SANKEN
ENVIRONMENTAL ENGINEERING

Corporate Report 2024

SANKEN SETSUBI KOGYO CO., LTD.

An Environmental Innovation Company

Sanken Setsubi Kogyo is dedicated to providing comfortable and safe environments through air-conditioning, sanitation, electricity, and architecture services. We are committed to developing technologies that efficiently utilize energy to benefit the global environment and continuously strive to achieve ZEB. As an "Environmental Innovation Company" that creates sustainable air and water environments, we partner with our clients to work toward achieving a decarbonized society.

Core Values

Policy

Our construction services aim to create a new societal environment
by contributing to industrial efficiency and enhancing people's lives.
We take pride in our service and are committed to giving our best in all endeavors.
By honing our skills and making relentless efforts, we build trust,
promote sound management, strive for mutual prosperity,
and engage in social service.

Mission

As an "Environmental Innovation Company," we contribute to society by providing our clients with advanced technology through MEP engineering, construction, and service.

Vision

As an "Environmental Innovation Company" that creates sustainable air and water environments, we offer technology and services that support the entire lifecycle of MEP facilities. We aspire to be the leading company in engineering a sustainable, decarbonized society, earning repeated trust from our clients and employees.

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Editorial Policy

We are pleased to present the third edition of our corporate report. Our previous edition aimed to convey our commitment to sustainability as a value creation process. Meanwhile, we received various feedback and faced challenges in delivering information. In this edition, we continue to focus on our value creation process, striving to showcase our initiatives more clearly and emphasize our disclosures and continuity of information.
We welcome feedback and opinions from our vast stakeholders to enrich the content and remain committed to producing more comprehensive reports in the future.

Reference Guidelines

■GRI Sustainability Reporting Standards
■ISO 26000:2010 Guidance on Social Responsibility
■Integrated Disclosure and Dialogue Guidance 2.0 for Value Creation

Reporting Period

This report covers our fiscal year 2023, from April 1, 2023, to March 31, 2024, although some activities may include periods before or after these dates.

Publication Date: July 2024
Next Scheduled Publication: July 2025

History of Sanken Setsubi Kogyo

Sanken Setsubi Kogyo was founded in March 1946 (Showa 21) with 17 employees. By the Showa 20s (1945-1954), we had expanded our operations nationwide, gaining extensive experience and building a strong track record. As part of our commitment to addressing global warming, we were early adopters in the industry for developing Zero Energy Building (ZEB) technology. In 2014, we achieved a milestone by being the first company in the industry to transform one of our centers, Tsukuba Mirai Technology Center, into a ZEB. We also successfully transformed our Hokkaido Branch and Saitama Technology Center into a ZEB and actively promoted ZEB adoption overseas. As an "Environmental Innovation Company," we are dedicated to developing environments that align with the evolving needs of society.

1940

1946 (Showa 21)
- Founded Sanken Kogyo Limited Partnership Corporation in Nihonbashi Kabutocho by our first president, Minoru Matsui, with 17 employees 1
- Opened Sendai Office (current Tohoku Branch)

1947 (Showa 22)
- Reorganized into Sanken Setsubi Kogyo Co., Ltd. with a capital of 1 million yen
- Opened Sapporo Office (current Hokkaido Branch)

1950

1950 (Showa 25)
- Opened Nagoya Office (current Nagoya Branch)

1952 (Showa 27)
- Opened Osaka Office (current Osaka Branch)

1953 (Showa 28)
- Opened Hiroshima Office (current Chugoku Branch)

1954 (Showa 29)
- Opened Fukuoka Office (current Kyushu Branch)

1960

1961 (Showa 36)
- Held 15th Anniversary Ceremony at Chinzan-so, Tokyo 3

1962 (Showa 37)
- Opened Yokohama Office (current Yokohama Branch)

1965 (Showa 40)
- Newly built head office in Nihonbashi Kakigaracho, Chuo-ku, Tokyo 4
- Opened Chiba Office (current East Kanto Branch)
- Relocated the head office to Nihonbashi Hakozakicho, Chuo-ku, Tokyo 2

1970

1976 (Showa 51)
- Opened Saitama Office (current North Kanto Branch)

1980

1981 (Showa 56)
- Seiichi Mifune appointed as President

1984 (Showa 59)
- Osaka Branch building completed

1985 (Showa 60)
- Akio Teramoto appointed as President

1990

1992 (Heisei 4)
- Completed Tsukuba Research Institute (current Tsukuba Mirai Technology Center) 5

1996 (Heisei 8)
- Celebrated 50th Anniversary

2000

2006 (Heisei 18)
- Celebrated 60th Anniversary

2008 (Heisei 20)
- Eiichi Matsui appointed as President

2010

2010 (Heisei 22)
- Renovated Tsukuba Mirai Technology Center for ZEB compliance

2013 (Heisei 25)
- Relocated the head office and Tokyo Branch to Shinkawa, Chuo-ku, Tokyo
- Entered the Thai market to expand into ASEAN

2014 (Heisei 26)
- Achieved ZEB compliance at Tsukuba Mirai Technology Center

2016 (Heisei 28)
- Celebrated 70th Anniversary
- Established representative offices in Thailand and Jakarta
- Established a local company in Myanmar

2017 (Heisei 29)
- Registered as a ZEB Planner

2018 (Heisei 30)
- Newly built the Hokkaido Branch & Hokkaido Sanken Service building (Sapporo Sanken Building), achieving BELS (ZEB Ready) certification 6

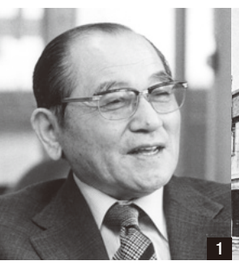
2020

2021 (Reiwa 3)
- Closed Myanmar local company

2022 (Reiwa 4)
- Established a local company in the United States
- Completed Saitama Technology Center 7
- Achieved Nearly ZEB at Sapporo Sanken Building (results from fiscal year 2021)
- Obtained BELS (ZEB Ready) certification for Saitama Technology Center

2023 (Reiwa 5)
- Recognized as the KIH Outstanding Organization 2023 (Large Enterprise Category)
- Saitama Technology Center received the CASBEE Wellness Office S Rank
- Qualified as a DX-Certified Corporate

Learn more about our history https://skk.jp/corporate/history/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Message from the President

President & CEO
Eiichi Matsui

Reflection on the Previous Year

Changes in our Surrounding External Environment

In the fiscal year 2023, the lifting of COVID-19 restrictions allowed us to resume activities without stress, though it became evident that the norms we knew had significantly changed.

At the beginning of 2024, the Nikkei Stock Average surged dramatically, exceeding 40,000 yen for the first time, substantially impacting the Japanese economy. Factors such as cost shifting, recovery of human flow post-pandemic, and the weakened yen have contributed to corporations listed on the Tokyo Stock Exchange Prime Market recording high net profits for three consecutive years. While robust capital investment continues in export and semiconductor sectors, industries such as healthcare, caregiving, hospitality, construction, and transportation face severe labor shortages. The obstacles of labor scarcity and lack of successors have led to noticeable bankruptcies among small and medium-sized construction businesses. Despite wage increases in large corporations to attract talented personnel and some wage progression among small and medium-sized businesses, it may take time before people feel an increase in disposable income.

Globally, conflicts such as the Russo-Ukraine war, the Israeli–Palestinian conflict, and the friction between the U.S. and China have significantly impacted inflation and value chain restructuring, influencing the world economy. These dynamics are accelerating nationalism and increasing global divisions, creating an era of uncertainty and unpredictability.

The current primary issue for the global economy is climate change due to increased greenhouse gases. At COP28 last year, an agreement was reached to accelerate the transition away from fossil fuels such as coal, oil, and natural gas over the next decade. COP28 President Jaber emphasized that conserving energy is the “first and foremost energy” that is the simplest, fastest, and cheapest to achieve and should be prioritized.

Achieving a decarbonized society—which includes promoting energy efficiency initiatives in buildings and ZEBs—is intrinsically linked to our business field of MEP engineering and construction and plays a crucial role. While this presents a favorable opportunity, we must also remain competitive against other industries entering the market under the decarbonization banner. Meanwhile, depending on the nature of construction projects, we have entered an era where strategic collaboration and coexistence with other industries are necessary alongside leveraging our strengths to expand our business.

Last Year’s Business Goals and Performance

With multiple large-scale projects underway nationwide, challenges such as post-pandemic labor shortages, delays in material deliveries, the rise of labor and material costs, insufficient management, and the recovery of schedule delays drastically increased within construction management. Despite achieving our goals last year for order intake and completed construction revenue, we unfortunately did not meet our target for completed construction profit due to increased costs associated with large-scale projects.

To secure profitability when facing unprecedented obstacles, we are revising our management systems to ensure large-scale projects can be handled effectively. This includes defining departments responsible for overseeing the entire project lifecycle—from planning and construction to post-completion operations—and clarifying areas of responsibility. We are also working to establish organizational procedures and strengthen corporate-wide collaboration across sales, engineering, and construction teams.

Sustainability Driven by the Integration of CSR Activities

SANKEN Challenge 2030 is our medium-to-long-term strategy and the cornerstone of our CSR activities. One of the strategies is the DX (Digital Transformation) strategy, which is the following four statements. We have successfully obtained DX certification through various initiatives led by the DX Promotion Office to accelerate these efforts:

1. Promote Concurrent Engineering (CE) and utilize Building Information Modeling (BIM)
2. Introduce the Sanken Smart BA System® to enhance facility value
3. Improve productivity through digital technology and data utilization
4. Develop digital talents for DX

Furthermore, we are proud to be the first domestic MEP construction business to obtain ISO 19650 certification, an international standard for information management over the whole lifecycle of a built asset using BIM. We have also acquired ISO 45001 certification, an international standard for preventing occupational injuries and illnesses and ensuring a safe, healthy workplace. We are committed to continuously improving and sustaining our occupational health and safety management efforts.

Importance of Value Creation

SANKEN Challenge 2030

SANKEN Challenge 2030 represents our medium-to-long-term goals derived from the social risks and opportunities we face. This is structured around five themes, translated into concrete strategic execution. By annually reviewing and adjusting the content of *SANKEN Challenge 2030* in response to the shifting social conditions, we can continuously create value for our company and stakeholders, thereby achieving sustainability.

Pursuing Sustainability for Long-Term Value Creation

1. Addressing Challenges and Gaps

As of April this year, the Labor Standards Act in Japan revised limits on overtime work. Based on past performance, it seems feasible for us to keep the average overtime hours of all employees below the set standards. However, obstacles remain in reducing labor hours at construction sites during peak seasons. To overcome these circumstances, we must prepare highly accurate MEP plans from an early stage that incorporate customer requirements before and after order placement. We must avoid deferring plan flaws or incomplete tasks to the construction phase as much as possible. Strictly negotiating with clients about precise conditions on order placement and planning or scheduling changes post-order is also essential. By consistently implementing these measures to improve productivity, we can increase employee salaries. Following last year’s efforts, this fiscal year of 2024, we implemented base salary increases for all employees, including starting salaries, considering inflation and work environment conditions.

Since fiscal year 2018, our completed construction revenue has gradually increased, while the total number of employees—excluding those on-site—has shown a slight decline, indicating a steady rise in productivity. Our commitment to work style reform has been earnest, and positive changes have resulted from our employees’ innovation, ingenuity, and hard work. However, we cannot afford to be complacent; continuous innovation and effort are necessary.

2. Promoting DX and Altering Awareness

Digital Transformation (DX) is defined as corporations leveraging data and digital technologies to adapt to the rapidly changing business scene. This process includes transforming products, services, and business models based on customer and societal needs and fundamentally changing operations, organizational structures, processes, and corporate culture to establish a competitive advantage. Simply implementing IT tools does not constitute DX; these data and technologies are just a method to facilitate the transformation.

To effectively promote DX, it is essential for each employee to expand their digital capabilities, perceive it as a personal responsibility, and take action toward this transformation. Starting in the fiscal year 2024, we established a DX Promotion Division to accelerate the transformation of our business model. This requires training digital talents, particularly technically proficient employees who understand our operations in depth and possess the knowledge and skills to collaborate with external experts. Enhancing individuals’ IT skills is also urgent, and we aim to elevate capabilities through IT-related certification exams and training sessions.

“Reskilling” is a common term for expanding digital capabilities. Recently, the concept of “unlearning” has gained similar attention. It involves discard-

ing outdated habits, knowledge, and values to replace them with new, relevant, and useful ones. It is a crucial keyword for advancing transformation and reassessing the status quo. Integrating “reskilling” and “unlearning” will strengthen our strategy and drive corporate growth.
We also continue to establish a robust information security framework to enhance the credibility and sustainability of our company and group companies.

3. Enhancing Productivity

Maximizing the use of Building Information Modeling (BIM) data is essential to enhancing productivity. We must plan MEP designs and conduct estimation using BIM while integrating it with concurrent engineering, which allows multiple processes to proceed simultaneously, thereby reducing development time and costs.
The labor shortage at construction sites is expected to become even more pressing. To alleviate the on-site operations, we must advance our industrial processes such as unitization and prefabrication. By encouraging factory-processed prefabrication, we aim to shift the focus to management tasks, mainly assembling the materials at construction sites.
Additionally, we have enhanced our proprietary BIM-coordinated estimation system to calculate planned projects' lifecycle GHG emissions. Our unique BIM attribute data allows us to convert MEP plans into estimates and simultaneously calculate GHG emissions for machinery, materials, and labor in quantities. We calculate emissions from procurement, transportation, on-site construction, electricity and fuel usage, and disposal in stages. By providing valuable data for GHG emissions and offering technical proposals for reducing these emissions, we aim to contribute to the development of a sustainable society. The data we gained also encompasses all emissions related to our business operations, which are also considered corporate value chain emissions. In line with TCFD recommendations, we are undertaking initiatives to meet emission reduction targets.

4. Human Capital and Engagement

Improving order acquisition capabilities and ensuring safety and quality in construction sites are examples of enhancing productivity and implementing work style reforms. In response, we are revising our compensation and allowance structures to support front-loading operations in future order acquisition efforts. We are transitioning from traditional operation systems based on location—whether it is done on-site or in the office—to those based on roles and responsibilities. Adapting our systems to align with evolving work style reforms is becoming the new standard.

5. Group Management and International Strategy

Our Vietnamese group company, SANKEN SCUBE, began handling CAD drawing and estimation tasks in fiscal year 2023. We have high expectations for this outsourcing arrangement, particularly regarding reducing burdens on construction sites.
As part of our new international strategy, we are focusing on promoting ZEB in Southeast Asia, including Indonesia, Thailand, and Singapore. Additionally, we are concentrating on business development based on joint research between our North American group company, Global Environmental Technologies (GET), and universities in the United States.

Future Outlook and Challenges

Adapting to Changes in the External Environment

Society is undergoing rapid changes. Historically, our company has focused on regional engagement, with each branch leveraging its unique strengths to conduct distinctive business operations. However, the global societal dynamics, industry shifts, and AI's rapid growth significantly impact our corporate management. In response to these transitions, we have determined to strengthen our head office operation and restructure our head office organization.
The Engineering Management Division was reorganized into 11 groups, spanning the fields of air-conditioning, sanitation, electrical, instrumentation, construction, planning, engineering, safety management, quality control, procurement, and customer service. This aimed to enhance our business development capabilities in all areas, promote private-sector prime contracting, and improve productivity. The Management Division has also been renamed the Corporate Administration & Planning Division. We have integrated the Corporate Planning and Legal Affairs Department into this division while establishing new departments, including CSR Promotion, Internal Audit for MS, and Talent Development, to strengthen collaboration and enhance organizational management capabilities.
Strengthening our response to DX is essential for our future survival. We have elevated the DX Promotion Office to the DX Promotion Divisions, strategically advancing corporate-wide initiatives.

