

Sankyu Group
Integrated Report
2024

Sankyu Group Integrated Report 2024

SANKYU

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What Is Sankyu's Vision for an Ideal Company?

**A company that creates universal value
by aiming to play an indispensable role for society
and customers, anytime, anywhere, any industry**

Since its founding, Sankyu has constantly provided indispensable value to industries through its manufacturing, transporting, and repairing operations, even as it has changed form over time. We have been expanding the value we provide across eras, national borders, and industries. The source of our value is trust, based on safety and quality, as well as the underlying power of our people. This has never changed. We will adapt to changes in society, but we will also enhance the power of our people, continuing to improve and refine ourselves so that we can support all kinds of industry and contribute to the development of society.



Contents

What Is Sankyu's Vision for an Ideal Company? 01

Principles, Purpose, Contents 03

Message from the President 05

Sankyu's Value Creation	Management Strategy
Business Domains 09	Message from a Senior Executive Director 27
Expanding Business Domains 11	Overview of Long-Term Management Strategy 2030 29
Unchanging Strengths and Value Creation 13	Digital Transformation 35
Special Feature	Enhanced Human Capital 36
Sankyu's Business Driven by Its People 15	Material Issues 37
1Chairman × External Director	ESG Topics 39
2Sankyu Technical Academy	Message from the CFO 43
3Upgrading of low-carbon fuel feedstock production plants	
4Wind turbine dismantling work at the Hibikinada Wind Farm	
5Modal shift in transportation of aluminum cans	

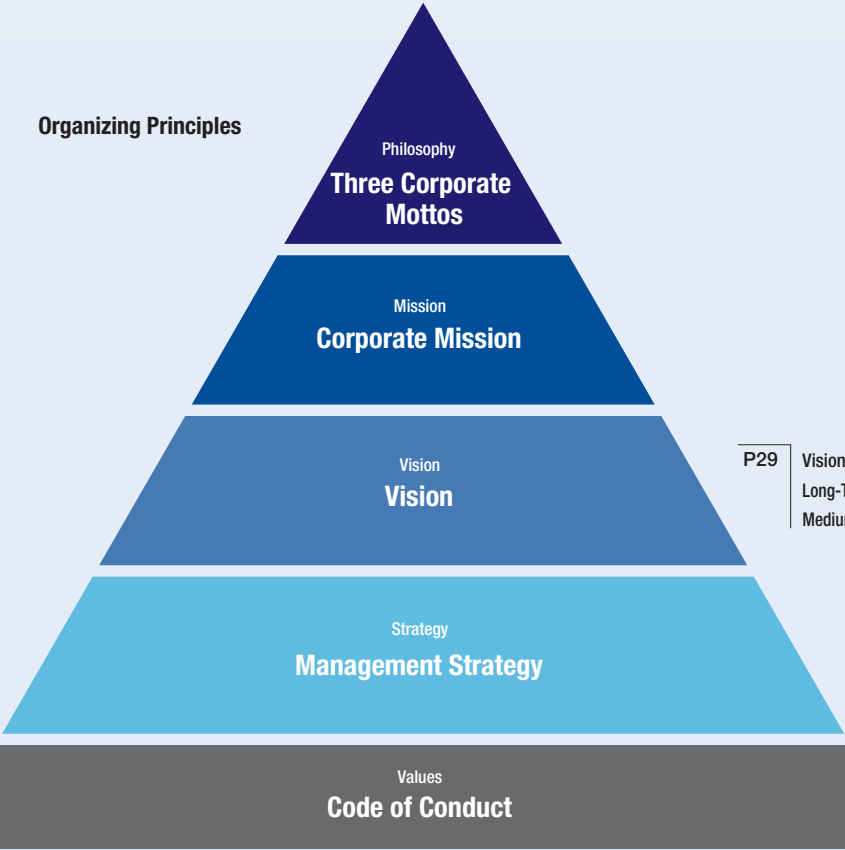
Business Report	Management	Data Book
Logistics Business Division 45	Corporate Governance 51	Five-Year Data Highlights 63
Engineering Business Division 47	Risk Management 59	Non-Financial Data 64
Overseas Business Division 49	Compliance 61	Financial Statements 65
		Corporate Profile, Group Network 69
		Glossary 71

Purpose

Thank you from our hearts.
SANKYU for life on our Blue Planet.

We at SANKYU are always grateful to the people around us. Together with our like-minded partners, we strive to continuously create new value to support the world's industries and protect this blue planet for all living beings.

Organizing Principles



P29 Vision 2030
Long-Term Management Strategy 2030
Medium-Term Management Plan 2026

Philosophy

Three Corporate Mottos

To be taken to heart by all Sankyu Group members

Kogen Jikko Put Words into Practice

Set your sights high, proclaim your goals and do your utmost to achieve them.

Jimon Jito Self-Questioning

Put yourself in others' shoes to ensure you have an accurate viewpoint instead of indulging in self-centered thinking.

Kansha Appreciation

Never forget to be thankful to those around you. "Thank you" is the origin of our company's name.

Mission

Corporate Mission

Management Principles

The Sankyu Group's commitment to the world

Under the guiding principle of valuing people, Sankyu endeavors to be indispensable for our clients. Through developing our business, we strive to contribute to the well-being of our employees and the betterment of society as a whole.

Management Goals

Management's commitment to all of our clients and employees, and the whole world, to fulfill our management principles

- Embrace our responsibility as people living on this planet to contribute to the sustainable development of society.
- Provide the best value in line with industrial development.
- Value the wisdom and effort of our frontline employees, and nurture their potential.

Values

Code of Conduct

Each employee's personal commitment to the Company and the world as a guide for their daily conduct

The 9 rules of the Code of Conduct
— Ensuring moral and ethical behavior —

- I will commit to always giving utmost priority to safety.
- I will always act in compliance with regulations.
- I will adopt a global perspective, giving due respect to diverse cultures, religions and values.
- I will take an active role in protecting the global environment.
- I will endeavor to work in a way that inspires society.
- I will take pride in and responsibility for my work.
- I will work and develop with others in an atmosphere of mutual respect.
- I will contribute to building a company that nurtures positive people.
- I will help ensure that our company continues to be strong through mobilizing all the work done in the field.

Reporting Boundary

In principle, the reporting boundary includes Sankyu Inc. and the Sankyu Group (56 consolidated subsidiaries and 1 equity-method affiliate).

Reporting Period

April 1, 2023 to March 31, 2024
The report contains some information relating to before and after the reporting period.

Month of Publication

November 2024

Referenced Guidelines

- GRI (Global Reporting Initiative)
"Sustainability Reporting Standard"
- ISO 26000 (International Standards Organization)
"Social Responsibility"
- IIRC
"International Integrated Reporting Framework"

Note Regarding Forward-Looking Statements

Forecasts or forward-looking statements regarding the future and so forth included in this report are based on the information available at the time of publication and on the Company's assumptions and judgment based on this information. Accordingly, actual earnings, results, performance, etc. may differ considerably due to various risks and uncertain factors, such as economic trends, market prices, and foreign exchange fluctuations. The Company does not accept any responsibility for losses that may arise due to the use of the information in this report. Moreover, the Company does not bear any obligation to announce updates on the statements regarding forecasts or forward-looking statements regarding the future in this report.

The Company considers human resources to be an important capital for management and an asset, and therefore uses the Japanese characters meaning "human capital" when referring to human resources.



中村公大

Kimihiro Nakamura

President (Representative Director) & COO

Message from the President

Now is the time for change. We will drive our transformation forward and seize growth opportunities

Enhancing dialogue with stakeholders

“Valuing people”—these words are at the top of the Company’s management principles. In this instance, “people” refers not only to stakeholders, but also includes those connected to the broader impact of our business activities. Since our foundation, we have used these words to inform our judgement while expanding business activities in line with changes in society. I treat this management principle as a constant, and ask myself every day whether I am putting it into practice.

In the previous fiscal year, we published our first integrated report, and I thank you for the feedback we have received. Some of the feedback included critical points, and we have reflected seriously on the large number of points requiring improvement. Going back to our management principles, we will use this feedback to make improvements to our management. We will also look to further develop dialogue with stakeholders and build a relationship that instills confidence in our business growth and meets their expectations.

Review of FY2023

Targets for the first year under Medium-Term Management Plan 2026 not achieved

The financial results for FY2023, the fiscal year ended March 31, 2024, were lower than the initial earnings forecast, with net sales of 563,547 million yen (down 2.7% year on year), operating profit of 35,216 million yen (down 7.7%), and ordinary profit of 36,631 million yen (down 7.6%). These results were clearly short of our targets for the first year of Medium-Term Management Plan 2026 (the “Medium-Term Plan”), which we had positioned as a transformative period. The reason for calling it such is our strong belief that the Company itself must change in order to sustain a front line where our human capital can thrive. I have reflected deeply on our inability to deliver the expected results.

In addition, despite a positive trend in stock prices in the market overall, our stock price has not performed well, indicating our stakeholders’ stern assessment of our performance and management’s failure to meet expectations.

We recognize two main reasons behind the targets not being achieved.

Reasons for non-achievement of targets

The first is a downturn in the Logistics Business. Even though we downwardly revised our initial earnings forecast in the second quarter of FY2023, operating profit still did not reach the revised forecast. Moreover, as of the first quarter of FY2024, the fiscal year ending March 31, 2025, the Logistics Business saw earnings decline year on year. The slowdown in China’s economic growth is one of the reasons for this, but I believe the major cause was our inability to respond flexibly to major changes in external factors. Because we failed to grasp post-COVID changes in the supply chain structure, our strengths in China worked to our detriment. In addition to a slump in cargo movement in domestic warehouses associated with China, exports out of Southeast Asia dropped, significantly impacting the overall Logistics Business for China-bound freight. Even as the progress of our plan slowed due to changes in the business environment, I think we could have mitigated the decline if we’d gathered a wide range of information, including firsthand feedback, and responded rapidly and flexibly to the situation.

The second reason is that we were unable to grow our overseas business and risks materialized. Despite setting “expand overseas business” as a basic strategy of the Medium-Term Plan, overseas sales

declined year on year, due in part to the aforementioned drop in business following China's economic slowdown. Additionally, I deeply regret that additional costs were incurred in a project in the Middle East due to inadequate risk management on the part of the Company. By further strengthening risk management, centered on the Overseas Business Division, Legal Department, and Corporate Planning Department, we will learn to prepare for new business risks going forward. We will also draw on advice from outside experts with the aim of building a system that enables us to ascertain and mitigate risks from multiple perspectives, so as to avoid complacency.

Working toward transformation in the second year of the Medium-Term Plan

We must make up for our lack of action in the first year of the Medium-Term Plan and steadily accelerate toward transformation. First, in an effort to rebuild the Medium-Term Plan, we will review the cost structure of the

Logistics Business and our strategy for our overseas business.

Review of the cost structure in the Logistics Business

We recognize the issue of excess management costs in the current organizational structure of the Logistic Business. For example, in cases where the contract contact point for customers is a head office department, and the executing departments are spread across multiple locations in Japan and overseas, a multi-layered structure of costs emerges because each respective location requires management. By simplifying business management, we will reform the structure to retain as much profit generated by frontline efforts as possible. First, we will work on revising the multi-layered structure of our domestic transportation departments, import and export departments, chemical departments, and others that incur significant management costs. After completing formulation of a plan during FY2024, we will execute it in FY2025, and examine the results in FY2026.

Naturally, in tandem with revising the management structure, we will also increase

profitability by streamlining operations. Furthermore, we will promote differentiation by ensuring that we are able to provide high-value-added services, extending as far as maintenance of material handling equipment, in addition to the services we have offered thus far. In this way, we will create a structure that ensures efforts on the front lines are properly rewarded.

Review of our overseas business strategy

Given the downturn in business following the Chinese economic slowdown, we are already reviewing unprofitable businesses, mainly the warehousing business. In addition to rapidly rebuilding our strategy in line with the business environment, we will also rationalize management to prevent deterioration in profitability. During the current Medium-Term Plan, we will transition to a structure that suits our business scale.

Our business in China has been in a downturn since FY2023, and in our Middle East operations, we have made a provision for loss on construction contracts. However, we view our overseas business as one that we should grow in order for the Company to grow. First, we want to implement a revised risk management structure to properly control risk and costs, and then establish a growth strategy for the Middle East and India. The role of management then will be to execute the necessary investments, create a system for generating profits, and powerfully drive our strategy forward.

Human capital development

This course of action is predicated on human capital equipped with the necessary skills. Human capital who possess advanced skills are our greatest asset. It is they who generate value and drive earnings that lead to growth. Overseas, we have also undertaken initiatives to develop human capital and refine their skills. The Sankyu Technical Academy has been established in Malaysia, and is now running. Working together,



During a visit to the Iwakuni Branch

the academy's Engineering Department, Training Department and Recruiting Support Department have built up a strong record of developing and mobilizing human capital capable of working anywhere in the world. Moreover, we plan to start operations at the Sankyu Saudi Arabia Maintenance and Human Resource Development Center in FY2024 as planned. The center will operate as a new base for human capital development and maintenance in Saudi Arabia with a view to expanding our operations in the Middle East, which is one of our focus areas.

Looking ahead, with labor shortages in Japan predicted to worsen, we will explore the next generation of frontline operations that will enable overseas technical personnel trained in overseas human capital development centers to operate at sites in Japan and abroad based on a quantitative evaluation of their skills. We will work to secure and strengthen our mobilization capability to enable the timely dispatch of engineers in appropriate teams to large-scale projects throughout the world, including Japan. This will also lead to business expansion in Japan and overseas.

DX

At Sankyu, the greatest transformation (X) is breaking free from a labor-intensive business model, and we aim to use the latest digital

technology (D) as a means to make this transformation even more efficient and rapid. At the same time, we are engaged in DX training to develop personnel who will be charged with enacting the measures to prompt this transformation. In FY2024, in order to accelerate our DX, we have been progressing with functional improvements to our internal environment, human capital development, and systems in accordance with the Digital Governance Code.

On the other hand, believing that solely looking inwardly would result in lost opportunities, we have been strengthening external connections through such means as capital participation in start-ups, investment in funds, and appointment of personnel from outside the Company since 2022. We plan to invest aggressively during the current Medium-Term Plan, and our investment decisions will leverage internal and external knowledge and involve careful examination to ensure that we obtain the expected results.

The skills and expertise cultivated by our human capital are our strength. By combining these with digital technology, we aim to increase the sophistication of various operations, and as a result, provide value by helping solve social issues that concern our stakeholders. The skills and expertise that we have cultivated on the front lines are essential to realizing the digital society of the future. With them, we aim to

increase the value of our existence as a firm.

Long-term vision

Since my appointment as president, I have been explaining to our employees that we need to enhance our skills and technical capabilities and change the way we work in order to improve operations through communication. Human capital and their capabilities to produce are our greatest strengths, and the source of our value creation. I believe that the job of management is to ensure the value we provide is evaluated properly, and further enhance that value.

The Company has developed while responding rapidly to changes in society through each employee engaging earnestly in their work and building their skills. In the same way that water freely changes its shape to fit various containers, we have aimed to smoothly adjust our operations to play an indispensable supporting role in our customers' businesses.

Going forward, however, I would like Sankyu to not only fill the container, but also be able to propose the optimal shape for the container to society and customers. For our employees and partner companies, we will strive to provide a stable living through work and workplaces that offer safety, security, and job satisfaction. For our shareholders, we will provide stable returns. And for local communities, we will strive to be able to provide peace of mind by resolving issues. I hope that by doing this, we will be a company that grows sustainably while providing all of our stakeholders, including employees, customers, shareholders, and local communities, with security, safety, and stability.

I am confident that we can provide even greater value than before by accepting one another and leveraging our connections as a strength. The value created by people is truly the embodiment of our meaning and purpose: "Continuing to support industry and people's lives throughout the world."

Message from the President

Business Domains

We operate two businesses, the Logistics Business and Plant Engineering Business.
We are also expanding our business overseas to support industries throughout the world.
We respond to all kinds of changes in industry, and continuously provide value to society and our customers.

A Wide Range of Spanning Logistics

Business Domains and Plant Engineering



Operation of ports, the gateways for maritime transportation

These wide-ranging operations include directing and overseeing cargo handling operations for container ships and bulk carriers, shipping agent services, port warehouse operations handling import and export cargoes, and product packaging.



Port logistics



Domestic logistics



On-site logistics



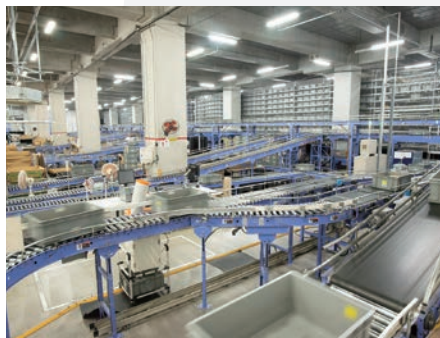
International logistics

Logistics Business

Transporting a wide range of goods and materials using reliable technological capabilities over land, sea and air

Transporting anything and everything

From daily necessities to large machinery, hazardous items, works of art, and waste, we offer optimal logistics plans for customers' needs and provide transport. We are also actively engaged in environmental initiatives, such as the introduction of a modal shift.



Supporting manufacturing inside customers' plants

Inside the plants of customers that manufacture steel, petroleum, chemicals, and other products, we conduct on-site logistics to transport materials, products, and equipment and on-site operations to support manufacturing processes.



Utilizing our global network to provide logistics services

Our logistics services offer a full line of transportation from pickup to delivery of freight, combining multiple modes of transport including land transportation, maritime transportation, and air freight transportation to meet needs for cross-border logistics.



Design



Procurement and fabrication



Construction



Maintenance

Design of various plant and infrastructure equipment and facilities

In construction of plant and infrastructure equipment and facilities, we realize customers' plans by coordinating all aspects from plan proposal and layout design to construction. We will respond to customers' needs as required, providing services from basic overall project design and proposal to detailed designs of individual aspects.



Procurement and fabrication of various plant and infrastructure equipment and facilities

We either fabricate or procure the necessary equipment for plant construction in accordance with the construction schedule. We also fabricate infrastructure facilities such as bridges.

Construction of various plant and infrastructure equipment and facilities

We conduct installation, piping work, civil engineering, and construction of equipment inside mainly steelmaking, petroleum, and chemical manufacturing plants, as well as infrastructure facilities. In addition, we offer a full range of services for various plant and infrastructure equipment and facilities, from design and fabrication to transportation and construction.



Services from daily maintenance to renovation work

We provide a wide range of services, from daily maintenance to periodic repair and renovation work every few years. In turnaround maintenance, we mobilize engineers from all over Japan depending on the scale of the project to provide a flexible response and support manufacturers' stable production.

Expanding Business Domains

Sankyu's business began from maritime transportation, and has now expanded in step with changes in society and customers to include land transportation, on-site logistics and operations, and plant engineering services. Using the manufacturing, transportation, and repair technologies that we have cultivated in our business to date, we will now expand into domains such as social infrastructure, renewable energy, and green logistics. We will continue to respond flexibly to changes in society and our customers in order to continue contributing to the realization of a better society.



1918

Changes in society »

1945

From the post-war recovery to the high economic growth period

1990

Increasing movement towards overseas expansion among customer firms in Japan

2030

Increase in maintenance demand after the end of the domestic plant construction demand cycle

Increase in demand for responding to climate change and aging social infrastructure

Sankyu's Journey »

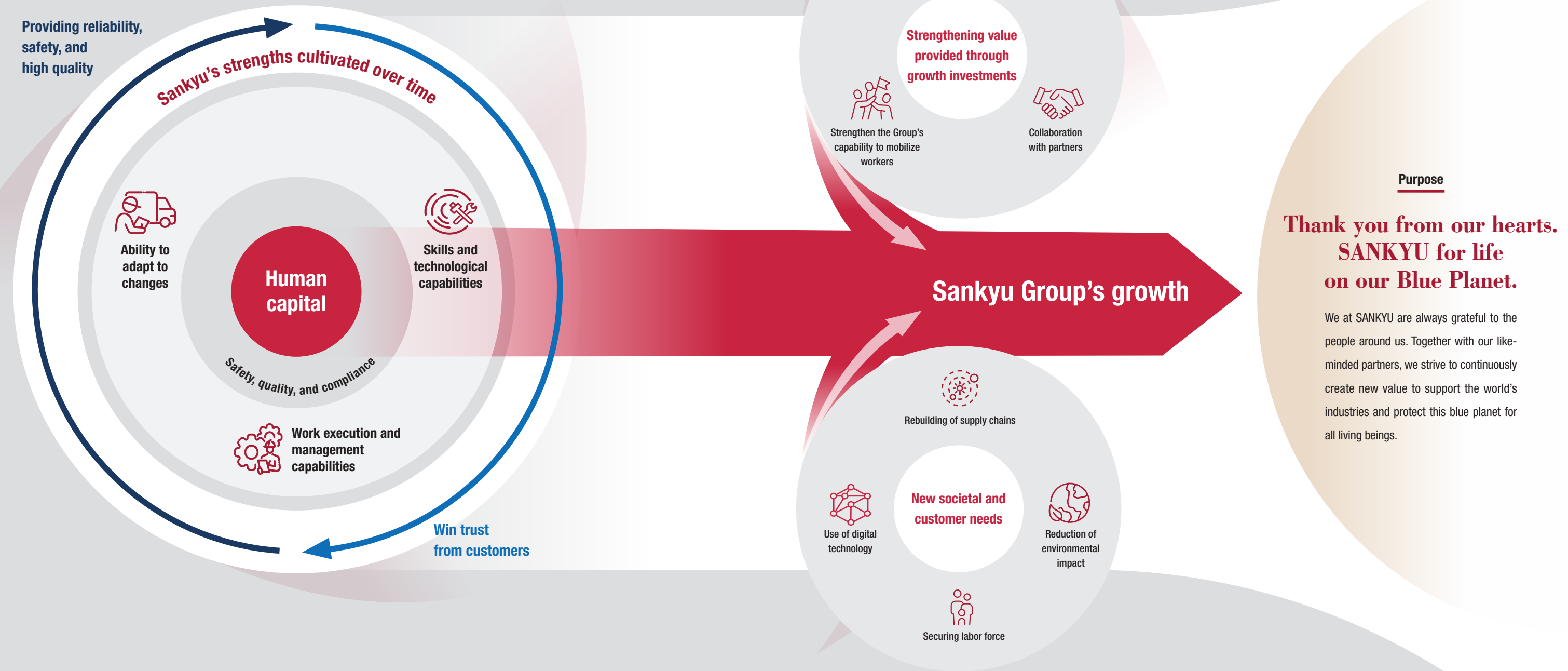
- 1918 Founding of Sankyu's predecessor, Sankyu Transportation Co., Ltd.
- 1932 As a charter member of Yawata Steel Mill Contract Logistics Providers Association, Sankyu supported the integration of Yawata's subcontractors and established a foundation for supporting on-site operations

- 1948 Acquired a license as a trucking company
Created a framework for providing integrated land-sea transportation
- 1954 Received an order for the integrated export of a plant bound for Yugoslavia
- 1961 Solely received an order for construction of Higashida No. 1 Blast Furnace from Yawata Steel Company
- 1971 Founded first overseas subsidiary, Sankyu (Singapore) Pte. Ltd.

- 1991 Started plant maintenance service
- 1997 Started third-party logistics (3PL) service
- 2002 Started third-party maintenance (3PM) service
- 2012 Received an order for general daily maintenance services at an oil refinery in Jubail, Saudi Arabia

- 2018 Carried out maintenance work on Tokyo Bay Central Breakwater Route No. 5 bridges and other areas
- 2020 Conducted inspection of a plant during operations using drones
- 2022 Constructed floating wind turbines for Goto Floating Wind Farm

Unchanging Strengths and Value Creation



Value creation on the front lines

The Company has grown by remaining closely attuned to customers' businesses and providing solutions for issues on the front lines. Our strengths include continuously honed skills and technological capabilities, advanced work execution and management capabilities, and an ability to adapt and respond to needs on each front line. Human capital is the source of Sankyu's value creation. Through relationships of trust, we discover new customer needs and expand our business. We also work to resolve social issues and provide new value.

