members. The Audit & Supervisory Board and its members audit the execution of duties by the Directors, while the accounting auditor audits financial statements, etc. The Board of Directors makes important decisions.

### **(Approach to corporate governance practices)**

#### **Article 4**

In practicing corporate governance, the Group endeavors to build lasting relationship of trust with stakeholders by engaging in proactive communication and constructive dialogue in good faith, bearing in mind the weight of its corporate social responsibility.

(Amendments and abolition)

Article 5

Any amendment or abolition of these Guidelines requires a resolution of the Board of Directors.

## Chapter 2 Securing the Rights and Equal Treatment of Shareholders

(General meeting of shareholders)

Article 6

The Company endeavors to create an environment as presented below with respect to the general meeting of shareholders to facilitate the appropriate exercise of shareholders' rights.

1. Send out the notice of convocation of the general meeting of shareholders and disclose the same on the Company's website, etc. promptly to ensure that shareholders have sufficient time to consider the proposals for the general meeting of shareholders.
2. Conduct an analysis where necessary to identify the reasons behind dissenting votes against resolutions of the general meeting of shareholders.
3. Consider the constitution of the corporate governance system when important decision-making authority of the general shareholder meeting is delegated to the Board of Directors.
4. Respond as appropriate if a shareholder who holds shares in the name of a trust bank wishes to exercise the voting rights, etc.
5. Give due consideration to the schedule of the general meeting of shareholders.
6. Create an infrastructure to facilitate the appropriate exercise of voting rights by all shareholders, including those not attending the general meeting of shareholders, such as arranging voting via the internet including the electronic voting platform, and preparing an English translation of the convocation notice.

(Securing equal treatment of shareholders)

Article 7

The Company treats all shareholders equally in accordance with the number of shares they hold. In particular, when disclosing information, the Company endeavors to eliminate information gap among the shareholders.

(Basic capital policy)

Article 8

The Company seeks to maintain stability of its financial base, and uses indirect financing in principle for raising funds. The Company implements a capital policy that gives consideration to the appropriate balance among anticipatory investments for future growth in such areas as technology development and human resource education, the stability of its financial base, and shareholder returns.

(Protection of shareholders' rights)

Article 9

When implementing any policy that may affect shareholder rights, the Board of Directors and the Audit & Supervisory Board Members thoroughly consider the necessity and rationale for such policy from the perspective of protecting shareholders' rights, ensure proper procedures, and provide sufficient explanations to shareholders.

- (2) In the event there is a public tender offer for the Company's shares, the Board of Directors shall explain its position to shareholders.
- (3) For related party transactions, the Board of Directors establishes appropriate procedures to ensure that the interests of the Company and shareholders' common interests are not adversely affected.

(Basic policy regarding cross-shareholdings and the exercise of voting rights)

Article 10

The Company holds shares in listed companies for the purpose of increasing the Company's medium- to long-term corporate value by maintaining and strengthening smooth long-lasting business relationships, etc. Every year, the Board of Directors periodically reviews the purpose and economic rationale of these cross-shareholdings, and considers selling the shares after comprehensively taking into account the results of this review.

- (2) When exercising the voting rights of the shares in cross-shareholdings, decisions are made after careful assessment of each proposal.

### Chapter 3 Consideration of the interests of stakeholders other than shareholders

(Ethical standards)

Article 11

All officers and employees of the Group shall comply with the "Sanki Engineering Group Compliance Declaration", the "Sanki Engineering Group Code of Conduct and Guidelines", and the "Sanki Engineering Group Standards of Conduct", and shall always act ethically.

- (2) The Company periodically examines at the Board of Directors meetings the effectiveness of the rules of conduct, including whether a corporate culture has been fostered that encourages employees' autonomy in ethical decision-making and actions in their business activities.

(Relationship with stakeholders)

Article 12

The Group's officers and employees always consider the interests of stakeholders when collaborating with them.

- (2) The Group does not give disadvantageous treatment to any stakeholder who becomes aware of illegal or unethical conduct within the Group and reports it to the relevant parties (including the Company's whistleblowing contact points).

(Sustainability)

Article 13

The Board of Directors positions sustainability-related issues as important management issues for the future and addresses them proactively. These include consideration for global environmental problems such as climate change, respect for human rights, consideration for the health, working environment, and fair and appropriate treatment of employees, fair and proper transactions with business partners, and crisis management in natural disasters.

- (2) In order to promote sustainability management, the Company has established a Sustainability Committee, mainly composed of full-time Directors, which regularly discusses and considers issues related to sustainability and reports the results to the Board of Directors.
- (3) In particular, with respect to the impact of risks and opportunities related to climate change on its business activities, profits, etc., the Company discloses relevant information in accordance with internationally established disclosure frameworks (TCFD, etc.).

(Diversity)

Article 14

The Group promotes diversity on the recognition that the presence within the Group of diverse perspectives and values reflecting different experiences, skills and attributes can be a strength in securing sustainable growth.

- (2) We endeavor to ensure diversity in the promotion of core personnel, such as promoting women, non-Japanese employees and mid-career hires to managerial positions. Giving due consideration to diversity in human resources development, and based on appropriate evaluation of the skills of each individual, we provide equal opportunity in education and training and implement a fair process of promotion to managerial positions. We will work on creating the necessary internal environment to enable diverse personnel to maximize their capabilities.

(Whistleblowing)

Article 15

The Company endeavors to develop an appropriate framework for whistleblowing, including establishment of whistleblowing contact points both internally and externally, and ensuring confidentiality and prohibition of any disadvantageous treatment of the information providers. The Board of Directors monitors enforcement of the framework.

(Performance of the role as the asset owner of corporate pension fund)

Article 16

The Company endeavors to fully perform its role as an asset owner of corporate pension fund by establishing an appropriate management system for corporate pension assets.

## Chapter 4 Ensuring Appropriate Information Disclosure and Transparency

(Basic policy on information disclosure)

### Article 17

The Company discloses information on the Group companies in a timely and appropriate manner where legally required in accordance with the Companies Act, other relevant laws and regulations, and applicable financial instruments exchange regulations, as well as with respect to voluntary disclosure.

## Chapter 5 Responsibilities of the Board of Directors, etc.

(Roles of the Directors and the Board of Directors)

### Article 18

The Directors and the Board of Directors perform their functions with the mandate of the shareholders, to realize efficient and effective corporate governance, make decisions that are important to the Company and oversee the execution of duties, and thereby endeavor to realize sustainable growth and increase in corporate value over the medium to long term.

- (2) The Directors and the Board of Directors appropriately establish and maintain internal control system, risk management system, and compliance system for the entire Group. Utilizing the Internal Audit Department, they supervise the operation of these systems and endeavor to disclose information in a timely and appropriate manner.
- (3) The Board of Directors oversee as needed the selection of candidates for successor to the Chief Executive Officer.
- (4) The Board of Directors establishes procedures for transactions involving conflicts of interest, deliberates on and approves such transactions.

(Policy on the composition of the Board of Directors)

### Article 19

The Company identifies the skills that the members of the Board of Directors are expected to demonstrate in light of its management strategy, and has in place the Board of Directors composed of diverse human resources that encompass these skills. Within the maximum number of Directors stipulated in the Articles of Incorporation, the number of Directors is the number that is appropriate to ensure that the Board's functions are performed most effectively and efficiently. Opportunities are created to periodically review the Board composition and other relevant matters. Audit & Supervisory Board Members attend the Board of Directors meetings and express their opinions when deemed necessary.

- (2) At least one-third of the Directors shall be independent External Directors.

(Director candidate nomination policy)

#### Article 20

The Board of Directors nominates, as Director candidates, individuals who can be expected to fulfill the roles of the Director and the Board of Directors, taking into account the skills that each individual should possess.

- (2) For External Director candidates, the Board of Directors nominates individuals who can be expected to provide advice from an independent and objective standpoint. In the case of candidates for independent external director, at least one individual with management experience as a top executive at another company is to be nominated.
- (3) When proposing the dismissal of a Director, in the event of difficulty in continuing to perform his/her duties for health reasons, or in the event of negligence of his/her duties resulting in damage to corporate value, the matter shall be deliberated by the Board of Directors following consideration by the Advisory Committee on Nomination and Remuneration.

(Role of the Audit & Supervisory Board Members)

#### Article 21

The Audit & Supervisory Board Members play a part in the supervisory function, working together with the Board of Directors. Members of the Audit & Supervisory Board, being an independent body mandated by the shareholders, endeavor to establish a high-quality corporate governance system that is worthy of social trust through its audit of the Directors' execution of their duties, in order to realize sound and sustainable growth and increase in corporate value over the medium to long-term while ensuring appropriate collaboration with stakeholders.

(Policy on nomination of Audit & Supervisory Board Member candidates)

#### Article 22

With the prior consent of the Audit & Supervisory Board, the Board of Directors nominates, as Audit & Supervisory Board Member candidates, individuals who have a high level of insight and ethical standards, and who can be expected to fulfill the role of Audit & Supervisory Board Members as described in the preceding Article.

- (2) In addition to the foregoing, for External Audit & Supervisory Board Member candidates, individuals who can be expected to provide advice from an independent and objective standpoint is to be nominated.
- (3) The Company endeavors to nominate, as candidate for one of the Audit & Supervisory Board Members, an individual who has appropriate knowledge of finance and accounting.

(Disclosure of reasons for individual nominations)

#### Article 23

The Company discloses the reasons for nomination of Director and Audit & Supervisory Board Member candidates.



(Advisory Committee on Nomination and Remuneration)

Article 24

The Advisory Committee on Nomination and Remuneration is set up as an independent committee under the Board of Directors for the purpose of enhancing the fairness, transparency and objectivity of procedures related to personnel, compensation and other relevant matters concerning the Directors, and enhancing the Company's corporate governance.