New Mid-Term Management Plan and Current Fiscal Year Objectives

This fiscal year marks the launch of our new mid-term management plan. In this three-year plan, we discuss our vision of becoming a leading company from a forecasting perspective—based on the continuation of current trends—and adopt a backcasting approach. This involves starting from the ideal future state of our company and society and determining what actions must be taken to achieve that vision. Under this approach, we have incorporated insights from workshops with our management team and discussions from the *Sanken Management Dojo*, which involved department heads and experienced employees. Our goal is to advance the new mid-term management plan, focusing on pursuing the happiness of our workforce. Aligning top-down and bottom-up perspectives is essential to enhancing this new management plan. We continue to explore ideas to improve the work environment while considering collaboration with local communities.

The Status Boost of the MEP Facility Industry

In recent years, the importance of resilience and Business Continuity Planning (BCP) has increased due to natural disasters such as large-scale earthquakes and heavy rainfalls, highlighting the growing significance of infrastructure. The ability to quickly repair and restore building damages caused by disasters is crucial. However, it is becoming increasingly necessary for MEP engineering and construction companies like us to be involved in the planning stage of building construction. By incorporating resilience and BCP considerations into MEP planning and construction, we strive to ensure that the business continues during natural disasters.

The Growth of the *SANKEN Tree*

The *SANKEN Tree* serves as a conceptual framework to illustrate the growth of the SANKEN Group. Our unwavering corporate philosophy, mission, and vision constitute the deep roots that anchor us, while safety, quality, and technological expertise form the trunk. This foundation allows our employees, their families, partner companies, customers, and all stakeholders to thrive and extend their branches. The *SANKEN Tree* symbolizes our ongoing commitment to promoting sustainability transformation within the finite ecosystem of our planet.
This year, we are dedicated to ensuring the continuous growth of the *SANKEN Tree*, enhancing its significance. We are entirely committed to achieving our goal *SANKEN Challenge 2030* and toward our 100th anniversary, we will tirelessly endeavor alongside our stakeholders.

Value Creation Process

Input → Business activities → Output → Outcome

Social background

- Global warming and resource depletion
- Increased frequency of natural disasters caused by climate change
- Shrinking domestic market due to the declining birthrate and aging population
- Economic security
- Improvement of labor productivity and work-life balance
- Global human rights issues

Social issues to Address

- Reduction of environmental impact
- Efforts towards resource conservation
- SDGs and CSR/CSV
- Shift from demolishing and re-building to equipment upgrades
- Well-being
- Improvement of the working conditions
- Enhancement of productivity
- Promotion of DX (Digital Transformation)
- Coexistence and mutual prosperity across the corporate value chain

Materiality of Sanken Setsubi Kogyo
(SANKEN Challenge 2030)

- Technology for protecting our global environment
- Contribution to local communities and global environment
- Promotion of transparent and fair business activities
- Trustworthy technology
- Creating a workplace fullfilling

Learn more about our value creation process
https://skk.jp/sustainability/

Capital

Human capital
- 1,280 employees
- Key Technicians:
  First Class Plumbing Works Execution Management Engineer: **713 persons**
  First Class Electrical Works Execution Management Engineer: **43 persons**
  First Class Building Execution Management Engineer: **7 persons**
  First-Class Architect: **25 persons**
  Building Mechanical and Electrical Enginee: **128 persons**
  Professional Engineer: **11 persons**
  (as of the end of March 2024)

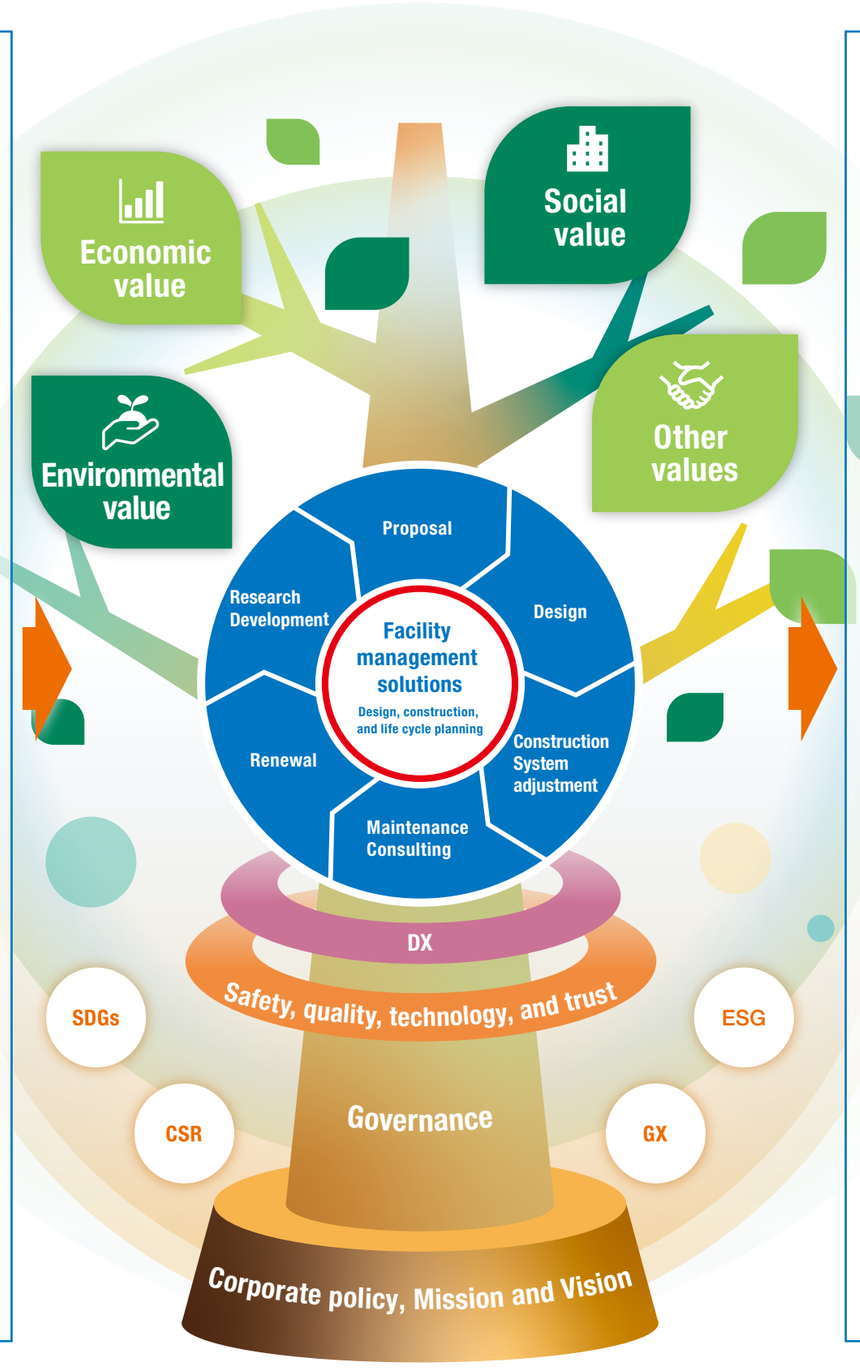
Financial capital
- Net assets: **¥23.3billion**
- Equity capital: **¥24.3billion**
- Equity ratio: **29.9%**

Intellectual capital
- Number of patents owned: **31**
  (as of the end of March 2024)
- R&D expenditure: **¥170million**
- Number of awards received: **3**
- Number of papers published: **17**
  (Fiscal year 2023)

Social capital
- Reputation-based customer base cultivated through the refinement of technology
- *Sanwa-Kai*: **556companies**

Manufacturing capital
- Domestic sites: **10branches**
  24 business offices
- Tsukuba-Mirai Technology Center
- Saitama Technology Center
- Overseas sites: **2sites**
- Group companies:
  6 domestic companies
  2 overseas companies

Natural capital
Scope 1 and Scope 2 in-house CO_2 emissions:
666 tons-CO_2 /year



Achievement of strategic goals (2023)
- Promotion of SANKEN Challenge 2030
  Development and sales of decarbonized products
  Accounting of corporate value chain emissions
- Improvement of employee productivity index:
  10% increase from previous year
- Accreditation as a DX-certified business operator
- Continuation of Excellent Health and Productivity Management certification
- Aquisition of ISO 45001 certification
- Aquisition of ISO 19650 certification

Performance targets (2023)
- Orders intake: **¥90billion**
  Actual: **¥105.5 billion**
- Net sales: **¥86.8billion**
  Actual: **¥92.9 billion**
- Construction revenue: **¥10.8billion**
  Actual: **¥7.7 billion**
- Projects of ZEB planner: **2**

Employee engagement
- Human capital
  Qualifications acquired in Fiscal Year 2023:
  Doctorate: **2**
  First-class execution management engineer: **28**
  Turnover rate: **12%**
  Education investment: **¥104,000/person**
- Work-life balance
  Reduction of overtime: **0.5 hours on average**
- Employee satisfaction survey
  Positive responses: **86%**
- Health and Productivity Management declaration

Dialogue with customers
- Participation in exhibitions: **5**
- Issuance of technical report “Eu”: **annual**

Dialogue with partner companies
- Training sessions for employers:
  twice a year at each branch

Economic value

- Improvement of ROE (Return on Equity)
- Improvement of equity ratio

Social value

- Business activities as an industry leader
- Construction of several facilities in cooperation with partner companies. By using our technologies, we provide sanitary and healthy office spaces

Environmental value

- Contribution to the de-carbonization in Japan and overseas through our ZEB technology
- Reduction and visualization of GHG emissions in our business activities

Other values

- Enhancement of human capital
- Improvement of the social status of facility engineers
- Enhancement of Improve stakeholder engagement

Steadily grow the Sanken Tree by responding to changes in society and creating values over the long term

SANKEN Challenge 2030

We have established the *SANKEN Challenge 2030* to achieve our goals by 2030, advancing efforts across the following five themes to pursue a sustainable society.

*4 divisions (Marketing and Sales Management Division / Engineering Management Division / DX Promotion Division / Corporate Administration and Planning Division)
10 branches (Tokyo / Yokohama / Kitakanto / Higashikanto / Hokkaido / Tohoku / Nagoya / Osaka / Chugoku / Kyushu)

Theme 1 Deliver Technologies to Protect Our Global Environment

		FY2023 Targets/ Indicators	Fiscal 2023 Results	Evaluation	FY2024 Targets/ Indicators	FY2030 Targets/ Indicators	ISO26000 Core Subjects	ESG
1.1	Development and Installation of technologies for decarbonization, energy efficiency, and pandemic outbreak	New technologies introduced: 1 project per year for pressure control	0 project	△	Introduce and install newly developed technologies in projects	Introduce and install newly developed technologies in 150 projects in total	Labor practices Environment Consumer issues	Environment E
		3 projects for ECOSALA, 10 projects for *Sanken Smart BA System (SSBS)*	2 projects for ECOSALA, 8 projects for *SSBS*	○	5 projects per year for ECOSALA, 10 projects for *SSBS* per year			
1.2	Promotion of ZEB planner activities	ZEB Planner Activities: 5 achieved/year	2 achieved	△	5 ZEB planner activities achieved per year	100 achieved in total		
1.3	Increase ZEB project orders	5% of the initial order target	1.0%	△	15% of the initial order target	90% of the initial order target		

Theme 2 Contribute to the Local Community and the Global Environment

2.1	Estimation and reduction of corporate value chain emissions	Estimate corporate value chain emissions and set reduction targets for the nest fiscal year	Scope 1,2,3 total value of 793,776 t-CO_2	○	Implement initiatives to meet reduction targets Submit a Commitment Letter to the SBTi	Ongoing efforts to achieve emission reduction targets aligned with the Paris Agreement Standards	Labor practices Environment Fair operating practices Community involvement and development	Environment E
2.2	GHG emissions assessment and reduction proposals for customer sites	Challenge 1 customer site per branch	5 sites were assessed and reduction proposals were submitted by 4 branches	○	Conduct assessments and submit reduction proposals for more than 1 site	Conduct assessments and submit reduction proposals for 50 customer sites		
2.3	Domestic and international collaboration for R&D	Collaborate with domestic and international organizations for R&D	10 R&D collaborations achieved domestically, 5 achieved internationally	◎	Achieve 15 R&D collaborations	Maintain yearly achievement of 15 R&D collaborations		
2.4	Volunteer activities and disaster relief activities	Plan 5 volunteer activities within each branch and headquarter Form disaster relief agreement within each branch and headquarter	63 activities held (more than 5 per branch and headquarter) Formed disaster relief agreement within each branch and headquarter	◎	Plan more than 5 volunteer activities within each branch and headquarter Keep disaster relief agreements	Continue planning volunteer activities Keep disaster relief agreements		

Theme 3 Promote Transparent and Fair Business Activities

3.1	Enhance corporate governance	Evaluate and strengthen corporate governance structure	Established anti-corruption and intellectual property policies	◎	Board approval of environmental initiatives and information disclosure	Establish governance structure adapted to social conditions	Organizational governance	Governance G
		Release annual corporate reports (CR)	FY2023 version released on July 23rd, added value creation process	◎	Add skill matrix in the CR	Enrich CR content		
3.2	Risk management implementation	Manage human rights due diligence	Conducted internal and external CSR surveys and addressed notable responses	○	Manage human rights due diligence	Manage appropriate human rights due diligence		
3.3	Compliance Promotion	Operate, evaluate, and improve the internal control system	Reported operations done in the Internal Control Committee to the Board of Directors	◎	Operate, evaluate, and improve the internal control system	Operate, evaluate, and improve the internal control system		
		Strengthen compliance education	Planned education programs on relevant laws, harassment, and CSR	◎	Strengthen compliance education	Strengthen compliance education		

Theme 4 Deliver Trustworthy Technologies and Services

4.1		Promote concurrent engineering (CE) and BIM usage					Labor practices Environment Consumer issues	Social S
	4.1.1	Provision of high quality features and products	Conduct more than one customer-focused sales activity at each branch	17 activities (9 branches)	◎	Conduct 4 or more customer-focused sales activities at each branch, 40 activities in total	200 projects per year within all branches	
			Set and operate new CE model projects at all branches	15 projects (9 branches)	◎	Implement CE 1 or more project per branch, total of 20 projects in total	180 projects per year within all branches	
	4.1.2	Advance construction through off-site production	Execute off-site production, progress-based completion rate 30%	17.1%	○	Conduct off-site production at least 3 times per branch, total of 60 implementations across all branches	240 projects per year within all branches	
	4.1.3	Construction visualization (BIM usage for off-site production, equipment delivery, planning and execution for safety, quality, and pre-testing)	More than 1 construction visualized in each branch	3 projects (3 branches)	○	Conduct construction visualization at least for 1 project per branch, total of 20 projects across all branches	180 projects per year within all branches	
4.2		Provision of safe, reliable product quality	Provide engineers ongoing training sessions to raise awareness and hone skills for quality assurance	Training programs were held at 10 branches	◎	Raise awareness and hone skills through ongoing training	Raise awareness and hone skills through ongoing training	
						Conduct quality education for engineers at each branch	Conduct quality education for engineers at each branch	
4.3		Client proposal activities						
	4.3.1	Promotion of private prime contract acquisition	—	Sales plan: 14.7% of the initial target	○	Sales plan: 20% of the initial order target	Sales plan: 40% of the initial order target	
	4.3.2	One-stop private prime contract acquisition for plumbing, electric, and construction work	Sales plan: 2.5% of the initial order target	3.2%	◎	Sales plan: 10% of the initial order target	Sales plan: 10% of the initial order target	