Safety, quality, and compliance

The Company's management foundation is based on rigorous safety and quality standards, as well as compliance. These are essential for providing trouble-free support for customers' businesses. For many years, the Company has been dedicated to ensuring safety and quality, raising awareness and promoting initiatives each day.

Skills and technological capabilities

Under the Company's management principle of valuing people, we consider our strength to be the high level of skills and technological capabilities cultivated over our 100-year history. The reason we remain the preferred choice of customers is the efforts of our individual on-site personnel to face challenges and overcome difficulties. These skills and technological capabilities have been built up over many years through training and sincerely responding to customers.

Work execution and management capabilities

The Company emphasizes frontline work execution and management capabilities. Sankyu's trained and highly skilled human capital are developed and dispatched all over the world. Our strength lies in using this approach to deliver high performance on any site and provide trouble-free and reliable support for customers' businesses.

Ability to adapt to changes

The Company has built up a top-tier ability to adapt to changes by responding flexibly to changing needs through numerous projects. Sankyu's history of responding to all kinds of customer demands has earned it a reputation as the company to call when in need.

Sankyu Group's growth

The Company has expanded its business domains flexibly from its beginning in maritime transportation to logistics, construction, and maintenance. At the foundation of these services is the trust generated by Sankyu's human capital in their sincere approach to customers. This trust has been built over the years by continuing to provide reliable, safe, and high-quality services from the past to the present, and into the future. We will also accelerate the expansion of the value we provide through investment of cash generated through business domain expansion and through the emergence of new societal and customer needs. Going forward, we will aim to achieve our purpose by continuing to enhance the capabilities of our human capital, who are the source of the Company's value.

Chairman × External Director

The Core of Sankyu's Business Is Underpinned by Its Human Capital

Chairman Kimikazu Nakamura and External Director Akira Takada, who assumed his post at Sankyu last June, discussed the Company's approach to human capital and its characteristics and challenges as seen from the perspective of the market.



Kimikazu Nakamura
Chairman (Representative Director) & CEO

Akira Takada
External Director

What is human capital to Sankyu?
Sankyu's human capital is the approximately 40,000 people who work for the Group's domestic and overseas companies as well as partner companies

Chairman Nakamura (hereinafter referred to as "Nakamura") One year has passed since you took office as an External Director. What is your honest impression of our Company and its human capital?
External Director Takada (hereinafter referred to as "Takada") First of all, I was surprised at the breadth and depth of Sankyu's business. I also have the impression that all of the employees are

very sincere in their approach to their work.
Nakamura As you mentioned, our employees are sincere and diligent in carrying out their duties. Our Company has grown as a result of the added value created by our human capital.
Takada Sankyu's human capital possess skills and expertise that can only be acquired at Sankyu. These are not competencies that can be acquired by reading a manual. I feel this is precisely the competitive advantage of Sankyu's human capital and a barrier to entry for other companies. Chairman Nakamura, what is your view on the position of human capital in Sankyu's business?
Nakamura We are in the business of adding value to our people, who provide services to customers, and the Company then receives

compensation for those services. Therefore, it is human capital that underpins the core of our business. The Sankyu Group has approximately 19,000 employees in Japan, 12,000 overseas, and when including employees at partner companies, the total comes to roughly 40,000. We consider all of our employees, including those at our partner companies, to be "Sankyu's human capital."
Importance of securing and developing human capital
Ensuring global mobilization capability to address the social issue of labor shortages

Takada What are your thoughts on investment in human capital?
Nakamura We build up the competencies of our people to make them shine, turning them into gems of human capital. Therefore, for us, human capital investment is not a cost, but an upfront investment to transform our employees into precious assets.
Takada In recent years, however, the shortage of workers has become a major social issue due to the contraction of the labor force, attributable to Japan's declining birthrate. While the labor shortage provides business opportunities for Sankyu to meet the increasing needs of its customers, it is also expected to make it more difficult to secure human capital, which is recognized as an even greater management challenge. How will Sankyu secure manpower, especially as it aims to expand business globally in the future?
Nakamura We have been operating four training facilities in Japan for some time, focusing on human capital development. We have also begun establishing training facilities overseas, most recently in Malaysia, where we have begun training personnel at a facility where recruitment is also carried out. In addition, we plan to open the Sankyu Saudi Arabia Maintenance and Human Resource Development Center in December 2024, which will further enhance our training environment. We aim to become the world's No. 1 group of technical specialists by adding value to our human capital in Japan and overseas through training. In addition to within Japan, we will also dispatch Sankyu's highly trained human capital to the front lines of business around the world, thereby ensuring our global mobilization capability.
Takada As many companies and worksites are suffering from labor shortages, it is very important for the Company to have the mobilization capability to deploy highly skilled and competent human capital. However, the high turnover rate among the younger generation of



workers has become a social issue, and this is not just a problem for Sankyu. How do you plan to address this issue?
Nakamura The strength of our human capital lies in skills and technical capabilities that cannot be acquired overnight. We have been investing in the education and development of our employees by spending 5 to 10 years on training per employee to equip them with a high level of skills. However, as you mentioned, rapid turnover among younger employees is a major problem. While we have been devoting 5 to 10 years to training, we believe it is necessary to train the younger workforce in a shorter timespan so that they can quickly gain a sense of fulfillment and accomplishment. To this end, for example, I would like to divide the front lines into smaller units, and entrust each with a specific task such that they can acquire experience by executing the work.
Takada As for attracting talent from a broader perspective, it will be necessary to create an environment that is not only rewarding to work in, but also comfortable regardless of gender and personal attributes. I realize that achieving this is no easy feat, as the industry is dominated by men. Moreover, I think the current work uniforms are very traditional. I would like to see the introduction of fashionable and functional work uniforms that younger workers would be keen to wear.
Nakamura It is important to create an environment where everyone can work comfortably. The number of female employees in technical fields is increasing, and although it is not an easy task, we would like to work on this as something that needs to be tackled.
Adding value to Sankyu's human capital
Satisfaction of honing our "proposal capability" to transform worksites will translate to engagement
Nakamura From your external viewpoint, please share your thoughts on what is needed to further enhance the value created by our human capital.
Takada I expect Sankyu to not only respond and follow customer requests and the direction of change, but also to look beyond that and hone its "proposal capability" such that it can present proposals that will transform worksites. Doing this will magnify the value created by Sankyu's human capital, and give the Company an even greater competitive advantage.
Nakamura Strengthening our proposal-making capability is exactly what we are working on. In order to further enhance our ability to make proposals to facilitate changes at our



customers, we restructured our organization in FY2024 and established Sales & Marketing Departments 1, 2, 3, and 4. For more than 20 years, we have internally operated an improvement proposal system, grasping an advantage. This past fiscal year, we made 240,000 proposals, and intend to strengthen this capability further.
Takada In addition, it is essential to improve engagement. I would like to see Sankyu increase engagement involving its employees, affiliates, and partner companies, and to become the kind of corporate group that people feel content to be a part of.
Nakamura To increase engagement, we will implement various initiatives, such as for improving compensation and enhancing benefit packages. One such initiative was the introduction of a program in March 2024 to offer proxy repayment services for student scholarships and loans to support employees who have such obligations after joining the Company. And in July 2024, we launched a platform for discussions with senior management called Sankyu Mirai Dialogue.
Our Company is a "keystone" that supports industries in Japan and around the world. For example, just as an engine will not run if one gear stops moving, our customers' production sites would stop operating if we were not there. This is Sankyu's responsibility, and we are proud to bear that responsibility. In this sense, I believe that each and every one of us must clearly understand his or her role in the Company, because in doing so, it will lead to engagement and cause for pride. We will continue to hold the highest regard for Sankyu's esteemed human capital.



Special Feature ② Sankyu's Business Driven by Its People

Developing a globally deployable skilled workforce to provide ongoing support for industries around the world

Sankyu Technical Academy

The Sankyu Technical Academy (hereinafter referred to as the “Technical Academy”) was established in October 2022 as the Group’s first overseas human capital development center, with the aim of forming a global group of skilled technicians capable of working anywhere around the world. In recent years, the environment surrounding the Sankyu Group has changed markedly. These changes include global demographic shifts and a labor shortage in Japan. Moreover, we expect to face a greater need for human capital as we aim to expand our overseas business in Southeast Asia, the Middle East, and other regions. In order to deliver uniform quality of service worldwide, it is necessary to secure human capital and provide training on a global scale to equip workers with more advanced skills and technical capabilities. At the Technical Academy, we aim to develop human capital with a high level of skills and technical capabilities who can provide value to the world.



The Technical Academy was established in Johor, the southernmost Malaysian state on the Malay Peninsula adjacent to Singapore. At this center, which is conveniently situated close to airports, Sankyu plans to train 3,000 people per year mainly from its subsidiaries in various countries. The Technical Academy consists of three buildings: an office, a residential facility, and a training complex. Solar panels have been installed on the roof of the training complex to reduce daytime electricity consumption by approximately 20%, and an environmentally friendly design has been adopted, including a water sprinkler system that uses recycled rainwater. Recognizing these aspects of the building, the Malaysian Ministry of Environment and Water has awarded it Green Building Index (GBI) certification.

Developing global human capital under a well-formed organizational structure and education curriculum

Interviews were conducted with three key management personnel of the Technical Academy. They were asked about the operations of the facility and the training programs provided to the trainees accepted from around the world.

Operational structure of the Technical Academy

The center is organized into three departments: Engineering, Training, and Recruiting Support

To provide highly trained workers to different regions of the world, the Technical Academy has three departments: Engineering, Training, and Recruiting Support.

The Engineering Department, in cooperation with the Sankyu Maintenance Center in Japan, provides support to overseas subsidiaries by dispatching highly experienced professional engineers to participate in actual projects, from cost estimation and planning to sales presentations and technical support. The Training Department provides training for employees hired abroad. This is done through skills training to strengthen know-how for on-site maintenance inside petroleum refining, petrochemical, and steel facilities, safety training for a wide range of positions, and training by job level. The Recruiting Support Department hires people on a global scale, seeking out those with the experience and abilities required for each position. Owing to our extensive recruiting experience in Southeast Asia, we are now able to mobilize the necessary human capital in a short period of time.

These three departments will work together to develop human capital who can play an active role in the world and mobilize them to our global bases in Japan and overseas.

Education curriculum

Curriculum to strengthen the skills and technical capabilities required for each region’s business strategy

We have conducted interviews with each overseas subsidiary regarding the skills and technical capabilities they will need in the future to promote their business strategies, and have designed an education curriculum accordingly. We have also developed a skills matrix to

visualize the skills, technical capabilities, and other attributes possessed by employees at each overseas subsidiary, and are working to strengthen the systems necessary for future business strategies and to further improve the education curriculum.

Until now, in the case of the job title of “supervisor,” for example, there were many different designations, such as “supervisor,” “senior supervisor,” and “assistant supervisor,” depending on the overseas subsidiary, making it difficult to gain a common understanding of the skills required for positions with that title. We are now updating the skills matrix every six months to keep it current. The curriculum is then designed to provide appropriate training based on the level of competence required, with four levels for technical employees, three levels for engineers, etc. If off-the-shelf equipment required for the training is not available, we design and manufacture custom-made equipment to the same size and specifications as the actual equipment to be used. By doing so, the training can provide a more realistic experience closer to that experienced on site. In addition to four trainers with Malaysian government-recognized qualifications, experts are invited from within the Group as temporary lecturers to provide training that requires specialized content, and lectures are given in cooperation with Technical Academy instructors.



Shinji Kato
General Manager,
Engineering Department

Kazuhiko Horiguchi
President and General Manager,
Recruiting Support Department

Shinji Ninomiya
General Manager,
Training Department

Message

From the JETRO regional managing director

In Malaysia, where there is a strong need for more talented human resources, Sankyu’s efforts to develop “human capital” by utilizing its expertise cultivated in Japan will contribute not only to Japanese companies with a presence there, but also to Malaysian society as a whole. Such contributions to human capital development and technical assistance overseas will elevate Japan’s presence in the international community, as well as its influence and voice on the global stage. It is hoped that this initiative will lead to the production of “human capital” in great numbers for Malaysia and the rest of the world.

Koichi Takano

Managing Director, Japan External Trade Organization (JETRO) Kuala Lumpur

Development of skills and technical capabilities

Features of the education curriculum

Providing hands-on training in our own facilities using actual equipment

To provide skills and technical education related to oil refining and petrochemical plant maintenance, the Technical Academy's facilities are equipped with actual equipment similar to that used in on-site plants, such as heat exchangers, tower vessels, pumps, and even large compressors, work on which can only be experienced once every few years during turnaround maintenance. By using actual equipment like this, we are able to provide high-level training on a variety of maintenance topics, creating a program that allows trainees to quickly acquire practical skills that they can apply in the field.

In addition to skills and technical training, we also provide training by job level, such as safety education and managerial education. In particular, for safety education, which the Group values greatly, we have introduced the latest VR technology for hazard simulation training and conduct other training to raise safety awareness and thoroughly implement safety measures.

As a result of such efforts, we have been highly commended by our local customers for not only the skills and technical training we provide, but the wide-ranging and comprehensive skills improvement programs that also focus on safety education.



1 Welding training using augmented reality (AR)
2 High-speed centrifugal compressor
3 Danger experience training using VR technology



Comments from instructors

Managing trainees while supporting their growth

I previously worked in Saudi Arabia, where I was involved in commissioning maintenance work to Sankyu. Since that time, I have been attracted to Sankyu for its conscientious management of its human capital. And recently, thanks to a fortunate opportunity, I was able to make a career shift to Sankyu. In my previous job, it was difficult to advance to a management position due to the national policy at the time, but at Sankyu, I can take on various challenges and think about my career from a long-term perspective. I am able to share my experience in the maintenance field with my trainees and support their growth.



Carlos Andres Zambrano Cadenas
Maintenance Instructor

Questioning the meaning of working at Sankyu, to lead a meaningful Sankyu life

I hold a Malaysian government-recognized trainer qualification and am a mechanical systems instructor. I previously worked for Sankyu Saudi Arabia, but I had to return to my home country due to family reasons and changed jobs. I was limited in the tasks I could take on in my new position and I had doubts about the company's management style. This made me rediscover the appeal of Sankyu, and when the Technical Academy was established, I returned to work for the Company. My motivation in my job is to improve the quality of my work, and the Company's management is very supportive. I am grateful for a workplace that provides such an environment. What I particularly emphasize in my training is to convey my enthusiasm to others. In addition to developing skills, I ask trainees what they are working towards and why they are working at the Company, and try to get them to think about the meaning of their work.



Prabakaran V Sivasankaran
Mechanical Systems Instructor

TOPICS

Leader candidates from various countries were brought together to undergo managerial training and acquire management skills

With the aim of developing managerial talent who can be deployed globally, a 5-day group training session was held for prospective leaders from around the world. In addition to systematically acquiring managerial know-how, the participants also took part in workshops where they shared ideas, such as the concepts valued by the Company. In group discussions, they presented how they were applying the Company's philosophy in practice at their respective workplaces, and discussed what they thought was needed for the Company's future growth. We will develop managers who can play an active role in the world by acquiring the skills necessary for leadership and a global perspective.



Communicate a deeper understanding of Sankyu's philosophy and culture to the front lines

The training gave me a deeper understanding of the Company's philosophy and culture. Sankyu offers many opportunities for advancement, and I believe the environment is supportive for making one's own career plans. Another good thing about the Company is that we can collaborate on not only the work tasked to our division, but also with other divisions. I gained so much insight and perspective from the training that I can bring back to the front lines and share with others.



Ziyad Alhazmi
Sankyu Saudi Arabia, Rabigh Branch

Share what I learned about safety and management with my peers

I originally worked in the fast-moving consumer goods industry and joined the Company as a mid-career hire. Here, I have an opportunity to draw on my past experience and build a career. The Company treats its employees as "human capital" and I like this corporate culture. I learned a great deal through this training, especially about safety and management, and I will be sure to share this information with my team members.



Karunan Sathasivam
Sankyu Malaysia, Petaling Jaya Branch

Apply what I learned from this easy-to-understand training to frontline operations

An attractive aspect of the Company is the fact that we can build one-on-one relationships even with management personnel and communicate with each other while respecting different cultures. A great benefit of this training was the opportunity to interact with people from different countries and a variety of cultural backgrounds. In addition, the training content was very easy to understand and I gained a lot of insight, so I will take what I learned back to my own unit and make the most of it on the front lines.



Edha Saffuna Binti Husain
Sankyu Technical Academy

Special Feature ③ Sankyu's Business Driven by Its People

Tackling green opportunities around the world

Upgrading low-carbon fuel feedstock production plants

Low-carbon fuel, including sustainable aviation fuel (SAF), is the road transport and the aviation industry's trump card in the midst of the global trend toward carbon neutrality. EcoOils Sdn Bhd, a member of the Shell Eastern Petroleum Group, is focusing on SAF feedstock production, and Sankyu Malaysia has been selected as its business partner. Together, they intend to make every effort to contribute to a decarbonized society. In this report, we would like to introduce their efforts in this area.



About EcoOils

Creating new value from waste oil: EcoOils' initiative to produce low-carbon fuel feedstock

The aviation industry is facing a major challenge as it is one of the most difficult industries to decarbonize. It is reported that aircraft emit more greenhouse gases relative to the volume or quantity of goods and people transported than any other means of transportation, and that the aviation industry has a significant environmental impact. The global movement to address this issue through decarbonization is accelerating, and EcoOils' technology for producing the feedstock for low-carbon fuel production,

including SAF, is attracting a great deal of attention. This is because SAF is expected to be an important game changer in the run-up to 2030, the time by which Japanese airline operators must replace 10% of fuels used to operate international flights with SAF.

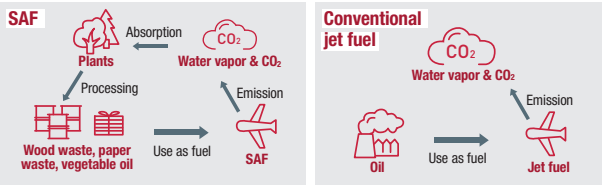
EcoOils is a waste oil manufacturer with over 40 years of history in Malaysia and Indonesia. Using state-of-the-art recycling technology, the company generates spent bleaching earth oil (SBE0) from palm oil waste and converts it into feedstock for low-carbon fuel production, including SAF.

Details of Sankyu Malaysia's support

Sankyu Malaysia provides support for sustainable energy production facilities from the bottom up

Sankyu Malaysia supports EcoOils in the modification and upgrading of its plants. Plant modifications and upgrading are more challenging than building plants anew. Sankyu Malaysia has a high safety management standard and has earned a reputation for consistently meeting customer needs. It contributes to solving environmental issues by helping to ensure the stable operation and supply of plants that produce sustainable energy.

What is sustainable aviation fuel (SAF)?



Partnering with **Shell**, a company that instills confidence in its customers

Sankyu Malaysia was awarded the EcoOils project on the strength of the trust it has built up. It undertakes the modification and upgrading of sustainable low-carbon fuel feedstock production plants as a safe and reliable partner. We had the opportunity to speak with Shell, the parent company of EcoOils, about the specifics of its collaboration with Sankyu Malaysia.



Q What is the relationship between Shell and EcoOils?

A We are working together to provide new energy solutions.

EcoOils joined the Shell Group in November 2022. We at Shell have established ourselves as a global energy company. While operating a diverse range of businesses, we are also committed to investing in and producing sustainable aviation fuels. Currently, we are working toward the goal of providing new energy solutions together with EcoOils, a supplier of high-quality feedstock compatible with the Shell Group's biofuel facilities.

Since EcoOils joined the group, we have been in the process of upgrading its plants to ensure safer and more efficient operations. Although the Shell Group's health, safety, and environment (HSE) standards had been introduced, the existing suppliers were encountering challenges adhering to these strict global-level standards. Therefore, we decided to entrust Sankyu Malaysia, a company we had come to trust through previous business dealings, with the modification and upgrading of the plants belonging to EcoOils.

Q Please tell us about your trust in Sankyu Malaysia.

A We trust Sankyu Malaysia because it takes an uncompromising attitude in everything it does.

We have confidence in the safe and reliable work of Sankyu Malaysia, which always approaches projects from the customer's perspective

and works with us to solve problems. The first point that makes us truly believe in Sankyu Malaysia is their high level of safety awareness. Working as a partner, we have become aware of the strictness of Sankyu Malaysia's execution of safety standards. The commitment of our two teams to safety as a top priority is mutually influencing each other, creating a virtuous cycle. The second is adherence to schedules through speedy response. Getting projects underway on time is also a matter of safety. Moreover, it helps to reduce costs by minimizing the period when the plant is not in operation. We appreciate that Sankyu Malaysia always provides us with accurate and efficient solutions.

Q What are your expectations for the future?

A We want to grow together as partners.

Sankyu Malaysia has met our many expectations in the past, and we hope to continue to build a lasting relationship. As an equal management partner, Sankyu Malaysia carries the "ownership" mindset by helping EcoOils to identify design errors upfront and providing optimized solutions for better outcomes for both parties. Our first project was a difficult one, but by working together, we were able to find new solutions.

We also hope that going forward we can work together on plants in Indonesia as well as Malaysia. Indonesia is a big country with a large population, so we plan to expand our business rapidly. We now have two plants operating there, with plans to add more in the future.

We look forward to continuing our collaboration as partners in working for a sustainable society.

Special Feature 4 Sankyu's Business Driven by Its People

Contributing to a sustainable society through the power of human capital and technology

Wind turbine dismantling work at the Hibikinada Wind Farm

Sankyu is focusing on the domain of wind power generation, having identified addressing needs around renewable energy-related equipment and facilities as a basic strategy under Medium-Term Management Plan 2026. Because wind turbines have become increasingly large in step with technological advancements and growing demand, the number of construction firms capable of dealing with this equipment is limited. Leveraging its 30 years of experience involved in the wind power generation domain and strengths cultivated in other business areas, Sankyu in 2023 carried out wind turbine dismantling work at the Hibikinada Wind Farm (Fukuoka Prefecture, Japan). Sankyu remains committed to helping to make a sustainable society possible through construction and dismantling work for wind turbines.



Wind power generation today and Sankyu initiatives

Sankyu first became involved in the domain of wind power generation 30 years ago. As the technology pertaining to wind power has evolved to improve power-generating efficiency in line with increased demand, the size of the equipment has grown progressively larger. When Sankyu first launched its business, wind turbines typically were about 60 meters in height. Today, heights of over 100 meters have become the norm.

As wind turbines have gotten bigger, construction machinery has also changed, shifting to massive heavy machinery capable of lifting several thousand tons, for example. Since only a few units of heavy machinery of this type exist in Japan, procuring the machinery required for wind turbine installation, upkeep and dismantling is challenging, and the technology to handle it is more sophisticated.

Machinery procurement, as well as transport of heavy cargo to the construction site, is vital to promoting the domain of wind power generation. Against this backdrop, Sankyu, with planning and construction capabilities cultivated in the Plant Engineering Business, established a new specialist organization in 2017 to support its focus on the wind power domain.

Additionally, to establish precise plans for executing safely and accurately the dangerous processes involved in wind turbine construction and dismantling work, Sankyu has led the industry in adopting the use of a vehicle-mounted 3D laser measurement system. This move has enabled high-quality heavy cargo transportation work when using general and mountainous roads.

Thanks to these efforts, Sankyu is now able to offer high-quality, consistent services in the wind power generation domain.

As wind turbines grow larger still, Sankyu is ready to make greater contributions than ever to the widespread uptake of wind power generation by leveraging experience and strengths honed over the years in this area.