- (2) The Committee consists of three or more members, including the chairperson, who are selected from among the External Directors by resolution of the Board of Directors.
- (3) In response to inquiries from the Board of Directors, the Committee provides advice from an independent standpoint, including from the perspective of gender and other dimensions of diversity, as well as skills.

(Nomination procedures)

Article 25

In the nomination of Director candidates, the Advisory Committee on Nomination and Remuneration deliberates and reports the results of the deliberation to the Board of Directors, while in the nomination of Audit & Supervisory Board Member candidates, prior consent of the Audit & Supervisory Board is obtained, upon which the Board of Directors decides the proposals to be submitted to the General Meeting of Shareholders.

(Role of external officers)

Article 26

External officers shall ensure that they have sufficient time to devote to the management of the Company as they play an important role in examining and evaluating the outcome of the Company's management from the perspective of the common interests of shareholders.

- (2) If any external officer concurrently serves as officer(s) of some other company(ies), etc., the status of such concurrent position(s) is disclosed.
- (3) The independence criteria for external officers are as set forth in the Appendix.

(Meetings of external officers)

Article 27

The Company organizes regular liaison meetings to be attended by external officers, for promoting exchange of necessary information and development of a shared awareness, and for free exchange of opinions.

(Operation of the Board of Directors)

Article 28

The Company endeavors to foster a free and constructive atmosphere at the Board of Directors

meetings and to implement the following measures to ensure smooth operation.

1. Determine in advance the annual schedule and anticipated agenda items;
2. Distribute meeting materials sufficiently in advance of the meeting date;
3. Set the number of agenda items and the frequency of meetings as appropriate;
4. Ensure time for deliberation;
5. Provide sufficient information aside from the Board of Directors meeting materials.

(Evaluation of the Board of Directors)

Article 29

Once a year, the Board of Directors is given the opportunity for self-inspection of its agenda deliberation process and identification of areas of improvement, for the purpose of analyzing and evaluating the effectiveness of the Board of Directors as a whole, and using the results of the foregoing for improvement of its operation and other matters. A summary of the evaluation results is disclosed.

(Training of Directors and Audit & Supervisory Board Members)

Article 30

When assuming their positions, Directors and Audit & Supervisory Board Members are provided with information on the Company's history, business performance, and future business plans, as well as legal, financial, accounting and other matters.

- (2) The Company endeavors to periodically provide incumbent Directors and Audit & Supervisory Board Members with opportunities for training and acquisition of knowledge on management supervision and auditing.

(Basic policy on compensation of Directors and Audit & Supervisory Board Members)

Article 31

The Company determines compensation for Directors and Audit & Supervisory Board Members each year within the limits resolved at the General Meeting of Shareholders, by taking into consideration the balance of the following three elements for each Director and Audit & Supervisory Board Member, in a way that would be linked to the long-term interests of shareholders and increase motivation to maximize corporate value.

1. Fixed remuneration: by position and scope of responsibility
  2. Bonuses: performance-linked portion for the period
  3. Restricted stock compensation: granted as a medium- to long-term incentive according to rank and role
- (2) The contents and procedures for each element for Directors and Audit & Supervisory Board members are as follows.

	Fixed remuneration	Bonuses	Restricted stock compensation	Procedures
Directors (excluding External Directors)	○	○*	○	Determined by the Board of Directors after deliberation by the Advisory Committee on Nomination and Remuneration
External Directors	○	—	○	Determined by the Board of Directors after deliberation by the Advisory Committee on Nomination and Remuneration
Audit & Supervisory Board Members (excluding External Audit & Supervisory Board Members)	○	—	○	Determined through discussion among the Audit & Supervisory Board Members
External Audit and Supervisory Board Members	○	—	○	Determined through discussion among the Audit & Supervisory Board members

\* Excluding non-executive directors

(Note) “○” indicates that the relevant element is applicable, “—” indicates that the relevant element is not applicable

## Chapter 6 Dialogue with Shareholders

(Basic policy on dialogue with shareholders)

### Article 32

In engaging in dialogue with shareholders, the Board of Directors endeavors to have a good grasp of the shareholding structure, respond to meeting requests to the extent reasonable (including with External Directors and Audit & Supervisory Board Members), and establish a structure for constructive dialogue.

- (2) When formulating and announcing medium-term management plans and other management strategies, the Company shall clearly indicate the basic policy regarding the business portfolio decided by the Board of Directors and the status of reviews of the business portfolio.

## Supplementary Provisions

These Guidelines shall come into effect on June 27, 2022.

(Appendix)

Independence Criteria for External Officers

The Company deems an External Director or an External Audit & Supervisory Board Member to be independent if none of the following apply at the time of determining the election proposal to be submitted to the General Meeting of Shareholders.

- (1) A person for whom the Company is a major business partner (Note 1), or if such person is a legal entity, etc. (Note 2), a person who executes business (Note 3) thereof
- (2) A major business partner (Note 1) or a major lender (Note 4) of the Company, or if such party is a legal entity, etc. (Note 2), a person who executes business (Note 3) thereof
- (3) A consultant, accounting professional, or legal professional who receives large amounts of cash or other assets (Note 5) from the Company other than officer compensation
- (4) A person to whom any of the items (1) through (3) above applied in the recent period (Note 6)
- (5) A relative within the second degree of kinship of a person to whom any of the items (a) through (d) below apply (excluding the case where the kinship has been dissolved due to divorce, separation, etc.)
  - (a) A person listed in (1) to (4) above
  - (b) A person who executes business (Note 3) of a subsidiary of the Company
  - (c) A non-executive director of a subsidiary of the Company (when designating an External Audit & Supervisory Board Member as an independent officer)
  - (d) A person to whom either of (b) or (c) above applied or who served as a person who executes business (Note 3) of the Company in the recent period (Note 6)
- (6) Among the major shareholders of the Company, any shareholder with 10% or more shareholding in the Company continuously for three or more consecutive years in the recent period (Note 6), or if such shareholder is a legal entity, etc. (Note 2), a person who executes business (Note 3) thereof

(Note 1) A “major business partner” refers, in principle, to a business partner which accounts for 3% or more of the Company's annual consolidated net sales for three or more consecutive years

(Note 2) A “legal entity, etc.” refers to a legal entity or an organization other than a legal entity, such as an association

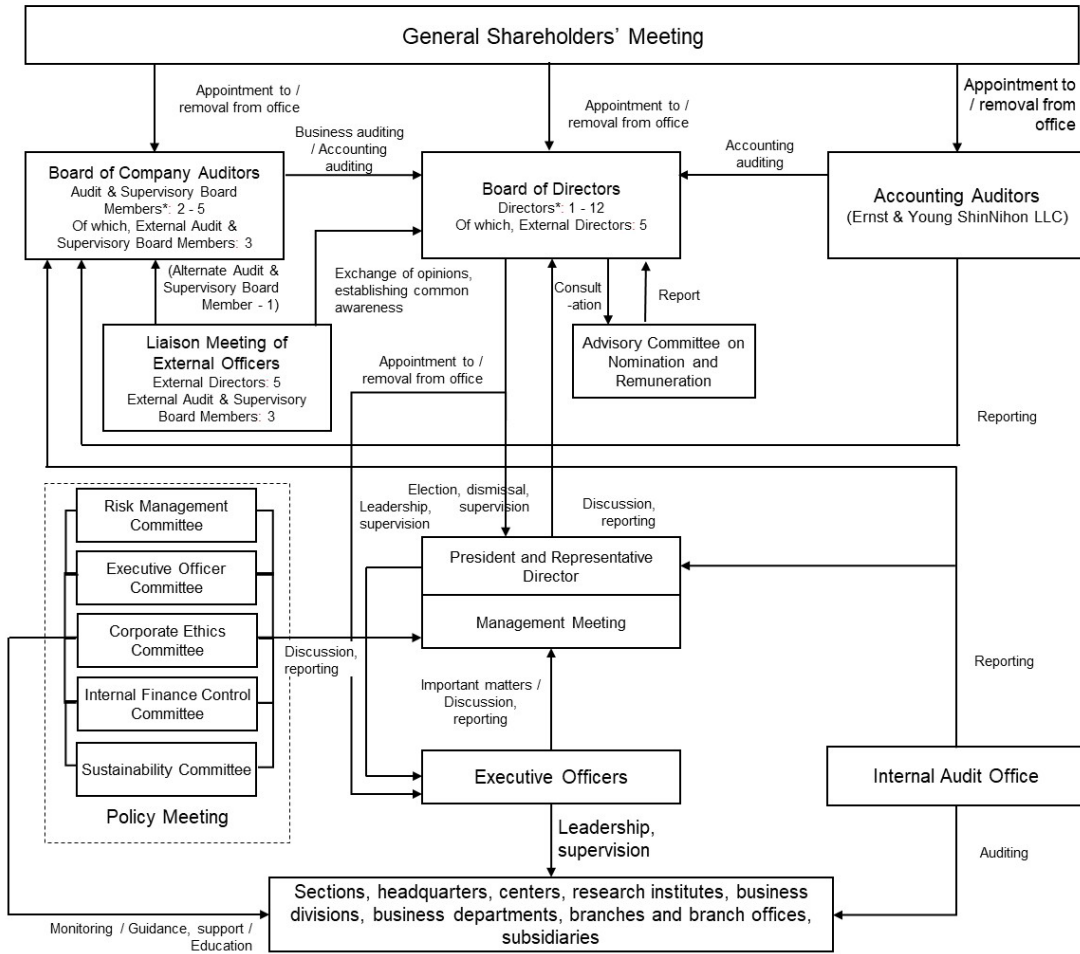
(Note 3) A “person who executes business” refers to an executive director and an employee in a division head class managerial position, such as the head of headquarters, business department or branch office, or a person in a position of similar importance