Theme 5 Create a Lively, Worker-Friendly Environment

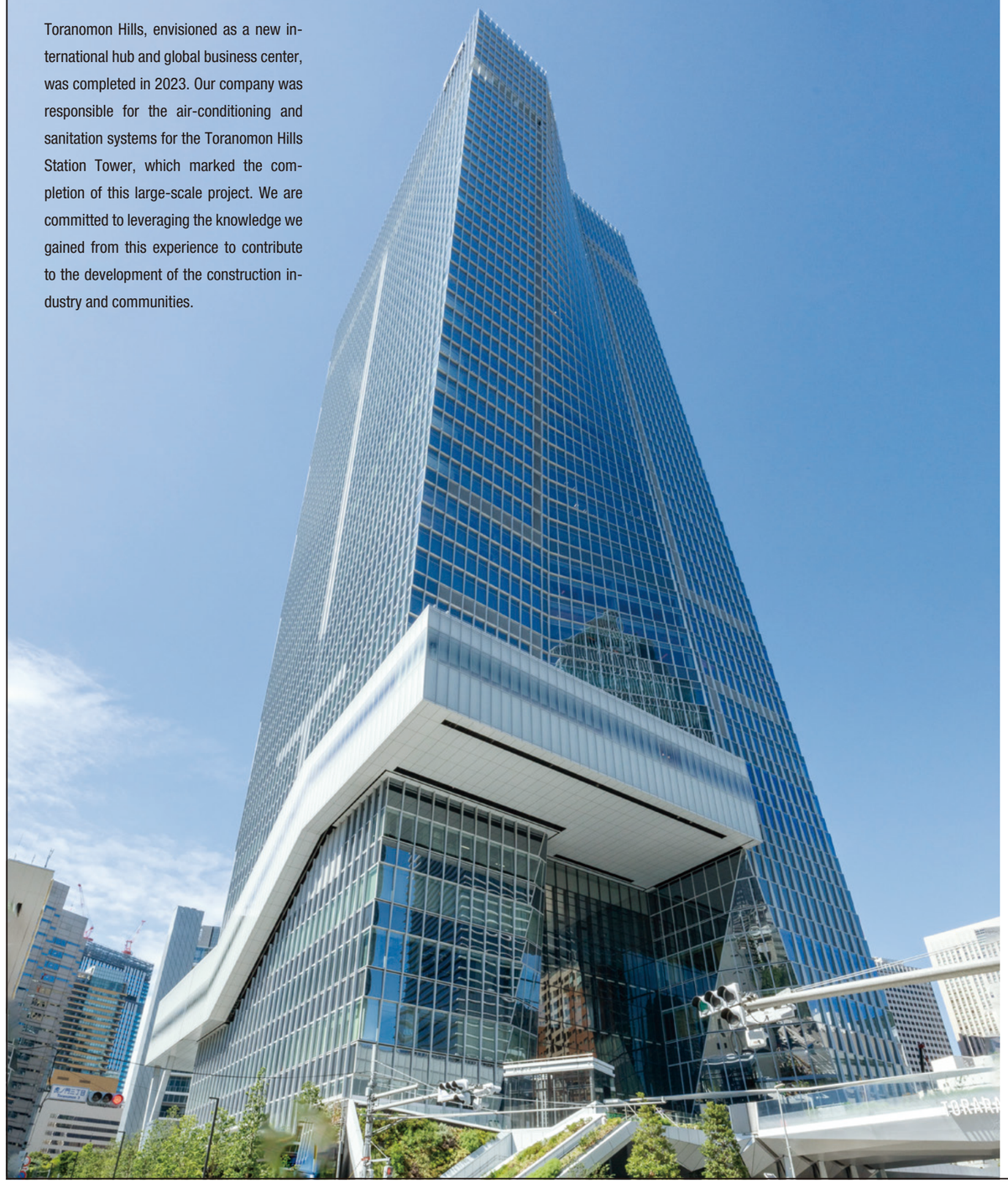
5.1		Promotion of health and productivity management					Human rights Labor practices	Social S Governance G
	5.1.1	Achieve work-life balance (WLB)	Maintain recognition as the KIH Outstanding Organization, improve evaluation results	Recognized as the KIH Outstanding Organization 2024 as of March 11	◎	Maintain recognition as the KIH Outstanding Organization, improve evaluation results	Maintain recognition as the KIH Outstanding Organization, improve evaluation results	
			Increase the paternity leave uptake rate to 20% or more (14.7% in FY22)	44.4% (8 out of 18 persons)	◎	Achieve a 50% paternity leave uptake rate	Achieve a 100% paternity leave uptake rate	
	5.1.2	Prevention of occupational injuries and illnesses	Improve safety awareness and skills through employee/employer training	Training programs were held at 10 branches	◎	Continue enhancing safety awareness and skills through employee and employer training	Continue enhancing safety awareness and skills through employee and employer training	
			Accident frequency rate: 0.00, severity rate: 0.000	Accident frequency rate: 0.71, severity rate: 0.005	△	Accident frequency rate: 0.00, severity rate: 0.000	Accident frequency rate: 0.28, severity rate: 0.007	
5.2		Diversity promotion						
	5.2.1	Create a workplace where diverse individuals can thrive regardless of nationality, gender, age, etc.	Utilize the talent management system to create career path sheets and current status report, develop talent note usage	Register current status reports in the talent management system Continue developing talent note usage	○	Establish the talent management system	Utilize the talent management system to ensure appropriate personnel placement and enable diverse talents to maximize their potential.	
	5.2.2	Promotion of women's participation in the workplace	Enhance the ratio of female employees in managerial positions and improve work styles (work hour reduction) to obtain the Eruboshi certification	The ratio of female employees in managerial positions raised, but the reduction of work hours was not met	○	Improve the reduction of work hours towards acquiring three stages of the Eruboshi certification	Recieve the three stages of the Eruboshi certification	
5.3		Enhancement of productivity through digital technology and data utilization	Collect and deploy construction, quality, and safety data	Quality and safety information are collected and deployed automatically, incorporate AI functionality into technical information searches	○	Collect&deploy construction data such as plans and completion reports	Accelerate information exchange and promote visualization, efficiency, and optimization of internal operations through data utilization	
			Reform business processes utilizing data Utilize and deploy BIM-linked estimation system	Deployed BIM-linked cost estimation system at all branches	○	Achieve detailed estimation of 80%, preliminary estimation of 60% in the system	Implement BIM-linked estimation system with a detailed estimation of 80%, preliminary estimation of 60%	
						Refine construction visualization and develop preliminary examination system		
5.4		Personnel development						
	5.4.1	Relearn to expand digital capabilities	Establish training programs for engineers in their sixth to tenth year	Results are reflected on 5.4.2 (Upgrade education programs)	○	Create new training programs for FY2025	Provide employees with new programs and polish current programs	
	5.4.2	Programs for junior engineers and role-specific training (12 programs in total)	Upgrade training programs	Established skill enhancement trainings for ①Cost Management and ②Junior Engineer Ⅱ	◎	Establish trainings for ①Safety&Quality ②Site Representative Ⅱ ③Cost Management ④Junior Engineer Ⅱ ⑤Electrical automation ⑥Sales	Continue to upgrade training programs	
	5.4.3	Develop digital talents for DX	Train leaders for DX promotion	Provided the management team programs dedicated to DX	◎	Train digital talents to enhance our DX, 2 persons from the head office and 1 person from each branch	Train and increase digital talents to enhance our DX, at least 30% of personnel from each branch	
	5.4.4	Secure practitioners and qualified personnel in piping, electrical, and construction work	Register 6 or more professionals through recruitment and qualification exams (First-class plumbing works execution management engineering are excluded)	Registered 1 architect, 2 doctorates, 1 professional engineer	◎	Register 6 or more professionals through recruitment and qualification exams (First-class plumbing works execution management engineering are excluded)	Increase 10 architects, building execution management engineers, engineers & doctorates in total, 20 electric works execution management engineers, 5 telecommunication execution management engineers, 3 information technology engineers	

Special Feature | SANKEN Challenge Story

Embracing Challenges With SANKEN's Full Strength

Toranomon 1 & 2-chome Project

Toranomon Hills, envisioned as a new international hub and global business center, was completed in 2023. Our company was responsible for the air-conditioning and sanitation systems for the Toranomon Hills Station Tower, which marked the completion of this large-scale project. We are committed to leveraging the knowledge we gained from this experience to contribute to the development of the construction industry and communities.



Site representative
Higashikanto Branch

Shinji Onai

Chief designer
Engineering Management Division

Yasuhisa Fukao

Toranomon Hills, A New International Hub and Global Business Center

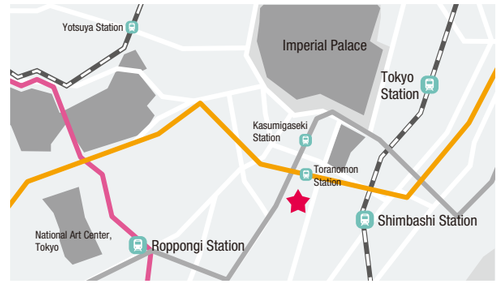
Located in the heart of Tokyo's business district, Toranomon has been undergoing integrated redevelopment with Loop Road No. 2 since the 2010s. Led by Mori Building Co.,Ltd., the area has transformed into the Toranomon Hills complex. This development includes the impressive structures of "Toranomon Hills Mori Tower," "Toranomon Hills Business Tower," "Toranomon Hills Residential Tower," and the "Toranomon Hills Station Tower," which is directly connected to the new Toranomon Hills Station. Spanning approximately 7.5 hectares with a total floor area of approximately 800,000 square meters, this new urban center is strategically located adjacent to Kasumigaseki, where government ministries, agencies, and foreign embassies are concentrated. It is gaining attention as a new international hub and global business center.

Our company has previously handled the sanitation work for the "Toranomon Hills Mori Tower." For the "Toranomon Hills Station Tower," we secured a comprehensive contract for both air-conditioning and sanitation work. This major project spanned over four years, and we dedicated our full resources and efforts to its successful completion.

While the Tokyo branch was the team in charge of this area, given the scale of the project, we established a system that brought together members from 11 branches and divisions nationwide. We involved many young employees alongside experienced staff to ensure that the knowledge gained from this project is passed on to the next generation. Ultimately, approximately 260 employees were involved in this project, along with the invaluable support of numerous partner companies.

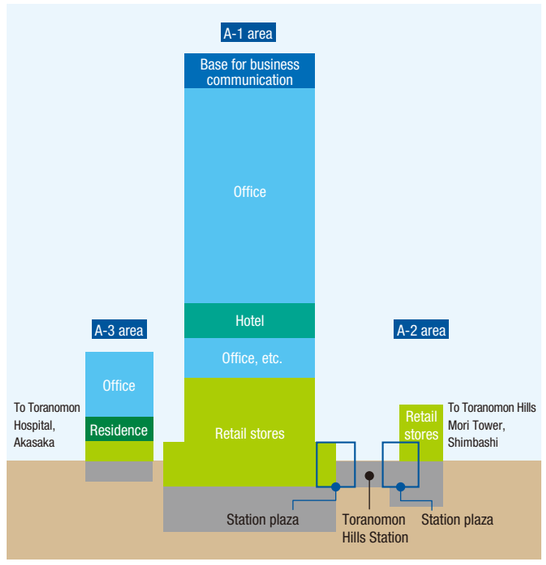
"This project was on a scale that no one in our company had ever experienced before. While the fundamentals were the same as previous projects, we embraced the opportunity to take on various challenges since it was such a large-scale project," stated Onai.

*Loop Road No. 2 is a 14-kilometer city planning road that links Ariake, Koto-ku, Tokyo, to Kanda Sakuma-cho, Chiyoda-ku.



Type 1 urban redevelopment project in Toranomon 1, 2-chome area

Location	part of Toranomon 1-chome and 2-chome, Minato-ku, Tokyo
Area of the construction site	about 2.2 ha
Number of floors/ building height/ total floor area/ use	(A-1 area) Toranomon Hills Station Tower 49 floors above ground, 4 basement floors/ 266 m/236,640 m²/ office, retail stores, hotels, information centers, parking lots, etc.
	(A-2 area) Glass rock Four floors above ground, 3 basement floors/ approximately 30 m/approximately 8,800 m²/ retail stores, parking lots, etc.
	(A-3 area) Toranomon Hills Edomizaka Terrace 12 floors above ground, 1 basement floor/ approximately 59 m/approximately 8,100 m²/ offices, residences, retail stores, parking lots, etc.
Structure	Structure: S-structure (partially SRC-structure and RC-structure)

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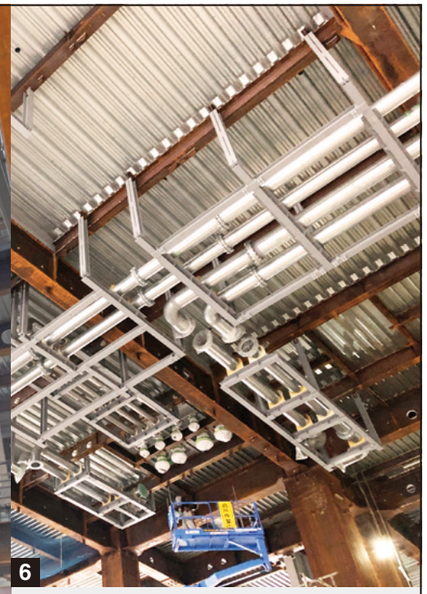
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1 Status of construction of air-conditioning mechanical room
2 Tokyo Tower and the evening sun
3 Crane hoisting work of vertical pipe
4 Preparation for suspending large-diameter ceiling piping unit
5 Tow-work for carrying in materials
6 Status of construction of ceiling piping unit

Constructing Skyscrapers With Employee Ingenuity

One of the challenges at construction sites in urban skyscrapers is the logistics of material delivery. For this project, we developed and implemented strategies from the planning stage to reduce the burden of deliveries on the site.

"As a chief designer, I focused on reducing delivery burdens by minimizing the weight of parts and materials, and incorporating control functions into the machines to reduce the number of deliveries and labor required. We also pursued unitization to reduce on-site work. Our strength during this project was being contracted for both air-conditioning and sanitation, which allowed us to integrate these piping systems into the risers," explained Fukao.

Furthermore, we undertook various initiatives such as developing apps to support the management of personnel and materials and enhance safety measures, implementing front-loading, using QR codes for delivery management, and managing materials in a satellite office. We also built strong trust with partner companies and enhanced our network in the metropolitan area. This network has become an invaluable asset amid the growing concern over labor shortages at construction sites.

"We have undertaken many challenges, and not all attempts were successful. There were instances where a lack of planning prevented us from completing some tasks. However, the lessons learned have already been applied to our next major project. In our company's growth journey, not a single challenge was wasted," stated Onai.

To be chosen by clients and remain competitive, it is essential to enhance our employees' technical skills and become a trusted entity that people believe "Sanken Setsubi Kogyo can do it." We will continue to embrace relentless challenges, striving to build mutually beneficial relationships with our clients and partners, aiming to become a company that society deems indispensable.


"Station Atrium", the station plaza in front of Toranomon Hills Station

*As of the end of March 2024

Director / Senior Executive Managing Officer
(Chief Safety Officer, Chief Compliance Officer, Chief Engineering Officer, and Chief Productivity Officer)

Masamichi Ozaki

Establishing a Management System for Large-Scale Projects

This project was unprecedented in the entire MEP industry, as it involved a single company managing the entire air-conditioning and sanitation construction of a skyscraper. It was a challenge never before undertaken by the company, but by participating in a project that represents Tokyo, we aimed to boost employee confidence and elevate the company to the next level.

For employees from regional branches, where high-rise building projects are rare, this was a once-in-a-lifetime opportunity. Large-scale projects that require collaboration with many stakeholders in a specialized team structure are uncommon. We wanted young engineers in their 20s, who will lead the next generation, to learn construction methods for large-scale sites, therefore we gathered members from all over the country. By working hard alongside employees from other branches, they gained unique experiences and brought valuable knowledge back to their respective branches.

In large projects involving many stakeholders, it is essential to clearly define areas of responsibility and establish organizational procedures. Based on this experience, we have revised our procedures for all stages of the process, starting from the bidding phase. Working as a prime contractor without going through a general contractor demands even higher technical capability. We are committed to enhancing our employees' skills, strengthening the collaboration between sales, technical, and construction teams, and preparing for the next major project.

Venue for R&D and Verification

Tsukuba-Mirai Technology Center

The Tsukuba Mirai Technology Center was established in 1992 as a research center for Sanken Setsubi Kogyo. The center focuses on balancing energy efficiency and comfort and is dedicated to advancing research, development, and demonstration, celebrating numerous successes. In January 2010, the center underwent renovation to transition into a Zero Energy Building (ZEB), and it has consistently introduced, tested, and refined new technologies. Tsukuba Mirai Technology Center achieved full ZEB status for the entire building in 2013, and we continue to engage in ongoing verification efforts.