Wind turbine dismantling work at the Hibikinada Wind Farm

The recent dismantling work for wind turbines at the Hibikinada Wind Farm took place as the turbines reached the end of their useful lives. Sankyu was involved in construction work at the same site nearly two decades earlier, the favorable evaluation of which back then led to the current order for dismantling work.

For the recent work, Sankyu was responsible for addressing the entire dismantling chain, from aboveground structure dismantling to removal of

underground foundations and piles and transport of dismantled material, for 10 wind turbines. The turbine dismantling work included a number of potentially hazardous tasks, among them the dismantling of turbine blades measuring 70 meters in diameter, one at a time, at a height of 65 meters above the ground, as well as machine work in inaccessible locations.

Based on Sankyu's principles, which value safety and quality above all else, we established precision plans to ensure no accidents or catastrophic events, including putting appropriate safety gear in place to prevent falls from high places, the buildup of scaffolding tailored to the terrain, and the use of specialized vehicles. By properly executing these, we were able to conclude the work as planned, including in terms of safety.

As with this project, while conducting highly difficult work without any accidents or catastrophic events is important, doing so is extremely challenging. Yet, we believe it is precisely because Sankyu has always made safety its top priority over the years that it has earned so much trust from customers today.

Future outlook

Looking ahead, Sankyu is focusing on human capital development, capital investment in needed machinery, and development of technology for proposing construction methods, in aiming to improve the construction-related skills and technological capabilities for expanding its presence in the wind power generation domain.

Guided by a powerful commitment from specialized departments, centered on young employees, to contribute in ways that will make a sustainable society possible, Sankyu will continue to address the ever-growing demand for wind power generation as it aims to remain an enterprise that can meet social demands.



Members of the Turbine Business Office

Special Feature ⑤ Sankyu's Business Driven by Its People

Combining Group capabilities to meet customer and societal expectations

Modal shift in transportation of aluminum cans

Sankyu began transporting aluminum beverage containers produced by specialist aluminum manufacturer ALTEMIRA Can Co., Ltd. some 40 years ago, and has been transporting products from ALTEMIRA Can's Gifu Plant to its warehouse in Saga Prefecture, Japan, for about 20 years. To reduce both labor hours for drivers and CO₂ emissions, Sankyu joined forces with marine transport firm Kinkai Yusen Kaisha Ltd. for a combined land and maritime transport approach, supporting the stable supply of aluminum cans.



Aluminum can transport that demands advanced quality control

ALTEMIRA Can's origins date back to 1972, a year after the debut of Japan's first beer sold in aluminum cans, with the entry of Mitsubishi Metal Corporation (now Mitsubishi Materials Corporation) into the beverage-use aluminum can business. Today, ALTEMIRA Can manufactures aluminum beverage containers, with Sankyu responsible for the distribution operations to deliver empty aluminum cans to the plants of beverage makers.

Empty aluminum cans are extremely delicate, requiring high-level quality control. The manufactured aluminum cans are filled by beverage makers and delivered to consumers. Accordingly, if cans pick up small scratches and dents, or odors and bacteria, during the transport stage, they become defective goods that cannot be supplied to customers. What's more, once produced, beverages must be canned within a limited window of time or risk being wasted, meaning that cans must be stably transported on the timetable that beverage makers designate.

Even in the transport of these delicate products, Sankyu has built relationships of trust with its customers through the stable transport of goods to them, backed by the high-level quality control and distribution know-how of its own human capital.



Empty aluminum cans prior to beverage filling

Modal shift efforts with partners

In an effort to reduce labor hours for drivers and improve transport capacity, in 2021, Sankyu proposed a modal shift for ALTEMIRA Can that would see a partial change to marine shipping for the transport method. While offering significant merits that include shortening the total hours spent working for drivers, increasing transport volume per trip, and helping to reduce CO₂, the modal shift also posed various issues, among them quality assurance and longer lead times. Working together with partners to clear these issues, while sharing all of Sankyu's accumulated expertise, was critical to making the proposal viable.

First, to eliminate concerns of a drop in quality, such as product scratches and dents caused by vibrations during marine shipping, we conducted an experiment that attached vibrometers to the beds of trucks that were then shipped by sea, confirming that marine transport would have no effect on quality.

Meanwhile, overland aluminum can transport requires trucks with special equipment, such as rollers attached to the beds of trucks designed to avoid scratches and dents during loading and unloading, and antibacterial specifications to prevent bacteria from infiltrating cans. Making the modal shift possible required ships to have the same specialized chassis found on trucks. Here, Sankyu shared its accumulated expertise and technology in aluminum can transport with Kinkai Yusen Kaisha, which then newly manufactured seven special chassis.

Since lead time was a day longer compared to solely truck-based

transport, we had ALTEMIRA Can revise its shipping schedule. In terms of product delivery, backed by cooperation from all relevant stakeholders, which included a shift to temporarily storing aluminum cans in a warehouse just outside the plant grounds of the beverage maker receiving the shipment, we developed the structure needed to make the modal shift possible.

Meeting demands through Group capabilities

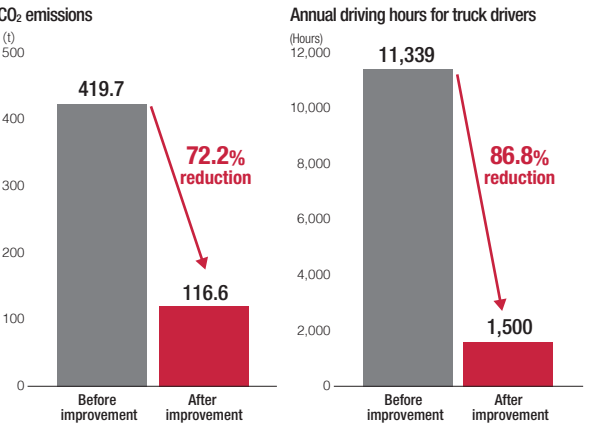
One of the Sankyu Group's strengths—its logistics network—played a particularly vital part in this proposal. The change in transport route triggered a new need for overland transport from Hakata Port to ALTEMIRA Can's warehouse in Saga Prefecture. Typically, moving across multiple transport modes and areas involves several companies in transport, making uniform quality control difficult.

However, the company responsible for overland transport for the Group, Sankyu Transport, has operations in Japan spanning the entire country, making it possible to maintain a uniform level of transport quality. Having Sankyu Transport Chubu responsible for transport from the Gifu Plant to Tsuruga Port in Fukui Prefecture, and Sankyu Transport Kyushu responsible for the route from Hakata Port to the warehouse in Saga Prefecture, enabled containment of all transport within the Group, making changes in the transport route possible while maintaining high quality.

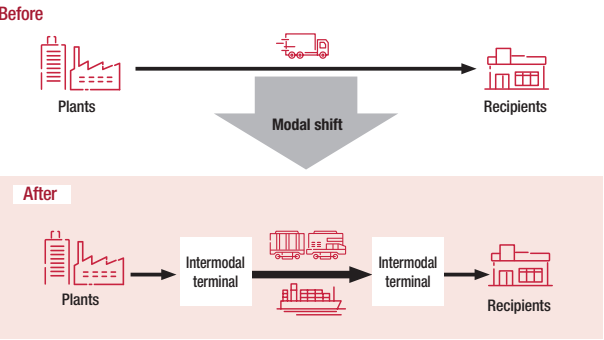
Value provision supported by human capital and networks

Transporting a specialized product like empty aluminum cans requires not only the creation of fundamental rules but also standardized techniques. Quality control is extensively enforced throughout the entire Group to enable Sankyu to ensure the same high quality regardless of region. There is no denying that the value generated by human capital on the front lines and Sankyu's own value provision are one and the same. To this end, we will strive for even greater social contribution by honing our human capital and enhancing the sophistication of the services we offer.

Effects of the modal shift



What is a modal shift?



Message

Message from a customer

When we first got the proposal, we were given an overall explanation, and I felt assured that consideration had been given to things like the transport system and maintaining product quality, and also that the proposal showed understanding of the quality standards customers demand from our products. I remember immediately replying that we absolutely wanted to move forward with this proactive step. Despite numerous hurdles cropping up along the way that we had to overcome, including customer demands and our company's response, we were able to safely move from testing to full-on transport thanks to our close communication with Sankyu, the understanding and cooperation of customers, and Sankyu's dedicated responsiveness, all of which I feel delivered results beyond our expectations. Going forward, we will further burnish our response flexibility, and will leverage it as a major strength that I hope will lead to more business expansion, so thanks in advance to Sankyu for its continued support as we do so.



Satoshi Makino

ALTEMIRA Can Procurement Dept.,
Procurement and SCM Division
Manager



Message from a Senior Executive Director

Steps to maximize success in the 2nd Stage of our next medium-term management plan

Eyeing business expansion and promoting structural reform under Medium-Term Management Plan 2026

Senior Executive Director (Representative Director) in charge of Business

Masahiro Ohba

Launching structural reform to achieve our long-term management strategy

FY2023 was the first year of Medium-Term Management Plan 2026, the 1st Stage toward achieving Vision 2030. We enacted reforms internally in step with Policy 1 of the long-term management strategy, “Business portfolio management and rebuilding,” the main theme of which was to lay a foundation for future action.

Meanwhile, we recognize that FY2023 was a year of massive change for our business environment. Notably, stagnation in China’s economy had a significant impact on our business there. At the same time, this had a ripple effect on our Logistics Business in Southeast Asia and Japan. In particular, changes seen in the supply chain showed that the environment had changed substantially from when the medium-term plan was originally formulated. In light of this, we instituted a rolling approach to the plan, including a review of our strategy.

As a core initiative, we are launching a structural reform project and exploring options in a variety of fields. As the first major step, we restructured our organization into three

business divisions, consisting of the Logistics Business Division, Engineering Business Division and Overseas Business Division, and reorganized our sales departments. As a result, a new organizational structure has emerged. Furthermore, we began revamping the core systems of the Logistics Business, took steps to develop a talent management system in the Plant Engineering Business, and kicked off initiatives Company-wide for improving engagement.

Structure with three business divisions begins

Four aims of organizational reform

The aforementioned organizational reform has four major aims.

The first is to prepare the structure for achieving Vision 2030. Throughout Sankyu’s history, its business scale until now was the sum total of each department’s performance. However, from here on out, we plan to conduct strategic business portfolio management. For this reason, we opted for an organizational structure that would align our business segments and operations organizations, while clarifying responsibilities, authority and

evaluation. Additionally, we aim to promote ROIC management, and develop a structure that enables evaluation that incorporates non-financial indicators.

The second aim is greater mobility and efficiency of personnel. Against the backdrop of labor shortages as a major problem, we are seeking greater human capital mobility in an even larger framework, not just within each business segment. We expect technology and expertise to be shared as a result of this. In logistics, we want the Third Party Logistics Business Subdivision and Operation Support Subdivision to swap expertise related to process centers and robotics; in plant engineering, in addition to engineering and maintenance, the plan is to spark synergies by sharing technology and know-how for responding to carbon neutrality company-wide. At the same time, we think this will have a huge impact on employees in terms of presenting multiple career tracks.

The third is a major medium- to long-term theme—overseas business expansion. By making this an organization on a par with logistics and plant engineering, we clarified our position to aggressively promote overseas business. As a Senior Executive Director, I intend to bring the three business divisions together

and vigorously advance business overseas. Now that economic activity has returned following the COVID-19 pandemic, supply chains in China and Southeast Asia have structurally changed, and there’s a real sense that the position of Japanese companies overseas has also shifted. While working to foresee these changes and achieve greater mobility of human capital in line with business scale, as well as sparking flexible business expansion, I think it’s crucial that we also focus on developing human capital capable of thriving globally and pursue business expansion anchored by locally hired workforces.

The fourth aim is to improve our proposal capabilities with respect to customers. Amid sharp changes in customer and industry trends, needs are also changing by the moment. Our purpose in reorganizing the sales departments was to collect this type of information and enhance our analytic abilities. While business subdivisions will capture orders for individual projects as usual, marketing departments will be responsible for analyzing customer needs, proposing direction as a company, and making proposals to customers as business partners.

Despite having just been launched in FY2024, the new system is already showing its responsiveness, with discussions starting on feasibility, personnel planning and other areas spanning each division and marketing department for projects in the Middle East.

FY2024 policies and focus themes linking decisive moves to certain success

The fiscal year ending March 31, 2025 will see the decisive execution of moves made in the previous fiscal year. For example, we are using the HACOBELL logistics platform to expand and streamline our delivery operations. Similarly, we are putting the newly established Sankyu Kansai Chemical Center on a solid trajectory, and opening and steadily moving toward operation of the Sankyu Saudi Arabia Maintenance and Human Resource Development Center.

Additionally, in order to maximize the success of the next medium-term plan, or the 2nd Stage, a major direction will be to tackle our inorganic strategy while simultaneously continuing to firmly solidify things internally ahead of business expansion. The focus themes of the four basic strategies are as follows.

Increase profitability of existing businesses

We must create a virtuous cycle built on sustainable wage growth through continuous efforts to shift costs and improve profitability. In businesses with low profitability, while striving for our own greater efficiency is a primary task, we will also seek to boost profitability by reviewing the way we contract with customers and unit costs. In the Logistics Business, we will expand Sankyu’s strengths in the B-to-B domain, which encompasses everything in and outside the grounds of customer plants, and take steps to enable it to propose added-value logistics solutions. In the Plant Engineering Business, we will respond as a one-stop service provider for high-need construction projects and maintenance, and accelerate business expansion in Japan and overseas.

Expand overseas business

One issue present now is to firmly establish a growth strategy for India and the Middle East. India is expected to see expansion in orders in the on-site and 3PL businesses. In the Middle East, along with decisive advancement of projects currently underway, we plan to develop business further by, for one, leveraging the Sankyu Saudi Arabia Maintenance and Human Resource Development Center to be opened in December to capture turnaround maintenance projects. In Singapore, we are aiming for customer expansion in the biomedical field. For China, we plan to immediately review our strategy in light of the slowdown in the country’s economy.

Seize and prepare for green opportunities

First and foremost, we are targeting business expansion by reliably gaining orders for the many consultations we’ve fielded for facility construction related to carbon neutrality, then acquiring construction projects related to hydro, wind and nuclear power facilities. We also intend to continue receiving orders for circular economy projects, such as solar panel reuse and horizontal recycling of PET bottles.

Enter new business domains

The most anticipated development right now is the social infrastructure business pursued by the Engineering Business Division. In Japan, aging roads and bridges are becoming a social issue, with local governments especially unable

to act due to budgetary and labor constraints. If Sankyu enters a comprehensive management contract with local governments and puts orders out to local firms to advance the work, this can contribute to local companies and communities alike. In FY2024, our aim is to move to the stage of selecting specific candidates for contact.

Since FY2026, the final year of the current medium-term plan, will be a transition period for shifting to the next one, structural reforms have to prepare the groundwork for this during FY2024. Under the personnel system reforms we are currently exploring, our focus is on improving engagement to retain human capital and utilizing global human capital, enabling employees hired abroad to be active at sites in Japan, where securing human capital is an issue. At the same time, we are moving ahead with developing a DX promotion structure to achieve operational reforms and data utilization. Beyond this, we are further strengthening our risk management system.

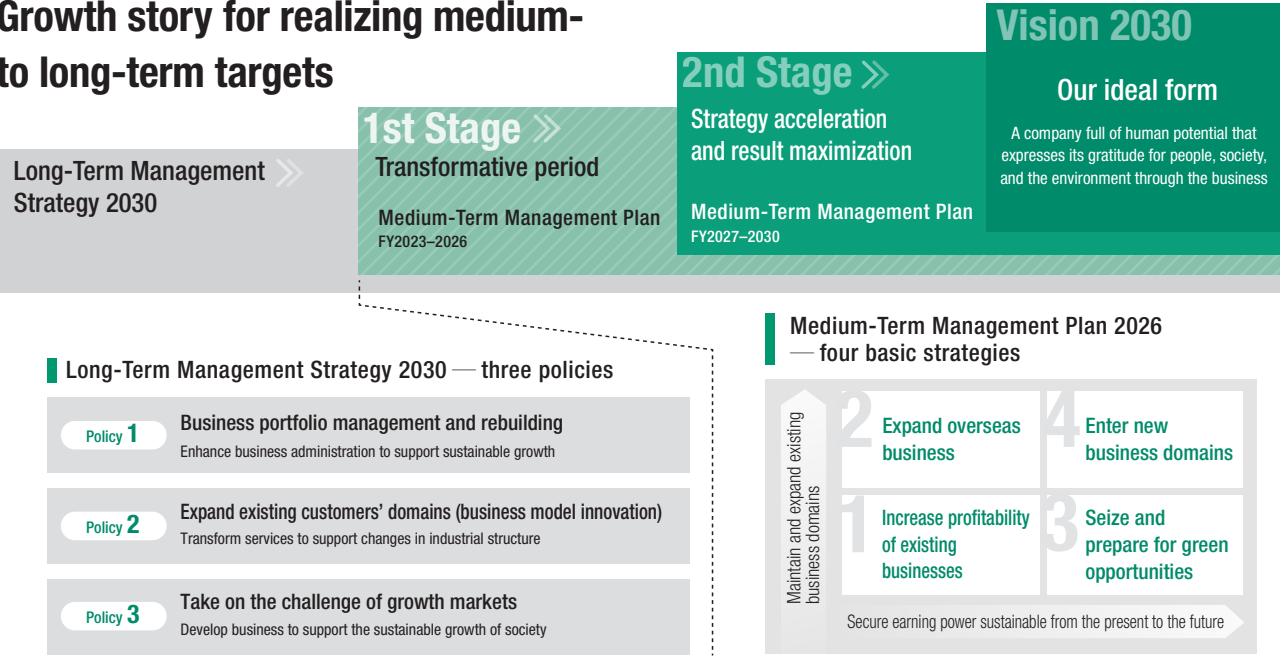
The domestic labor shortage caused by a decline in Japan’s working population is a sign of future change that’s certain to emerge. We believe striving to secure talent through personnel system reform, and further, how we set Group human capital up to be globally active players are major factors. To this end, a global personnel system and the role of the Sankyu Technical Academy in Malaysia will be key. For FY2024, the plan is to start a trial that will appoint technicians from a local subsidiary in Indonesia to turnaround maintenance work in Japan. Doing so will highlight globally one of Sankyu’s strengths—mobility of human resources—across the entire Group.

While it is difficult to anticipate with certainty the coming changes ahead of 2030, we have to develop a corporate structure that can respond flexibly even to unforeseen changes in the environment. Even in times of intense change, we aim to see what’s coming next, and to pursue business expansion without compromise, even as we work to transform ourselves.

Overview of Long-Term Management Strategy 2030

Long-Term Management Strategy 2030 was formulated by looking ahead to changes that we intend to achieve by 2030, as set out in our vision. We have positioned Medium-Term Management Plan 2026 as a “transformative period” for revolutionizing the way we think and act, reviewing our approaches and successes up to now and inspiring a change in our awareness to boldly transform our business structure and develop new businesses. We view this as the 1st Stage, for nurturing the seeds of new business to accelerate our strategies under the next medium-term management plan.

Growth story for realizing medium- to long-term targets



Medium-Term Management Plan 2026 Progress on Four Basic Strategies

1 Increase profitability of existing businesses

Overview of strategy

Basic approach

Improve solutions capabilities and respond reliably to customer needs

Focus points

- Thorough program of improvements in safety, quality, technology, skills, and know-how
- Resolve customer issues by improving efficiency, differentiating, and creating added value
- Reliably win projects in Japan and overseas by capturing customer needs

Investment amounts

Year	Investment amounts (Million yen)
FY2023 result	7,360
FY2024 plan	14,782
FY2025 plan	6,878
FY2026 plan	15,570

Progress on strategy and future direction

Progress in FY2023

Logistics Business

- We conducted unit price revision to reflect the value of provided services, mainly for customers in the steel and chemical industries. We ensured provided value by paying affiliates an additional labor cost component on top of the revised price, and securing and developing the necessary staff to provide services.
- We discussed ways to increase operational efficiency and transportation efficiency with the Sankyu Trucking Partner Cooperative Association and Sankyu Warehouse Operation Cooperative Association, and took steps to resolve the issues caused by the so-called “2024 problem” (a regulatory limit on truck driver overtime introduced in 2024).

Plant Engineering Business

- Amid ongoing industry-wide personnel shortages, we implemented rigorous management and steadily carried out facility works and turnaround maintenance for our existing customers.
- We expanded the area in which we provide turnaround maintenance, and strove to increase the level of services provided.
- In response to the 2024 problem, we made adjustments to construction periods with customers and set full holidays, as well as strengthening our management approach and creation of systems to reduce overtime hours.

Issues in FY2023 and direction for FY2024

Logistics Business

- We will revise the structure of divisions with increased management costs and increase profitability by working to streamline operations and differentiate our services.
- We will utilize the HACOBELL logistics platform to strengthen and increase the efficiency of truck transportation and delivery functions, aiming to address the 2024 problem and increase profitability.

Plant Engineering Business

- We will increase mobility of plant engineering human capital through organizational changes to secure personnel.
- We will share technologies and know-how to strengthen our response capabilities for facility works and turnaround maintenance, and increase the level of services.

2 Expand overseas business

Overview of strategy

Basic approach

Expand overseas business, with a focus on East Asia, Southeast Asia, and the Middle East

Focus points

- Establish human capital development sites and engineering sites
 - Expand overseas operations by leveraging the strengths of existing businesses
 - Increase transactions with leading local companies
 - Develop global human capital and increase mobility

Investment amounts

Year	Investment amounts (Million yen)
FY2023 result	3,184
FY2024 plan	21,028
FY2025 plan	10,938
FY2026 plan	157

Progress on strategy and future direction

Progress in FY2023

Logistics Business

- In India, we are expanding the scope of our services for customers who are global companies from on-site logistics operations to transport operations inside India. In Singapore, we are currently building a new warehouse fully equipped with temperature management functions, aiming to capture biomedical and related demand. The warehouse is scheduled to open in September 2025.
- In regard to the Middle East, we received an order for on-site operations from Duqm Refinery and Petrochemical Industries Company LLC (OQ8),* which is the operator of the Duqm Oil Refinery, the largest in Oman. We conduct cutting, transport, and storage operations of petroleum coke, as well as handling solid sulfur, which requires care due to its flammability. We also conduct land transport and general maintenance operations for relevant equipment.

* A joint venture between Oman's state-owned enterprise OQ and Kuwait Petroleum International Ltd. (Q8), a subsidiary of Kuwait Petroleum Corporation

Plant Engineering Business

At the Sankyu Technical Academy, a training facility established in Malaysia, in FY2023, we conducted training for 1,667 employees of overseas local subsidiaries, primarily in the Southeast Asia area (►Special Feature 2: Sankyu Technical Academy on P17). In December 2024, we plan to establish a training facility in Saudi Arabia as well, and to deploy the human capital developed there in active roles in growth fields in Japan and overseas. In FY2024, we also plan to assign personnel trained at the academy to turnaround maintenance projects in Japan.

Issues in FY2023 and direction for FY2024

Logistics Business

The economic slowdown in China caused cargo movements to stall, which had a significant impact. We will conduct an urgent review of our strategy in China, including a review of unprofitable businesses. Meanwhile, we will establish growth strategies for the Middle East and India, where business expansion is expected.

Plant Engineering Business

We reviewed all of our operation and maintenance contracts in response to a case where we had to bear additional costs arising due to ambiguous scope of service provision in an operation and maintenance contact in the Middle East. To prepare for new business risks going forward, we will strengthen the risk management system, led by the Overseas Business Division, Legal Department, and Corporate Planning Department.