(Note 4) A “major lender” refers, in principle, to a lender from whom the Company has borrowings outstanding as of the end of a fiscal year equivalent to 2% or more of the Company's consolidated total assets as of the end of the same fiscal year for three or more consecutive years

(Note 5) “Large amounts of cash or other assets” refers to money or other property equivalent to 10 million yen or more per year

(Note 6) “Recent period” means a period of up to five years immediately preceding the time of determining the relevant proposal for election to be submitted to the General Meeting of Shareholders

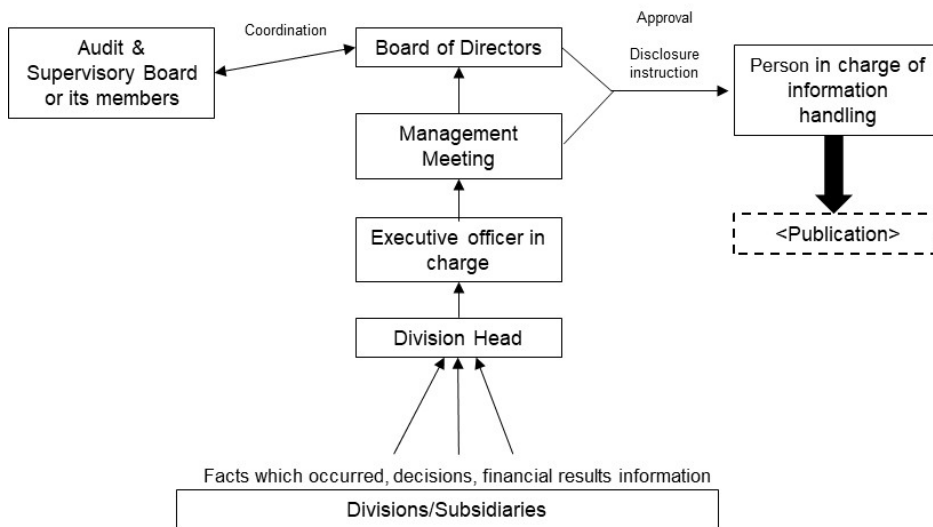
## <Corporate Governance System>



\*1. The Articles of Incorporation stipulate that the number of Directors shall not exceed 16.

\*2. Among the members of the Company's Audit & Supervisory Board, one member possesses extensive knowledge and insight on finance and accounting.

<Diagram of Timely Disclosure System>



June 27, 2025

## **Sanki Engineering's Initiatives Related to the Principles of Corporate Governance Code**

### **[Disclosure Based on Each of the Principles of the Corporate Governance Code]**

The information herein is based on the Code revised on June 11, 2021.

#### **Section 1: Securing the Rights and Equal Treatment of Shareholders**

##### **[Principle 1.4]**

When companies hold shares of other listed companies as cross-shareholdings, they should disclose their policy with respect to doing so, including their policies regarding the reduction of cross-shareholdings. In addition, the Board of Directors should annually assess whether or not to hold each individual cross-shareholding, specifically examining whether the purpose is appropriate and whether the benefits and risks from each holding cover the company's cost of capital. The results of this assessment should be disclosed.

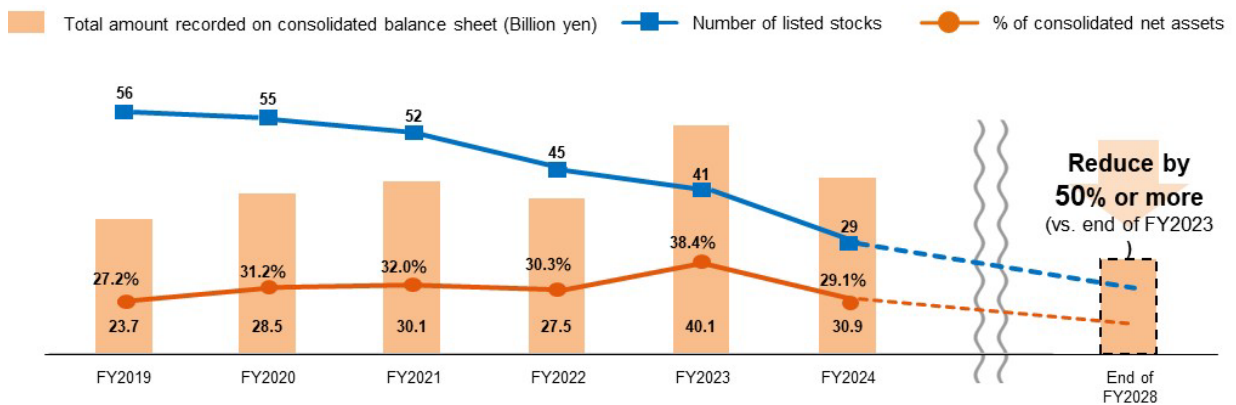
Companies should establish and disclose specific standards with respect to the voting rights as to their cross-shareholdings, and vote in accordance with the standards.

The Company holds shares in listed companies for the purpose of increasing the Company's medium- to long-term corporate value by maintaining and strengthening smooth long-lasting business relationships, etc. Every year, the Board of Directors periodically reviews the purpose and economic rationale of these cross-shareholdings, and considers selling the shares after comprehensively taking into account the results of this review.

At this time, the Company has judged that it is necessary to further improve capital efficiency and hence will more actively promote reduction of cross-shareholdings. Specifically, the Company aims to achieve a reduction of 50% or more in both the number and value of listed stocks held as cross-shareholdings compared to the end of FY2024 and reduce cross-shareholdings to less than 20% of consolidated net assets by the end of FY2028.

If any cross-shareholder of the Company's shares indicate its intentions to sell the shares in its holding, the Company will not engage in any actions to prevent the sale.

#### [Illustration of Reduction in Cross-Shareholdings]



When exercising the voting rights of the shares in cross-shareholdings, decisions are made after careful assessment of each proposal, and the voting results are regularly reported to the Board of Directors.

(Article 10 of Sanki Engineering Corporate Governance Guidelines)

#### [Principle 1.7]

When a company engages in transactions with its directors or major shareholders (i.e. related party transactions), in order to ensure that such transactions do not harm the interests of the company or the common interests of its shareholders and prevent any concerns with respect to such harm, the board should establish appropriate procedures beforehand in proportion to the importance and characteristics of the transaction. In addition to their use by the board in approving and monitoring such transactions, these procedures should be disclosed.

The Company's Board of Directors Rules stipulate that the Directors must obtain the approval of the Board of Directors when engaging in competitive transactions, self-dealing transactions or indirect transactions involving conflicts of interest, and report to the Board of Directors on material facts even after a transaction is completed.

(Partially stated in Articles 9 (3) and 18 (4) of Sanki Engineering Corporate Governance Guidelines)

## Section 2: Appropriate Cooperation with Stakeholders Other Than Shareholders

#### [Supplementary Principle 2.4.1]

Companies should present their policies and voluntary and measurable goals for ensuring diversity in the promotion of core human resources, such as the promotion of women, foreign nationals, and midcareer hires to middle managerial positions, as well as disclosing their status.

In addition, in light of the importance of human resource strategies for improving corporate value over the mid- to long-term, companies should present their policies for human resource development and internal environment development to ensure diversity, as well as the status of their implementation.



1. Ensuring diversity in the promotion of core human resources, etc.

The Group believes that creating a work environment in which diverse human resources can fully demonstrate their abilities will lead to an increase in corporate value, and is working to foster an organizational culture and develop various systems that respect the diversity of employees, aiming to create a better work environment in which employees can work comfortably. The [“Sanki Engineering Group Code of Conduct and Guidelines”](#) champions “Respect for human rights” and clearly states that no member of the organization shall be discriminated on the basis of nationality, gender, age, disability, etc. Training sessions and other opportunities are provided to infuse this principle.

The Group identified its [materiality \(material issues\)](#) by extracting issues from a broad perspective and assessing them from the points of view of “improving environmental and social value” and “improving corporate value”. As materiality related to human rights, we specified “pursuit of happiness for colleagues” and set our goals on “human resource development and improvement of technology”, “promotion of work style reform”, “respect for human rights”, and “promotion of diversity”.

In the promotion of diversity, the “Return to Job” program was partially revised into the “Return to Career” program to include such cases as resignation for personal reasons, in order to create an environment where more diverse human resources can play an active role and to enable employees to flexibly develop their careers. This revised program has been in operation since October 2022. In FY2025, we introduced the “Referral Recruitment Program”, a program to encourage employees recommend their acquaintances or others as candidates for employment, and also established the “Alumni Network” to facilitate application for the “Return to Career” program, as part of our efforts to secure individuals who are work-ready. In addition, in FY2022, with a view to securing employment opportunities for older employees, we raised the mandatory retirement age from 60 to 65, and revised the re-employment system to establish a system that encourages employees to work up to the age of 70.

In the support for balancing work with childcare and nursing care, various initiatives are being implemented. Some of the systems we have put in place go beyond legal requirements (special childcare leave) to enable employees work flexibly according to life events, and activities are carried out to raise awareness. Measures are also taken to create an environment where the entire workplace can promote an understanding of and support balancing of work with childcare or nursing care, including organizing education programs for people in managerial positions, providing learning opportunities for employees, and arranging one-on-one meetings with specialists.

With regard to the promotion of women’s participation in the workplace, action plans were developed and measures are taken, based on the “Act on the Promotion of Women’s Active Engagement in Professional Life”, to create an environment where female employees can continue to play an active role. Based on the feedback received during regular meetings arranged to date between the President and female employees to exchange opinions, we introduced sliding work hours and hourly unit annual paid leave systems, improved the shorter working hours system for employees raising children, and are working on other initiatives to create a workplace environment for supporting women to continuously play an active role.