The center also serves as a tech hub for innovation, application, education, and providing information, thus being a resource center and venue for internal training. Visitors can also experience firsthand the cutting-edge technologies that constitute our ZEB.

Learn more about the Tsukuba-Mirai Technology Center
https://skk.jp/corporate/tsukuba-mirai/

Develop Machinery In-House to Show New Initiatives

We believe developing machinery to support each process of our proposed energy-saving systems is a crucial aspect of research and development for an MEP facility company. Machine manufacturers typically design their products based on market needs and general applicability, and commercially available machines may not exist for applications that deviate from new technologies or non-standard operating conditions. As part of our R&D efforts, we developed the ECOSALA®, a dehumidification and air supply unit that aligns with our latest technology. The ECOSALA® is based on an air-conditioning system that decouples latent and sensible heat, which was initially implemented at the Tsukuba Mirai Technology Center, our esteemed center that achieved ZEB status first in the industry. When integrated into generic machines, the original system faced challenges such as extended construction durations and limitations in handling large air volumes. The ECOSALA® overcame these obstacles and was awarded the Energy Conservation Center Chairman's Award in the 2021 Energy Conservation Grand Prize. This dehumidification air supply system features a distinct cooling dehumidification and reheating method. It pre-cools incoming outside air using process air that has been cooled and dehumidified by a cooling coil and utilizes the heat from the outside air to reheat the cool, dry process air, enabling zero-energy pre-cooling and reheating. The unit is an all-in-one solution that includes all necessary components for operation, such as instrumentation equipment, control panels, and inverter panels. The test run is done at the factory, simplifying on-site construction and allowing quick installation.

Learn more about our products https://skk.jp/products/

ECOSALA®:Ecological Sanken Latent-Heat System
(Acronym of "environmentally friendly latent heat treatment system")

[Product and business model category: Energy Conservation Center Chairman's Award]
Awarded Theme: energy-saving air-conditioning solution using a dehumidifying air-conditioning unit with zero-energy pre-cooling and reheating

The Tsukuba Mirai Technology Center also functions as a demonstration site for verifying various technologies and systems, helping innovations evolve into more reliable solutions. Our room pressure control testing chamber, established in 2021, is one of these examples.

In environments such as cleanrooms, maintaining the appropriate indoor environment requires sealing the area with airtight walls and doors while managing room pressure. Multiple small rooms are created for different purposes, each equipped with a single air-conditioning unit to control the pressure inside. When decontaminating a room to ensure sterility, it is necessary to stop any air supply or exhaust to seal the room. However, when the mentioned pressure control system is adapted where rooms requiring decontamination are close to those that are not, closing the dampers to stop the supply and exhaust of air in the target room can disrupt the room pressure of adjacent rooms.

To address this issue, we devised a room pressure control system to quickly and stably seal the cleanroom while maintaining the pressure in adjacent non-sealed rooms. This innovation led to the acquisition of a patent (Patent No. 6773364), and the system has been implemented in our room pressure control laboratory. The laboratory allows us to test various room pressure control methods, enabling us to respond accurately and swiftly to customer needs related to these issues.

Room pressure control laboratory

Learn more about our technical information
https://skk.jp/technology

Recent Collaborative Research with Academic Institutions

We have been conducting ZEB-related research with numerous universities both in Japan and internally. Our objective is to advance the development of ZEB in our pursuit of a carbon-neutral, decarbonized society.

Past Research

Utsunomiya University
Verification of essential performance of ceiling radiant panels

University of Tsukuba
Development of ubiquitous sensors for indoor environments

Kanto Gakuin University
Performance evaluation of rainwater drainage systems

Niigata University
Evaluation of comfort in ventilation environments and visualization technology near radiant panels

Shinshu University
ZEB planning for campus

Collaborative Research during Fiscal Year 2023

Hokkaido University
Research on optimal control for thermal comfort and energy efficiency in ceiling radiant air-conditioning systems

Kanazawa University
Research on healthy performance evaluation for geothermal systems

Nihon University
Development of a Wellness air-conditioning system (CO_2 adsorption and sterilization)

Tokyo Polytechnic University
Research on human body heat loss characteristics in radiant and personal air-conditioning

Nagoya University
Development of LCEM tools and objects for self-pre-cooling reheating outdoor units

Kanazawa Institute of Technology
Research on rapid cooling of the human body after outdoor activities in radiant air-conditioned offices

Kobe University
Research on Intelligent CPC (Cell Processing Center)

Kyushu University
Research on the material transfer and natural decomposition characteristics of ozone

Kyushu Institute of Technology
Simulation of optimal operation of air-conditioning equipment

Saga University
Field survey of renewable energy (geothermal, solar thermal)

International Research

University of California, Berkeley (U.S.):
Research on thermal comfort with a combination of ceiling radiant panels and ceiling fans

Princeton University (U.S.)
Demonstration experiment of ceiling radiant air-conditioning systems utilizing geothermal energy

BEARS*1 BCA*2 (Singapore)
Comfort evaluation of a latent and sensible heat separation air-conditioning system
*1：Berkeley Education Alliance for Research in Singapore.
*2：Building and Construction Authority (Singapore government agency)

National University of Singapore (Singapore)
Energy performance evaluation of a latent and sensible heat separation air-conditioning system

Atma Jaya University (Indonesia)
Demonstration and verification of a latent heat processing system

Construction Projects in FY2023

Learn more about our major projects https://skk.jp/works/


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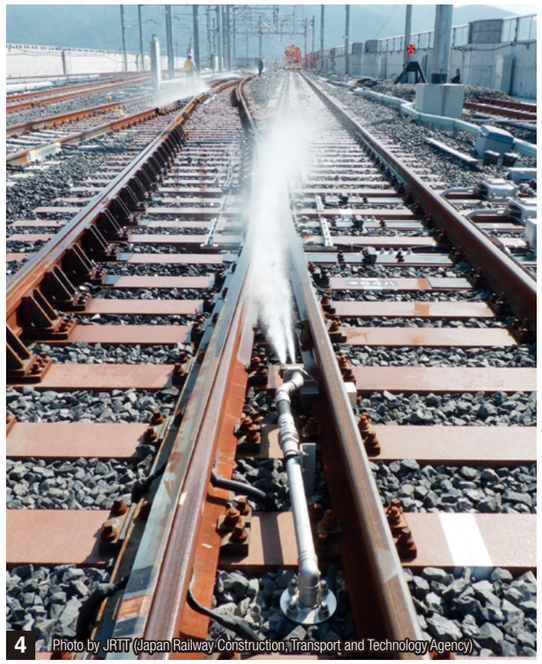
4 Photo by JRTT (Japan Railway Construction, Transport and Technology Agency)


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1 Harumi West Elementary and Junior-High School (Chuo Ward)

Completion date February 2024
Location Chuo-ku, Tokyo
Construction type HVAC and Sanitary Plumbing System

With the increase in residential units in the Harumi area, a new elementary and middle school has been established. These two schools are co-located and share infrastructures such as the gymnasium, swimming pool, and artificial turf playground.
Our central monitoring and automatic control system Sanken Smart BA System® (SSBS) was implemented in this project. This open system offers initial installation costs comparable to traditional systems, while the maintenance and operational costs post-installation are relatively low.

2 Yodobashi Sendai No.1 Building

Completion date June 2023
Location Sendai City, Miyagi Prefecture
Construction type HVAC and Sanitary Plumbing System

This 12-story multi-purpose building houses commercial facilities, including electronics retailers, restaurants, and office spaces. Airflow analysis simulations were conducted to prevent external dust from accumulating on electronics. Our system ensured optimal conditions, providing a highly reliable indoor environment. We also enhanced construction efficiency by forming cross-departmental teams and employing front-loading strategies.

3 Toyota City Museum

Completion date March 2024
Location Toyota City, Aichi Prefecture
Construction type HVAC and Sanitary Plumbing System

With the concept of “A Museum Created and Sustained by Everyone,” this museum was designed to continuously grow and evolve with the community. To protect exhibited items, chemical filters were installed in the air-conditioning units to remove organic substances. During construction, we focused on enhancing productivity and ensuring safety by incorporating ICT solutions such as digital mockups and a safety management system using smartwatches.

4 Hokuriku Shinkansen Hinokawa Base Snow Removal in Two External Locations

Completion date February 2024
Location Nanjo-gun, Fukui Prefecture
Construction type Sprinkler System for Snow Melting and Snow Removal System for Turnouts

To ensure stable transportation for Hokuriku Shinkansen during the winter, we established three snow-melting bases with hot water heating and water pumping systems. These bases are installed with snow-melting sprinklers along the main line, the transfer line to the Tsuruga train depot, and within the Tsuruga maintenance base. This involved installing new mechanics for snow-melting sprinkling. We collaborated with numerous contractors and coordinated schedules with other construction projects and tasks.

5 Osaka Otemae Building

Completion date December 2023
Location Osaka City, Osaka Prefecture
Construction type HVAC and Sanitary Plumbing System

This media and tourism complex in Otemae district is a landmark known for its abundant greenery and excellent transportation access. The lower floors house a television station, while the upper floors accommodate a hotel. Studios on the television station floors and the guest rooms on the hotel floors strictly adhered to a challenging permissible noise level of NC25. Additionally, backup air-conditioning units were installed on the television station floors.

6 Kita-Osaka Kyuko Line, Minoh Semba Handai-Mae Station

Completion date January 2024
Location Minoh-City, Osaka Prefecture
Construction type HVAC and Sanitary Plumbing System

With the extension of the Kita-Osaka Kyuko Line, two stations have been newly established, one of them being the Minoh Semba Handai-Mae Station. A turbo chiller was installed as the heat source for the air-conditioning system, and CO2 control was managed through air handling units. Preparing MEP plans and necessary documentation at the branch office reduced site operations and helped the team complete the project successfully.

Environment

Environment

As an “Environmental Innovation Company” involved with “air” and “water”, we will strive to realize a sustainable society by reducing environmental loads, preventing pollution, and harmonizing our corporate activities with the regional and global environment.

Learn more about our Environmental Policy https://skk.jp/corporate/policy/#child__environmental

Efforts for ZEB

Our company has been an early adopter of technologies aimed at reducing environmental impact related to ZEB (Zero Energy Buildings). In January 2010, we started renovating our research institute Tsukuba-Mirai Technology Center, to achieve ZEB using the development technology for radiant air conditioning and geothermal energy. In 2014, we achieved Net ZEB status for the entire Tsukuba-Mirai Technology Center. To accomplish this goal, we have accumulated a wide range of technical know-how on the themes of "load reduction, effective use of renewable energy, and high-efficiency operation." These technologies have also been implemented in the Sapporo Sanken Building (Hokkaido Branch). Additionally, our training facility, the Saitama Technology Center, was constructed as a ZEB with reduced initial costs for air conditioning equipment. We have adopted biophilic design to enhance the wellness of facility users. In addition, we have accumulated experiences as a ZEB planner including external projects, with (a cumulative total of nine ZEB planner projects as of March 2024).

Learn more about our ZEB efforts https://skk.jp/technology/zeroenergy/

ZEB Promotion Activities Overseas

In January 2019, we held a ZEB technical training program at the Tsukuba-Mirai Technology Center for visitors who are engineering government offices coming from 10 ASEAN countries. We are actively introducing our ZEB technologies at ZEB seminars and exhibitions held in Thailand, Malaysia, Vietnam, Indonesia, and the Philippines to promote the widespread use of the ZEB in ASEAN countries. We are also involved in the preparation of ISO-TS (Technical Specification) 23764 "Methodology for realizing non-residential Zero Energy Buildings (ZEB)" published in September 2021. In Thailand and Malaysia, the formulation of energy conservation regulations for buildings in each country in accordance with ISO-TS and the planning and construction of ZEBs are steadily underway, and the promotion of ZEBs in ASEAN is expected. In Indonesia, we have concluded an MOU (Memorandum of Understanding) with ATMA JAYA University and ARISTA Corporation to develop the optimal ZEB technology for tropical regions. We are currently conducting operational verification by of the dehumidification system at a research facility provided by the university. We also continue to hold annual ZEB technologyrelated seminars for students. In order to contribute to ASEAN's de-carbonization, we will continue our efforts to develop and disseminate ZEB technologies that are best suited to local comunities and promote reduction of environmental impact.

Photo from the institute's opening ceremony (May 2023) (from left) Mr. JAJANG, Technical Advisor, ARISTA, Professor Ronald, ATMA JAYA University, Mr. Oyanagi, Executive Managing Officer and Mr. Saiki, Fellow

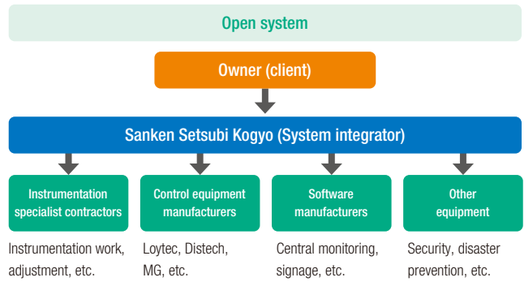
ZEB institute Plaque in three languages

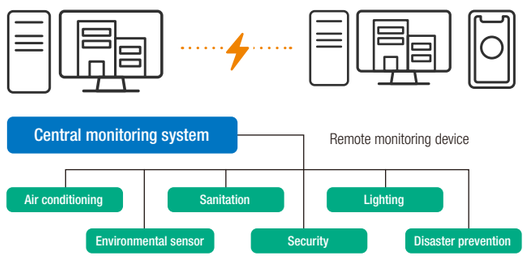
Major Products and Technologies That Contribute to Reducing Environmental Impact

Sanken Smart BA System®, an Integrated Management System for Equipment and Devices

Sanken Smart BA System® is a building automation system constructed by our company (a system integrator) with extensive construction achievements and years of experience as a construction company. Various equipment, including air conditioning, ventilation, sanitary, electrical, and security equipment, can be connected though internet, regardless of the manufacturer, enabling integrated monitoring and control. By combining the optimal hardware and software according to the user's applications and needs, it is possible to provide a simple, easy-to-understand, and cost-effective system. [As of March 2024, 24 units have been implemented.]

Learn more about the Sanken Smart BA System®
https://skk.jp/products/#products02

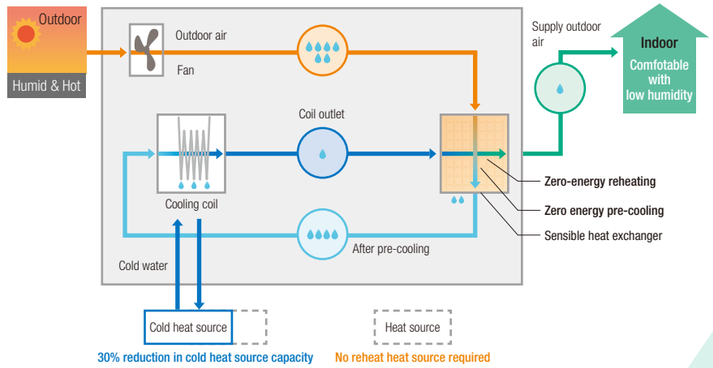




Eco-Friendly Dehumidification and Air Supply Unit ECOSALA®

ECOSALA® is an environmentally friendly dehumidification and air supply unit developed by Sanken Setsubi Kogyo. In Japan, where high temperatures and high humidity are progressing, the importance of dehumidification is increasing year by year. The conventional “super-cooled dehumidification/reheating method” outdoor air dehumidification system overcools with priority given to moisture treatment and consumes a lot of energy when re-heating the outdoor air supplied to the room at an appropriate temperature. Accordingly, ECOSALA® is an energy-saving system that "pre-cools" and "reheats" without using energy, which we have developed and commercialized. ECOSALA® eliminates the need for heat sources for re-heating in the conventional system. Furthermore, the capacity of the cold heat source can be reduced by precooling which does not require energy. In order to realize a carbon-free society, we are moving forward with the introduction of ECOSALA® for various building applications such as food factories, supermarkets, and offices.
[As of March 2024, 11 installations]

Learn more about ECOSALA® https://skk.jp/products/#products01



Conceptual diagram of ECOSALA®

Example of implementation to food plant (indoor unit)

Example of implementation in a supermarket (outdoor unit)

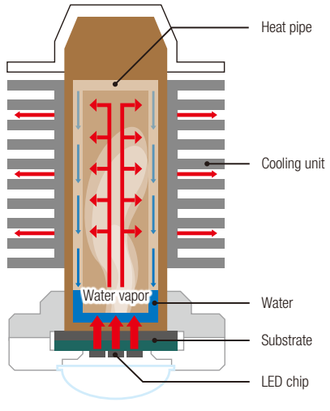
Long-Life, Low-Maintenance *Heat Pipe LED*

The *Heat Pipe LED* has superior heat dissipation performance compared to general heat sink-only LEDs, because a small amount of water in the heat pipe becomes steam at the interface with the substrate, contacts the cooling section (heat sink), releases heat, and returns to water repeatedly. Therefore, they are less prone to degradation due to heat, even with prolonged use, and have a longer lifespan compared to general LEDs.