Medium-Term Management Plan 2026 Progress on Four Basic Strategies

3 Seize and prepare for green opportunities

Overview of strategy

Basic approach

Expand business domains in preparation for helping to achieve a carbon-neutral society

Focus points

- Capture the changing needs of society and customers as they prepare for carbon neutrality
- Put in place the required human capital, technology, and know-how
- Proactive upfront investment

Investment amounts

FY2023 result	FY2024 plan	FY2025 plan	FY2026 plan
140	2,043	339	1,936

Progress on strategy and future direction

Progress in FY2023

Logistics Business

Aiming to expand the green logistics business, since FY2023, we have been operating a recycled PET plastics transportation operation, recycling used PET bottles as raw material to be reborn as new PET bottles. Horizontal recycling of PET bottles contributes to reducing the use of new fossil-based materials and CO₂ emissions. The amount of demand for recycled PET plastics is expected to increase going forward. In addition, we are also taking steps to capture ancillary work other than transport operations.

Plant Engineering Business

- In 2022, we took a capital stake in Tsubame BHB Co., Ltd. Having forged a business alliance with Tsubame BHB aimed at the practical realization of an on-site ammonia supply system for manufacturing the required amount of ammonia on the site of its consumption, we are engaging in an exchange of human capital. By supporting the development of solutions using Tsubame BHB's technologies, we are contributing to the realization of a decarbonized society and deepening our knowledge of ammonia.
- We are working to acquire construction projects for verification test facilities for achieving carbon neutrality. These verification tests are being conducted by customers in the steel industry. Through these initiatives, we will accumulate skills, technological capabilities, and know-how, communicating properly with customers while steadily responding to their needs.

Issues in FY2023 and direction for FY2024

Logistics Business

We will leverage the know-how that we have accumulated to date in the green logistics business, which is the logistics of collecting and reusing discarded PCs, fire extinguishers, solar panels and so forth, to establish a system and strengthen sales with the aim of expanding business.

Plant Engineering Business

We will concentrate on the construction of non-fossil energy facilities, such as onshore and offshore wind farms and hydropower plants. In addition, we will concentrate the skills, technological capabilities, and know-how that we have cultivated, as well as accumulated sales information, for projects related to carbon neutrality, where needs are expanding, to increase our capability to respond to customers.

4 Enter new business domains

Overview of strategy

Basic approach

Take on the challenge of new services and business domains by leveraging the strengths of the Sankyu Group

Focus points

- Enter new business domains by leveraging technology, skills and know-how of existing businesses
- Sow the seeds for next-generation growth
- Proactive upfront investment

Investment amounts

FY2023 result	FY2024 plan	FY2025 plan	FY2026 plan
6	2,054	761	1,180

Progress on strategy and future direction

Progress in FY2023

We invested in the UMI III Decarbonization Investment Limited Partnership, which is operated by Universal Materials Incubator Co., Ltd., and we are monitoring the latest technology trends toward decarbonization in the materials and chemical industries, where our main customers operate, and working to create related new businesses.

Logistics Business

In the robotics sector, automation demand is expected to increase due to labor shortages and soaring labor costs. Anticipating an increase in demand for the maintenance of relevant equipment, we have been accumulating know-how and strengthening sales.

Plant Engineering Business

As Japan's public infrastructure ages, there is a move to outsource maintenance to the private sector due to a lack of resources among local governments that administer the infrastructure. We are working to develop a structure that will enable early commercialization of a social infrastructure business using the Company's know-how. Furthermore, we have completed registration to be eligible for bidding, and we are in discussions with a number of local governments.

Issues in FY2023 and direction for FY2024

Logistics Business

- We will establish connections with start-up companies and others with the aim of developing new businesses by resolving customers' supply chain issues and providing high-level logistics services.
- We will work to commercialize data services that utilize our core logistics system as a platform.

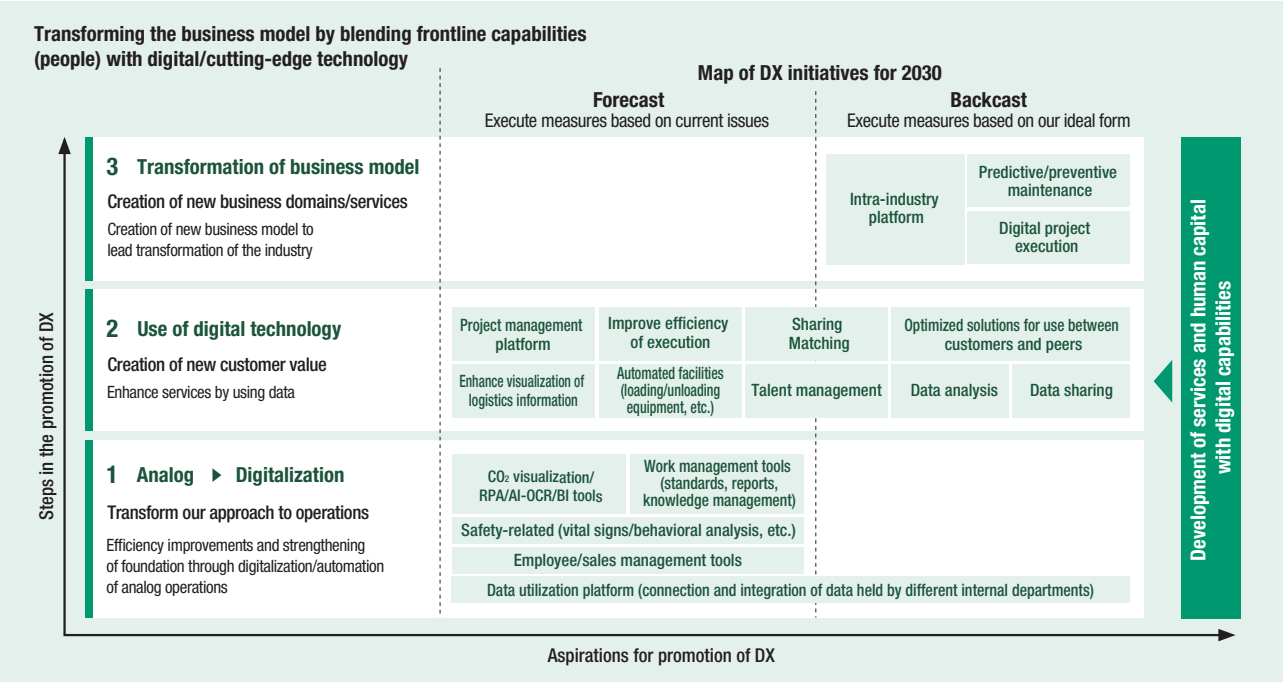
Plant Engineering Business

Looking ahead, we will take steps to commercialize social infrastructure maintenance. We will look at enhancing our functions through M&As and other means to enable the provision of a full range of contracted services in this sector, including not only construction, but also surveys, repair assessments and other consultation services.

Main Functions to Be Strengthened

Digital Transformation

With the aim of streamlining operations and enhancing services, we will implement the preparatory steps for digital transformation (DX), with a view to shifting to business operations that merge frontline capabilities (people) with digital and advanced technologies. These steps will be oriented towards finding ways to use digitalization and data to increase the capabilities of people conducting frontline operations and to enhance productivity. Furthermore, going forward, we will actively promote the building of various systems and introduction of automated facilities, while promoting DX aimed at transforming to achieve a new business model, including evolution from preventive maintenance to predictive maintenance and the construction of platforms for the logistics industry.



As part of the medium-term management plan, we positioned FY2023 as the year for starting full-scale advancement of DX. Along with defining the direction for the entire Company in order to transform Sankyu and its businesses, the year served to lay the groundwork for reinforcing our organizations and functions. In the first half of the year, we identified internal issues, based on the Ministry of Economy, Trade and Industry of Japan's Digital Governance Code.

From the second half of the year, an in-house project was launched that draws together representatives from both business and corporate divisions, and we are examining matters to address to solve the identified issues ahead of obtaining DX certification in March 2025 as a milestone. We are assembling a DX vision and strategy with an eye to 2030, designed to respond to customer needs and create value, all while

examining from a top-down and bottom-up perspective how initiatives for spurring digitalization and confronting the challenges of data use and application will contribute to value provision, as well as the necessary foundations to achieve this.

In FY2024, with sights on acquiring the capabilities and tools for use and application of in-house data, we are making strides in establishing the governance, management rules and systems that will contribute to preserving and managing data quality, in addition to pursuing initiatives for collecting frontline data through digitalization and exploring approaches to data use and application. Over the long term, we look to further enhance our capacity to create added value for customers by visualizing the extent to which value has been generated for their business.

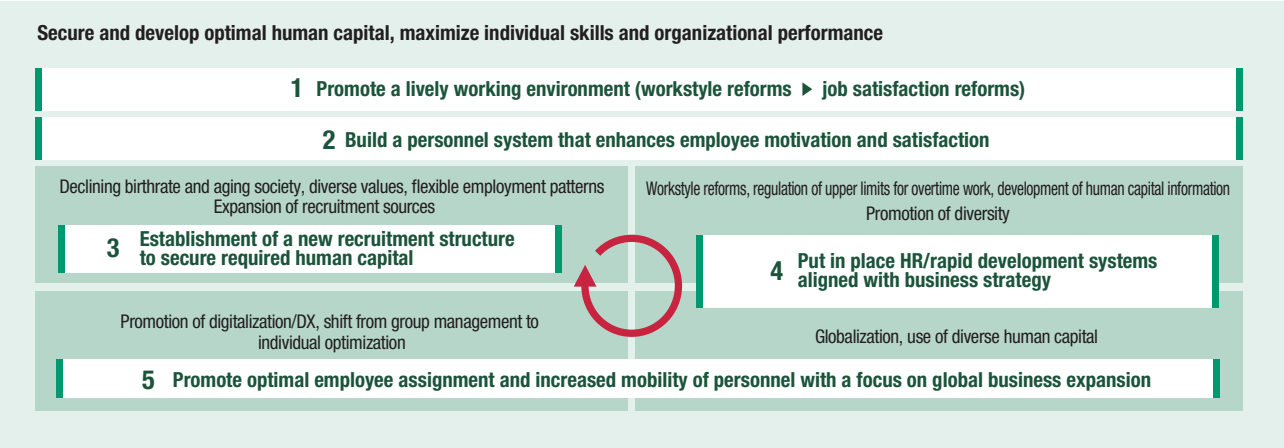
Developing DX human capital and improving organizational capabilities

With the goal of improving DX literacy across the Company, we began offering a DX training program with the rollout of primer and fundamentals courses from FY2022 and FY2023, respectively. This training program targeted 5,000 employees, including those at the management level. We intend to strengthen training programs going forward, with an eye to improving our organizational capabilities through the development and acquisition of human capital with digital skills.



Enhanced Human Capital

For the Sankyu Group, the most important issue by far is the securing and training of our most valued management asset—people. To create working environments where diverse human capital can work with vitality, we are revising our personnel system to enable more flexible modes of employment that foster a sense of fulfillment and job satisfaction. In each business field, we are redeploying training systems to make employees feel that the Company offers opportunities for growth, while promoting optimal placement and mobilization of employees with a view to global business expansion. Along with training sites in Japan, we are also enhancing and expanding training sites overseas as part of our development of a framework enabling diverse human capital to thrive worldwide.



Improving engagement

In November 2023, we conducted an engagement survey—Sankyu Job Satisfaction Assessment—in a bid to make our current state with respect to creating lively working environments for our employees more visible.

Survey results

Roughly 80% of employees responded either affirmatively or neutrally with respect to engagement, the primary KPI for the survey. Analysis of the responses, however, revealed few affirmative answers to questions related to in-house communication. Similarly, from some of the feedback offered, such as “It’s hard to see the connection between the work I do and the direction of the Company,” we recognized the problem to be that communication of one another’s thoughts was lacking within the Company. Consequently, we are promoting revisions to our dialogue sessions from FY2024.

Revising our dialogue sessions

We are revising the content of direct talks we have held to date between employees and directors and corporate officers regarding working environments. Through these newly dubbed Sankyu Mirai Dialogues, we are retooling dialogue sessions to share opinions on job satisfaction and work fulfillment, and steadily rolling these out at each site.



Establishing environments where diverse human capital can thrive

Adoption of educational loan support system

In FY2024, we adopted a system to support the repayment of a total of up to 1.8 million yen in educational loans over a maximum of 10 years for employees less than a decade out from graduation who are still repaying student debt. Because repayment over a long period of time is a significant burden for employees who borrowed for their college

education, we explored this system based on input from younger employees. By promoting the creation of attractive personnel systems that make it easier to work, while listening to input from employees, Sankyu is building environments where diverse human capital can thrive.

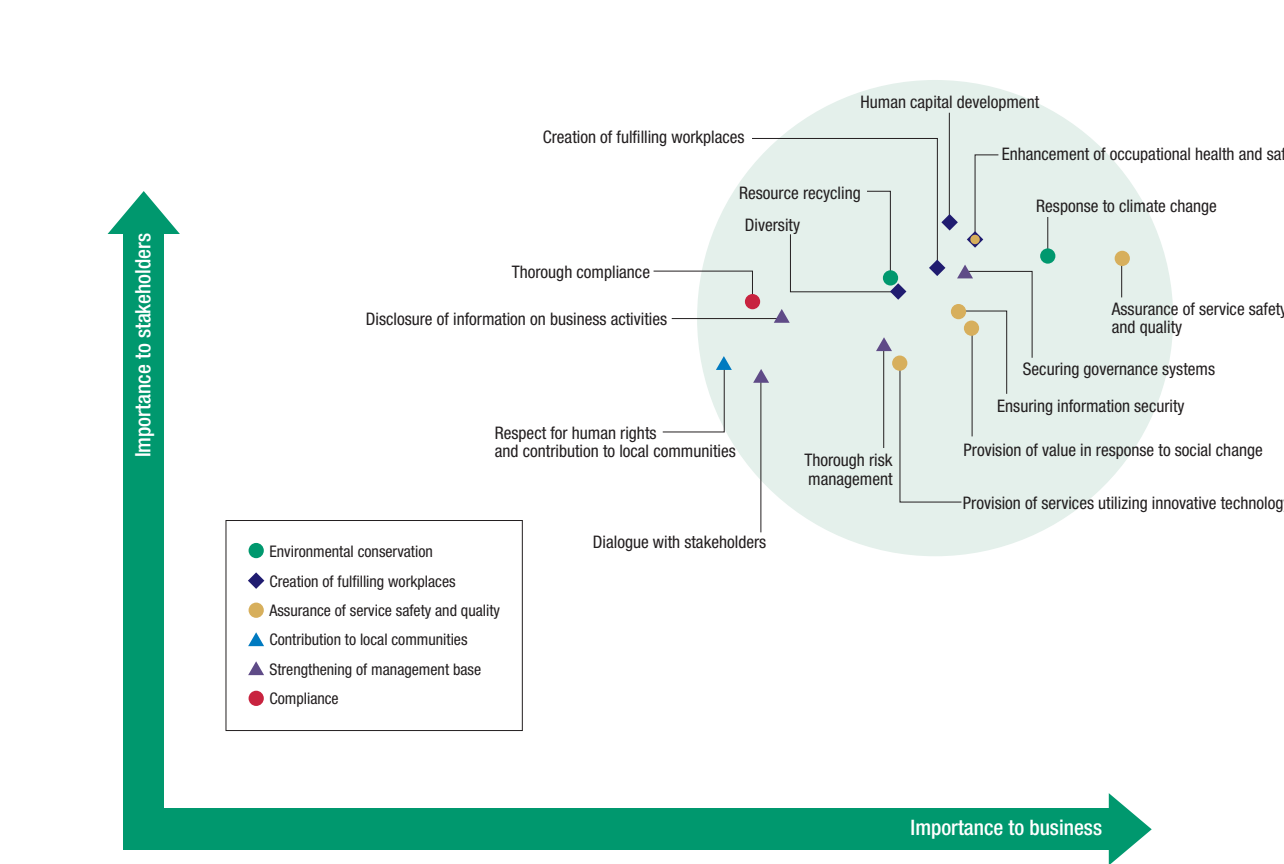
Material Issues

The Sankyu Group has stipulated in its basic policy that “we will continue to aim to achieve sustained development of the Company and society by contributing to the resolution of social issues.” To realize this, we have identified our material issues with regard to ESG, and set specific targets for each material issue in our medium-term management plan, and we are promoting initiatives to achieve them.

Material issue identification process



Material issue mapping



Sankyu's Value Creation		Management Strategy	Business Report		Management		Data Book		
Material issues at a glance									
Theme	Material issue	Indicator/KPI (unit)	Non -consolidated	Domestic -related	Overseas -related	FY2021	FY2022	FY2023	
Environmental conservation	Response to climate change	●Reductions in CO ₂ emissions (vs. FY2020)*1 (kt) FY2030 -42%, net-zero in FY2050	●	● Consolidated		127	119	113	
		●Energy use intensity 5-year annual average reduction of 1% or more (L/m ²)	●			9.028 (-1.6%)	8.828 (-1.9%)	8.311 (-2.5%)	
	Resource recycling	●Continue zero infringements of environmental laws and regulations (incidents)	●			0	0	0	
Creation of fulfilling workplaces	Creation of fulfilling workplaces	●Engagement score (positive responses) (%) ▶ P36 Enhanced Human Capital	●			–	–	44.5	
	Human capital development	●Training cost per person (thousand yen)*2	●			71	80	165	
		●Training time per person (hours)*2	●			–	50.0	48.5	
	Diversity	●Women in managerial positions (%) 11% in FY2030	●	● Consolidated	● Consolidated	8.0	7.4	7.2	
		●Wage difference between men and women (%)	●			63.7	63.3	64.4	
		●Percentage of men taking childcare leave (%)	●			2.8	9.5	28.0	
		●Percentage of employees who have disabilities (%)	●	●		2.42	2.49	2.54	
	Enhancement of occupational health and safety	●Accident frequency rate*3	●	●		0.41	0.45	0.44	
		●Severity rate*3	●	●		0.35	0.13	0.13	
	Assurance of service safety and quality	Assurance of service safety and quality	●Job-level-specific safety and health education and quality management system education						
Provision of value in response to social change		[Logistics]	●	●	●	–	–	3.27	
		[Plant Engineering]	●	●	●	–	–	17.10	
Ensuring information security		●Number of information security incidents	●	●	●	1	0	0	
Provision of services utilizing innovative technology		●Number of registered intellectual properties	●	●	●	209	215	222	
	●IT/DX-related investment (billion yen)	●	●	●	–	–	1.38		
Contribution to local communities	Respect for human rights and contribution to local communities	●Conduct human rights due diligence going forward, and establish indicators based on a thorough review of the results							
	Securing governance systems	●Currently reflecting stakeholder feedback and moving toward optimal governance system development							
	Thorough risk management	●Plan to draft indicators based on Risk Management Committee discussions							
Strengthening of management base	Dialogue with stakeholders	[Employees]	●			–	1,903	1,596	
		●Number of dialogue sessions by stakeholder group (times)	[Labor and management]	●			–	27	27
		[Investors]	●			126	134	130	
	Disclosure of information on business activities	●Responding to various external ESG rating agencies							
Compliance	Thorough compliance	●Number of job-level-specific training and number of participations	●	●		8 /486	19 /829	17 /810	

*1 Scopes 1 and 2
*2 Five domestic and overseas training facilities
*3 Including partner companies
*4 Services related to modal shift, carbon neutrality-related facility works, etc.

ESG Topics

Meeting carbon neutrality requirements

In June 2022, Sankyu publicly announced its support for TCFD recommendations, and is pursuing information disclosure (e.g., governance, strategy, risk management, indicators and targets related to climate change risks and opportunities) in line with the information disclosure framework recommended by TCFD.

Governance

As one of management's priority concerns, climate change is a topic of discussion for the Sustainability Committee and the Environment Meeting. Critical issues are placed on the agenda for and reported to the Management Meeting and the Board of Directors. The Sustainability Committee, chaired by the Senior Executive Director (Representative Director) in charge of Administration & ESG, is mainly responsible for the formulation and review of sustainability-related policies, as well as verifying progress and offering guidance on countermeasures and relevant initiatives. The Environment Meeting, meanwhile, promotes thorough compliance with environmental regulations and advances initiatives for reducing environmental impact.

Risk management

We appropriately understand the risks and opportunities that climate change brings to our business, managing these risks separately as transition risks and physical risks. At the same time, we identify important risks and opportunities with consideration to their financial impact. For risks, including climate change, we have established a Risk Management Committee and outlined a risk management system in

preparation for addressing anticipated risks. Based on risk management regulations, we select and evaluate the risks most likely to materialize and devise accurate countermeasures in striving to prevent situations that could threaten business continuity.

► See Risk Management on P59 for details.

Strategy

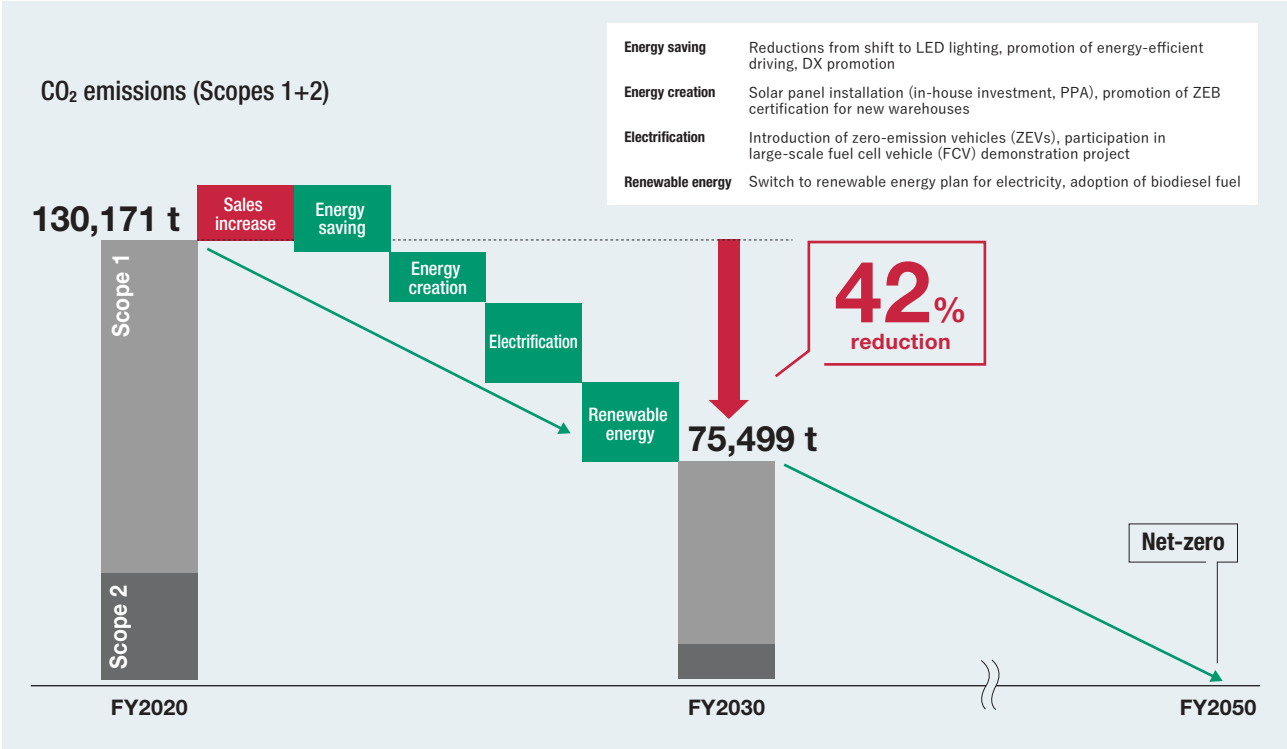
We have conducted quantitative and qualitative assessments of risks and opportunities that climate change will present for the Sankyu Group by 2030. In parallel, we are evaluating the potential financial impact and actions to take using scenarios that assume a temperature rise of 1.5°C (environmental conservation scenario) and 4°C (inaction scenario). By considering multiple scenarios, we are exploring options that enable Sankyu to respond flexibly to environmental changes and social conditions.