In order to secure mid-career hires, we introduced a “Direct Scouting Program” and developed a “Highly Skilled Personnel Promotion System” to secure human resources who are work-ready. In addition, various

training systems are organized to promote active participation of mid-career personnel.

## 2. Indicators, targets, and achievements in ensuring diversity

As presented below, indicators and targets have been established in order to ensure diversity, and are regularly monitored.

\* The status of childcare leave taken is disclosed in [Supplementary Principle 3.1.3].

Indicators	Targets (April 2026)	Actual (April 2025)
Ratio of female employees to all employees	16.4%	15.8%
Ratio of women in managerial positions to all managerial positions	3.0%	2.4%
Ratio of non-Japanese employees to all employees	1.7%	1.1%
Ratio of non-Japanese employees in managerial positions to all managerial positions	—	0.1%
Ratio of mid-career hires to all employees	—	17.5%
Ratio of mid-career hires in managerial positions to all managerial positions	—	18.5%

(Reference) General Employer Action Plan based on the Act on Promotion of Women's Active Engagement in Professional Life (FY2021-FY2026)

The targets and achievements of the above indicators relate to those of the Group companies engaged in the main businesses and which submit their annual securities report.

Please refer to [Supplementary Principle 3.1.3] for the Group's "Human Resource Development Policy" and "Internal Environment Development Policy".

(Article 14 of Sanki Engineering Corporate Governance Guidelines)

### [Principle 2.6]

Because the management of corporate pension funds impacts stable asset formation for employees and companies' own financial standing, companies should take and disclose measures to improve human resources and operational practices, such as the recruitment or assignment of qualified persons, in order to increase the investment management expertise of corporate pension funds (including stewardship activities such as monitoring the asset managers of corporate pension funds), thus making sure that corporate pension funds perform their roles as asset owners. Companies should ensure that conflicts of interest which could arise between pension fund beneficiaries and companies are appropriately managed.

The Company has adopted a contract-type defined benefit corporate pension plan. While administration and management of pension assets are entrusted to specialized institutions, the Asset Administration Committee has been established to monitor the status of their administration and management of pension assets in accordance with the "Basic Policy on the Management of Pension Assets" and "Strategic Asset Allocation," including assessment of the investment trustees. Attendees of the Committee meetings include

employee union representatives representing the employees, as well as third parties who are independent of the institution entrusted with the management of pension assets, for the purpose of providing advice from a professional perspective, including advice on appropriate management of conflicts of interest.

In addition, the management status of pension assets is regularly reported at Management Meetings.  
(Article 16 of Sanki Engineering Corporate Governance Guidelines)

### Section 3: Ensuring Appropriate Information Disclosure and Transparency

#### [Principle 3.1]

In addition to making information disclosure in compliance with relevant laws and regulations, companies should disclose and proactively provide the information listed below (along with the disclosures specified by the principles of the Code) in order to enhance transparency and fairness in decision-making and ensure effective corporate governance:

- (i) Company objectives (e.g. business principles), business strategies and business plans;
- (ii) Basic views and guidelines on corporate governance based on each of the principles of the Code;
- (iii) Board policies and procedures in determining the remuneration of the senior management and directors;
- (iv) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of directors and *kansayaku* candidates; and
- (v) Explanations with respect to the individual appointments/dismissals and nominations based on (iv)

#### 1. Management Philosophy and Management Plan

The “Sanki Engineering Group Management Philosophy” is a comprehensive statement of the Sanki Engineering Group’s purpose in society and ideal model of its executives and employees. The Group calls this “The Sanki Standard” and is promoting it both within and outside the Group.

#### **Sanki Engineering Group Management Philosophy**

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

We will refine our skills and wisdom with the aim of increasing client satisfaction.

We will place significance on communication and mutual respect.

We will remain aware that we are a member of society and will act accordingly.

Guided by this management philosophy, the Group formulated a six-year management vision “MIRAI 2030” on the occasion of the 100th anniversary of the Group’s founding in April 2025 and having achieved the targets of the previous Medium-Term Management Plan. With “MIRAI 2030” running through FY2030 as the final year, the specific initiatives for the first three years have been put together in the “Medium-Term

Management Plan 2027". Under the banner of our corporate message "for people, for the Earth," we have put forth "Enhancement and Co-creation" as the theme of our Medium-Term Management Plan as we continue to strengthen our existing businesses and create new value through co-creation with external partners.

We believe that the Group's strengths lie not only in its wide range of technologies and extensive track record, but also in the relationships of trust that it has built over many years with the large number of cherished customers who support the global economic and social infrastructure. We intend to further expand and enhance these strengths by achieving the management vision "MIRAI 2030."

The Medium-Term Management Plan is disclosed through timely disclosure in accordance with the regulations of the financial instruments exchanges and also on websites.

Please refer to the Company's website for further information.

([https://www.sanki.co.jp/ir/policy/doc/index\\_20250513\\_01.pdf](https://www.sanki.co.jp/ir/policy/doc/index_20250513_01.pdf))

## 2. Basic concept and guidelines on corporate governance

The Sanki Engineering Group has formulated the "Sanki Engineering Corporate Governance Guidelines" which summarize its approach to corporate governance. In this document, corporate governance is defined as follows.

"The Group defines corporate governance as being a structure and initiatives to realize sustainable growth and increase in corporate value over the medium to long term, with the Board of Directors strengthening its function by putting in place a system to oversee the Chief Executive Officer for conducting transparent, fair, prompt and decisive decision-making while engaging in dialogue with stakeholders (customers, shareholders/investors, employees, business partners, local communities, government agencies, etc.)."

(Article 2 of Sanki Engineering Corporate Governance Guidelines)

## 3. Policy and procedures regarding determination of compensation for Directors and Audit & Supervisory Board Members

The Company determines compensation for Directors and Audit & Supervisory Board Members each year within the limits resolved at the General Meeting of Shareholders, by taking into consideration the balance of the following three elements for each Director and Audit & Supervisory Board Member, in a way that would be linked to the long-term interests of shareholders and increase motivation to maximize corporate value.

1	Fixed remuneration	By position and scope of responsibility
2	Bonuses	Performance-linked portion for the period
3	Restricted stock compensation	Granted as a medium- to long-term incentive according to position and role

The contents and procedures for each element for Directors and Audit & Supervisory Board Members

are as follows.

	Fixed remuneration	Bonuses	Restricted stock compensation	Procedures
Directors (excluding External Directors)	○	○*	○	Determined by the Board of Directors after deliberation by the Advisory Committee on Nomination and Remuneration
External Directors	○	—	○	Determined by the Board of Directors after deliberation by the Advisory Committee on Nomination and Remuneration
Audit & Supervisory Board Members (excluding External Audit & Supervisory Board Members)	○	—	○	Determined through discussion among the Audit & Supervisory Board Members
External Audit and Supervisory Board Members	○	—	○	Determined through discussion among the Audit & Supervisory Board members

\* Excluding non-executive directors

(Note) “○” indicates that the relevant element is applicable, “—” indicates that the relevant element is not applicable  
(Article 31 of Sanki Engineering Corporate Governance Guidelines)

#### 4. Policy and procedures for nomination of Directors and Audit & Supervisory Board Members

##### (1) Roles of Directors and candidate nomination policy

The Company believes that the role of a Director is to perform its function with the mandate of the shareholders, to realize efficient and effective corporate governance, make decisions that are important to the Company and oversee execution of duties, and thereby endeavor to achieve sustainable growth and increase corporate value over the medium to long term.

The Board of Directors nominates as Director candidates individuals who have extensive professional experience and knowledge, a high level of insight and ethical standards, and who can be expected to fulfill the role of Directors as described above.

As an additional quality of External Director candidates, individuals who can be expected to provide advice from an independent and objective standpoint will be nominated.

(Articles 18 and 20 of the Sanki Engineering Corporate Governance Guidelines)

##### (2) Roles of Audit & Supervisory Board Members and candidate nomination policy

The Company believes that the role of Audit & Supervisory Board Members is to play a part in the supervisory function, working together with the Board of Directors. Members of the Audit & Supervisory Board, being an independent body mandated by the shareholders, endeavor to establish a high-quality corporate governance system that is worthy of social trust through its audit of the Directors' execution of their duties, in order to realize sound and sustainable growth and increase in corporate value over the medium to long-term while ensuring appropriate collaboration with stakeholders.

With the prior consent of the Audit & Supervisory Board, the Board of Directors nominates, as Audit

& Supervisory Board Member candidates, individuals who have a high level of insight and ethical standards, and who can be expected to fulfill the role of Audit & Supervisory Board Members as described in the preceding Article.

The Company endeavors to nominate, as a candidate for one of the Audit & Supervisory Board Members, an individual who has appropriate knowledge of finance and accounting.

(Articles 21 and 22 of the Sanki Engineering Corporate Governance Guidelines)

(3) Nomination procedures for Director and Audit & Supervisory Board Member candidates

In the nomination of candidates for Directors, the Advisory Committee on Nomination and Remuneration, which is an advisory body to the Board of Directors, deliberates and reports the results of the deliberation to the Board of Directors, while in the nomination of candidates for Audit & Supervisory Board Members, prior consent of the Audit & Supervisory Board is obtained, upon which the Board of Directors decides the proposals to be submitted to the General Meeting of Shareholders with respect to candidates for Director and Audit & Supervisory Board Member.

Proposals for dismissal of Directors are deliberated by the Board of Directors after discussion by the Advisory Committee on Nomination and Remuneration.