High-ceiling lighting requires scaffolding for replacement, incurring extra cost for each replacement of lighting. Compared to general LEDs, *Heat Pipe LED* can be replaced at half the frequency, which helps to reduce maintenance costs.

[No. of installations as of March 2024: 8]

Learn more about *Heat Pipe LEDs* https://skk.jp/products/#products03



Conceptual diagram of *Heat Pipe LED*

Activities of the Carbon Neutral Promotion Project

In October 2021, we launched the Carbon Neutral Promotion Project to realize a carbon-neutral society. The company has established policies for calculating greenhouse gas (GHG) emissions and implemented company-wide collaboration for emission calculations. In the future, we will accelerate our efforts to realize a carbon-neutral society by calculating and reducing GHG emissions in our business activities and implementing GHG reduction proposals at our customers' facilities.

Corporate Value Chain Emissions Accounting

From the fiscal year 2023, we began accounting all GHG emissions of our corporate value chain, including emissions from upstream and downstream business activities (Scope 3), in addition to our own emissions (Scope 1 and 2). To facilitate this,we developed the BIM-linked estimation system "SGES*" , which enables the estimation of lifecycle GHG emissions for planned properties. By linking attribute data entered into BIM with our proprietary estimation system, we can aggregate emissions at each stage, from procurement, transportation, construction site emissions of materials and equipment, electricity and fuel consumed during building operation, and emissions of demolition and disposal.

Among the total emissions estimated by this system, Scope 3 Category 11 (use of sold products) accounts for approximately 90%. Moving forward, we will set reduction targets and develop strategies to reduce emissions across the entire value chain, actively advancing our initiatives.

*SGES: Sanken GHG Estimate System

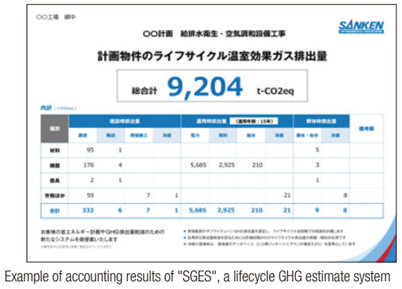
Greenhouse gas emissions

Scope/Category			Category description	GHG emissions (unit: t-CO_2)
				Fiscal year 2023
Scope 1		Direct emissions	Direct emissions generated from business activities either owned or controlled	146
Scope 2		Energy-derived indirect emissions	Indirect emissions generated by the use of purchased electricity and heat	2,560
Total of Scope 1 and 2				2,705
Scope 3		Other indirect emissions		791,071
Category	1	Purchased products and services	Extraction, production, and transportation of purchased goods and services	73,159
	2	Capital goods	Emissions generated by the construction, manufacture, and transport of capital goods acquired	55
	4	Upstream transportation and distribution	Transportation and distribution of products purchased by the company betweena company's tier 1 suppliers and its own operations, and between a company's own facilities.	2,502
	5	Waste generated in operations	Disposal and treatment of waste generated in the company's operations	2,636
	6	Business travel	Transportation of employees for business-related activities	171
	7	Employee commuting	Transportation of employees between their homes and their worksites	2,594
	11	Use of sold products	End use of goods and services sold by the company	706,906
	12	End-of-life treatment of sold products	Waste disposal and treatment of products sold by the company at the end of their life	3,048
Total of Scope 1, 2 and 3				793,776

*Independent third-party verification was conducted by Earth Tone Consulting Co., Ltd.

Life Cycle GHG Emissions Disclosure

In the future, we intend to disclose the life cycle GHG emissions of planned properties, along with the estimate submission, to customers with whom we have prime contracts. Although GHG emissions during the construction and renovation phase are a small proportion of the entire life cycle, they must be considered alongside must be implemented in conjunction with GHG emissions during operation phase. Disclosure of this information earlire than construction makes it possible to consider the life cycle GHG emissions of buildings over the long term in advance.



Example of accounting results of "SGES", a lifecycle GHG estimate system

Reduction of Industrial Waste

Metal and plastic waste account for only a few percent of construction waste, but we strive to reduce waste by recycling as much as possible of all waste, including metal and plastic waste, by sorted collection and separate disposal of waste at our onsite offices, processing as valuable materials and entrusting industrial waste disposal companies capable of separating mixed waste. The total industrial waste emissions in FY2023 (emission intensity per order amount of prime contract) was amounted to approximately 18.9 tons/¥100 million, which is significantly lower than the results for FY2022 (emission intensity per 100 million yen of prime contract amount was approximately 23.2 tons/¥100 million). We will continue to work together with our partner companies to reduce industrial waste in the next fiscal year and contribute to the realization of a carbon-neutral society.

Industrial Waste Electronic Manifest

We are promoting the use of electronic industrial waste manifests, and entrustment to excellent industrial waste disposal companies that are environmentally-conscious. By using electronic industrial waste manifests, we monitor the amount of industrial waste generated and track the appropriate disposal of emitted industrial waste.

Promotion of "Not Bringing or Generating Unnecessary Materials"

In addition to the “reduction of industrial waste”, we promote factory processing of incoming materials and ordering materials and equipment using BIM. This helps prevent unnecessary ordering due to miscounts or over estimates, suppresses the generation of scraps during handling at the worksite, and ordering of excessive materials, and reducing rework and corrective work due to interference with other equipment.

Efforts to Reduce Environmental Impact in Offices

In purchasing office supplies, we strive to purchase as many green procurement items as possible designated by our company with low environmental impact at all business locations. In fiscal year, the average for all business locations was 78.2%, which is below the target of 85%. In the coming fiscal year, we will promote internal awareness to raise consciousness about reducing environmental impact to achieve our goals. Additionally, by visualizing the use of copy paper, CO_2 emissions from paper usage decreased by 24% compared to the previous year, indicating a growing awareness of paperless practices.

We will continue to strive to sustainably utilize limited r
esources and reduce environmental impact.

Social

Human Rights

Sanken Setsubi Kogyo is committed to respecting human rights. To promote these efforts, we have established the Sanken Setsubi Kogyo Human Rights Policy based on the Guiding Principles on Business and Human Rights.
Under this policy, we advance human rights education, human rights due diligence*, and the development of grievance mechanisms to further the respect for human rights.

Learn more about our Human Rights Policy https://skk.jp/corporate/policy/#child__human-rights

Identification and Assessment of Human Rights Risks

We reference international covenants and standards related to human rights and labor to identify risks that have been apparent or may arise in our operations. We assess the severity of these risks based on the likelihood and potential impact, identifying prior human rights issues for our company and implementing measures to address them.

1. Prevention of unintended excessive work hours (promotion of Work Style Reform)
2. Prevention of all forms of harassment (human rights education, internal reporting system)
3. Prevention of occupational injuries and illnesses (occupational health and safety activities based on ISO 45001 standards)
4. Human rights education for employees (human rights education through role-specific training)

Conducting CSR Surveys

As part of our human rights due diligence efforts, we conduct an annual CSR survey for all employees and value chain partners. Compared to last year, this year we observed an improvement in the response rate for both surveys, indicating a heightened awareness of CSR initiatives.
Analysis of the employee survey revealed discrepancies between the company's and employees' perspectives, highlighting the need to review our education methods and information disclosure practices. Similarly, the survey responses from our partner companies showed varying levels of understanding and engagement with CSR activities, suggesting a need to provide more opportunities for awareness and education.
We will continue to conduct these surveys regularly to identify and address existing or potential human rights issues and concerns our company and partner companies face.

CSR survey
Employee Response Rate: 86.4% (1,103/1,277) (Previous Year's Response Rate: 68.7%)
Partner Company Response Rate: 54.7% (874 companies/1,596 companies) (Previous Year's Response Rate: 46.2%)

*Human Rights Due Diligence: A continuous process in which a corporation proactively investigates and understands potential negative impacts on human rights within its operations, group companies, and business partners. This process involves taking appropriate measures to prevent or mitigate these impacts, correcting them through suitable means, and disclosing the progress and outcomes to external stakeholders.

Human Capital

Talent Development Activities

At Sanken Setsubi Kogyo, our greatest asset is our people. Employees who express their individuality and pave their paths toward their goals are the driving force behind our company. We support proactive employees who are committed to their growth and provide them with opportunities that match their abilities and aspirations for greater achievements.

Internal Training Programs

Training Programs for Junior Employees

1st Year	New Employee Training Follow-Up Training I
2nd to 3rd Year	Follow-Up Training II and III
4th Year	Junior Engineer Training
5th Year	Site Manager Training
6th-10th Year	Cost Management Training Junior Engineer Training II

Role-Specific Training Programs

We conduct role-specific training annually for newly appointed employees, focusing on the responsibilities, necessary knowledge, and skills required for each position. Additionally, we provide compliance education to all employees to foster awareness and ensure adherence to compliance standards.

<List of Programs>
- Career Design Training
- Newly Appointed Chief Training
- Newly Appointed Section Chief Training
- Newly Appointed Assistant Manager Training
- Newly Appointed Senior Training
- Employee Evaluator Training

Engineer Development Policy

We strive to train junior employees who are engineers to be capable of managing construction projects worth approximately 100 million yen within five years of joining. A performance standard document is created, listing elements required to become a site manager, and employees review it semi-annually with their supervisors as a benchmark for development.
We support the growth of junior employees through group training and on-the-job training (OJT) until their fifth year. Furthermore, in 2023, we have developed a new curriculum focusing on educating employees up to their tenth year.

Learn more about our training programs
https://skk.jp/recruit/workstyle/

Implementation of Talent Management System

We strive to continuously collect new information for our talent management system to leverage individual abilities. To create a work environment where employees from diverse backgrounds—regardless of nationality, gender, or age—can flourish, we believe in effectively utilizing this system through further gathering, visualization, and analysis of data related to human capital management. As part of this initiative, we are expanding the system's functions and capabilities while enhancing its visibility and usability.

Skill Enhancement Support

We have established a website accessible on our intranet dedicated to educating employees, featuring materials from internal training sessions, information for certification acquisition, and self-study content. It is designed to help our employees enhance their knowledge and skills. To strengthen our global presence, we also provide self-improvement courses for employees interested in learning English and practicing conversations.

Promotion of Health and Productivity Management

Sanken Setsubi Kogyo is committed to ensuring the well-being of all employees. As a result of various efforts, we have been recognized as the KIH Outstanding Organization* 2024 (Large Enterprise Category) by the Ministry of Economy, Trade and Industry & the Japan Health Council.

*KIH (KENKO Investment for Health) Outstanding Organization: Certificate awarded to organizations investing in employee health as a part of managerial practice and strategically engaging in related activities.

2024 健康経営優良法人 Health and productivity

Health and Productivity Management Declaration

In our company, we believe that when employees are healthy, secure, and fulfilled, they can find purpose in their work and exert their full potential as members of an “Environmental Innovation Company”. This belief drives our commitment to uniting corporate officials, occupational physicians, employees, and their families and promoting healthy, productive management.

Learn more about our health and productivity management
https://skk.jp/corporate/policy/?tabsid=4

Mental Health Measures

We partner with specialized EAP (Employee Assistance Program) providers to safeguard our employees' mental health. Our occupational health physicians and internal staff work together to solve mental health issues promptly. We also conduct mental health courses in role-specific training and perform annual stress checks in compliance with the Industrial Safety and Health Act. We provide consultations with occupational physicians for those with high stress to improve work environments.

Pursuit of Work-Life Balance

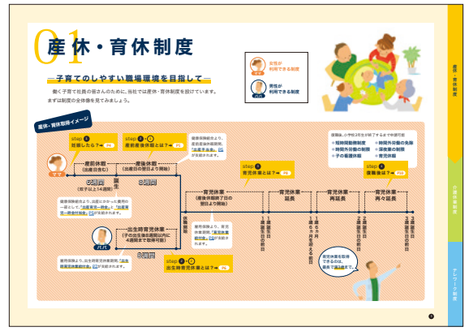
We have established a range of systems to accommodate diverse work styles. Our goal is to create a work environment where all employees, regardless of their use of these systems, can operate comfortably and effectively.

Personnel System

Promoting employee centricity is crucial for individual development and motivation within our organization. We have introduced a responsibility allowance for positions such as project managers and leaders to emphasize their importance and motivate the ongoing effort. We have also established a temporary transfer system to enhance employee mobility between branches, ensuring optimal resource allocation. We regularly review and update our policies and systems to align with societal changes and employee needs and maintain an engaging work environment.

Distribution of the Work-Life Balance Handbook

We have developed various systems to support employees in balancing their operations with childcare or caregiving responsibilities. To deepen understanding across the organization, we distribute a handbook explaining available systems to all employees.



Parental Leave System

	Law of Japan	Sanken Setsubi Kogyo
Long-Term Parental Leave	Available until the child turns 1 year old, extendable to 2 years.	Available until the child turns 1 year old, extendable to 3 years
Parental Leave for Medical Purposes	Up to 5 days per year for 1 child, and up to 10 days for 2 or more children, until they enter elementary school.	Up to 10 days per year for 1 child, and up to 15 days for 2 or more children, until they end the 3rd grade of elementary school.
Short-Term Parental Leave	Unestablished	Established a short-term leave system of up to 5 days per year to promote work-life balance and encourage male participation in childcare.

Caregiver Leave System

	Law of Japan	Sanken Setsubi Kogyo
Long-Term Caregiver Leave	Up to 93 days for 1 eligible family member, the leaving period can be divided into three segments	Up to 93 days for 1 eligible family member, extendable up to 90 additional days at most, the leaving period can be divided into three segments
Short-Term Caregiver Leave	Up to 5 days per year for 1 eligible family member and up to 10 days for 2 or more eligible family members	Up to 10 days per year for 1 eligible family member and up to 15 days for 2 or more eligible family members

Adaptation to Various Work Styles

We advocate for telework to accommodate diverse work styles without time or location constraints. A flexible environment has been established to support employees who face challenges related to commuting, including those with childcare, caregiving, personal health issues, or when implementing BCP during large-scale natural disasters and disease outbreaks, all while maintaining their professional commitments. We also offer special day-offs to employees on-site after construction completion, re-issue expired leave for non-work-related medical conditions, vacations for employees who have attained 25 years of service, and an anniversary holiday to encourage the practice of taking vacations.

Work-Life Balance Indicators

	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023
Average Overtime Reduction Hours	2.1 hours	0.7 hours	0.5 hours
Parental Leave Usage Rate (Female) *1	100% (13 persons)	100% (6 persons)	87.5% (7 persons)
Parental Leave Usage Rate (Male) *1	0%	14.7% (5 persons)	25% (6 persons)
Number of Employees Taking Parental Leave *2	30 persons	42 persons	49 persons
Number of Employees on Shortened Working Hours *2	23 persons	27 persons	29 persons
Number of Employees Taking Caregiver Leave	38 persons	29 persons	35 persons

*Note 1: Parameter - Female: Number of female employees who gave birth; Male: Number of male employees whose spouses gave birth.
*Note 2: Applicable Period - Until the end of the 3rd grade of elementary school

Work Style Reform

Promotion of Work Style Reform

In November 2022, we appointed a work style reform manager at each office to strengthen time management in preparation for the new overtime work regulation that started in April 2024. Since the fiscal year 2022, we have held the *Yamekatsu* Grand Prix (Ending Unnecessary Practices Grand Prix), a contest inviting employee proposals under the theme of eliminating unnecessary practices within the workplace. Our goal is to comply with overtime regulations while ensuring employees experience fulfillment and maintain well-being.