Additionally, Sankyu has set medium- and long-term targets, such as achieving net-zero CO₂ emissions by 2050, and is working to advance initiatives for reducing greenhouse gases (especially CO₂, which has a significant impact), the primary cause of climate change.

Indicators and targets

We have drafted a roadmap for achieving carbon neutrality in 2050 in order to promote initiatives for responding to climate change. To halt global warming and, most importantly, to help achieve carbon neutrality as a member of its customers' supply chains, the Sankyu Group specifically undertakes energy saving, energy creation, electrification and renewable energy efforts using the following approach.

Roadmap for achieving carbon neutrality in 2050



Item		Risk/Opportunity	Main action
Transition risk	Carbon pricing	Risk Reduced profitability due to the introduction of carbon taxes by national governments and the inability to transfer the cost to service prices	Promotion of initiatives to reduce CO ₂
	Changes in behavior of financial institutions, investors and employees	Risk Decrease in sales and profit and tarnishing of market reputation, due to delays in establishing a system for executing and managing green strategies and stagnation of strategy implementation caused by unchanged officer and employee behavior	Creation of functions for promoting measures Introduction of evaluation system
	Changes in behavior of customers	Risk Not being chosen by customers and existing sales decreasing due to delays in initiatives such as decarbonization measures in plant engineering and logistics areas	Promotion of decarbonization measures
	Contraction of customers' market sizes	Risk Contraction of Japanese production volume and supply chain and decrease of existing sales, due to the occurrence of a difference in manufacturing costs compared with overseas manufacturers caused by the large environmental cost burden on major customers	Strengthening of business operations in overseas plants
	Extension of life of facilities	Risk Reduction of existing sales related to maintenance due to customers' progress with initiatives to extend the life of facilities with the acceleration of a circular economy	Expansion of business into the area of predictive maintenance through new technology
	Changes in customers' manufacturing processes	Risk Reduction of work and decrease in sales in existing areas due to progress in responses to decarbonization such as major customers adopting equipment supporting the reduction of CO ₂ and switching to recycled materials	Strengthening of support related to various equipment supporting the reduction of CO ₂ and non-petroleum plant technologies
		Opportunity Acquisition of sales opportunities through participation in work to disassemble aging facilities and establish new facilities due to progress in new manufacturing technology	Strengthening of ability to respond to various work requirements
	Requests for alternative energy infrastructure	Opportunity Acquisition of new sales opportunities through participation in projects for power plants, projects in the manufacturing industry, etc. that involve hydrogen and ammonia manufacturing plants and fuel in response to the formation of supply chains for hydrogen and ammonia	Participation in projects related to hydrogen and ammonia
	Requests for waste recycling	Opportunity Acquisition of new sales opportunities through participation in commercial, logistics and information ecosystems in chemical/ferrous/non-ferrous areas	Creation of reverse logistics network, participation in ecosystems
	Spread of renewable energy generation	Opportunity Acquisition of sales opportunities by obtaining know-how on the establishment of work systems, construction methods, etc. for renewable energy businesses (solar power, wind power, hydropower, etc.)	Strengthening of ability to support renewable energy business
Physical risk	Frequent occurrence of natural disasters	Risk Increase in risk of warehouse relocation and repair costs of machinery, etc. due to increased damage caused by typhoons and heavy rainfall associated with future rising sea levels brought about by climate change	Strengthening of action to address natural disasters such as measures to address flooding
	Rise of average temperature	Risk Lowering of profitability due to increase in cost of addressing heat stress and deterioration in worker productivity due to heat stress	Establishment of working environment

Non-financial indicators	FY2026 target	FY2030 target	FY2023 result
CO ₂ emissions reduction (vs. FY2020) (Scopes 1, 2; non-consolidated and domestic consolidated subsidiaries)	18% reduction	42% reduction	13.4% reduction

Forest conservation initiatives

The Company has been working to protect and recycle forest resources since 1973, when it acquired a forest in Mukawa Town, Yufutsu District, Hokkaido. We are currently a member of the Tomakomai Wide Area Forestry Cooperative, and are engaged in afforestation, thinning, and final cutting. Forest preservation and resource recycling are widely viewed as tied to carbon neutrality by encouraging the growth of large, high-quality trees that absorb substantial volumes of CO₂. In May 2024,

employees participated in afforestation activities as part of the Company's responsible forest cultivation.

Through experts, we also survey the ecological conditions for flora and fauna in the forest. At present, we have confirmed the existence of at least two rare organisms—the white-bellied green pigeon and pheasant's eye, a species of buttercup—allowing this work to contribute to biodiversity.



Forest in Mukawa Town, Yufutsu District, Hokkaido



Afforestation efforts

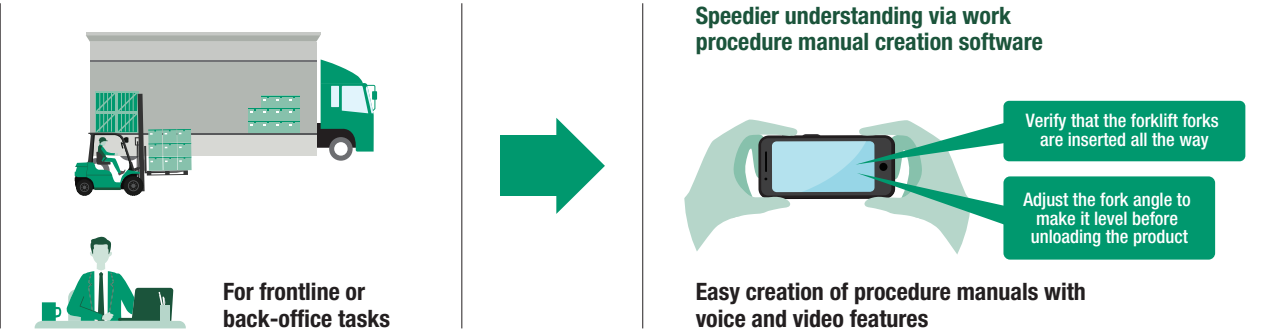


White-bellied green pigeon

Visualization of procedures

We are promoting adoption of software utilizing audio and video features for creating work standardization manuals, to enable anyone on the business front lines to provide safe, high-quality services. With the use of this software, we have created an environment that allows workers to quickly verify work details via smartphone or tablet. In addition, by attaching videos with audio to existing work procedures, the viewer can now be shown what the actual work looks like, as well as key points, points of caution and other issues. Furthermore, by incorporating

verification test functions, greater visualization of the level of understanding in work procedures has also become possible. We hold 50 lectures annually on the utilization of this software. Through these efforts, we hope to contribute to the reduction of nonconformance. Going forward, translation features will also be added, as we plan to focus on improving the degree of understanding of foreign national workers, as well.



Adoption of the Vasco translation tool

Since many foreign workers from a variety of home countries work for Sankyu, having detailed, harmonious and accurate communication is essential for ensuring the safety of all workers and to stable and improved service quality. As an employer of foreign national workers, we have a responsibility to develop systems that enable those workers to accurately understand instructions and to work safely. To this end, we selected and adopted Vasco from among a number of translation tools.

The reason for its selection is that the device not only translates speech, but can translate text captured as an image into a target

language. Another is that even in remote locations, up to 100 sites can be connected by chat, and since translation of speech or text can occur over chat, this enables communication in several different languages to happen, whether at frontline sites or in meetings, in an extremely short amount of time. Frontline work can have any number of procedure manuals. Using this tool makes accurate and easy-to-understand translation possible, which has prevented work-related accidents that might otherwise be caused by a lack of knowledge or misunderstandings.

(Ex.) Automatic translation from English to Portuguese

No. of photo translator-compatible languages

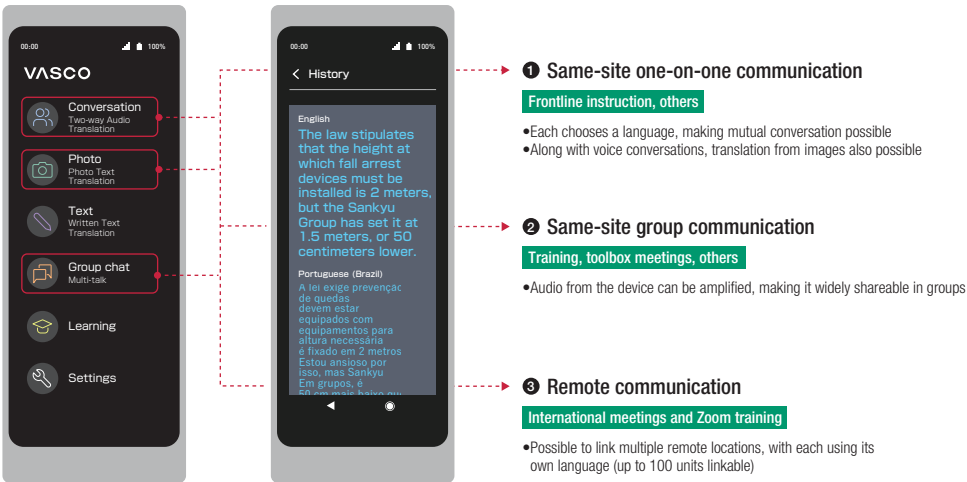
108

No. of voice translator-compatible languages

76

No. of text translator-compatible languages

90



Formulation of the Sankyu Group Human Rights Policy

In May 2024, we formulated the Sankyu Group Human Rights Policy to illustrate the direction of various human rights-related initiatives by the Sankyu Group. In August, we held a seminar for Sankyu Directors, Audit & Supervisory Board Members and Corporate Officers, inviting an outside lecturer to speak on the topic of “business and human rights.” Going

forward, along with conducting due diligence with respect to human rights and striving to identify and resolve human rights issues, we will take steps to improve human rights consciousness through ongoing activities to promote respect for human rights, such as maintaining a hotline, publicizing its availability, and hosting seminars.

Sankyu Group Human Rights Policy

The Sankyu Group has long upheld the management philosophy of “placing importance on people” and aims to contribute to the sustainable development of society through our business activities in order to continue to support the safe and secure lives of not only our employees but also the people around us. We regard respecting and protecting human rights as an important social responsibility in order to fulfill this purpose, and we have established a human rights policy and are sincerely committed to addressing a wide range of human rights issues.

1. Basic stance on respect for human rights

The Sankyu Group respects “internationally recognized human rights” as set forth in the international norms based on the United Nations Guiding Principles on Business and Human Rights listed below. If there is a conflict between the laws and regulations of the country or region in which the Sankyu Group operates as a global company and international norms, we pursue methods that respect international norms to the greatest extent possible.

【Major international norms】

- Universal Declaration of Human Rights
- International Covenant on Civil and Political Rights
- International Covenant on Economic, Social and Cultural Rights
- ILO Declaration on Fundamental Principles and Rights at Work
- Children’s Rights and Business Principles

2. Scope of application

This policy applies to all officers and employees of the Sankyu Group. We also ask all stakeholders, including suppliers, to understand and respect this policy as we build a sound supply chain.

3. Management system

The Sankyu Group has established subcommittees to promote human rights initiatives, spearheaded by the divisions that are in charge. The Sustainability Committee confirms the status of these activities and reports on matters deemed particularly important to the Board of Directors in a timely manner.

4. Addressing human rights issues in business activities

The Sankyu Group recognizes that in order to ensure the effectiveness of its human rights initiatives, it is necessary to identify human rights issues in accordance with the characteristics of the business domains and regions where it is active, and to take appropriate measures for each. We endeavor to identify human rights issues in our business operations by promoting activities that respect human rights.

5. Dialogue with stakeholders

The Sankyu Group promotes sincere dialogue with its stakeholders in order to implement initiatives related to human rights from a more multifaceted perspective.

6. Correction and remediation

In the business activities of the Sankyu Group, we will maintain a human rights hotline, and take appropriate corrective measures if any human rights violations or other negative impacts on human rights are discovered. Furthermore, we will promptly investigate the cause, take thorough measures to prevent recurrence, and publicly announce these measures in a timely manner.

7. Human rights due diligence

The Sankyu Group will conduct human rights due diligence in an effort to identify and improve high-risk human rights issues in its business activities. In addition, since human rights issues are constantly changing, we will conduct regular human rights due diligence and continually review our risk assessment.

8. Education and training

The Sankyu Group will provide training and education on human rights to all officers and employees in order to improve their awareness and understanding of human rights. We will also endeavor to ensure that all stakeholders, including our suppliers, are aware of and understand this policy.

9. Disclosure

The Sankyu Group will disclose its human rights initiatives and the details thereof on its website and in its integrated report, etc.

Established May 1, 2024
Sankyu Inc.
Kimihiro Nakamura, President
(Representative Director)

Formulation of the Sankyu Group Disclosure Policy

See our website for the Sankyu Group Disclosure Policy.

Message from the CFO



We are steadily executing the business strategy and capital policy of the medium-term management plan to bring ROE to the 10% level

Senior Executive Director
(Representative Director), CFO,
Director in charge of Administration
& ESG

Katsuaki Morofuji

Financial policy in Medium-Term Management Plan 2026

Indicators			
ROE	ROIC	Dividend payout ratio	Total return ratio
10% level	8.0% level	40% level	70% level <small>(Four-year period of the medium-term management plan)</small>

Conducted treasury share purchases ahead of schedule in the first year of Medium-Term Management Plan 2026

In FY2023, the first year of Medium-Term Management Plan 2026, the Company recorded year-on-year declines in sales and profits, with net sales of 563.5 billion yen, operating profit of 35.2 billion yen, ordinary profit of 36.6 billion yen, and profit attributable to owners of parent of 24.4 billion yen. We deeply regret that the results are lower than our initial plan.

Equity surpassed 280.0 billion yen for an equity ratio of 55.8%, with the Company maintaining a sound financial position. In terms of our capital policy, of the total 40.0 billion yen in share buybacks under the medium-term management plan, we conducted an early purchase of treasury shares of 15.0 billion yen. We paid an annual dividend of 174 yen

per share, based on our shareholder return policy of maintaining a dividend payout ratio at the 40% level. The dividend amount and the treasury share purchase combined for a total return ratio of 101.6% in the first fiscal year of the medium-term management plan.

Turning to cash flows, cash flows from operating activities decreased year on year due to the impact of residual sales receivables for construction completed in FY2022, but remained positive overall at 21.7 billion yen. As a result of investment outlays of 18.4 billion yen, free cash flow came to 3.3 billion yen. Therefore, financial outlays such as share buybacks were covered by long-term borrowings and straight bond issuances. As a result, cash flows from financing activities were negative 9.1 billion yen.

Investment activities used slightly more cash than the previous fiscal year, as the Company made investments including in the Sankyu Kansai Chemical Center (a hazardous materials warehouse), the Sankyu Saudi

Arabia Maintenance and Human Resource Development Center, and a new warehouse in Singapore. We will continue to make strategic investments from FY2024 onward.

On the other hand, we sincerely regret that we were obliged to record a provision for loss on construction contracts of 1.2 billion yen in FY2023, following on from FY2022. This arose from an additional cost burden attributable to an unclear scope of service provision between the customer and the Company in our first operation and maintenance contract in Saudi Arabia, concluded 10 years ago. We have learned from the incident and conducted a revision of the content of all operation and maintenance contracts, and the same issue has not reoccurred to date. We will build a rigorous risk management structure, which will play an important role in our future global business expansion.

Outlook for FY2024 and focus points

Execution of human capital investments and growth investments is key

The Company's consolidated financial results forecast for FY2024 is for net sales of 587.0 billion yen, operating profit of 36.5 billion yen, ordinary profit of 37.5 billion yen, and profit attributable to owners of parent of 25.0 billion yen.

In the Logistics Business, the Company has strengths in China, and since we expect to be impacted by the slowdown in the Chinese economy, we will rapidly revise our strategy.

The Plant Engineering Business is expected to book record-high sales in FY2024, since it is a major year for turnaround maintenance

work for customers in the oil refining and petrochemical industries. However, profits are not expected to grow so much. The reason for this is extensive improvements in compensation, including at partner companies, which will drive up personnel expenses. Since orders for major construction projects are received several years in advance, the current increase in personnel expenses has not been factored in and is expected to have an impact on profits in FY2024. However, we consider the increase in payments to our partner companies to be a necessary investment. It is because of its partner companies that Sankyu has become the company it is today. We must therefore secure enough work to protect the livelihoods of partner company employees and pay them appropriately. We intend to continue investing in human capital going forward, including at partner companies.

Having our customers accept the increase in personnel expenses is another important issue that we currently need to address. We have been working on passing through cost increases since FY2023, and this will continue to be a focus in FY2024.

Another key point is the degree to which we can execute growth investments in FY2024, the second year of our medium-term management plan. Under Medium-Term Management Plan 2026, we plan to make growth investments of approximately 100.0 billion yen. In FY2023, we invested in the logistics platform HACOBELL. We intend to steadily execute necessary capital investments and are looking for the next investment target. However, inorganic investments cannot be conducted by the Company alone, and therefore require time to complete. From 2024 to 2025, we will take risks wisely and execute growth investments. In order to achieve the step-up that we are aiming for under the next medium-term management plan, we will steadily execute growth investments through this year and next year as we strive to achieve the current medium-term management plan.

Moreover, our policy of continuing to focus on investment in human capital remains unchanged. In FY2024, we plan to invest 7.0 billion yen on aspects such as human capital development and improving compensation. As

a new initiative from FY2024, we have started a loan repayment program. We will provide a total of up to 1.8 million yen in support for employees repaying educational loans for up to a 10-year period. Creating an environment where employees can work with peace of mind helps to secure and retain talented human capital.

Continuous and stable return of profits and emphasizing capital efficiency

We have stated a target for FY2026, the final fiscal year of the current medium-term management plan, of achieving ROE at the 10% level with ROIC at the 8.0% level. In FY2023, we originally expected both indicators to dip temporarily, and thus our target for FY2024 is ROE of 8.9%. Our PBR as of FY2023 remained slightly higher than 1, but since the start of August 2024, it has remained below 1, making it an urgent priority. ROE remained at a level exceeding the cost of shareholders' equity, however, it has continued on a downward trend from 14.6% in FY2019. We believe the most important approach for increasing ROE towards the target of around 10% is to steadily execute the business strategy of our medium-term management plan and rigorously increase profit.

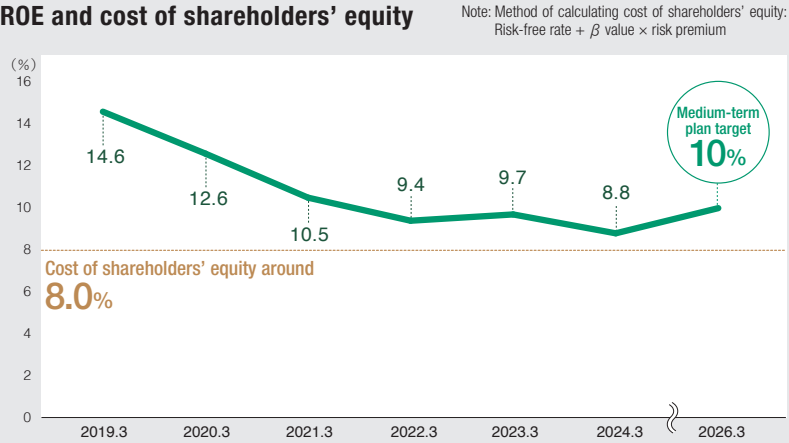
In addition, with the aim of building up dialogue with investors and deepening their understanding of the Company, we will hold small meetings with investors from FY2024.

Looking ahead, we will continue striving to increase corporate value with an awareness of business growth, the cost of capital, and capital efficiency. We will also conduct continuous and stable returns of profit to our shareholders.

Providing value not only to our customers, but to society in general

Following its management principles, the Sankyu Group has always been working to contribute to society through its business. However, since we have considered it a given that we should contribute to society, until now we have not disseminated much information about our contributions externally. As we must seriously consider this point, we will link our contributions with material issues for sustainability and firmly set goals, and have begun creating a system to trace our activities and implement PDCA cycles to solve problems we have uncovered. The Company will make an effort to disseminate information that enables people to better understand its various activities, including sustainability.

The Company has accumulated numerous technologies through its business activities to date. We will resolutely take up the challenge of entering new peripheral fields centered around these technologies, with the aim of providing value not only to customers but to broader society. Finally, we will aim to establish Sankyu as a presence that is indispensable to society.



Logistics Business Division

- Port logistics
- On-site logistics
- Domestic logistics
- International logistics

A solutions outsourcer that optimizes and enhances the value chains for global industry

Executive Managing Officer and Senior General Manager, Logistics Business Division

Tatsuji Kasai



Business strategy direction

Aspiration under Medium-Term Management Plan 2026

A solutions company that optimizes and enhances customer logistics



Three policies for achieving our goal

- Develop business by leveraging existing strengths
- Digitalization, automation, and data sharing
- Cooperate and co-create with partners, supplement and flesh out inadequate functions

Review of FY2023

The market environment in FY2023 was extremely adverse overall, including heightened geopolitical risks, a global market slump caused by the decoupling of the United States and China, and a slowdown in the Chinese economy, as well as a sharp fall in ocean freight charges. Further domestic factors included a decrease in cargo volumes in Japan due to a delayed recovery in private consumption and a decrease in production volumes in the steel and chemical industries. The resulting decrease in port and international logistics also impacted domestic logistics and on-site operations. In this environment, we strove to improve profitability by tightening cost controls and revising personnel assignments. However, the segment posted lower sales and profits, with net sales of 284,258 million yen, down 5.9% year on year, and operating profit of 8,057 million yen, down 18.4% year on year.

We recognize that the main reasons for the decrease in performance were not only external factors such as the delayed recovery of the Chinese economy and structural changes in supply chains after COVID-19, but also that the Company's response was not flexible enough. We will swiftly revise our business strategy in China and shift to a strategy and structure that is suitable for the business environment with a view to restoring our China business. In addition, we will move to a simpler structure for our current

business management and take steps to improve profitability. During FY2024, we will formulate a plan to restructure divisions with mounting administrative costs, and then execute it from FY2025 to achieve results during the current medium-term management plan period.

Despite the adverse environment, some of our initiatives made progress. To respond to the 2024 problem (the introduction of regulatory limits on truck driver overtime in Japan), we have worked with partner companies on requesting our customers take steps to limit overtime hours, and have also had some success in negotiating adjustments for fair pricing. We will continue these efforts. Furthermore, capital investments were made in the logistics platform HACOBELL, as a new service. The introduction of this vehicle dispatch management system has led to operational efficiency gains and reduced overtime for truck drivers.

We are also beginning to see growth among seeds planted in new business domains, including the start of operations at the Nagareyama Logistics Center, which handles semiconductors. This project leverages strengths we have cultivated through deep involvement in upstream processes including production management in our on-site logistics operations. In building this, our most advanced logistics center, we worked together with customers from the material handling design stage, which included logistics systems, automated guided vehicles (AGVs) and robots. Parts of these systems were bundled and deployed in China, building a foothold for commercialization of our data services. Looking ahead, we will remain engaged through to materials handling maintenance, and seek to optimize the supply chain, including systems.

Net sales and operating profit margin in existing businesses and the four basic strategies

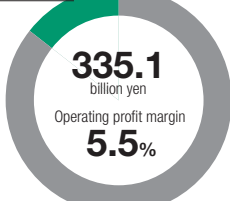
FY2023 results

11.9 billion yen



FY2026 plan

47.6 billion yen



● Net sales in existing businesses
● Net sales in the four basic strategies

Direction for FY2024

Looking at the market environment, the Chinese economy is expected to continue taking time to recover, while the labor shortage trend is expected to intensify. On the other hand, we also look forward to new business opportunities arising from customers switching to new equipment to comply with carbon neutrality requirements, the shift to recyclable products, and reorganization of petrochemical complexes, on top of rising freight charges amid increasing geopolitical risk, increasing dependence on overseas production in the steel and chemical industries, and recovering demand for semiconductors.