(Articles 20, 22, 24 and 25 of the Sanki Engineering Corporate Governance Guidelines)

5. Reasons for individual nominations of Directors and Audit & Supervisory Board Members

The reasons for nominating Directors and Audit & Supervisory Board Members are individually disclosed in the [Notice of Convocation of the General Meeting of Shareholders](#).

With respect to External Directors and External Audit & Supervisory Board Members, the reasons for nomination are also stated in (II) Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight" of this report, under [Directors] External Directors' Relationship with the Company (2) and [Audit and Supervisory Board Member] External Audit and Supervisory Board Members' Relationship with the Company (2).

(Article 23 of Sanki Engineering Corporate Governance Guidelines)

[Supplementary Principle 3.1.3]

Companies should appropriately disclose their initiatives on sustainability when disclosing their management strategies. They should also provide information on investments in human capital and intellectual properties in an understandable and specific manner, while being conscious of the consistency with their own management strategies and issues.

In particular, companies listed on the Prime Market should collect and analyze the necessary data on the impact of climate change-related risks and earnings opportunities on their business activities and profits, and enhance the quality and quantity of disclosure based on the TCFD recommendations, which are an internationally well-established disclosure framework, or an equivalent framework.

1. Approach to sustainability

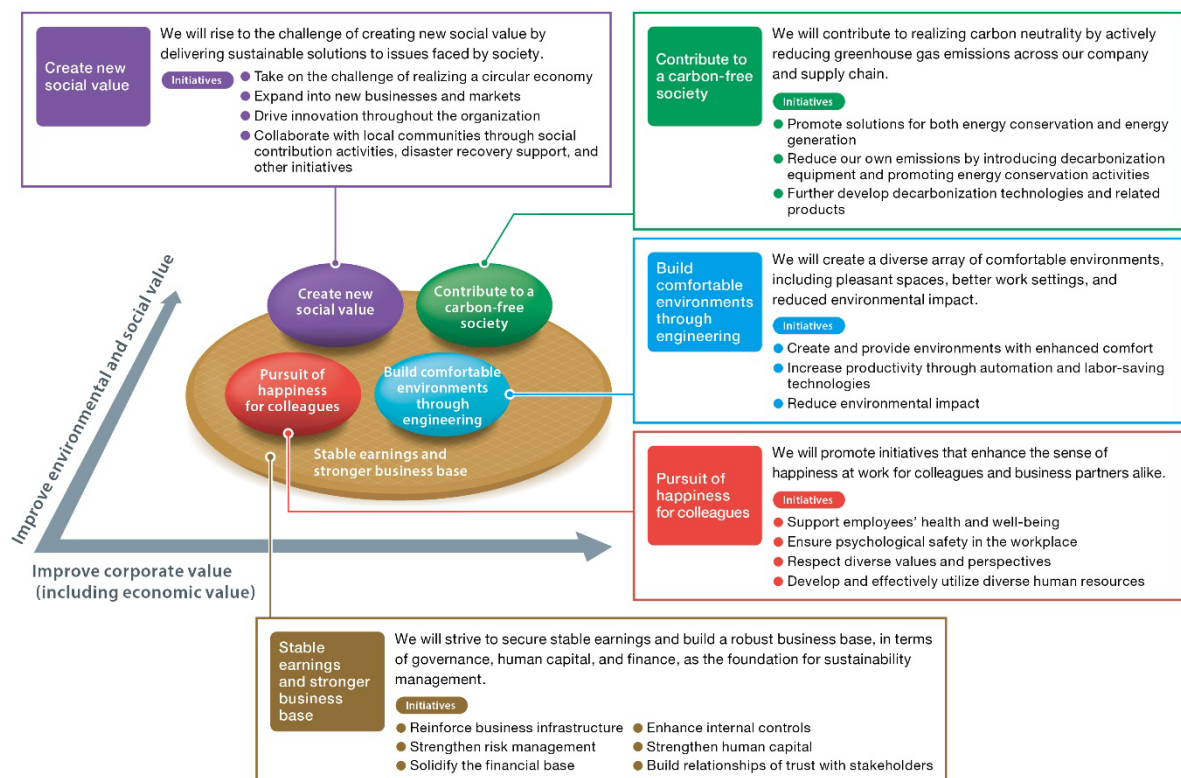
The Group has established a sustainability policy based on its management philosophy to promote

sustainability management and maintain sustainable, long-term development by balancing its environmental and social contributions with securing profits.



In order to realize the sustainability of the Group, we have identified our materiality (material issues). Issues were extracted from various perspectives, assessed from the points of view of “improving environmental and social value” and “improving corporate value”, and prioritized. The high priority issues were grouped into five materiality challenges, as follows, based on which various initiatives have been formulated and are currently pursued.

### Sanki Engineering Group Materiality



## 2. Corporate governance

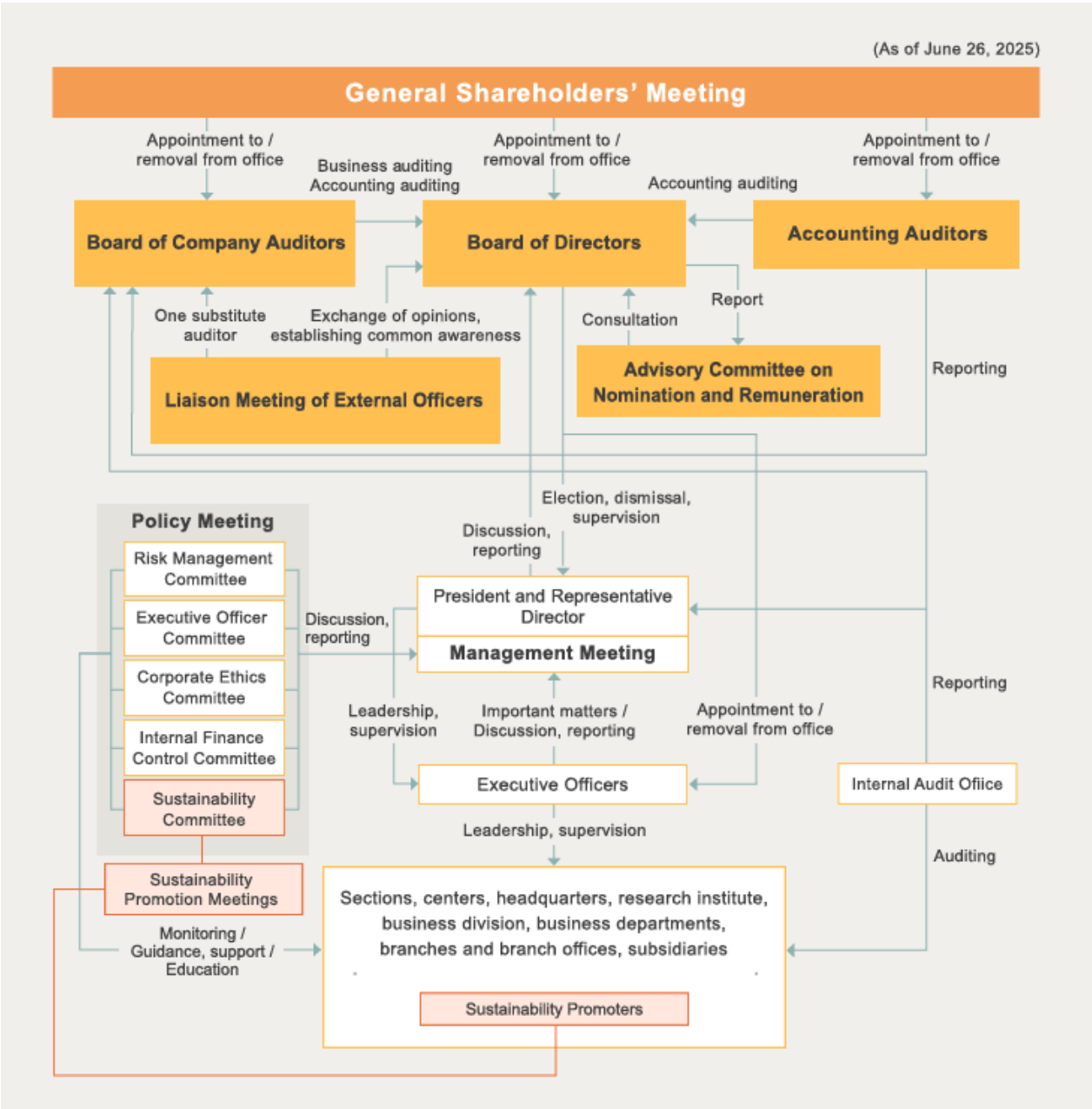
In order to address general sustainability issues, the Group has established a Sustainability Committee, which is chaired by the President and Representative Director and consists of full-time Directors.

The Sustainability Committee deliberates and decides on the key issues and measures for realizing

sustainability management. The contents of the Committee's deliberations and decisions are reported to the Management Meeting and the Board of Directors for supervision. Issues that significantly impact business and management strategies are brought up to the Management Meeting or the Board of Directors for decision or approval, depending on their importance.

The Sustainability Promotion Meeting, established as a subcommittee of the Sustainability Committee and composed of personnel in charge of sustainability in each division, communicates the Committee's discussions and decisions to the whole Group, and discusses, promotes and reviews progress of specific activities to promote sustainability.

<Sustainability Promotion Structure>





### 3. Risk management

The Group has in place the “[Risk Management Committee](#)” for the purpose of identifying risks in business operations, preventing risks from materializing, and minimizing losses in the event risks materialize. The Committee identifies risks that affect the Group’s businesses, quantitatively evaluates the degree and frequency of impact to the extent possible, determines priorities and the responsible departments, establishes the policy for addressing the risks and specifics for control measures, and monitors and reviews the progress and effectiveness of the specific measures.