Work Style Reform *Iki Iki Challenge 2023* (Liveliness Challenge 2023)

Vision
A rich, creative corporate culture where employees work with enthusiasm.

Purpose
Enhance productivity through operational transformation

Goals
1. Experience the work-life synergy
2. Achieve targets for reducing long working hours

Promote Digital Transformation with SANKEN DX

We are advancing business transformation through digital data centered around four strategies. In July 2023, we published the *SANKEN DX REPORT 2023*, and in November, the Ministry of Economy, Trade and Industry recognized us as the DX-Certified Business Operator.

SANKEN DX: Four Digital Transformation Strategies
1. Promote Concurrent Engineering (CE) and utilize Building Information Modeling (BIM)
2. Introduce the Sanken Smart BA System® to enhance facility value
3. Improve productivity through digital technology and data utilization
4. Develop digital talents for DX

To establish a foundation for DX, we actively implement various ICT including tablet device usage, cloud data sharing, document digitization, and implementing digital workflows. As part of our digital talent development and enhancing individuals' IT capabilities, we encourage employees to obtain the Information Technology Passport Examination, a certification exam specializing in IT distributed by the Minister of Economy, Trade and Industry.
By strengthening our foundation and talent development for DX, we will expedite business transformation through *SANKEN DX*.

DX認定

Office Environment Initiatives

To enhance employee health, comfort, creativity, and intellectual productivity, we have introduced activity-based working, a work model enabling employees to choose their workplace, and biophilic design, a concept incorporating natural elements like daylight and greenery at our centers and sections of our head office. Since 2021, we have also embraced diverse business attire, respecting each employee's individuality and promoting health maintenance by allowing attire choices based on personal condition.

Diversity Promotion Philosophy

Promotion of Women's Participation in the Workplace

To foster a work environment where female employees can thrive, we have formulated an action plan following the Act on Promotion of Women's Participation and Advancement in the Workplace (Effective Date: April 1, 2021 - March 31, 2026), publicating our objectives and goals on the Ministry of Health, Labour and Welfare's Women's Participation and Work-Life Balance Support Website. We are also preparing to obtain Eruboshi Certification, a recognition system established to certify companies actively promoting women's participation.

Since fiscal year 2021, we have conducted the *Career Design Training*, a training dedicated to support and enhance awareness among female clerical employees who transitioned into administrative and managerial positions.

Visit here for the Ministry of Health, Labour and Welfare's Women's Participation and Work-Life Balance Support Website
https://positive-ryouritsu.mhlw.go.jp/positivedb/detail?id=7218

Visit here for the action plan for general businesses based on the Act on Promotion of Women's Participation and Advancement in the Workplace
https://positive-ryouritsu.mhlw.go.jp/positivedb/planfile/20210402082650495 49_1.pdf

Diversity Promotion Indicators

	Fiscal 2021	Fiscal 2022	Fiscal 2023
Ratio of female employees in senior positions	0%	1.1%	1.4%
Number of female employees transitioning positions*1	13 persons	12 persons	12 persons
Number of rehired annuitants (female)*2	0 persons	2 persons	1 person
Number of rehired annuitants (male)*2	23 persons	7 persons	13 persons
Number of foreign employees	14 persons	14 persons	12 persons
Turnover rate	5.9%	11%	12%
Employment rate of employees with disabilities	1.84%	2.39%	2.29%

*Note 1: The number of female clerical employees who transitioned into administrative and managerial positions along with changes made in our HR system in fiscal year 2020.
*Note 2: Retirement Age is 60.

Recruitment of Para-Athletes

We promote para sports and disability employment through hiring para-athletes. We support their commitment to athletics and inspire us through their professionalism and achievements.


Para canoe

Wheelchair rugby


Deaf golf


Boccia

Quality

Sanken Setsubi Kogyo is dedicated to enhancing value across all quality management processes to meet our customers' needs. We adhere to relevant regulations and our quality management system to deliver responsible, high-quality products and services.

Learn more about our Quality Policy https://skk.jp/corporate/policy/#child__quality

Concurrent Engineering Department Initiatives

The Concurrent Engineering* Department focuses on initiatives that enhance corporate value with a strategic focus on a 3 to 5-year horizon, ensuring we remain a preferred choice for our customers. Our commitment includes promoting concurrent engineering (CE) for projects and strengthening internal engineering in the initial phase of projects. Our efforts involve proposing our proprietary technologies, offsite construction, logistics hub development, BIM, digital twins, and ICT applications.

*Concurrent Engineering (CE): Methodology involving project managers with various expertise coordinating multiple processes simultaneously. By actively sharing information and collaborating across various departments, CE aims to reduce project duration, lower costs, and enhance overall quality.

S-LABO Kyushu: Kyushu-Based Logistics and Offsite Construction Hub

To spread our CE initiatives, we have established a logistics and offsite construction hub S-LABO Kyushu in Fukuoka Prefecture, targeting the Kyushu mainland and Yamaguchi Prefecture. By utilizing BIM and DX, we are implementing strategies such as prefabrication material management and visualizing construction operations and processes, to reduce operations due to labor shortage on-site and support work style reforms in response to the new overtime regulations. Our goal is to transition from construction management to production management, thereby enhancing quality, simplifying safety management, and minimizing industrial waste.

This will first serve as a hub for sorting and transporting prefabricated materials by building or area for the Mageshima Base construction project. We plan to expand the number of sites and hubs in the future, ultimately establishing an off-site hub for all projects. In terms of material management and transportation, we have already achieved efficiency by utilizing an off-site warehouse for the University of the Ryukyus Hospital, scheduled for completion in June 2024.

S-LABO Kyushu


Off-site warehouse at University of the Ryukyus Hospital

Using BIM and Visualizing Construction Processes

We promote transitioning operations from on-site to offsite, including pre-processing traditional fabricated pipes and small bore pipes. Material identification and management can be done efficiently using BIM parameters to quantify pipes and ducts, and implementing IC tags on each item. By integrating BIM data with our capabilities in construction sites, we can quickly and systematically make adjustments and corrections, ensuring quality while reducing labor hours. We aim to standardize visualization of construction management through BIM, optimizing the entire construction and management process. We are striving to create initiatives that will maximize productivity and contribute to the sustainable development of the construction industry.

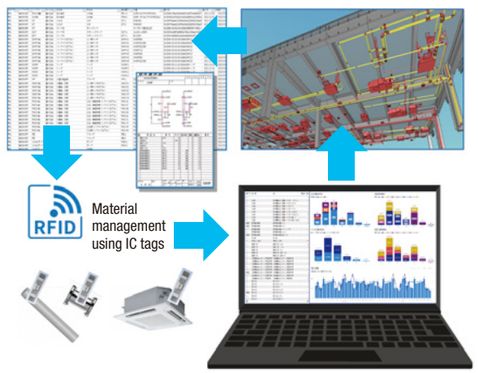
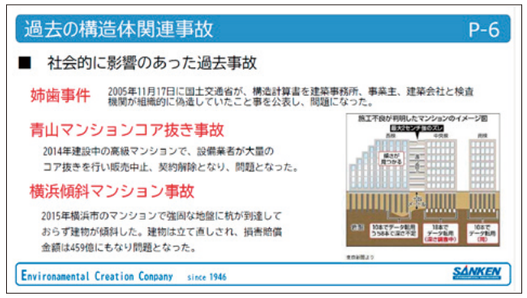


Diagram of utilizing BIM and visualizing the construction processes

Initiatives for Quality Improvement

Preventing Major Quality Accidents

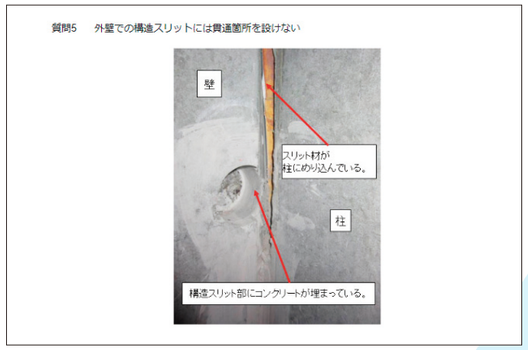
Maintaining organizational records of significant quality accidents and their societal impact is essential, ensuring that current and future employees are informed, engaged, and able to learn from them. We create educational video materials highlighting major quality accidents in the construction industry, alongside case studies, relevant background information, and technical insights. These resources are used annually in internal training for engineers to prevent accident recurrence that may arise from diminishing memories.



An analysis sheet that shows past quality accident cases from other companies

Mastering Foundational Skills Through Quality Orientation Training

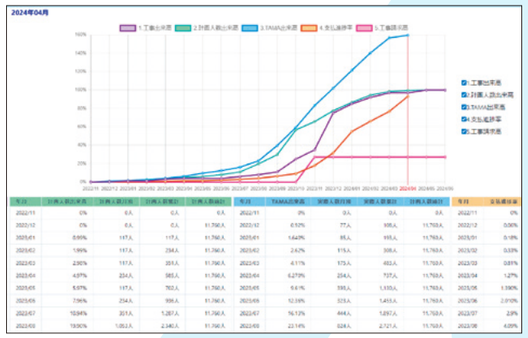
New entrants to construction sites, particularly those with limited experience and skills, often express concerns, while more experienced employees may risk overlooking essential knowledge if not applied regularly. We offer e-learning solely for construction-related quality education, designed to equip employees with fundamental skills and reinforce core quality concepts, thereby reducing anxiety. This education is also provided to new entrants from partner companies, fostering clear communication about quality between our workforce and partners.



An example of quality orientation training

Construction Management System Development

Using our foundational data, we digitized monthly construction reports previously presented in paper format. This approach allowed the back office to monitor essential ISO-required progress meetings and inspections, along with visualizing the current management status derived from safety and quality patrols, enabling quick detection and resolution of on-site issues. The system also ensures financial management such as planned versus actual labor hours management, appropriate payment tracking to partner companies based on progress, and proper expenditure management with primary contractors. Conducting document reviews using this system before inspections has also enhanced productivity.



An example of our construction management system interface

Safety

Sanken Setsubi Kogyo is dedicated to fostering a safe, lively workplace where employees can achieve personal fulfillment by utilizing our occupational health and safety management system. We strictly adhere to health and safety fundamentals, conduct precise management activities, and aim for zero accidents and health assurance throughout the organization.

Learn more about our Health and Safety Policy https://skk.jp/corporate/policy/#child__occupational-health-safety

Safety Initiatives

Setting Safety Performance Goals

In the fiscal year 2023, we recorded six accidents that resulted in lost time injuries, three of which involved site managers. To enhance awareness and create a secure work environment, we conduct biannual training sessions for employees and partners in which we share past cases and preventive measures. Our ultimate goal is to achieve zero lost time injuries.

2023 Safety Performance (Frequency and Severity Rates) as of the end of March 2024

Frequency Rate: 0.66 (Target: 0.00 or below)　　Severity Rate: 0.009 (Target: 0.00 or below)

Raising Awareness and Distributing SANKEN's Safety Guide

To effectively resolve any uncertainties or questions regarding safety regulations encountered during site operations, we have published a comprehensive guide to enhance safety practices. This guide features our safety operation standards, which are presented in illustrations to ensure clarity. Rather than being merely distributed, we engage in continuous discussions about its content within the organization. In addition to the digital version, we provide a pocket-sized printed version for easy access, which is distributed to our partners to help prevent accidents in the workplace.

Distributrition of Multilingual *13 SANKEN SAFETY RULES*

Based on past cases, we have established the *13 SANKEN SAFETY RULES*. With a diverse, multinational workforce, we have translated these safety regulations into six languages (English, Chinese, Thai, Vietnamese, Burmese, and Indonesian) alongside the original Japanese. These are used in training sessions and orientation programs to improve comprehension of the 13 safety measures, with the ultimate objective of achieving zero accidents.

Vietnamese version

Implementation of Safety and Health Education

We distribute monthly *Zero Accident News* and *Sanken Safety and Health Environment Topic* during safety councils held at construction sites. E-learning platforms dedicated to safety education are also available to disseminate essential knowledge and regulations. By addressing existing knowledge gaps and ensuring an understanding of our distinct regulations, we promote a secure and safe work environment.

Conducting Safety Patrols

Collaborating with our partners, we conduct safety councils nationwide to prevent on-site accidents, ensure awareness of site rules, provide safety education, and hold discussions. We carry out joint safety patrols with our branch offices' safety council to asses and review safe work environments and procedures, including operations in high places, material management, and tool usage. We publish an annual newsletter titled *Kakigara*, to report safety and health-related information and public relations activities.

Hosting Annual Safety Conferences

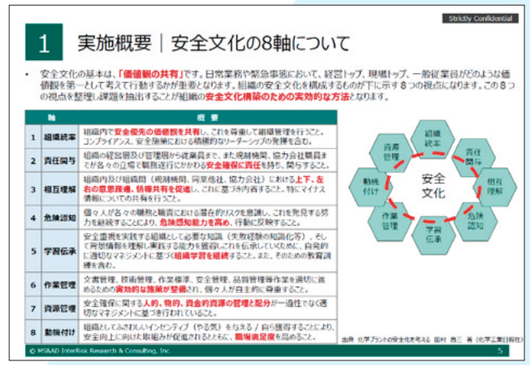
We co-host safety conferences, a gathering dedicated to safety within construction sites with our branch offices and safety councils. Held annually in June, during the National Safety Week Preparatory Month, we gather employees and partners to communicate the year's safety slogan and critical measures, review recent safety performance, and discuss the importance of incident prevention. This gathering also provides a platform for the regular assessment of safety initiatives, thereby enhancing awareness and commitment to safety and health.

Safety Education at the Saitama Technology Center

Our Saitama Technology Center serves as a venue for enhancing safety awareness among employees and partner companies, along with fostering community engagement. The center features a first-floor training area equipped with 12 safety simulation devices and fall prevention harnesses for practical experience. These tools allow participants to experience potential operation risks in construction sites, thereby improving their safety awareness and predictive capabilities. We also conduct physical fitness assessments for older employees to aid them in understanding their physical capacities and preventing accidents that may result in serious injuries.

Safety Culture Assessment

We have conducted a survey to evaluate the current state of safety and quality within the organization, analyzing the data using statistical methods to identify overarching trends rather than focusing on individual results. The findings were organized into the *8 Axes of Safety Culture*, highlighting critical areas for improvement. This structured approach is an actionable method for constructing a developed safety culture. We will continue to polish our method through internal programs and strengthen our safety and quality culture.



Stakeholder Engagement

Communicating with Our Employees

Conducting Employee Satisfaction Surveys

We conduct an annual employee satisfaction survey to visualize and quantify employee engagement and motivation. This survey also gathers feedback, suggestions, and requests, which are used to implement individual improvements or incorporate them into management strategies.
We strive to create a more supportive environment by promoting open communication between our employees and executives.

Yamekatsu Grand Prix Initiative

As part of our ongoing work style reform efforts, we invite employees to submit proposals for eliminating unnecessary tasks, known as *Yamekatsu*. An annual contest is conducted in which directors serve as judges, evaluating and sharing suggestions made by employees.
This event is held to promote an efficient, lively work environment for all individuals within the organization.

Communicating with Our Customers

Implementing CS Activities and Proposal-Based Sales

Our customer service (CS) activities include proposal-based sales, maintenance, and renovation projects to address diverse customer needs and obstacles. We collaborate between divisions and branches to meet customer requests including ZEB transformation and initiatives aimed at reducing energy consumption.
Tours and presentations are held at the Tsukuba Mirai Technology Center to promote our technical expertise. We are committed to delivering well-informed proposals that satisfy and foster trust with our customers.

Exhibition Participation and Technical Publications

We showcase our technologies and products at various exhibitions to engage directly with attendees and gather feedback. This interaction enables us to attract interest from both existing and potential clients across different industries and professions. Through face-to-face communication, we address their challenges and needs while providing information about our services.
Our technical publication *Eu* features interviews with customers, focusing on technically significant projects and exploring solutions to both domestic and global challenges through collaborative efforts with our clients.