In our FY2024 reorganization, we transitioned to a Logistics Business Division that also incorporates on-site logistics and on-site operational support services. We will provide comprehensive logistics services covering customers' entire supply chains, from on-site operational support and associated

logistics to international and port logistics, and capture the aforementioned business opportunities. We will also execute the following Industries & Areas Strategy. For our industries strategy, we aim to expand the Logistics Business through individual company strategies in each industry, taking into account the structural characteristics of the supply chains in the chemical, electrical and electronics, and automotive industries, where our main global customers operate. Under our areas strategy, we will focus intensively on areas where we expect each customer to expand (India, the Middle East, etc.) so that we can respond flexibly to changes, primarily overseas, and connect these areas to our international and domestic logistics. In doing so, in addition to full-scale operation of the logistics centers started in FY2023, we will quickly commence operations at the Honmoku Logistics Center in Yokohama, which is scheduled for completion in February 2025.

We also participate in the chemicals working group of the Physical Internet Realization Conference established by the Ministry of Economy, Trade and Industry and others. The working group is striving to increase logistics efficiency in the chemical industry, respond to the 2024 problem, and resolve truck driver shortages by promoting a modal shift.

Our goal is to grow into "a solutions company that optimizes and enhances customer logistics" by FY2026, the final year of the current medium-term management plan. Along with executing the Industries & Area Strategy, we will also promote coordination and co-creation with our partners, as well as DX. We will advance this strategy with the aim of becoming a "solutions outsourcer that optimizes and enhances the value chains for global industry" by 2030.

TOPICS

Completion of one of Kansai's largest chemical centers

In May 2023, we opened the Sankyu Kansai Chemical Center, one of the largest hazardous material warehouse complexes in Kansai, in Takaishi City, Osaka Prefecture. These dedicated warehouses for functional chemicals store a wide range of cargoes centered mainly on pharmaceuticals, components and materials for electronics, and lithium batteries. In addition to Type 1, 2, 4, and 5 hazardous materials and toxic substances under the Fire Service Act, the warehouses also handle temperature-controlled items. As the largest core facility among the Company's hazardous material warehouses, it will play a role going forward in developing new customers in sectors such as semiconductor materials, automotive batteries, and pharmaceuticals.

The establishment of the Sankyu Kansai Chemical Center, boasting a floor area of approximately 8,000 m², the Company now has eight functional chemical warehouses throughout Japan, with a total area of 22,800 m², representing top-level facilities in the industry. We aim to more than double this total area. Looking ahead, we plan to build new warehouses in Kansai, Chubu, and Kanto, expanding our network of hazardous material warehouses to meet growing demand.



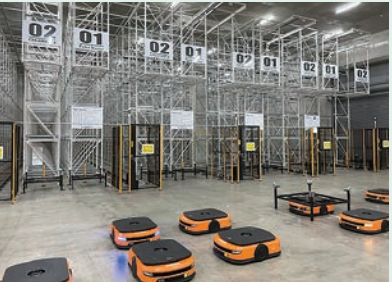
Sankyu Kansai Chemical Center

Promoting automation with the introduction of material handling equipment

To streamline our logistics and respond to labor shortages, we are introducing automated equipment at our main logistics centers. In FY2023, we introduced dedicated multistory racks, autonomous case-handling robots (ACRs), automated pallet warehouses, and AGVs at the Tokyo Metropolitan Logistics Center. Introduction of these technologies is expected to counteract labor shortages by promoting labor and manpower savings at the facility, while lessening the burden on on-site employees, reducing human error, and cutting costs. Looking ahead, we will continue to make proactive capital investments to streamline our logistics and respond to labor shortages.



AGV



Dedicated multistory racks

Engineering Business Division

■ Design ■ Construction
■ Procurement and fabrication ■ Maintenance

Becoming a leading company supporting a sustainable future for society and our customers through the engineering business

Executive Managing Officer and
Senior General Manager,
Engineering Business Division

Kenji Ohnaka



Business strategy direction

Aspiration under Medium-Term Management Plan 2026

Reinforcing core businesses and taking on the challenge of growth businesses by strengthening frontline capabilities and utilizing advanced technology



Three policies for achieving our goal

- Add depth and strength to the businesses that constitute our earnings base
- Take on the challenge of growth and new businesses
- Develop and improve the mobility of project managers and engineers

Review of FY2023

FY2023 was an extremely adverse year in terms of performance. Strong activity in large-scale periodic repair work overseas was offset by impacts such as this being a year of minor activity for similar projects in Japan and a slow period for steel-related construction. As a result, the segment posted net sales of 252,611 million yen, flat year on year, and operating profit of 25,122 million yen, down 3.7% year on year.

Despite the adverse market environment, we received orders in the steel sector for a hydrogen reduction project that we have been involved in for some time, construction of duct piping for coke oven gases at a steel works, and construction for production with reduced iron, demonstration testing equipment for electric furnaces, etc. We received inquiries for these projects related to carbon neutrality at an early stage, and were able to win the orders.

In addition, we are also seeing an increase in orders in new domains, such as an order for a large-scale equipment installation project in North America. In FY2023, the environment for orders received remained highly favorable, with orders received of 261.2 billion yen and an order backlog of 81.1 billion yen.

Moreover, for the first year of the medium-term management plan, the business division prepared a solid foundation

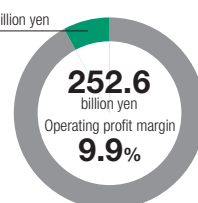
for full-scale activity from the second year onward by merging organizations and aligning everyone along a common vector. To promote the achievement of the medium-term management plan, we established the Business Strategy Department and focused on increasing human capital mobility and DX initiatives. Toward increasing human capital mobility, we conducted personnel rotations overseas and in Japan. As a means to address the substantial challenge of human capital shortages in Japan, we built a system for assigning trained employees hired abroad to positions in Japan. For DX promotion, we focused on developing systems for visualizing construction project management and the status of operations, aiming for efficiency gains and cost reduction for the Company and development of more services for

customers. We also gathered information regarding projects related to carbon neutrality, an area where needs are expanding, and are now promoting exchanges of opinion and so forth with a view to winning orders. Faced with a declining working population in Japan and the 2024 problem (the introduction of regulatory limits on truck driver overtime in Japan), the issue of human capital shortages has become more urgent than initially expected. However, initiatives we have implemented over the past few years to address this are all proceeding more or less as planned. These include starting human capital development at the Sankyu Technical Academy in Malaysia, focusing on the efforts of employees hired abroad (►Special Feature 2: Sankyu Technical Academy on P17).

Net sales and operating profit margin in existing businesses and the four basic strategies

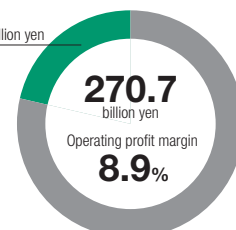
FY2023 results

22.4 billion yen



FY2026 plan

57.8 billion yen



● Net sales in existing businesses
● Net sales in the four basic strategies

Direction for FY2024

In FY2024, we are expecting record-high net sales. Main factors will include this being a major year for large-scale periodic repair work in Japan, occurring once every four years, the start of construction for carbon neutrality projects ordered in FY2023, and operation of a large-scale steel-related project. The outlook for profits is relatively favorable, although a slight decrease is expected due to an increase in personnel expenses to retain personnel and an increase in investment costs, such as for the introduction of a project management system to increase operational efficiency.

In the second year of the medium-term management plan, we will focus on proactive investment in areas such as our DX strategy for executing measures as well as M&As for business expansion.

In terms of entering new business domains,

we will focus not only on domains related to carbon neutrality, but also on the social infrastructure business in Japan, where needs have been increasing recently. Social infrastructure construction and maintenance are often handled independently by each municipality, and there appears to be many cases where renewal work has yet to be undertaken. In light of this, we are looking at enhancing our functions through M&A and other means with the aim of offering a full range of contracted services in this sector, including not only construction but also upstream consulting services such as surveys and repair assessments.

With regard to carbon neutrality, we expect continued soaring demand for projects related to energy conversion, such as hydrogen reduction and switching to electric furnaces in the steel sector, hydrogen

and ammonia manufacture in the chemical sector, and liquefied natural gas, hydro power, wind power, and nuclear power in the electricity sector. To capture these needs, we intend to promote the business while refining our technologies and collaborating with the Logistics Business Division to support customers starting from their upstream processes.

In overseas development, we are looking to pick up inquiries not only from Japanese companies but also overseas companies. Moreover, we will create an organization to enable full utilization of the Sankyu Saudi Arabia Maintenance and Human Resource Development Center, opening in FY2024 and further shaping our foundation, and our Sankyu Technical Academy in Malaysia, and move forward with creating a base for increasing our presence in the Middle East.

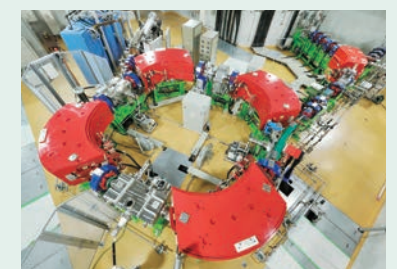
TOPICS

Transportation and installation of medical equipment

The Company carries out transportation and installation of large-scale medical equipment that is difficult to move using ordinary transportation equipment, such as particle beam cancer treatment machines. These medical devices are precision machines, requiring extraordinary caution in their transportation and installation. Therefore, we draw on knowledge and expertise gained in our plant construction business for transporting heavy items and employ a variety of transportation equipment to achieve safe and secure transport and installation.



Supplied by Hitachi High-Tech Corporation



Accelerator during installation

Supporting people's lives through transportation and installation of distribution center equipment

In 2023, AEON Next Co., Ltd. launched the next-generation online supermarket Green Beans. Its distribution center uses technology employed by the UK company Ocado Group Plc, featuring picking robots that operate 24 hours a day with the ability to pick 50 items in 6 minutes. These life-supporting technologies will continue to spread, becoming essential infrastructure for our lives. Sankyu is also deeply involved in these kinds of new technology and initiatives. We procured and transported equipment from countries all over the world, and performed installation and set up inside the distribution center. In doing so, we integrated our refined skills and advanced technologies as a company possessing a world-wide network and expertise in the transportation and installation of large-scale equipment.



Picking and dispatching robot

Overseas Business Division

Promoting globalization as a truly global company to realize a new Sankyu

Executive Managing Officer and Senior General Manager, Overseas Business Division

Masahiro Kohno



Role and mission

After the launch of the original Overseas Business Division in 2020, we conducted a reorganization to form the current Overseas Business Division in April 2024 to further advance our strategy. We will expand our overseas business through strategy proposals and project execution, and establish a foundation through global human capital development and by strengthening governance.

Mission of the Overseas Business Division

Strategy proposal and project execution

Alongside proposing growth strategies in each overseas area, we will coordinate with the Logistics and Engineering Business Divisions to stabilize each project's orders, launch, and operations based on our strategy, thereby expanding and solidifying our overseas business.

Development of global human capital

While focusing on developing human capital who can be deployed globally, we will resolve issues related to human capital through overseas and domestic circulation.

Strengthening governance

We will create a unified governance policy and close the gap between the current status of our overseas subsidiaries and our ideal level. In doing so, we will achieve a uniform, high level of governance in our overseas business.

Initiatives for our mission

The market environment has changed substantially from what was envisaged when Medium-Term Management Plan 2026 was formulated, prior to the post-COVID-19 change. The Chinese economy, which was expected to grow on a rebound from the government's zero-COVID policy, has stalled and geopolitical tensions are ratcheting up even higher. We revised our strategy, believing that it would be difficult to achieve our goals with a strategy that was based on

the previous outlook.

With regard to human capital development, at the Sankyu Technical Academy, completed in October 2022, a skill matrix for visualizing individual skills and technologies was created and is being used to promote upskilling. Furthermore, we have also started building a personnel system that will help increase engagement by enabling further participation by employees hired abroad.

With regard to governance, we are

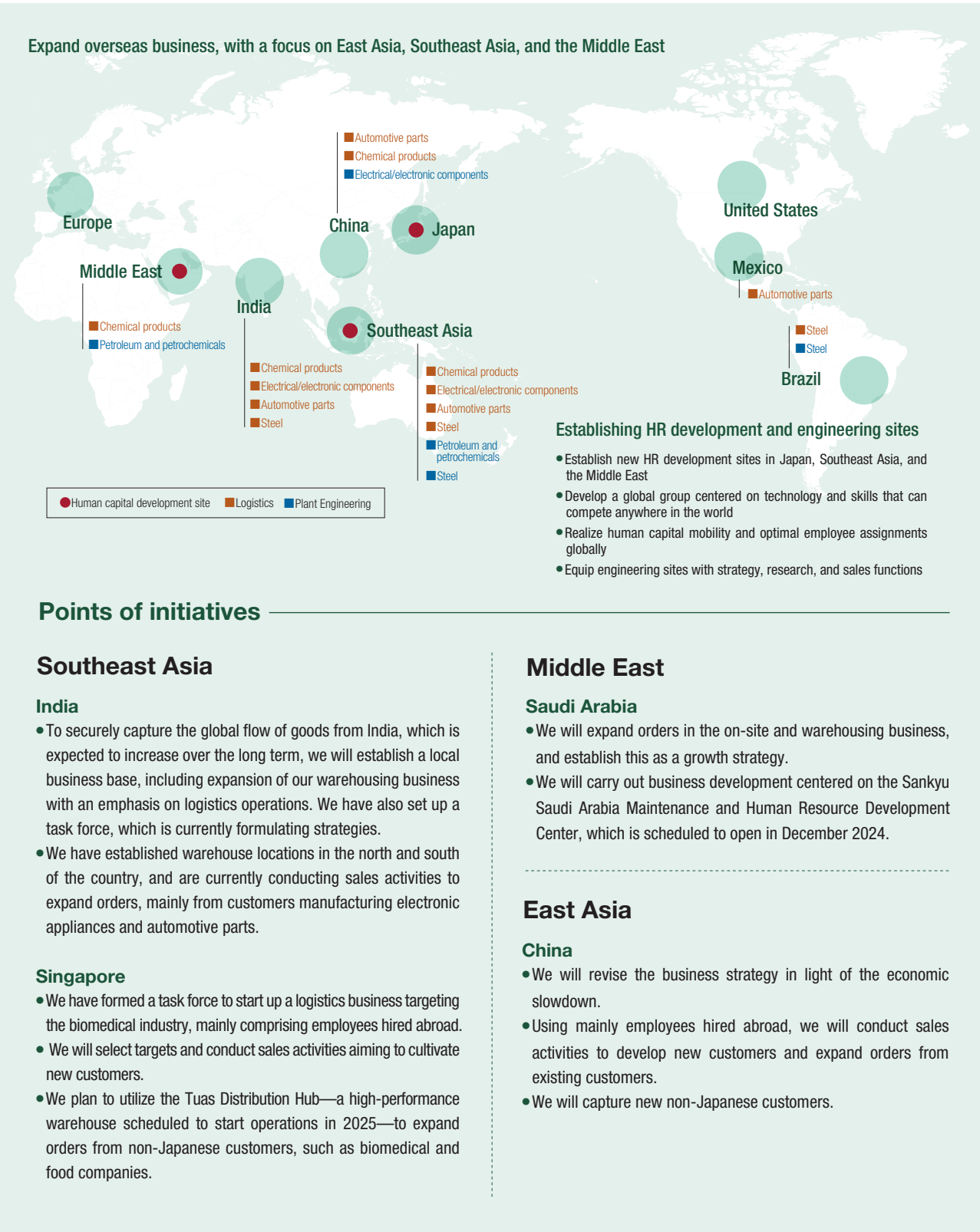
working to optimize our organization so that each local subsidiary can operate in line with the business environment of its respective country. We have been monitoring the status of governance and productivity at each location, and working to build an ideal organizational structure. At the same time, we are also taking steps to strengthen self-regulatory functions, including introducing compliance awareness surveys and a hotline system. Overseas business takes place in an environment where contract risks are likely to emerge due to differences in business culture and practices, as seen with the Company's project that incurred additional costs in the Middle East. To properly manage and eliminate these risks, the Overseas Business Division, along with the Legal Department and other business divisions, are reviewing prior contract risk check and avoidance mechanisms and rebuilding the risk management system.



Sankyu Saudi Arabia Maintenance and Human Resource Development Center

Initiatives in FY2024

Business is expected to expand in India and the Middle East. However, the business environment in China, where the economy has slowed, is deteriorating, including a drop in exports from Southeast Asia, prompting us to refocus our targets and reorganize the business. Moreover, we will work to develop human capital using the Sankyu Technical Academy in Malaysia and the Sankyu Saudi Arabia Maintenance and Human Resource Development Center, which is scheduled for completion in December 2024. Through these efforts, we will continue to strengthen our mobilization capability and expand our business.



Corporate Governance

Directors and Audit & Supervisory Board Members



Directors

1 Chairman (Representative Director) & CEO

Kimikazu Nakamura

Born Sept. 30, 1949

Apr. 1973: Joined Sankyu
Apr. 2016: Chairman (Representative Director) & CEO (current)

2 President (Representative Director) & COO

Kimihiko Nakamura

Born Aug. 16, 1976

Apr. 2002: Joined Sankyu
Apr. 2016: President (Representative Director) & COO (current)

3 Executive Vice President (Representative Director)

Yasuto Ago

Born Feb. 2, 1958

Apr. 2013: Joined Sankyu
Apr. 2016: Executive Vice President (Representative Director) (current)

4 Senior Executive Director (Representative Director), CFO, Director in charge of Administration & ESG

Katsuaki Morofuji

Born Apr. 10, 1960

Apr. 1983: Joined Sankyu
Apr. 2022: Senior Executive Director (Representative Director) (current)
Apr. 2024: CFO, Director in charge of Administration & ESG (current)

5 Senior Executive Director (Representative Director) in charge of Business

Masahiro Ohba

Born Feb. 27, 1957

Apr. 1979: Joined Sankyu
Apr. 2022: In charge of Business (current)
June 2022: Senior Executive Director (Representative Director) (current)

6 Senior Executive Director (Representative Director) in charge of Areas, Supervisor of Areas, and Supervisor of Safety

Nobuyuki Aoki

Born June 26, 1958

Apr. 1982: Joined Sankyu
June 2022: Senior Executive Director (Representative Director) (current)
Apr. 2023: In charge of Areas, Supervisor of Areas, and Supervisor of Safety (current)

7 External Director

Terukazu Okahashi

Born Nov. 25, 1949

June 2014: External Director (current) (Important concurrent appointments)
External Director, Infomart Corporation
External Director, Mercuria Holdings Co., Ltd.

8 External Director

Makoto Ogawa

Born Mar. 24, 1961

June 2020: External Director (current) (Important concurrent appointments)
None

9 External Director

Naoko Saiki

Born Oct. 11, 1958

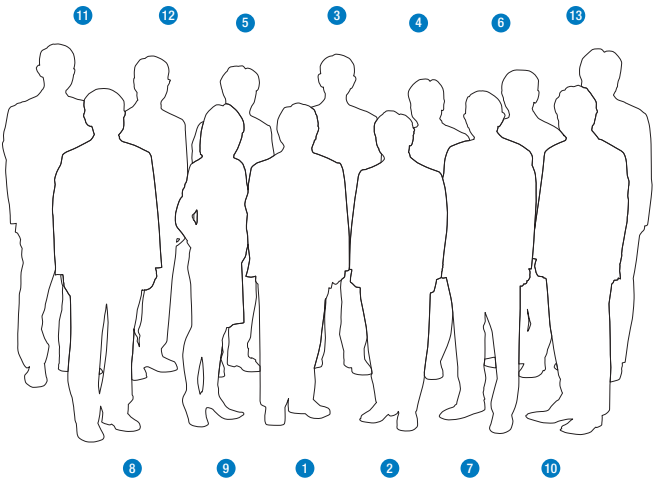
June 2022: External Director (current) (Important concurrent appointments)
External Director, Sojitz Corporation
External Director, Komatsu Ltd.
Special Assistant to the Minister for Foreign Affairs
External Director, Development Bank of Japan Inc.

10 External Director

Akira Takada

Born Jan. 3, 1958

June 2023: External Director (current) (Important concurrent appointments)
None



Audit & Supervisory Board Members

11 Standing Audit & Supervisory Board Member

Yoshiteru Tsuji

Born Apr. 15, 1962

Apr. 2021: Joined Sankyu
June 2021: Standing Audit & Supervisory Board Member (current)

12 External Audit & Supervisory Board Member

Ryuzo Shiraha

Born June 3, 1962

June 2021: External Audit & Supervisory Board Member (current) (Important concurrent appointments)
External Audit & Supervisory Board Member, Tokyo Electric Power Services Co., Ltd.

13 External Audit & Supervisory Board Member

Kunio Shimada

Born Aug. 16, 1959

June 2023: External Audit & Supervisory Board Member (current) (Important concurrent appointments)
Representative Partner, Shimada Hamba & Osajima
External Director, TOKYU CORPORATION

Message from newly appointed officers

External Director

Toru Ishida

Appointed as an External Director in June 2024, following a stint as Commissioner, Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry (Japan)



I am humbled and grateful to be newly appointed as an External Director. In a business environment that is undergoing massive change internally and externally, I will strive to contribute to the growth of a sustainable company. At the Ministry of Economy, Trade and Industry, I've experienced working in government fields such as natural resources and energy, as well as industrial technology and the environment. Sankyu is pursuing three policies as part of its long-term management strategy designed to achieve Vision 2030. When it comes to one of those key pillars, "Take on the challenge of growth markets," as well as ESG-related initiatives, including addressing carbon neutrality, I know I will be able to draw on my accumulated knowledge and experience. From my time as a special advisor to Sankyu, I have deeply felt that Sankyu's strength is in frontline capabilities supported by highly skilled human capital. With structural labor shortages emerging as a national issue in Japan, I believe that Sankyu can achieve even larger growth by retaining and developing its human capital and improving performance through integration of DX and technologies, thereby honing its strength further.