Decisions and reports are submitted to the Sustainability Committee, the Management Meeting, or the Board of Directors for decision or approval, depending on their importance. This information is then distributed to the entire Group.

Impact assessment of climate change-related risks and opportunities is conducted by the Sustainability Committee which, in cooperation with the “Risk Management Committee” and the “Sustainability Promotion Meeting,” manages the progress of measures taken and other related matters.

### 4. Initiatives regarding material sustainability items

#### (1) Climate change-related issues

Of the five material issues identified to achieve sustainability management, the Group places the highest priority on “contributing to a decarbonized society,” and is addressing the issue of climate change from the perspectives of both risks and opportunities. Scenario analysis is conducted to understand medium- to long-term impact of climate change on the Group’s businesses. Risks and opportunities identified through the analysis are incorporated into the management vision “MIRAI 2030” and “Medium-Term Management Plan 2027,” and addressed as part of the management plan.

In the analysis, we adopted the 1.5°C scenario, which targets limiting global warming to an increase of no more than 1.5°C above pre-industrial levels in 2100, and the 4°C scenario projecting around 4°C global warming, to estimate the respective impacts of the transition risks associated with changes in policies and market trends, as well as physical risks arising from disasters or other such events.

For each scenario, risks and opportunities for the Group are identified, financial impacts are assessed, and the degree of impact is rated as high, medium, or low.

For information disclosed in accordance with TCFD recommendations, including scenario analysis and financial impact assessment, please refer to the Company’s website.

(<https://www.sanki.co.jp/csr/environment/tcfd/>)

#### (i) Indicators and Targets

The Group considers greenhouse gas emissions to be the most critical indicator related to climate change. As stated in the Sanki Carbon Neutral Declaration, the long-term goal is to achieve carbon neutrality in Scope 1 and 2 by 2030, and in Scope 1 and 2 and 3 by 2050. Furthermore, in the management vision “MIRAI 2030,” we are promoting “contribution to a decarbonized society” with a target of reducing Scope 3 by 25% (compared to FY2020) in 2030.

### **Sanki's Carbon Neutral Declaration**

Make earnest efforts to tackle the global climate change crisis and strive to realize carbon neutrality

- Achieve carbon neutrality for the Group's direct GHG emissions (Scope 1 and 2) by 2030
- Achieve carbon neutrality for GHG emissions across the entire supply chain (Scope 1, 2, and 3) by 2050.

## **(2) Matters Related to Human Capital**

### **(i) Policies that form the framework for human resources strategies**

The Company formulates its human resources strategies around the following two policies.

#### **[ Policy on human resource development]**

The Group believes that employees with skills are the source of business competitiveness and corporate value, and that they are its greatest asset. To realize the management philosophy that aspires to "Create comfortable environments through engineering and widely contribute to social development," the Company has established "Human Resource Development Policy" and defined "Desired Human Resources," and will work on developing education and training systems that enable employees to develop their skills through mutual inspiration and feel their personal growth as responsible members of society.

While giving due consideration to the personality and attributes of each employee in individual career development, we appropriately assign employees so that they can demonstrate their abilities to the fullest, and provide opportunities for growth through work experience.

### **Human Resource Development Policy**

We develop human resources that are distinctive to Sanki, individuals who understand their roles as responsible members of society and can use engineering to create comfortable spaces that advance society at large.

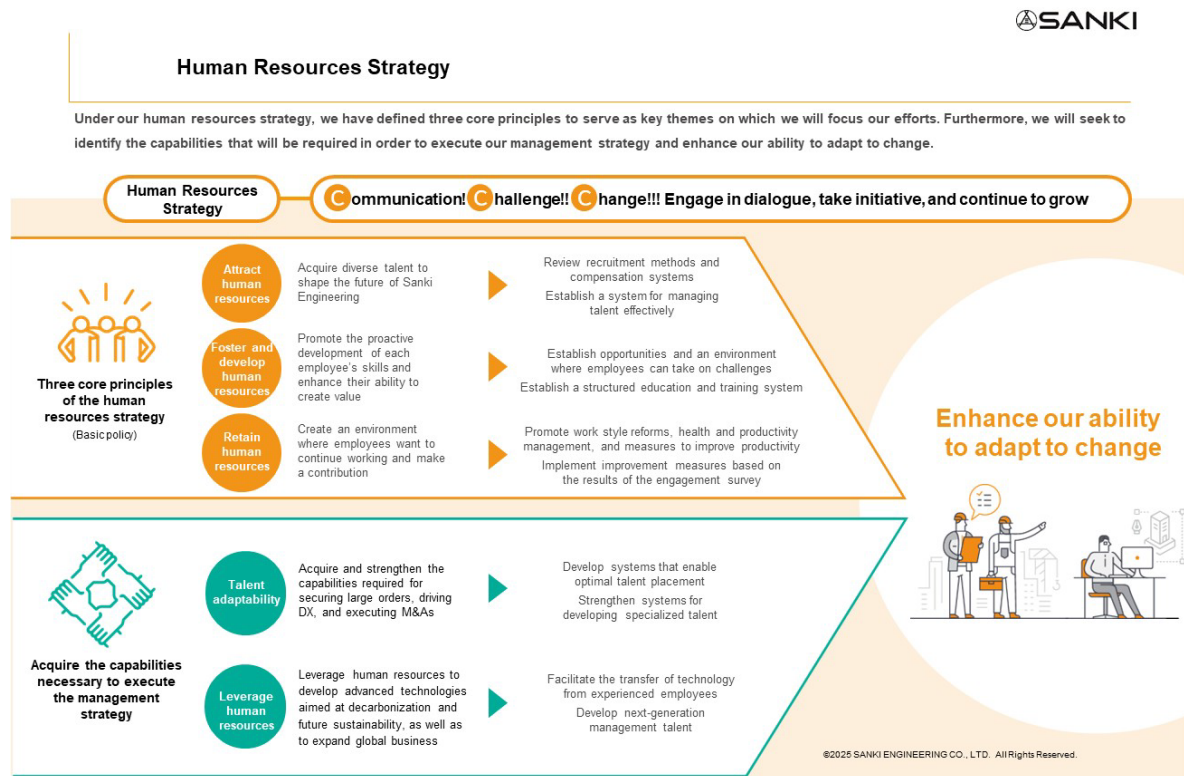
#### **Desired Human Resources**

- Human resources who possess knowledge and expertise and are capable of creating wisdom through critical thinking
- Human resources with excellent communication skills
- Human resources who are socially conscious and proactive

In the management vision "MIRAI 2030" formulated in FY2025, we adopted the slogan of the human resources strategy

**Communication! Challenge!! Change!! Engage in dialogue, take initiative, and continue to grow**

and defined three core principles (basic policy) of our human resources strategy to serve as key themes on which we will focus our efforts in the execution of our management strategy. Furthermore, we will seek to enhance our “ability to adapt to changes” by identifying the capabilities that will be required in order to execute our management strategy.



#### [Policy on improvement of internal environment]

With the aim of “pursuing happiness for colleagues”, which is one of our material issues, we provide an environment in which each and every employee can have a sense of job satisfaction and continue to work.

The “engagement score” is set as an indicator to measure employee expectations and satisfaction levels. It uses Motivation Cloud developed by Link and Motivation Inc. to find deviation value that measures the degree of employee understanding and alignment with the Company’s goals and directions (50.0 being the standard score).

The “Engagement Survey” conducted in FY2024 clarified where our strengths and challenges lie. Accordingly, for the strengths, we will actively work to develop them further, and for the challenges, we will analyze the background and take measures to address the issues.

#### (ii) Key indicators, targets and achievements in human capital management

For human capital, the Group uses the items set out in the “Guidelines for Human Capital Visualization (19 items across 7 areas)” issued by the Cabinet Secretariat.

While it is desirable to disclose targets and achievements for all 19 items in the 7 areas, we will be disclosing our targets and achievements progressively by setting priorities.

In principle, the targets and achievements that will be disclosed will be quantitative figures, but for items that cannot be quantified, we will use qualitative targets.

It should be noted that the targets and achievements for each indicator relate to the Group companies engaged in the main businesses and which submit their annual securities report.

On the “Promotion of Diversity,” please refer to [Supplementary Principle 2.4.1].

Next, targets and achievements related to “human resource development policy” and “improvement of internal environment” are presented below.

[Human resource development policy]

(a) Leadership

In order to foster leadership of people in managerial positions, we provide face-to-face, online, video streaming and other forms of education and training programs to general managers and managers who are expected to show leadership, at the time of their appointment and on a regular basis.

(b) Skills and experience

Going forward, we will identify the skills required of the human resources defined in the “Human Resource Development Policy,” create a skills map, and visualize the skills held using talent management system.

One of the Corporate Value Enhancement Indicators (KPIs) set in the new management vision “MIRAI 2030” to drive sustainable growth is the number of qualifications acquired that the Company has determined to be necessary for business, to measure employees’ skill proficiency levels. A target has been set to increase this number by 10% by the end of FY2027 compared to FY2024.

Indicator	Target (March 2028)	Reference number (March 2025)
Number of qualifications	3,575	3,250

(c) Active promotion of young people

An “early promotion system” has been established for managerial positions to actively promote younger employees who will lead the next generation.

Specific indicator is the following.

Indicator	Target (April 2026)	Actual (April 2025)
Managers’ average age	Manager 45.8 years of age General manager 50.2 years of age Executive manager 53.5 years of age	Manager 46.9 years of age General manager 52.6 years of age Executive manager 54.6 years of age

(d) Recruitment

Taking into consideration the job market, we develop a human resources plan based on the

management vision, and actively engage in recruitment activities.

In hiring new graduates, we conduct an analysis of the characteristics of active employees of the Company, establish “hiring requirements,” and endeavor to secure outstanding students.