Communicating with Our Partners

Hosting Business Owner Training Sessions

We organize training sessions for business owners of partner companies at each branch, with instructors dispatched from our head office. These sessions cover important safety and quality topics, including preventing occupational and quality accidents and raising awareness using our safety guides.
Our goal is to ensure rigorous safety management and maintain high construction quality.

Operation of *Sanwa-Kai*

Serving as the secretariat, we operate the *Sanwa-kai* as a forum where we gather people from partner companies, including equipment manufacturers and distributors, to deepen friendships with each other in order to facilitate construction. Through the planning and implementation of various social activities, we deepen our acquaintances, maintain close communication, and facilitate communication.

Information Sharing via Partner Company Portal

We have established a dedicated portal for our partners on our website to facilitate information sharing. By exchanging and understanding safety, quality, and cost information, we aim to maintain an unified approach to quality assurance aligned with our management system across the entire group, including partner companies.

Declaration of Partnership Building

We have publicly announced our Declaration of Partnership Building dedicated to the development of our procurement policy. By publishing this agreement on our web portal, we seek to enhance the transparency and visibility of our initiatives.

Learn more about our Declaration of Partnership Building
https://skk.jp/corporate/policy/#child__partnership

Multi-Stakeholder Policy

Co-creating value with shareholders and diverse stakeholders is essential and we are committed to engaging in appropriate collaboration with multiple stakeholders in our corporate management. The fair distribution of profits and outcomes from value co-creation contributes to a sustainable society. Therefore, we engage in initiatives that benefit employees and other stakeholders.

Learn more about our Multi-Stakeholder Policy
https://skk.jp/corporate/policy/#child__multi-stake

Social Contributions

We promote activities that make a positive impact on society, which includes the environment, the workplace, and our daily lives, and encourage employees to participate in these initiatives. In fiscal year 2023, we conducted 75 activities, exceeding our target of 55 social contribution activities.

Notable Activities

- Cleaning activities around business locations
- Donation initiatives (installing Red Cross donation vending machines, donating used stamps, books, and calendars)
- Recognized as a contributor to urban greening and urban park projects through Fukuoka City's *One Flower Per Person Movement*.
- Delivered a lecture on airflow analysis and indoor environment prediction technology at a seminar at Atma Jaya University in Indonesia, receiving a letter of appreciation
- Sponsored the Koto Ward Toyo Elementary School Support Program "Industry-Academia Collaboration Project 'Dance Academy 2023'"
- Supported Asuhiro, a general incorporated association aiming to inspire children and revitalize communities through sports
- Sports Support Activities

Supporting Sports Activities

Through supporting sports activities, we contribute to the development of the next generation and enhance sports culture.

- *SANKEN 30CLUB*

Formed in 1998 by former Japan national team players, this adult water polo team has been sponsored by Sanken Setsubi Kogyo since 1999, adopting the name *SANKEN 30CLUB*. The team continues to promote sports culture and participate in national championships.

Learn more about the *SANKEN 30CLUB* https://skk.jp/corporate/club/

Governance

Corporate Governance

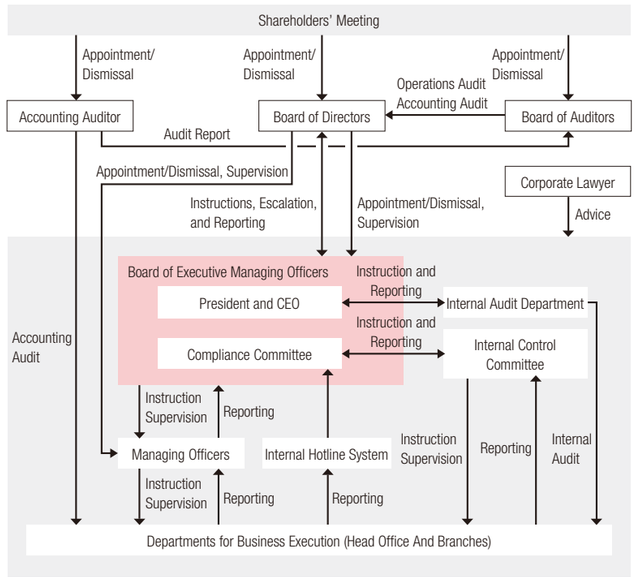
Our Philosophy on Corporate Governance

As an "Environmental Innovation Company" that creates sustainable air and water environments, we aim to contribute to society by offering advanced technology through MEP engineering, construction, and associated services. In pursuit of sustainable growth and enhancement of corporate value, we prioritize compliance and ensure a balanced approach between management oversight and business execution, alongside fair and transparent decision-making as fundamental principles of our corporate governance. To address the challenges of global warming and climate change, we have incorporated activities aligned with TCFD recommendations as a crucial element of our governance. We also established a corporate governance structure based on the Companies Act to foster trust among all stakeholders.

Corporate Governance System

Our governance structure compromises a Board of Directors responsible for decision-making and overall oversight, alongside an Executive Officer system designated for business execution. The heart of the business execution is the Executive Committee, which engages in deliberations and decision-making regarding critical management and sustainability issues, encompassing compliance, risk management, and initiatives related to carbon neutrality, thereby supporting the President and the Board of Directors. The Compliance Committee operates under the Executive Committee and monitors corporate compliance. The Audit & Supervisory Board conducts audits under established plans and engages in discussions with directors, the internal audit department, and external auditors to enhance collaboration. The Internal Audit Department is charged with auditing business execution across all departments, ensuring the appropriateness and effectiveness of the management systems.

Corporate Governance System Chart



Skills Matrix for Directors (expertise of directors and auditors)

Name		Technology Development	Production	Market Development	Finance	Legal Affairs	Human Resources	Internationality
Directors	President and Representative Director President and CEO Eiichi Matsui	●		●	●		●	●
	Representative Director Senior Executive Managing Officer Hiroshi Akase	●	●	●			●	
	Director Senior Executive Managing Officer Masamichi Ozaki		●			●		●
	Director Senior Executive Managing Officer Itsufumi Goto			●			●	●
	Director Executive Managing Officer Tomomi Sato		●		●		●	
Corporate Auditors	Senior Corporate Auditor Makoto Nishida				●			
	Auditor Masako Yokomizo					●		
	Auditor Sugio Baba			●			●	●
	Auditor Masahiro Mikawa				●	●		

(As of March 31, 2024)

*This matrix highlights only the primary expertise of our directors and auditors (marked ●).
Essential management skills such as strategy, sustainability, and governance are not listed.

Internal Control System

Under the Companies Act, our Board of Directors established a policy for our internal control system, ensuring legal compliance and promoting transparency and efficiency in management.

Learn more about our internal control system https://skk.jp/corporate/ir/?tabsid=2

Internal Hotline System

To strengthen our compliance management, we have established an internal consultation and reporting system SANKEN Compliance Hotline for reporting legal infringements, harassment, and any violations of the SANKEN Group Ethical Charter.

Managed under our Compliance Committee, the hotline ensures confidentiality and protects whistleblowers from retaliation, supporting early detection and correction of misconduct. Last year, we received one report that was addressed promptly and appropriately.

Risk Management

Under the Internal Control Committee's supervision, each division and department strives to minimize and prevent risks arising and recurrence from business operations. We establish and disseminate necessary risk management regulations, while the Internal Audit Department audits risk management across departments and group companies to maintain effectiveness.

Concept of BCP*

Our disaster response policy reflects our dedication to meeting social responsibility objectives within the framework of business continuity. We actively participate in regional disaster agreements through industry associations and promote initiatives for disaster recovery.

*Business Continuity Plan (BCP): business continuity plans for companies and organizations in the event of a disaster or other emergency

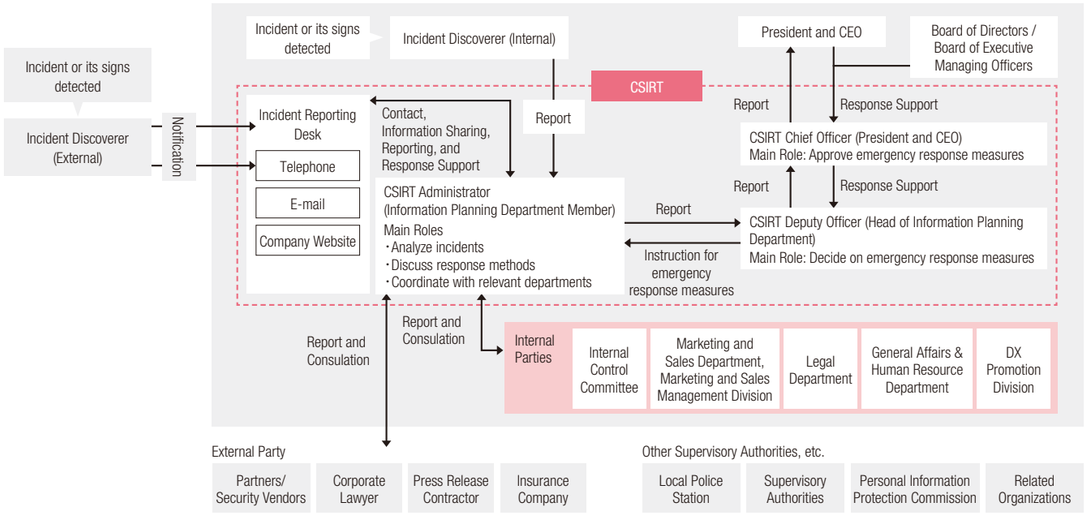
1. Prioritize the protection of human life
2. Collaborate to continue business operations, maintain customer service, and support employees and their families
3. Minimize potential damages through daily preparations
4. Extend assistance to local residents, businesses, and government agencies when there are enough resources to spare
5. Develop BCPs addressing disasters that could significantly affect business operations and employee's lives

Information Security Promotion System

We have established a CSIRT* system to address information security incidents.

*CSIRT (Computer Security Incident Response Team)
A team dedicated to responding to incidents identified as security issues

Structure of the organization and CSIRT



Fair Business Practices

Commitment to Abide by the Antimonopoly Law

Our Board of Directors has resolved to conduct independent bidding activities without collusion, affirming our commitment to fair competition. Employees adhere to the SANKEN Group Ethical Charter, promoting compliance. We have also established regulations regarding antitrust compliance to prevent violations in business operations, including a whistleblower system to protect rights and privacy.

Employees meeting with competitors must prepare and submit a dedicated forum contact/report, with meetings approved by department heads to prevent bid-rigging. Internal audits are conducted semi-annually to ensure compliance, and annual training sessions with external lecturers are held to enhance understanding and awareness of antitrust laws.

Consideration for Business Partners in Digitization of Transactions and Contractual Work

To reduce paper usage and working hours, we developed the electronic commerce system *SANKEN CloudEC*, which has been operating since January 2021. This system accelerates agreement and contract processes, offering benefits such as no need for revenue stamps, reduced processing times, and eliminating the need for dedicated invoices. It is user-friendly and cost-effective, with no system fees or electronic certificate requirements. As of early March 2024, 2,267 companies use electronic commerce, with 91.7% of contracts and 86.4% of invoices digitized.

We also continue to support conventional paper-based processes, acknowledging the preferences of partners who prohibit electronic transactions for security reasons. We ensure compliance with relevant laws, such as the Invoice System and Electronic Book Storage Act, and strive to implement user-friendly systems for our partners.

CSR Procurement Policy

We have established a procurement policy that underscores the significance of CSR procurement in sustainable management. We seek understanding and cooperation from our direct business partners to align with this policy.

1. Legal Compliance and Societal Standards
   We adhere to all applicable laws and societal standards.
2. Fair Transactions
   In procurement, we conduct transactions based on mutual fairness and reliability, using a comprehensive evaluation system that prioritizes the company's integrity.
3. Respect for Human Rights
   We respect every individual's fundamental human rights in our business.
4. Quality Assurance
   We ensure quality that meets customer needs.
5. Health and Safety for Employees
   We create a safe, hygienic work environment to prevent occupational accidents.
6. Environmental Responsibility
   We actively work to reduce environmental waste and prevent pollution.
7. Information Security
   We appropriately manage customer, personal, and confidential information to ensure information security and prevent data breaches.
8. Collaboration with Business Partners
   We build partnerships with our business partners to achieve mutual prosperity.
9. Request Cooperation from Business Partners
   (Promotion of CSR Procurement)
   We seek understanding and cooperation from our business partners regarding this procurement policy to promote CSR activities.

Corporate Data

Corporate Profile as of March 31, 2024

Company name	SANKEN SETSUBI KOGYO CO., LTD.
Head office	Kayaba-cho First Building, 1-17-21, Shinkawa, Chuo-ku, Tokyo
Telephone	03-6280-2561
Paid-in capital	¥1 billion
Number of employees	technical staff 927 / clerical staff 353 / Total 1,280 employees (1,054 men and 226 women)
Net sales	¥92.9 billion (as of March 2024)
President and CEO	Eiichi Matsui
Construction Business License	(Toku-4) No.1879 by Minister of Land, Infrastructure, Transport and Tourism
Line of Business & Service	Plumbing Business, Architectural and Construction Business, Electrical Construction Business, etc.
First-Class Architect Office Registration	Registration Governor of Tokyo Registration No. 61948
ZEB Planner Registration	Sustainable open Innovation Initiative ZEB29P-00006-PGC (design and consultation)

Number of employees with major technical qualifications

Professional Engineer	11 persons
First-class Plumbing Works Execution Management Engineer	718 persons
Fire Defense Equipment Officer (A and B)	A 547 persons, B 25 persons
First-class Electric Works Execution Management Engineer	43 persons
First-class Electrician	5 persons
First-Class Architect	25 persons
First-class Building Execution Management Engineer	6 persons
Qualified Person for Energy Management	43 persons

Building Mechanical and Electrical Engineeer	132 persons
First-class Instrumentation Engineer	174 persons
SHASEJ Engineer	291 persons
Qualified Person for Building Equipment Inspection	9 persons
CASBEE Architectural Assessor	3 persons
RST Trainer	13 persons
First-Class Certified Skilled Professional of Construction Industry Accounting	6 persons
Doctorate	8 persons

Membership in Major Industrial Organizations

- Air-conditioning & Plumbing Contractors Association of Japan
- The Society of Heating, Air-Conditioning and Sanitary Engineers of Japan
- Japanese Association of Building Mechanical and Electrical Engineers
- The Association of Japan Instrumentation Industry
- Japan Architecture Facilities Inspection Association
- Japan Society of Corrosion Engineering
- Energy Conservation Center, Japan
- Japanese Business Alliance for Smart Energy Worldwide
- Aluminium Plumbing Equipment Association
- Japan Facility Management Association
- Japan Air Cleaning Association
- buildingSMART Japan

Signing of the United Nations Global Compact (UNGC)

We are registered as a signatory and participating business of the United Nations' UN Global Compact. Endorsing the Compact's ten principles in the four areas of Human Rights, Labour, Environment, and Anti-Corruption, we continue to pursue sustainability-driven initiatives under the commitment of our top management.