Standing Audit & Supervisory Board Member

Toshio Yuki

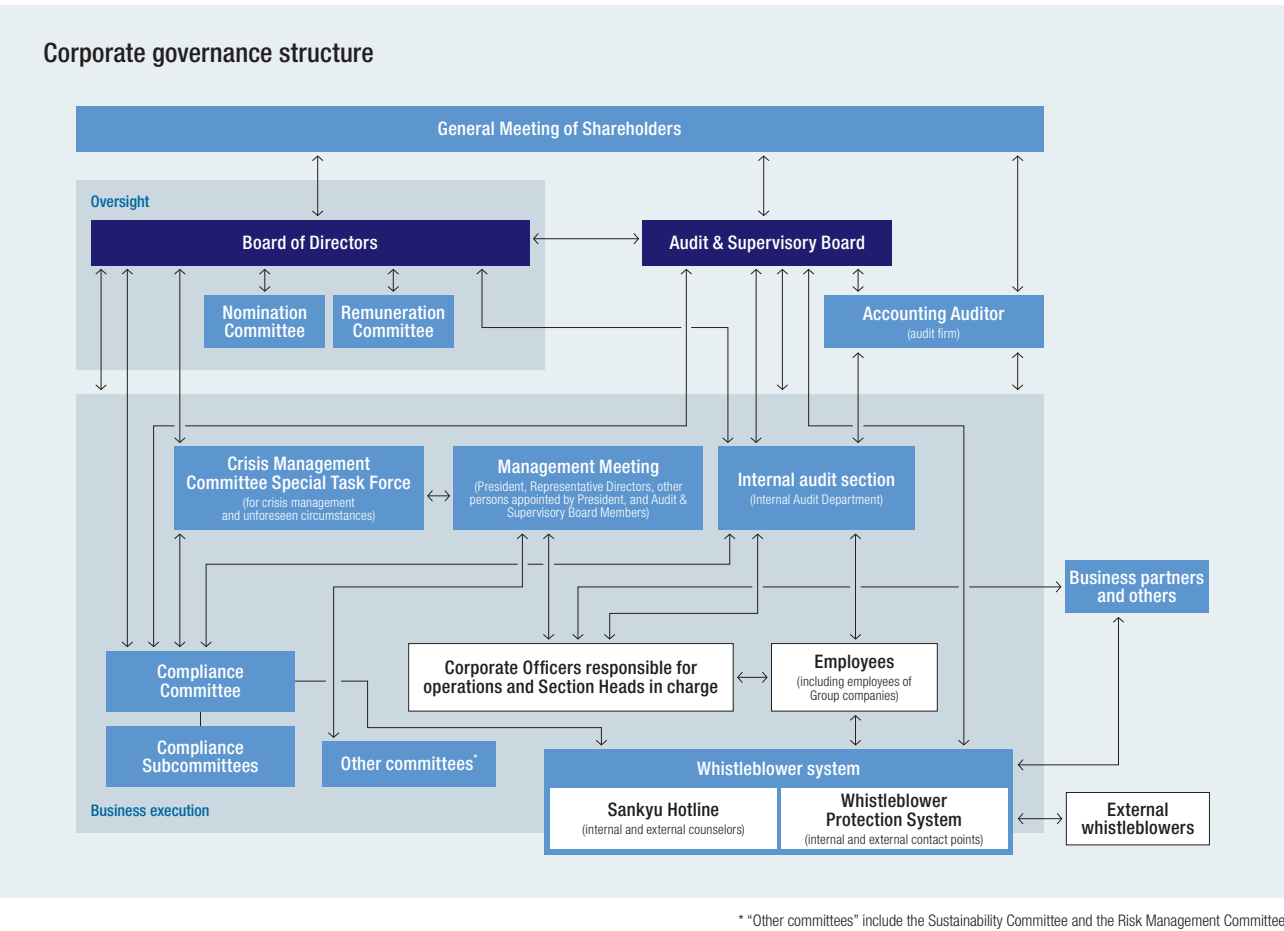
Appointed as a Standing Audit & Supervisory Board Member in June 2024, possessing significant finance-related insight and following time spent in charge of corporate planning at Sankyu



Over the span of more than a century, Sankyu has continued to support the world's industries and the daily living of the people it serves. Looking back on that history, this was possible because Sankyu has remained necessary to customers by responding to massive changes in the world and creating new value. To ensure it can grow sustainably by addressing change in the same way for the next 100 years, Sankyu is carrying out reforms formulated in both Vision 2030 and Medium-Term Management Plan 2026. The role of Audit & Supervisory Board Member is an important one for ensuring these reforms can actually move forward. Taking up the charge from stakeholders, the duty of this role is to audit and share opinions on the enactment of these reforms in fairness and through swift and highly effective decision-making as part of a good corporate governance structure. To allow the human capital that Sankyu so highly values to take steps to contribute to society and improve corporate value, I hope to make my own contribution, in even a modest way, as an Audit & Supervisory Board Member by leveraging my experience and expertise from the various positions I've held in-house and outside Sankyu, and domestically and overseas, for the past 40 years.

Basic approaches

Sankyu is committed to advancing stronger corporate governance, aiming for sustainable growth and development as an enterprise by ensuring transparent management to meet its duty to explain itself to stakeholders, while also improving efficiency.



* "Other committees" include the Sustainability Committee and the Risk Management Committee

Recent milestones in strengthening corporate governance

2015	<ul style="list-style-type: none">Disclosure of Corporate Governance Code-oriented initiatives	
2021	<ul style="list-style-type: none">Compliance Administration Department establishedDisclosure of skill matrix for Board of DirectorsChange in number of Directors (from 16 to 9, 3 of whom are External Directors)	<ul style="list-style-type: none">Voluntary establishment of Nomination Committee and Remuneration Committee
2022	<ul style="list-style-type: none">Migration to Prime MarketAppointment of female External DirectorAdoption of system for evaluating effectiveness of Board of DirectorsRedeployment of whistleblower system in line with revised Whistleblower Protection Act	<ul style="list-style-type: none">Start of information disclosure related to TSE mandate to "Take action to implement management conscious of cost of capital and stock price"Term of office for Directors changed from two years to one yearRevision of remuneration for Directors to prepare for increase in External Directors (from four to five) → Total annual remuneration pool of under 1.2 billion yen (under 0.2 billion yen reserved for External Directors)

Sankyu's Value Creation		Management Strategy	Business Report	Management	Data Book
Chair or committee chair		Purpose			Number of meetings held in FY2023
Board of Directors	Chairman (Representative Director)	Chair: Chairman (Representative Director) Membership: Six Internal Directors, five External Directors Along with meetings once a month and at other times, as needed, to ensure efficiency in the execution of duties by Directors, the Board of Directors meets to decide important matters and to mutually monitor the status of business execution by Directors. Important matters with respect to management policy and management strategy are deliberated at the Management Meeting, with issues that emerge from these discussions decided by the Board of Directors.			14
Nomination Committee	External Director	Chair: External Director Membership: One Internal Director, three External Directors The Nomination Committee is charged primarily with the discussion of policy regarding the nomination of Directors, the propriety of appointment and dismissal standards for managers, the composition of the Board of Directors (requisite qualities, skills and diversity of Directors), the appointment and dismissal of Directors, and succession plans.			3
Remuneration Committee	External Director	Chair: External Director Membership: One Internal Director, two External Directors The Remuneration Committee discusses the propriety of decision-making policies regarding compensation, as well as individual compensation.			2
Audit & Supervisory Board	Standing Audit & Supervisory Board Member	Chair: Standing Audit & Supervisory Board Member Membership: Two Standing Audit & Supervisory Board Members, two External Audit & Supervisory Board Members Sankyu has developed a management monitoring structure centered on the monitoring of Directors in their business execution and the performance of audits by Audit & Supervisory Board Members and the Audit & Supervisory Board. In principle, the Audit & Supervisory Board meets once monthly, with other meetings held as needed.			16
Compliance Committee	Senior Executive Director (Representative Director) in charge of Administration & ESG	This committee was established to ensure compliance with all domestic and international laws and regulations, international rules, and the spirit thereof. As part of a subcommittee structure, compliance is promoted through Compliance Subcommittees chaired by Corporate Officers in charge of each department.			2
Sustainability Committee	Senior Executive Director (Representative Director) in charge of Administration & ESG	Sankyu has drafted a basic policy that aims to contribute to resolving social issues through business activities, as well as for sustainable development as an enterprise in partnership with society. Accordingly, this committee promotes initiatives that seek to resolve social issues such as climate change and human rights.			4
Risk Management Committee	Senior Executive Director (Representative Director) in charge of Administration & ESG	This committee seeks to minimize risk by identifying and analyzing management risks, designating risk priority, and enacting countermeasures. For the aforementioned activities, the Company has a structure in place enabling control and supervision by management (Management Meeting, Board of Directors).			2

Number of officers		Purpose
Corporate Officer system	28 officers	To move ahead the separation of business monitoring from execution, Sankyu has adopted a Corporate Officer system. This system is designed to strengthen the Board of Directors' monitoring functions pertaining to business execution and accelerate its decision-making abilities. Business execution based on decisions by the Board of Directors falls under either "work-duty authority regulations" or "division of administrative responsibilities," with personnel responsible for each defined along with details regarding responsibilities and execution procedures.

Numbers of committee and meeting members and Corporate Officers as of June 2024

Skill matrix

Guided by the findings of the voluntary Nomination Committee, and in light of Sankyu's management strategies, the Board of Directors identified the knowledge, experience, skills and other qualities that Directors should have, with the aim of securing balance, diversity and scale in the knowledge, experience and skills of the entire board. The skill matrix highlighting these respective points at a glance is found below.

Board of Directors

Director	Kimikazu Nakamura	Kimihiro Nakamura	Yasuto Ago	Katsuaki Morofuji	Masahiro Ohba	Nobuyuki Aoki	Terukazu Okahashi	Makoto Ogawa	Naoko Saiki	Akira Takada	Toru Ishida
Independent director							●	●	●	●	●
Corporate management	●	●	●	●	●	●	●			●	●
Finance/Accounting				●						●	
Global					●	●	●		●		
Technology/Development/Quality	●		●								●
IT/Digital			●								
HR/Labor/Safety	●	●	●	●	●	●		●	●		
Risk management/Compliance							●	●	●	●	●
Capital markets		●								●	
ESG		●	●	●					●		●

Audit & Supervisory Board

	Audit & Supervisory Board Member	Toshio Yuki	Yoshiteru Tsuji	Ryuzo Shiraha	Kunio Shimada
Independent member				●	●
Finance/Accounting			●	●	
Law/Attorney					●
Financial industry insight		●	●		
Accounting firm insight				●	
Sankyu business insight		●			

Note: The tables to the left and above do not display all of the specialist knowledge and experiences that Directors and Audit & Supervisory Board Members possess.

Criteria for determining independence of independent External Directors

The Company designates all External Officers meeting the criteria for independent officers (five External Directors, two External Audit & Supervisory Board Members) as independent officers. To guarantee independence, candidates for independent External Director are selected based on criteria for independence defined by the Tokyo Stock Exchange, taking into account any personal, transactional or capital relationships, or other conflicts of interest, with Sankyu. Additionally, candidates are to be examined via deliberations by the voluntary Nomination Committee, and after accounting comprehensively for background, personality, skills, knowledge and other areas, efforts are made to select individuals capable of fulfilling roles and duties that contribute to the Company's sustainable growth and improvements in corporate value.

Board of Directors

In FY2023, the Board of Directors examined and deliberated matters pertaining to business operations, disclosure data and governance as part of its decision-making work. The board also made strides in examining its role going forward, taking steps to enhance the monitoring functions of the Board of Directors and to further improve corporate governance. The board put forward 60 resolutions and 62 reportable items in FY2023.

Key themes deliberated by the Board of Directors in FY2023

Theme	Number of resolutions	Number of reportable items	Main topics
Business operations	18	3	Resolutions and reporting regarding organizational revisions and personnel transfers, contracts pertaining to business operations, occupational health and safety planning, etc.
Disclosure of data	11	5	Resolutions and reporting regarding full-year and quarterly financial results, revised plans, account statements, items for inclusion in the securities report, etc.
Governance	9	6	Resolutions and reporting regarding committee establishment, changes to the Articles of Incorporation, policy formulation and announcement, items for inclusion in the corporate governance report, audit reporting and planning, etc.
Share information	8	6	Resolutions and reporting regarding shareholder returns, resolution items for the General Meeting of Shareholders, decisions concerning cross-shareholdings, status of execution of purchase of treasury shares, etc.
Execution of duties	—	12	Reporting of the status of execution of duties by Directors
Monthly business performance	—	12	Reporting of monthly business performance
Risk management	6	3	Resolutions and reporting regarding information security, risk matters, etc.
Commendations	—	8	Reporting of the presidential commendation for proposed improvements, commendation to recipients of honors for external technical skill and technology, results from the company-wide welding competition, results from the company-wide finishing competition, etc.
Committee reports	—	5	Reporting of details of discussions from meetings of the Compliance, Sustainability and Risk Management Committees
Disclosure of non-financial data	2	—	Resolutions regarding disclosure of non-financial data, formulation of roadmap for achieving carbon neutrality, etc.
Other	6	2	Resolutions and reporting regarding topics not covered above
Total	60	62	

Effectiveness evaluation of the Board of Directors

Once annually, the Board of Directors analyzes and evaluates effectiveness in a bid to actualize its vision for the board itself and its approach to management, seeking to further enhance the functionality of the Board of Directors by identifying issues and debating potential solutions. Evaluation is conducted via surveys given to members of the Board of Directors (Directors and Audit & Supervisory Board Members).

Issues from the FY2022 effectiveness evaluation and initiatives in FY2023

Issue points from the FY2022 effectiveness evaluation	FY2023 events
(1) Pertaining to nomination and compensation	Voluntary establishment of a Nomination Committee and Remuneration Committee in April 2023
(2) Pertaining to risk management	Establishment of a specialized committee for risk management in June 2023
(3) Pertaining to meeting structures comprised solely of External Directors	Establishment of a relevant meeting structure in April 2023
(4) Pertaining primarily to the provision of training opportunities for Directors	In FY2023, lectures by experts and tours of business sites for newly appointed Directors, Audit & Supervisory Board Members, and External Directors were provided as opportunities to deepen understanding of operations ▶ P58: Officer training

FY2023 effectiveness evaluation

- **Period under evaluation:** Board of Directors meetings held between February 2023 to December 2023
- **Individuals evaluated:** All Directors and Audit & Supervisory Board Members (14 individuals as of Dec. 31, 2023)
- **Evaluation administered:** December 2023 to January 2024
- **Evaluation categories:** Board of Directors composition, operation, structure and agenda

Evaluation results

Overall evaluation	An analysis and evaluation of aggregate survey responses has determined that the Company's Board of Directors maintains ample effectiveness.
Issue recognition and future response	In light of the above evaluation, we recognize the following issues that should be addressed and our future response to further improve the effectiveness of the Board of Directors.

[Issue points]

- ① **Issues related to the provision of training opportunities for Directors and Audit & Supervisory Board Members**

With respect to the training of Directors and Audit & Supervisory Board Members, continue to conduct training seminars and others to deepen understanding of operations, while seeking to further upgrade these as opportunities for also acquiring useful information for corporate management that will help improve corporate value and responding flexibly to capital market changes.
- ② **Issues related to risk management**

Regarding risk management, further deepen discussions by the Risk Management Committee to respond to new risks that could materialize from changes in any relevant environment. As the Board of Directors, strive to strengthen monitoring functions to ensure the committee operates properly based on risk management regulations.

Nomination Committee and Remuneration Committee

In FY2023, the Nomination Committee mainly deliberated pertaining to committee chair appointment, how the committee should function, personnel, skill matrix and education policy for Directors and Audit & Supervisory Board Members, and candidates for new appointment as Corporate Officers. The Remuneration Committee deliberated pertaining to committee chair appointment, remuneration for Directors and Audit & Supervisory Board Members, and the future remuneration system.

Committee member numbers as of June 2024

	Name of committee	Number of members	Members		Committee chair
			Internal Directors	External Directors	
Voluntary committee comparable to a nomination committee	Nomination Committee	4 officers	1 officer	3 officers	External Director
Voluntary committee comparable to a remuneration committee	Remuneration Committee	3 officers	1 officer	2 officers	External Director

Matters deliberated in FY2023

Nomination Committee <ul style="list-style-type: none">Committee chair appointmentHow the Nomination Committee should functionEducation policy for Directors and Audit & Supervisory Board MembersDirector and Audit & Supervisory Board Member personnelDefinition and recognition of proposed revisions to skill matrix for Board of DirectorsCorporate Officer candidates for FY2024	Remuneration Committee <ul style="list-style-type: none">Committee chair appointmentHow the Remuneration Committee should functionRemuneration system for Directors and Audit & Supervisory Board Members based on current internal regulationsMedium- to long-term incentives and stock-based remuneration system
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Policy and procedure for nominating candidates for Director and Audit & Supervisory Board Member

When appointing Directors and Audit & Supervisory Board Members, Director candidates are named following deliberation by the voluntary Nomination Committee and candidates for Audit & Supervisory Board Member are named upon approval by the Audit & Supervisory Board. Those considered best suited for the role are chosen to stand for appointment as Director or Audit & Supervisory Board Member,

comprehensively determined from traits such as background, personality, skills and knowledge. Candidates are then placed on the agenda of the General Meeting of Shareholders. Matters regarding the granting of representative rights to managers are decided after ample discussion by the Board of Directors.

Remuneration system for Directors and Audit & Supervisory Board Members

Basic policy	The amount of remuneration and other payments for Directors is decided based on their rank and responsibilities, taking into account the social trends regarding remuneration for Directors, the Company's business performance, as well as balance and equity with employee salaries and other matters that should be accounted for when determining remuneration levels.
Decision-making policy	Remuneration for Directors consists of basic compensation and bonuses. Basic compensation is based on the Director's specific job function and is paid monthly; bonuses are paid based on business performance. The amount of bonus paid is calculated by multiplying a coefficient established based on job function by the amount of ordinary profit for the fiscal year, which encompasses results for the entire business operation. The amount of remuneration for Directors is decided by resolution of the Board of Directors within a scope that does not exceed caps for remuneration set by resolution of the General Meeting of Shareholders. In deciding specifics regarding the remuneration of individual Directors, such details are approved by the Board of Directors after deliberation by the voluntary Remuneration Committee.

Total remuneration by Director and Audit & Supervisory Board Member category, Total remuneration by type and number of applicable individuals (FY2023)

	Category	Total remuneration (thousand yen)	Total remuneration by type (thousand yen)		Number of applicable individuals
			Basic compensation	Bonuses	
Directors	Directors (excluding External Directors)	733,000	369,600	363,400	6 officers
	External Directors	54,600	48,600	6,000	5 officers
Audit & Supervisory Board Members	Audit & Supervisory Board Members (excluding External Audit & Supervisory Board Members)	72,800	48,000	24,800	2 officers
	External Audit & Supervisory Board Members	36,400	24,000	12,400	3 officers
Total		896,800	490,200	406,600	16 officers

Officer training

In addition to providing opportunities for newly appointed External Directors and Audit & Supervisory Board Members to deepen their understanding of Sankyu, including business briefings and tours of business sites upon assumption of their posts, the Company offers opportunities for External Directors and Audit & Supervisory Board Members to learn critical knowledge. Sankyu also provides chances for in-house officers to gain essential knowledge through lectures held by outside experts and participation in a range of seminars.

Officer training in FY2023

May 2023	Lecture on the environment	February 2024	Stress check session held
December 2023	Session on compliance awareness survey held	March 2024	Lecture on human capital management
January 2024	Session on Sankyu Job Satisfaction Assessment held		

Cross-shareholdings

If the holding of shares from other companies is deemed rational after taking into account both medium- to long-term improvements in corporate value and factors such as impact on business operations, Sankyu holds such shares as cross-shareholdings. Each year, the Board of Directors closely scrutinizes the specifics of each individual shareholding, including economic rationale and benefit, risk posed as an asset, and balance with respect to capital cost, to consider whether it remains appropriate to hold the shares. Shares that are

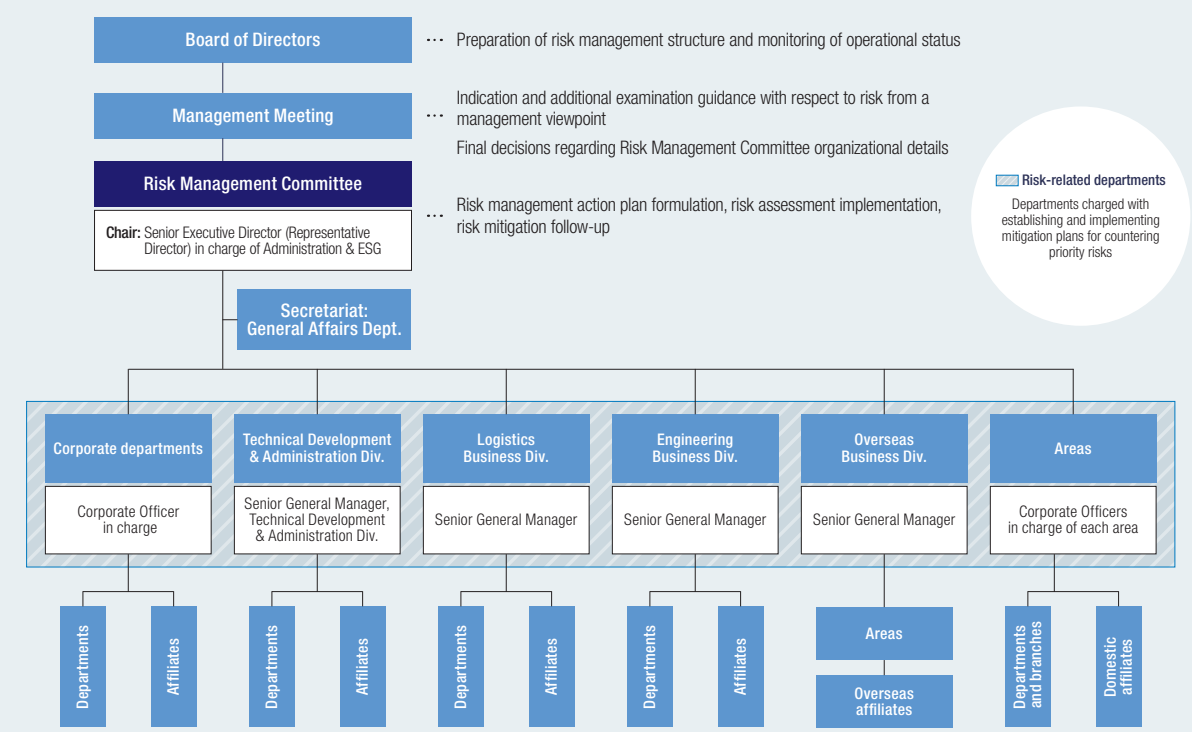
subsequently determined as no longer necessary to continue to hold are recommended for sale or otherwise reduced. In exercising voting rights attached to cross-shareholdings, votes for or against are determined after appropriate examination of the resolution agenda. As of March 31, 2024, Sankyu held publicly listed shares from 66 companies, collectively totaling 25,193 million yen on its balance sheet and accounting for 8.8% of net assets.

Internal controls

Sankyu has developed an internal control system in accordance with systems defined by the Ministry of Justice of Japan to ensure the execution of Directors' duties complies with laws, regulations and the Articles of Incorporation, as well as other systems deemed necessary to ensure the proper conduct of business by a stock company or a corporate group comprising the stock company and its subsidiaries. The internal control system is revised as necessary and determined by resolution of the Board of Directors.

Risk Management

Risk management structure



Narrowing down risks for priority measures

At the May 2024 meeting of the Risk Management Committee, we identified risks considered likely to impact Sankyu management, narrowing them down to those risks that are thought to have a particularly serious effect and need to be addressed with priority. At future Risk Management Committee meetings, in addition to monitoring the implementation status of reduction measures for various risks for priority mitigation, we plan to update such risks as needed. Furthermore, as we take the Group's internal and external environments into account, we will be continuously identifying and evaluating risks and revising our risk map.

Responding to risks in our overseas business

In the fiscal year ended March 31, 2024, Sankyu posted a provision for loss on construction contracts of roughly 1.2 billion yen for a construction project in Saudi Arabia. For the Company, the project was its first operation and maintenance contract in the country back in 2013, and this particular loss resulted from the lack of clarity in the scope of service provision between the customer and the Company. From this experience, Sankyu, based

on its global governance policy, revised its pre-check system for new contracts to manage the progress of pre-checks even more carefully than before, and ensure extensive pre-vetting of contract details by the Legal Department. While this case once again underscored the importance of client negotiations, we viewed it as a tough lesson, and are striving to develop an adequate risk management system for future overseas business expansion.

Business continuity-oriented initiatives

In line with crisis management regulations, Sankyu produces a variety of response manuals to prepare for the emergence of major disasters, accidents, pandemics and similar events. Along with intense effort to standardize these procedures to better enable rapid and appropriate responses, the Company supplements content whenever needed to keep it up-to-date with current trends. There is serious concern of large-scale earthquakes occurring in the future, including an earthquake in the Nankai trough or one directly beneath the Tokyo metropolitan area. Accordingly, we are periodically enacting company-wide disaster-readiness drills around various scenarios, and using these drills as a means to brush up response manual content.