For information on initiatives related to mid-career recruitment, please refer to [Supplementary Principle 2.4.1].

	FY2024	FY2023
Number of new graduate hires (planned number)	91 (90)	51 (100)
Number of mid-career hires (planned number)	14 (10)	8 (28)

\*The number of new graduate hires indicates the number of new graduates joining in April of the following year.

#### (e) Retention

In the construction industry, labor shortage is conspicuous both from short-term and medium to long-term perspectives. The Company considers this to be an important management issue.

Alongside active hiring efforts, we have implemented measures to improve employees' working conditions (increases in base pay and various allowances) to prevent loss of talent. In addition, the Group is promoting initiatives to ensure diversity for addressing labor shortage issues as part of its efforts to increase corporate value. For details, please refer to [Supplementary Principle 2.4.1].

[2024 turnover rate (resignation for personal reasons only)]

Turnover rate by gender

	Overall	20s:	30s:	40s:	50s:	60s:
Men	1.0%	2.3%	0.8%	0.6%	0.7%	0.0%
Women	1.7%	3.4%	2.0%	1.4%	0.0%	0.0%
Overall	1.1%	2.5%	1.1%	0.7%	0.7%	0.0%

Turnover rate by job category

	Overall	20s:	30s:	40s:	50s:	60s:
Career track positions	1.2%	2.5%	1.2%	0.6%	0.7%	0.0%
Operational positions	1.0%	2.5%	0.0%	1.8%	0.0%	0.0%
Other	1.1%	2.5%	1.1%	0.7%	0.7%	0.0%

Turnover rate of new graduates leaving within three years (year of joining)

FY2022	FY2021	FY2020
9.6%	16.8%	10.2%

#### b. Policy on improvement of internal environment

##### (a) Engagement

An engagement survey was conducted in FY2024, as an indicator to measure the “pursuit of

happiness of colleagues,” a materiality issue for sustainability management. The engagement score was 54.0. Although the Company had cleared the standard score of 50.0 in FY2023, a higher target level of 55.0 was set, to be achieved by FY2025. In the management vision “MIRAI 2030,” the target has been raised to 57.0 to be achieved by FY2027, setting it as a new Corporate Value Enhancement Indicator (KPI) to drive sustainable growth. In order to achieve this target, we will continue to implement initiatives such as close communication between the company and employees and aim to be the “Enduring Company of Choice” for its employees.

Indicator	Target (FY2027)	Actual (FY2024)
Engagement score	57.0	54.0

(b) Childcare leave

We are implementing various measures to support balancing childcare and work. Please refer to [Supplementary Principle 2.4.1] for specific initiatives.

	FY2024			FY2023		
	Men	Women	Total	Men	Women	Total
Employees taking childcare leave (number of persons)	42	14	56	37	12	49
Including special childcare leave (number of persons)	51	14	65	45	12	57
Percentage of employees taking childcare leave	58.3%	100%	65.1%	74.0%	100%	79.0%
Including special childcare leave	70.0%	100%	75.6%	90.0%	100%	91.9%
Percentage of employees reinstated following childcare leave	100%	100%	100%	100%	83.3%	95.7%

- \* In FY2022, only the percentage of employees taking childcare leave based on the “Act on the Promotion of Women’s Active Engagement in Professional Life” (Act No. 64 of 2015) was disclosed. From FY2023, the Company has been disclosing the numbers that include company-specific leave based on the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76 of 1991).

Indicators	Targets (FY2025)	Actual (FY2024)
Percentage of employees taking childcare leave	100% for men* 100% for women	58.3% for men 100% for women
Percentage of employees taking childcare leave (including special childcare leave)		70.0% for men 100% for women

- \* In the Annual Securities Report for FY2022, we indicated 50% as the FY2025 target for the percentage of male employees taking childcare leave, but since this target was achieved in FY2023, a new target was set at 100%.

### (3) Intellectual Property

As an engineering firm, the Group considers the development of new technologies and new products to be an important management issue as it pursues the slogan of the management vision "MIRAI 2030, "for people, for the Earth."

In the Medium-Term Management Plan 2027, we defined "enhancement and co-creation" as the key themes, and set the amount of growth investment at around 50 billion yen, in line with which we are strengthening our efforts in the development of technologies to realize a decarbonized and circular economy, and in research and development for next-generation technology fields including robotics and digital transformation (DX). In particular, we are promoting interdisciplinary research based on our R&D vision of "Creating a sustainable future through a harmonious balance between people, technology and nature."

The innovative technologies and know-how that have been created through these proactive R&D activities shall be protected by ensuring that intellectual property rights are acquired, and leveraged as the source of our competitiveness in the business.

Furthermore, we are actively promoting open innovation and expanding co-creation research through industry-academia collaboration and external collaboration through strategic alliances, to improve our technological capabilities and create new business opportunities. We are also promoting R&D projects to explore new technologies and develop new businesses, and are pushing ahead with the creation of innovative technologies such as robotics.

In addition, by respecting the creativity of each employee and working on cultivating an intellectual property mindset, we are creating a foundation for sustainable innovation.

(Articles 13 and 17 of the Sanki Engineering Corporate Governance Guidelines)

## **Section 4 Responsibilities of the Board of Directors, etc.**

### [Supplementary Principle 4.1.1]

The board should clearly specify its own decisions as well as both the scope and content of the matters delegated to the management, and disclose a brief summary thereof.

Statutory matters and important decision-making matters are set out in accordance with the criteria for agenda items to be discussed at Board of Directors meetings. In addition, based on the basic management policy established by the Board of Directors, the Management Meeting has been established as a decision-making body for fundamental and important matters related to business execution.

[Summary of matters for resolution by the Board of Directors]

- Matters concerning fundamental management strategy
- Matters concerning General Meeting of Shareholders
- Matters concerning officers
- Matters concerning the Company's important organizational bodies and personnel
- Matters concerning settlement of accounts
- Matters concerning finance and accounting
- Matters concerning shares
- Other important matters concerning business execution

[Principle 4.9]

Boards should establish and disclose independence standards aimed at securing effective independence of independent directors, taking into consideration the independence criteria set by securities exchanges. The board should endeavor to select independent director candidates who are expected to contribute to frank, active, and constructive discussions at board meetings.

The Company deems an External Director or an External Audit & Supervisory Board Member to be independent if none of the following apply at the time of determining the election proposal to be submitted to the General Meeting of Shareholders.

- (1) A person for whom the Company is a major business partner (Note 1), or if such person is a legal entity, etc. (Note 2), a person who executes business (Note 3) thereof
  - (2) A major business partner (Note 1) or a major lender (Note 4) of the Company, or if such party is a legal entity, etc. (Note 2), a person who executes business (Note 3) thereof
  - (3) A consultant, accounting professional, or legal professional who receives large amounts of cash or other assets (Note 5) from the Company other than officer compensation
  - (4) A person to whom any of the items (1) through (3) above applied in the recent period (Note 6)
  - (5) A relative within the second degree of kinship of a person to whom any of the items (a) through (d) below apply (excluding the case where the kinship has been dissolved due to divorce, separation, etc.)
    - (a) a person listed in (1) to (4) above
    - (b) A person who executes business (Note 3) of a subsidiary of the Company
    - (c) A non-executive director of a subsidiary of the Company (when designating an External Audit & Supervisory Board Member as an independent officer)
    - (d) A person to whom either of (b) or (c) above applied or who served a person who executes business (Note 3) of the Company in the recent period (Note 6)
  - (6) Among the major shareholders of the Company, any shareholder with 10% or more shareholding in the Company continuously for three or more consecutive years in the recent period (Note 6), or if such shareholder is a legal entity, etc. (Note 2), an executing person (Note 3) thereof
- (Note 1) A "major business partner" refers, in principle, to a business partner which accounts for 3% or more



of the Company's annual consolidated net sales for three or more consecutive years

(Note 2) A "legal entity, etc." refers to any legal entity or any organization other than a legal entity, such as an association

(Note 3) A "person who executes business" refers to an executive director and an employee in a division head class managerial position, such as the head of headquarters, business department or branch office, or a person in a position of similar importance

(Note 4) A "major lender" refers, in principle, to a lender from whom the Company has borrowings outstanding as of the end of a fiscal year equivalent to 2% or more of the Company's consolidated total assets as of the end of the same fiscal year for three or more consecutive years

(Note 5) "Large amounts of cash or other assets" refers to money or other property equivalent to 10 million yen or more per year

(Note 6) "Recent period" means a period of up to five years immediately preceding the time of determining the relevant proposal for election to be submitted to the General Meeting of Shareholders

[Supplementary Principle 4.10.1]

If the organizational structure of a company is either Company with *Kansayaku* Board or Company with Supervisory Committee and independent directors do not comprise a majority of the board, in order to strengthen the independence, objectivity and accountability of board functions on the matters of nomination (including succession plan) and remuneration of the senior management and directors, the company should seek appropriate involvement and advice from the committees, including from the perspective of gender and other diversity and skills, in the examination of such important matters as nominations and remuneration by establishing an independent nomination committee and remuneration committee under the board, to which such committees make significant contributions.

In particular, companies listed on the Prime Market should basically have the majority of the members of each committee be independent directors, and should disclose the mandates roles of the committees, as well as the policy regarding the independence of the composition.

The Company has in place the Advisory Committee on Nomination and Remuneration as an independent committee under the Board of Directors for the purpose of enhancing the fairness, transparency, and objectivity of procedures related to personnel, compensation and other relevant matters concerning the Directors, and enhancing the Company's corporate governance. The Committee consists of three or more members, including the chairperson, who are selected from among the External Directors by resolution of the Board of Directors. In response to inquiries from the Board of Directors, the Committee provides advice from an independent standpoint, including from the perspective of gender and other dimensions of diversity, as well as skills.