ISO Certification

- ISO9001：2015 Effective Date 2023/6/26
- ISO14001：2015 Effective Date 2023/11/9
- ISO45001：2018 Effective Date 2024/3/21
- ISO19650*：2018 Effective Date 2024/3/21

*ISO 19650: Engineering Management Division acquired the certification

Learn more about our accredited ISO certification https://skk.jp/corporate/management/

Directors as of June 26, 2024

Director

Eiichi Matsui
President and CEO

Hiroshi Akase
Representative Director / Senior Exective Managing Officer

Itsufumi Goto
Director / Senior Executive Managing Officer

Tomomi Sato
Director / Executive Managing Officer

Corporate Auditors

Senior Corporate Auditor
Makoto Nishida

Auditor*
Masako Yokomizo

Yokomizo Law Firm
Attorney

Auditor*
Sugio Baba

Senshu University
School of Business Administration
Professor of Management

Auditor*
Masahiro Mikawa

Former director, Sakura Bank (currently Sumitomo Mitsui Banking Corporation)

* Outside auditors as stipulated in Item 16 of Article 2 of the Companies Act of Japan

Executive Managing Officers

Yuji Oyanagi
Katsunori Nakane
Akinobu Hirose

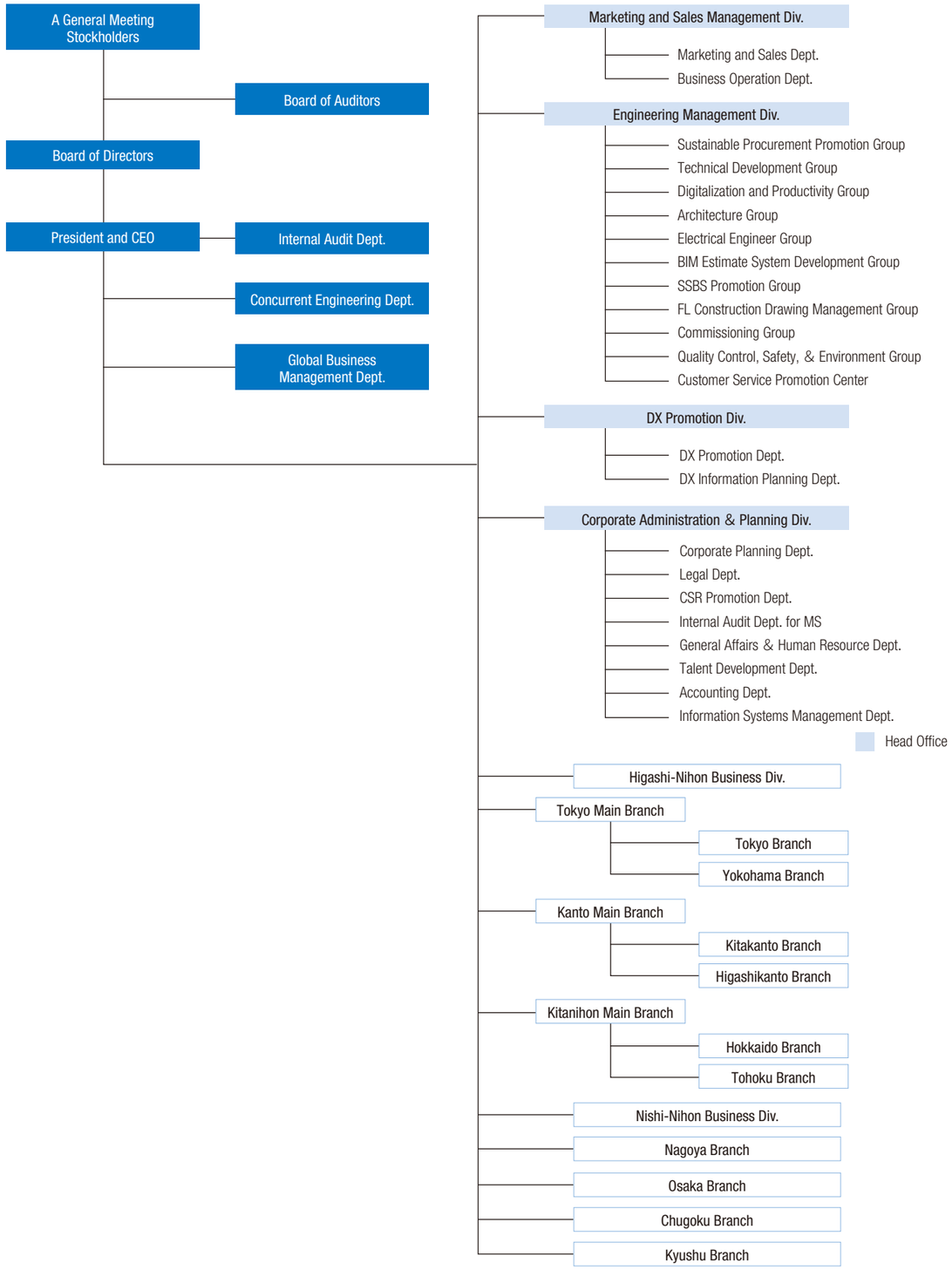
Managing Officers

Yukio Yamada
Hiromi Nagata
Naritoshi Nakamura
Yuji Fujioka
Koji Morikawa
Katsuma Inoue
Minoru Shibata
Hideaki Toyoshima
Yoshifumi Kano
Hiromichi Katsuta
Yasushi Shinjo
Takao Okiura

Corporate Profile

as of March 31, 2024

Organization



List of Business Sites

Group Companies

SANKEN ENGINEERING SERVICE CO., LTD.
HOKKAIDO SANKEN ENGINEERING CO., LTD.
TOHOKU SANKEN SE CO., LTD.
NISHINIHON SANKEN SERVICE CO., LTD.
SANKEN SHOKAI CO., LTD.
WITCO INDUSTRIES LTD.
SANKEN SCUBE CO., LTD. <Vietnam>
Global Environmental Technologies Inc. <U.S.A>

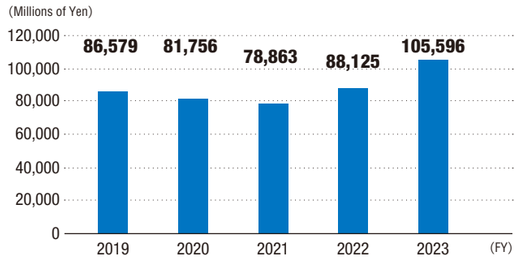
Overseas Sites

Thailand Representative Office <Thailand>
Jakarta Representative Office <Indonesia>

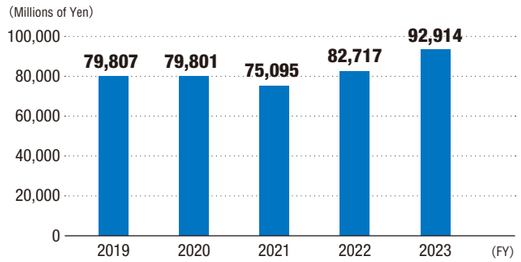
Financial Highlights

Business Performance Trends

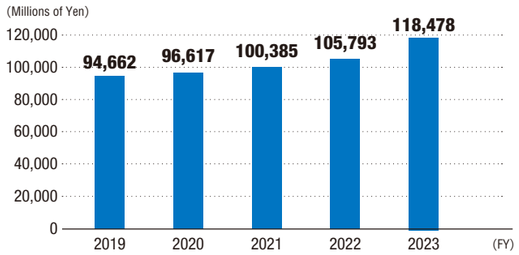
Orders Received



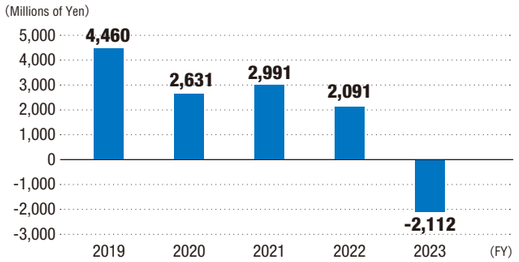
Completed Construction Contracts



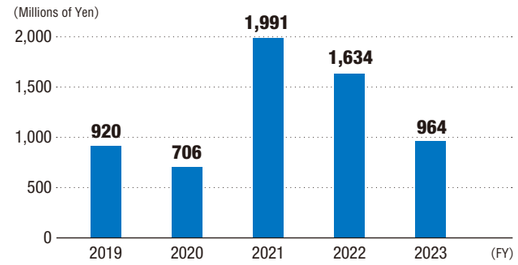
Orders Carried Over



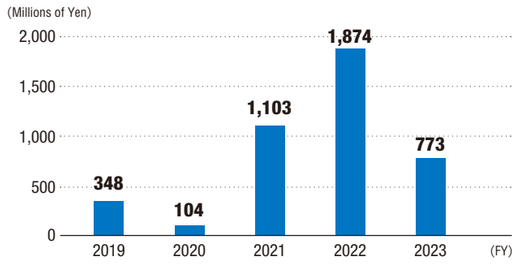
Operating Income



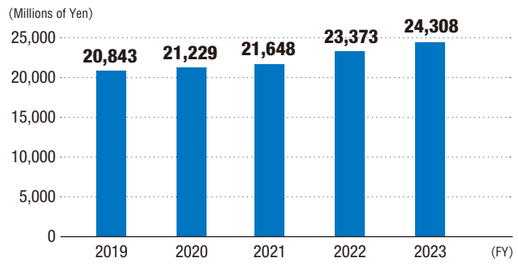
Ordinary Income



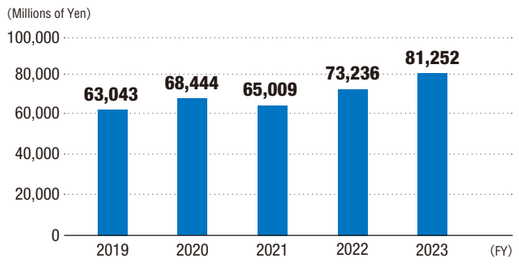
Net Income



Net Assets



Total Assets



Balance Sheet

(as of March 31, 2024)

Thousand of Yen

Assets		Liabilities	
Current assets	**69,854,146**	**Current liabilities**	**50,137,437**
		Non-current liabilities	**6,806,250**
		Total liabilities	**56,943,687**
		Net assets	
Non-current assets	**11,398,012**	**Shareholders' equity**	**22,805,305**
Property, plant and equipment	1,147,371	Share capital	1,000,000
Intangible assets	293,628	Retained earnings	21,805,305
Investments and other assets	9,957,012	Legal retained earnings	203,868
		Other retained earnings	21,601,436
		Valuation and translation adjustments	**1,503,166**
		Total net assets	**24,308,471**
Total assets	**81,252,159**	**Total liabilities and net assets**	**81,252,159**

Statement of Income

(April 1, 2023 to March 31, 2024)

Thousand of yen

Net sales of completed construction contracts	92,914,567
Cost of sales of completed construction contracts	87,402,959
Gross profit on completed construction contracts	5,511,608
Selling, general and administrative expenses	7,623,968
Operating income	△ 2,112,359
Non-operating income	3,142,750
Non-operating expenses	66,369
Ordinary income	964,021
Extraordinary income	61,006
Extraordinary losses	251
Income before income taxes	1,024,776
Income taxes-current	40,530
Income taxes-deferred	210,455
Net income	773,791

Learn more about our IR Information https://skk.jp/corporate/ir/

Third-Party Opinion

Project Professor, Faculty of Economics, Shiga University
Ph.D.in Business & Commerce,
Professor Emeritus, Keio University

Daisuke Okamoto

Profile

He has served as a board member of the Japan Forum of Business and Society, a member of the Business Administration Examination Committee, the Certified Public Accountant Examination, and a member of the CSR Advisory Committee at Chugai Pharmaceutical, etc. He specializes in managemetrics and corporate appraisal. His published books include *Revisiting CSR (Shakaiteki Sekinin to CSR wa Chigau!)* (Chikura Publishing Co., Ltd, 2018)

Aiming for a Report Beyond the Prime Level

Sanken Setsubi Kogyo, which adopts the slogan "a company that creates an environment for air and water," has published its third corporate report. I have been in charge of this section since the first year, and I am very happy to be able to witness the evolution of Sanken Setsubi Kogyo's annual report. This year, in the third year, the entry points have been developed, and the Sanken Setsubi Kogyo version of the Octopus Diagram, the global standard for the so-called integrated report to show the process of creating value, has been expanded, both of which I have been requesting since the first year.

The integrated report incorporates non-financial reports, such as CSR reports, in addition to the existing financial reports, which inevitably increases the volume. However, the volume of information is not easily reduced because it is full of information that we wish to be read not only by business partners and cooperating companies, students who wish to join the company, but also by employees and their families, and each has his/her own needs. On the other hand, too big reports are avoided. This is where the integrated report as an entry point is introduced. The entry point provides a variety of information, but only a brief description of each topic. A link is attached to each topic if the reader wants to know more. The report will be slim while securing a wide range of information. Sanken Setsubi Kogyo's corporate report has neatly established this system.

Evolution can also be seen in the value creation process page (p.10-11). Value creation process of input → business activities → output → outcome appeared in last year's report, and this year's report also clearly describes the process. The core business activities are the Sanken Tree, a tool for expressing the image of growth of the Sanken Group as described in President Matsui's message at the beginning of the report. Compared to last year's Sanken Tree, DX has been promoted from peripheral information to the trunk of the tree. I have seen this as a manifestation of the will of Sanken Setsubi Kogyo, which is putting its efforts into DX promotion. In fact, the DX Strategy in the medium-to-long-term strategy and the core of CSR activity, “SANKEN Challenge 2030”, (p.12-13) has been promoted mainly by the DX Promotion Office. As can be confirmed in the output of the value creation process, Sanken received DX Certification from the Ministry of Economy, Trade and Industry. DX certification is granted to companies that meet the basic requirements of the Digital Governance Code established by the Ministry of Economy, Trade and Industry. Specifically, DX certification is required to show the systems, organizations, and human resources necessary to promote the DX strategy in the strategy of utilizing digital technology. As a certified contractor, Sanken Setsubi Kogyo can use the DX-certified logo because it is certified as being able to respond to the needs of customers and society using data and digital technology. The achievement of becoming the first Japanese facility construction company to acquire ISO 19650 certification, an international standard for information management, has appeared in the Output. The DX Promotion Office has been upgraded to the DX Promotion Division since this spring, and it is hoped that further company-wide efforts will be made.

A new feature of this report is the introduction of the Skills matrix (p.39). Skills matrix was common in Europe and the United States, but from around 2020, the number of companies disclosing their skills in Japan has increased. As of 2024, most publicly traded companies disclose, and 98% of prime companies do so. One of the factors behind this is the revision of the Corporate Governance Code. Supplementary Principles 4-11 states "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 "skills matrix."

The skills matrix visualizes the skills possessed by each executive and ensures transparency in corporate management. This makes it possible for the reader of the report to judge whether or not the company has sufficient management functions to resolve the company's problems. As recommended in the Corporate Governance Code, the disclosure of information by Sanken Setsubi Kogyo is also at the prime level, as it is requested for the listed companies, especially prime companies.

However, although the number of Japanese companies disclosing information has increased sufficiently, there have been voices of dissatisfaction with their content. In other words, it is said that some companies are working to ensure that their skills are categorized in a uniform manner so that they do not make any difference. It was pointed out that they lack the " identification of the skills, etc. that it should have in light of its managing strategies” that is mentioned in the Corporate Governance Code." I stated that the report by Sanken Setsubi Kogyo is at the prime level, but I think it would be a good idea to show the company's own characteristics a little more. For example, as confirmed in the previous section, it might be advisable to emphasize the achievements of DX certified business operators and ISO 19650 certification. I think that a report that exceeds the prime value will be created by defining the items of such skills and clarifying which executives are responsible for those skills, so we can understand the strengths of digital and IT. I have great expectations for further advancement in the future.

In Response to the Opinion

Representative Director /
Senior Exective Managing Officer

Hiroshi Akase

Third edition, “Corporate Report 2024”

We extend our heartfelt gratitude to Professor Okamoto for the valuable insights provided each time.

This year's report was developed with the aim of “accurately conveying what our company wishes to communicate to the intended audience,” based on the feedback received in the past, making it compact and reader-friendly report.

In addition to the improved ease of use of the entry points, we have introduced a skills matrix to convey management's roles and expertise in an easy-to-understand manner, and have revised the editorial so that we can be viewed as a more approachable company.

Expressing the growth of the Sanken Tree in the Octopus Diagram is a tricky issue. However, we will emphasize our strengths and characteristics, which were pointed out in this year's report, as well as the new direction we want to take. In order to make the report easier for the reader to understand, we will make further progress in incorporating the perspectives of our employees, who are confronting our stakeholders daily, in addition to our management perspectives.

We will continue to strive to realize a sustainable society as an "Environmental Innovation Company", by setting clear goals at SANKEN Challenge 2030, by visualizing growth through the Sanken Tree, and by further publishing an in-depth corporate report.

We look forward to receiving your comments and suggestions.

For consultation and inquiries regarding the Corporate Report:

SANKEN SETSUBI KOGYO CO., LTD.

〒104-0033
Kayaba-cho First Building, Shinkawa 1-17-21,
Chuo-ku, Tokyo

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Published in January 2025