(Article 24 of Sanki Engineering Corporate Governance Guidelines)

[Supplementary Principle 4.11.1]

The board should identify the skills, etc. that it should have in light of its managing strategies, and have a view on the appropriate balance between knowledge, experience and skills of the board as a whole, and also on diversity and appropriate board size. Consistent with its view, the board should establish policies and procedures for nominating directors and disclose them along with the combination of skills, etc. that each director possesses in an appropriate form according to the business environment and business characteristics, etc., such as what is known as a “skill matrix”. When doing so, independent director (s) with management experience in other companies should be included.

The Company identifies the skills that the members of the Board of Directors are expected to demonstrate in light of its management strategy, and has in place the Board of Directors composed of diverse human resources that encompass these skills. The current status is as follows.

Name	Current Rank and Role	Corporate Management / Management Strategy	Engineering	Design / R&D	Sales / Marketing	Global	Accounting / Finance	Risk Management / Governance / Legal Affairs	Sustainability	IT / DX	Labor Affairs / Human Resource Development
Tsutomu Hasegawa	Representative Director and Chairman	■	■	■	■	■		■			
Hirokazu Ishida	Representative Director and President	■	■	■	■				■		■
Masayuki Kudo	Director, Senior Executive Officer	■	■			■		■	■	■	
Kazuaki Iijima	Director, Senior Executive Officer General Manager, Plants & Machinery Systems Headquarters	■	■	■					■	■	
Junichi Shimbo	Director, Senior Executive Officer General Manager, Mechanical and Electrical Contracting Headquarters	■	■	■	■	■					
Yoshio Kawabe	Director; Senior Executive Officer General Manager, Accounting Division Chief Financial Officer	■					■	■	■		■
Kazuhiro Nagoya	Director; Managing Executive Officer General Manager, Corporate Division	■				■		■	■	■	
Yukiteru Yamamoto	External Director Chair of the Board of Directors	■					■				■
Kazuhiko Kashikura	External Director	■			■		■				
Keiji Kono	External Director	■				■	■			■	
Akihiko Matsuda	External Director	■	■		■						
Tamami Umeda	External Director					■		■	■		
Kunihiko Tachi	Full-time Audit & Supervisory Board Member						■	■			
Tsunemitsu Yamanaka	Full-time Audit & Supervisory Board Member		■					■			
Shozo Fujita	External Audit & Supervisory Board Member	■						■	■		
Yutaka Atomi	External Audit & Supervisory Board Member	■						■	■		
Toshiaki Egashira	External Audit & Supervisory Board Member	■					■	■			

[Supplementary Principle 4.11.2]

Outside directors, outside *kansayaku*, and other directors and *kansayaku* should devote sufficient time and effort required to appropriately fulfill their respective roles and responsibilities. Therefore, where directors and *kansayaku* also serve as directors, *kansayaku* or the management at other companies, such positions should be limited to a reasonable number and disclosed each year.

When an independent external officer concurrently serves as an officer of another listed company, the Company ensures that he/she can secure the time and effort necessary to fulfill his/her role and responsibilities as Director or Audit & Supervisory Board Member of the Company. With respect to internal officers, no significant concurrent positions are assigned.

The status of significant concurrent positions held by Directors and Audit & Supervisory Board Members is disclosed in the [Business Report](#) and the [Annual Securities Report](#).

[Supplementary Principle 4.11.3]

Each year, the board should analyze and evaluate its effectiveness as a whole, taking into consideration the relevant matters, including the self-evaluations of each director. A summary of the results should be disclosed.

## 1. Evaluation policy and process

Once a year, the Board of Directors is given the opportunity for self-inspection of its agenda deliberation process and identification of areas of improvement, for the purpose of analyzing and evaluating the effectiveness of the Board of Directors as a whole, and using the outcome for improvement of its operation and other matters. In principle, this is done in a questionnaire format, but once every three years, instead of a questionnaire, interviews with Directors and Audit & Supervisory Board Members are individually conducted by a third party.

(Article 29 of Sanki Engineering Corporate Governance Guidelines)

We consider the Board effectiveness evaluation exercise as providing an opportunity to further improve our corporate governance, and use it not simply for evaluation of the Board effectiveness, but also for working on initiatives to improve the effectiveness of our corporate governance as a whole.

## 2. Responses to the issues identified in FY2023

### (1) Stimulate further discussions and address medium- to long-term management strategies

The Company formulated “MIRAI 2030,” a management vision looking ahead at 2030, as well as “Medium-Term Management Plan 2027” which contains specific measures for the first three years to achieve this vision. In the process of developing these plans, the members of the Board of Directors conducted intensive discussions, examined the subject from various aspects with an eye to future

changes in the business environment, and clarified the ideal and desired state of business. In addition, comprehensive strategic discussions were held on multiple occasions, extending across management strategy, business strategy, human capital strategy, financial strategy, and other areas.

(2) Strengthen support system for external officers

An environment has been set up to facilitate richer discussions at the Board of Directors meetings by clarifying the points to be discussed and sharing beforehand the contents of discussions at the Management Meetings with regard to agenda items to be submitted or reported to the Board of Directors. In addition, information on the agenda to be discussed at the Management Meetings but not submitted or reported to the Board of Directors is also shared with the external officers, thereby creating an environment for deepening their understanding of the status of the Company's business and other relevant matters.

With respect to visits to the Company's construction sites which we have been arranging over the past years, tours to the sites of several projects have been organized for a deeper understanding of the wide range of the Company's businesses.

3. FY2024 evaluation process

(1) Third party analysis and evaluation conducted through individual questionnaires

Questionnaire forms were sent to all Directors and Audit & Supervisory Board Members, and anonymous responses were collected, analyzed, and evaluated by a third party.

Evaluation items and implementation method are as follows.

- (i) Ten questions were asked on the four items of "stimulation of discussions", "roles and responsibilities," "access to information and support systems," and "effectiveness evaluation"
- (ii) Each question was evaluated using a four-point scale and a comment field was provided to freely express views.

(2) Discussions by the Board of Directors

The questionnaire has already been conducted, but as discussion by the Board of Directors is scheduled for July 2025, details will be disclosed promptly after the Board discussion.

4. Actions for the Future

Disclosure will be promptly made based on the contents of the discussion described in 3. (2) above.

[Supplementary Principle 4.14.2]

Companies should disclose their training policy for directors and *kansayaku*.

When assuming their positions, Directors and Audit & Supervisory Board Members are provided with information on the Company's history, business performance, and future business plans, as well as legal, financial, accounting and other matters. Subsequently, the Company endeavors to periodically provide them with opportunities for training and acquisition of knowledge on management supervision and auditing.

For FY2024 initiatives, please refer to [Supplementary Principle 4.11.3] “2. Response to the issues identified in FY 2023.”

(Article 30 of Sanki Engineering Corporate Governance Guidelines)

## **Section 5 Dialogue with Shareholders**

[Principle 5.1]

Companies should, positively and to the extent reasonable, respond to the requests from shareholders to engage in dialogue (management meetings) so as to support sustainable growth and increase corporate value over the mid- to long-term. The board should establish, approve and disclose policies concerning the measures and organizational structures aimed at promoting constructive dialogue with shareholders.

The Corporate Division's Corporate Communications Department and the Accounting Division's Finance Department serve as the contact points for dialogue with shareholders, and coordinate with officers and departments that engage in dialogue. The top management is present at financial results briefings for institutional investors and also at meetings with shareholders who specifically make such request. When conducting dialogue sessions, attention is paid to have a good grasp of shareholder structure and manage insider information. The basic policy for promoting constructive dialogue with shareholders and investors is stipulated in the “[Disclosure Policy](#).”

### **1. Status of dialogue with shareholders and investors**

In addition to live streaming the general meetings of shareholders, we are taking steps to provide greater convenience for shareholders and enhance information disclosure, such as using the Company's website to accept questions ahead of the general meetings of shareholders and post videos of the president's reports. In FY2024, we organized a total of 101 dialogue sessions with investors, in the form of financial results briefings for analysts and institutional investors, IR meetings, and other means. Shareholder surveys are also conducted regularly. The needs and opinions obtained through such dialogue with shareholders and investors are regularly fed back to the Board of Directors and at the Management Meetings.

<Status of IR Meetings held in FY 2024>

Members who attended	Forms of dialogue with shareholders and investors
<ul style="list-style-type: none"> <li>■ Representative Director and President</li> <li>■ Director and Senior Executive Officer, General Manager of Corporate Division</li> <li>■ Director and Managing Executive Officer, Chief Financial Officer</li> <li>■ External Director (Chairman of the Board of Directors)</li> <li>■ Executive Officer and Deputy General Manager of Corporate Division</li> <li>■ General Manager of Corporate Communications Department</li> <li>■ Staff in charge of Investor Relations</li> </ul>	<ul style="list-style-type: none"> <li>■ Financial results briefings for analysts and institutional investors: 2</li> <li>■ Visit to Sanki Techno Center: 1</li> <li>■ Survey of individual shareholders: 1</li> <li>■ IR meetings: 97</li> </ul>

⇒Feedback to the Board of Directors and the Management Meetings on the opinions and requests obtained through dialogue: six (6) times

2. Main themes of dialogue with shareholders and investors

- Management Vision “MIRAI 2030” and “Medium-Term Management Plan 2027”
- Actions to implement management that is conscious of cost of capital and stock price, and policy on reduction of cross-shareholdings
- Construction work structure (capacity)

The Company will continue to promote sharing of information with the Board of Directors regarding shareholder opinions and requests obtained from dialogue and from information disclosure through the Company's website and other means.

(Article 32 of Sanki Engineering Corporate Governance Guidelines)