Intellectual property

To improve the advantage of the Sankyu Group's services and enhance its competitiveness, the Technical Development & Administration Division and all business divisions are collaborating to create, accumulate, convert to rights and effectively utilize intellectual property. We are taking especially aggressive action to convert to rights technologies linked to business strategy in the areas of manpower reduction and labor saving, remote operation and automation. Sankyu respects the intellectual property rights of other companies as well as its own, and is developing a framework for managing intellectual property designed to maintain social trust. As of March 31, 2024, the Company holds 134 patents (including 6 overseas), 46 utility models (including 2 overseas), and 42 design patents, for a total of 222.

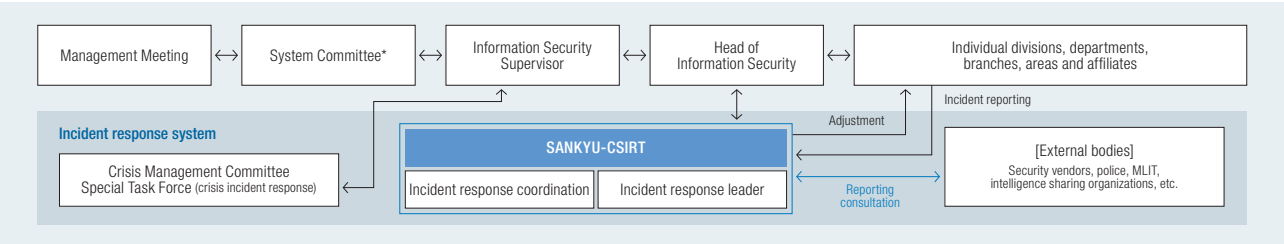
Information security

The Sankyu Group recognizes information that exists inside the Company, including personal information, as important assets. In addition to protecting these data from various internal and external security threats, and thereby fulfilling its corporate social responsibility, the Group strives for stable business operations and improved corporate value by providing customers with services it can guarantee as safe.

Structure enhancement

We have developed a structure for promoting information security countermeasures and created a countermeasure promotion framework, and we are taking steps to achieve and sustain a sophisticated information security management structure across the entire Group.

Information security countermeasure promotion structure



* Serving as a subcommittee to the Management Meeting, this committee deliberates the content of Company-wide information systems in order to formulate and promote measures regarding information systems from a Company-wide perspective.

Key initiatives

In addition to information security-related training, Group employees undergo targeted attack email drills and cybersecurity education. To strengthen initiatives to improve information security awareness, from FY2024, we have adopted an information security education platform and are conducting email training (domestic and overseas), video education for all employees (domestic), and security training (for new employees and others).

Key initiatives for information security

Information security is prefaced on three pillars within the Sankyu Group		
Technology	Education	Organization
Vulnerability diagnosis is conducted to strive for technologically appropriate countermeasures to respond to external threats and latent security risks.	Targeted attack email drills, cybersecurity education and other actions are taken to improve individual information security awareness.	Drills are conducted with relevant departments to minimize damages and to achieve swift recovery when incidents arise.

Compliance

Basic Compliance Policy

Based on its corporate mission, the Sankyu Group positions as compliance the observation of corporate ethics and the law, as well as the Articles of Incorporation, company rules and regulations, and other rules determined within the Company, and the Group will act with social decency as a member of the international society.

- 1

Both in Japan and overseas, we will observe laws, regulations, and social norms, as well as the Articles of Incorporation, company rules and regulations, and other rules determined within the Company.
- 2

We will observe international rules in conducting corporate activities in international society.
- 3

We will conduct honest and highly transparent corporate activities, aiming for the sound development of society, while striving to contribute to communities and society.
- 4

We will conduct fair and just transactions.
- 5

We will refuse any relationships with antisocial forces or groups and will not conduct any activities that would assist their activities.
- 6

We will create a fair and pleasant workplace culture free from discrimination and harassment and strive to ensure a healthy workplace environment.

April 1, 2017 **Kimihiro Nakamura** President (Representative Director), Sankyu Inc.

Compliance promotion structure

The Sankyu Group has established under the Board of Directors a Compliance Committee, chaired by the Senior Executive Director (Representative Director) in charge of Administration & ESG, to ensure conformity in practice and spirit with all laws, regulations and international rules. As part of a subcommittee structure, Corporate Officers in charge of each business department chair individual Compliance Subcommittees, responsible for overseeing departments, branches and affiliates and promoting compliance activities.

Compliance organizational structure



Compliance training

Compliance lectures are incorporated into the Sankyu Group's training curriculum for all job levels.* Discussions are centered on details regarding the Code of Ethics, operational status of the internal whistleblower system, and examples of compliance violations in an attempt to widely raise compliance awareness.

* FY2023 training for all job levels

Job level	Participants
New employees	117
Frontline operations officers	260
Staff supervisors	271
Administrators	162
Total	810



Implementation of special compliance training

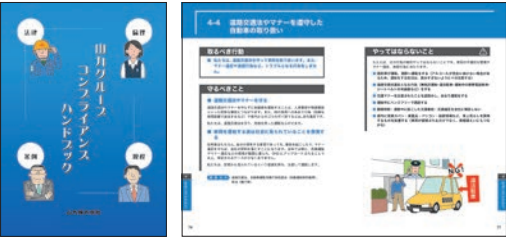
We held a lecture on the theme of illicit drugs and related countermeasures for the Sankyu Group's young and mid-career employees, with an invited speaker from the Drugs and Firearms Division of the Tokyo Metropolitan Police Department's Organized Crime Control Bureau. By helping attendees understand the reality of breaking the law concerning illicit drugs, this provided an opportunity for them to recognize again not only the danger of drugs but also changes happening in the surrounding environment, as well as the need to curtail and eliminate criminal behavior.

We also invite outside speakers at the area and branch levels to conduct training on harassment and education for eliminating drunk driving.



Cultivating compliance awareness and education

We have created and distributed to Group employees handbooks and other content designed to raise compliance awareness. For handbooks, we have distributed a guidebook on compliance promotion aimed at managers, and a more general compliance handbook for all employees, with illustrations used to provide intuitive explanations of handbook content. Both handbooks are utilized during training seminars and other events.

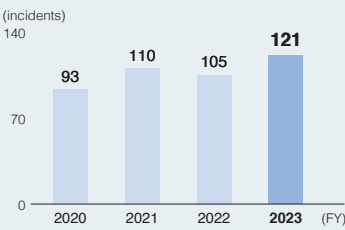


Compliance handbook

Internal whistleblower system

The Sankyu Group has established an internal whistleblower system, the Sankyu Hotline, and a public whistleblower system as points of contact within and outside of the Company. Related consultations are trending higher each year, with 121 consultations noted in FY2023, an indication of the success that awareness-raising activities have had in embedding this system. We are taking steps to strengthen awareness-raising activities, with the aim of further embedding the system and enhancing its functionality.

Internal whistleblower consultation trends



Whistleblowing awareness poster

Five-Year Data Highlights

Sankyu Inc. and its consolidated subsidiaries
Fiscal years ended March 31

(Unless stated otherwise, figures represent million yen)

	FY2019	FY2020	FY2021	FY2022	FY2023
Consolidated data					
Consolidated subsidiaries	57	56	56	56	56
Equity-method affiliates	1	1	1	1	1
Net sales	569,461	533,870	553,831	579,226	563,547
Cost of sales	508,172	479,119	495,711	515,514	501,553
Gross profit	61,289	54,750	58,120	63,711	61,993
Operating profit	40,374	33,928	34,465	38,169	35,216
Ratio of operating profit to net sales	7.1%	6.4%	6.2%	6.6%	6.2%
Ordinary profit	40,119	34,997	35,432	39,631	36,631
Profit attributable to owners of parent	25,619	23,540	22,636	24,959	24,379
Ratio of net profit to net sales	4.5%	4.4%	4.1%	4.3%	4.3%
Total assets	434,052	456,830	462,467	481,661	505,045
Net assets	214,204	237,035	248,725	272,532	285,433
Equity	211,367	234,923	245,954	269,284	282,047
Interest-bearing debt	41,902	47,068	45,686	49,226	72,596
Depreciation	17,541	16,665	18,172	18,953	19,567
Capital investment	19,637	23,642	20,489	23,341	20,589
Cash flows from operating activities	22,317	25,043	43,692	33,277	21,731
Cash flows from investing activities	(12,772)	(15,296)	(14,938)	(16,533)	(18,434)
Free cash flow	9,545	9,747	28,754	16,744	3,297
Cash flows from financing activities	(10,721)	(7,113)	(24,491)	(11,106)	(9,142)
Equity ratio	48.7%	51.4%	53.2%	55.9%	55.8%
Return on equity (ROE)	12.6%	10.5%	9.4%	9.7%	8.8%
Return on invested capital (ROIC)	—	—	8.4%	8.9%	7.6%
Return on assets (ROA)	9.5%	7.9%	7.7%	8.4%	7.4%
D/E ratio (times)	0.20	0.20	0.19	0.18	0.26
Dividend payout ratio	24.8%	28.3%	28.8%	35.2%	40.6%
Total return ratio	24.8%	28.3%	72.7%	35.2%	101.6%
Price earnings ratio (PER) (times)	9.53	12.49	10.43	11.50	12.18
Price book-value ratio (PBR) (times)	1.15	1.25	0.95	1.07	1.03
Earnings per share (EPS) (yen)	423.44	389.09	382.50	426.68	428.60
Book value per share (BPS) (yen)	3,493.55	3,882.98	4,204.60	4,603.55	5,083.35
Overseas sales	84,631	73,433	88,095	101,808	98,671
Asia	77,182	69,385	81,912	93,586	91,234
North & South America and other	7,449	4,047	6,183	8,222	7,437
Overseas sales ratio	14.9%	13.8%	15.9%	17.6%	17.5%
Logistics Business	Net sales	283,932	269,143	286,945	302,067
	Operating profit	10,849	9,567	10,996	9,877
Plant Engineering Business	Net sales	258,384	239,568	242,851	252,488
	Operating profit	27,369	22,718	22,163	26,075
Other	Net sales	27,144	25,158	24,034	24,670
	Operating profit	1,943	1,583	961	1,639
Orders received (Logistics)	283,610	269,421	286,314	302,075	284,706
Orders received (Plant Engineering)	248,812	243,552	231,135	262,356	261,186
Order backlog (Plant Engineering)	70,432	74,416	62,700	72,568	81,143
Number of employees	31,496	31,121	31,054	31,141	30,672

Non-Financial Data

Sankyu Inc.
Fiscal years ended March 31

		FY2021	FY2022	FY2023
CO ₂ emissions ^{*1}	Scope 1 (t-CO ₂)	108,714	100,917	94,528
	Scope 2 (t-CO ₂)	18,109	18,102	18,221
	Scope 3 (t-CO ₂)	892,133	942,360	894,959
	Total	1,018,956	1,061,379	1,007,708
Energy use intensity (l/m ²)		9.028	8.828	8.311
Infringements of environmental laws and regulations (incidents)		0	0	0
Number of employees	Consolidated	31,054	31,141	30,672
	Overseas employees ^{*2}	11,584	11,913	11,639
	Percentage of overseas employees (%)	37.3	38.3	37.9
	Non-consolidated	12,467	12,233	12,235
	Men	10,912	10,706	10,677
	Women	1,555	1,527	1,558
Average years of service of full-time employees	Percentage of women (%)	12.5	12.5	12.7
	Men (years)	15.0	15.5	15.4
	Women (years)	10.0	10.6	10.6
	Difference (%)	66.7	68.4	68.8
	Number of full-time employees who resigned	655	573	570
	Full-time employee turnover rate (%)	5.8	5.1	5.1
Average overtime hours per employee per month (hours)		30.7	26.7	26.6
Average number of paid leave days taken (days)		11.5	13.0	14.8
Rate of use of annual paid leave (%)		61.8	69.4	74.5
Number of personnel taking childbirth leave		45	35	31
Number of personnel taking childcare leave ^{*3}	Men	11	33	80
	Women	45	35	24
Rate of use of childcare leave ^{*3}	Men (%)	2.8	9.5	28.0
	Women (%)	100.0	92.5	77.4
Number of personnel taking family care leave ^{*3}		2	1	4
Training expenses per full-time employee ^{*4} (thousand yen)		70.5	80.2	165.0
Company-wide job-level-specific training ^{*4,5}	Number of participants	—	5,727	6,583
	Average number of participants	—	49.2	60.8
Technical and skill training ^{*4,5}	Number of participants	—	18,423	17,850
	Average number of participants	—	50.3	45.1
Percentage of officer or managerial positions held by women ^{*6}	Consolidated (%)	8.0	7.4	7.2
	Non-consolidated (%)	1.6	1.7	1.8
Wage difference between men and women ^{*6} (%)		63.7	63.3	64.4
Percentage of employees who have disabilities ^{*7} (%)		2.42	2.49	2.54
Accident frequency rate ^{*8,9} (%)		0.41	0.45	0.44
Severity rate ^{*8,10} (%)		0.35	0.13	0.13
Number of compliance training sessions ^{*1}		8	19	17
Number of compliance training participants ^{*1}		486	829	810
Number of briefings held by the Company (briefings on financial results, IR Day, etc.)		2	3	2

^{*1} Figures including domestic consolidated subsidiaries
^{*2} Number of foreign national employees hired abroad
^{*3} Figures calculated based on the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members
^{*4} Figures based on Company-wide education and training plans
^{*5} Figures for five training facilities in Japan and overseas for the period from April 1 to March 31
^{*6} Figures calculated based on the Act on the Promotion of Women's Active Engagement in Professional Life for the period from April 1 to March 31
^{*7} Figures for 12 designated Group companies calculated based on the Act to Facilitate the Employment of Persons with Disabilities
^{*8} Figures include domestic consolidated subsidiaries and domestic partner companies for the period from January 1 to December 31
^{*9} Accident frequency rate indicates the frequency of work-related accidents as the total number of casualties due to work-related accidents per million hours worked
^{*10} Severity rate indicates the severity of work-related accidents as the total number of lost workdays per thousand hours worked

Consolidated Balance Sheet

(Million yen)		
	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	51,118	50,717
Notes and accounts receivable - trade and contract assets	185,423	197,922
Securities	1,548	1,414
Costs on uncompleted construction contracts	1,273	1,162
Other inventories	2,220	2,475
Other	9,266	8,300
Allowance for doubtful accounts	(221)	(226)
Total current assets	250,629	261,766
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	66,680	67,917
Machinery, equipment and vehicles, net	12,223	12,176
Land	58,337	57,859
Leased assets, net	6,312	6,542
Construction in progress	4,720	4,118
Other, net	18,626	19,619
Total property, plant and equipment	166,901	168,234
Intangible assets		
Goodwill	204	46
Other	7,075	6,816
Total intangible assets	7,280	6,863
Investments and other assets		
Investment securities	27,014	36,579
Retirement benefit assets	10,565	15,868
Deferred tax assets	10,351	6,181
Other	9,374	9,975
Allowance for doubtful accounts	(454)	(424)
Total investments and other assets	56,850	68,180
Total non-current assets	231,032	243,279
Total assets	481,661	505,045
Liabilities		
Current liabilities		
Notes and accounts payable - trade	48,864	46,498
Short-term borrowings	8,551	13,600
Lease liabilities	2,758	2,724
Income taxes payable	9,573	3,969
Contract liabilities	1,453	1,647
Provision for bonuses	10,951	10,328
Provision for bonuses for directors (and other officers)	484	505
Provision for loss on construction contracts	591	1,637
Provision for warranties for completed construction	68	49
Other	33,562	26,377
Total current liabilities	116,861	107,337
Non-current liabilities		
Bonds payable	15,000	25,000
Long-term borrowings	25,675	33,996
Lease liabilities	4,176	4,466
Deferred tax liabilities	706	711
Deferred tax liabilities for land revaluation	4,268	4,331
Provision for retirement benefits for directors (and other officers)	195	200
Retirement benefit liability	30,892	31,253
Asset retirement obligations	2,989	3,114
Other	8,362	9,200
Total non-current liabilities	92,267	112,274
Total liabilities	209,128	219,612
Net assets		
Shareholders' equity		
Share capital	28,619	28,619
Capital surplus	12,715	12,715
Retained earnings	221,027	235,797
Treasury shares	(9,124)	(24,132)
Total shareholders' equity	253,238	253,000
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,500	15,145
Deferred gains or losses on hedges	(0)	10
Revaluation reserve for land	(46)	105
Foreign currency translation adjustment	3,822	8,104
Remeasurements of defined benefit plans	2,771	5,679
Total accumulated other comprehensive income	16,046	29,046
Non-controlling interests	3,247	3,385
Total net assets	272,532	285,433
Total liabilities and net assets	481,661	505,045

Consolidated Statements of Income

(Million yen)		
	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Net sales	579,226	563,547
Cost of sales	515,514	501,553
Gross profit	63,711	61,993
Selling, general and administrative expenses	25,542	26,777
Operating profit	38,169	35,216
Non-operating income		
Interest income	497	735
Dividend income	914	952
Share of profit of entities accounted for using equity method	71	110
Foreign exchange gains	101	157
Insurance claim income	956	—
Other	1,428	1,380
Total non-operating income	3,969	3,335
Non-operating expenses		
Interest expenses	579	875
Compensation expenses	760	—
Other	1,168	1,045
Total non-operating expenses	2,508	1,920
Ordinary profit	39,631	36,631
Extraordinary losses		
Impairment losses	188	403
Loss on retirement of non-current assets	983	—
Total extraordinary losses	1,172	403
Profit before income taxes	38,458	36,227
Income taxes - current	14,560	10,798
Income taxes - deferred	(1,404)	775
Total income taxes	13,156	11,573
Profit	25,302	24,654
Profit attributable to non-controlling interests	343	274
Profit attributable to owners of parent	24,959	24,379

Consolidated Statements of Comprehensive Income

(Million yen)		
	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Profit	25,302	24,654
Other comprehensive income		
Valuation difference on available-for-sale securities	644	5,647
Deferred gains or losses on hedges	(28)	11
Foreign currency translation adjustment	6,270	4,439
Remeasurements of defined benefit plans, net of tax	(1,361)	2,913
Total other comprehensive income	5,524	13,013
Comprehensive income	30,827	37,667
(Breakdown)		
Comprehensive income attributable to owners of parent	30,363	37,227
Comprehensive income attributable to non-controlling interests	464	439

Consolidated Statements of Changes in Equity

For the fiscal year ended March 31, 2023
(from April 1, 2022 to March 31, 2023)

(Million yen)

	Shareholders' equity					Accumulated other comprehensive income							
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of period	28,619	12,715	203,301	(9,117)	235,519	8,856	27	(254)	(2,291)	4,097	10,434	2,770	248,725
Cumulative impact of changes in accounting policy			169		169				8	(90)	(81)	52	139
Balance at the start of the fiscal year with changes in accounting policy reflected	28,619	12,715	203,470	(9,117)	235,689	8,856	27	(254)	(2,283)	4,006	10,352	2,823	248,864
Changes during period													
Dividends of surplus			(7,312)		(7,312)								(7,312)
Profit attributable to owners of parent			24,959		24,959								24,959
Purchase of treasury shares				(6)	(6)								(6)
Disposal of treasury shares		0		0	0								0
Reversal of revaluation reserve for land			(91)		(91)								(91)
Net changes in items other than shareholders' equity						644	(28)	207	6,105	(1,235)	5,693	424	6,118
Total changes during period	-	0	17,556	(6)	17,549	644	(28)	207	6,105	(1,235)	5,693	424	23,667
Balance at end of period	28,619	12,715	221,027	(9,124)	253,238	9,500	(0)	(46)	3,822	2,771	16,046	3,247	272,532

For the fiscal year ended March 31, 2024
(from April 1, 2023 to March 31, 2024)

(Million yen)

	Shareholders' equity					Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	28,619	12,715	221,027	(9,124)	253,238	9,500	(0)	(46)	3,822	2,771	16,046	3,247	272,532
Changes during period													
Dividends of surplus			(9,459)		(9,459)								(9,459)
Profit attributable to owners of parent			24,379		24,379								24,379
Purchase of treasury shares				(15,008)	(15,008)								(15,008)
Disposal of treasury shares		0		0	0								0
Reversal of revaluation reserve for land			(150)		(150)								(150)
Net changes in items other than shareholders' equity						5,645	11	152	4,282	2,907	13,000	138	13,138
Total changes during period	-	0	14,770	(15,008)	(237)	5,645	11	152	4,282	2,907	13,000	138	12,900
Balance at end of period	28,619	12,715	235,797	(24,132)	253,000	15,145	10	105	8,104	5,679	29,046	3,385	285,433

Consolidated Statements of Cash Flows

(Million yen)

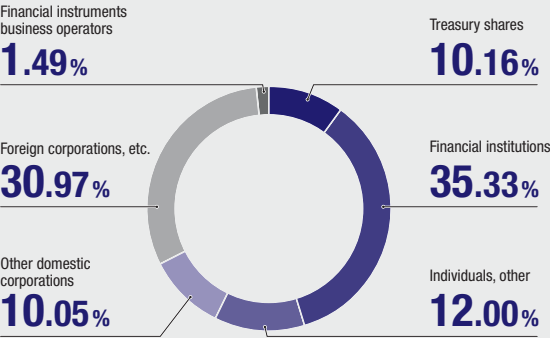
	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	38,458	36,227
Depreciation	18,953	19,567
Amortization of goodwill	555	162
Increase (decrease) in allowance for doubtful accounts	(3)	(41)
Increase (decrease) in provision for bonuses	3,400	(623)
Increase (decrease) in provision for bonuses for directors (and other officers)	96	20
Increase (decrease) in retirement benefit liability	(293)	(955)
Interest and dividend income	(1,411)	(1,687)
Interest expenses	579	875
Share of loss (profit) of entities accounted for using equity method	(71)	(110)
Loss on retirement of property, plant and equipment	983	-
Impairment losses	188	403
Decrease (increase) in notes and accounts receivable and contract assets	(891)	(10,736)
Decrease (increase) in costs on uncompleted construction contracts	139	163
Decrease (increase) in inventories	41	(246)
Increase (decrease) in trade payables	(26,381)	(2,875)
Increase (decrease) in contract liabilities	(9)	154
Other, net	7,785	(2,880)
Subtotal	42,120	37,418
Interest and dividends received	1,343	1,619
Interest paid	(564)	(861)
Income taxes paid	(9,622)	(16,443)
Net cash provided by (used in) operating activities	33,277	21,731
Cash flows from investing activities		
Payments into time deposits	(477)	(3,982)
Proceeds from withdrawal of time deposits	435	521
Purchase of short-term and long-term investment securities	(1,965)	(1,245)
Proceeds from sale of short-term and long-term investment securities	497	377
Purchase of property, plant and equipment	(14,473)	(13,098)
Proceeds from sale of property, plant and equipment	1,351	851
Purchase of intangible assets	(1,605)	(1,720)
Loan advances	(4)	(0)
Proceeds from collection of loans receivable	112	242
Other, net	(404)	(377)
Net cash provided by (used in) investing activities	(16,533)	(18,434)
Cash flows from financing activities		
Proceeds from short-term borrowings	54,479	29,949
Repayments of short-term borrowings	(64,036)	(30,013)
Proceeds from long-term borrowings	27,805	21,218
Repayments of long-term borrowings	(4,881)	(7,795)
Proceeds from issuance of bonds	-	10,000
Redemption of bonds	(10,000)	-
Repayments of lease liabilities	(3,276)	(3,155)
Purchase of treasury shares	(6)	(15,008)
Dividends paid	(7,306)	(9,453)
Dividends paid to non-controlling interests	(89)	(300)
Other, net	(3,794)	(4,584)
Net cash provided by (used in) financing activities	(11,106)	(9,142)
Effect of exchange rate change on cash and cash equivalents	2,684	1,891
Net increase (decrease) in cash and cash equivalents	8,321	(3,953)
Cash and cash equivalents at beginning of period	42,479	50,801
Cash and cash equivalents at end of period	50,801	46,847

Corporate Profile

Company outline

Company name	Sankyu Inc.
Headquarters	5-23, Kachidoki 6-chome, Chuo-ku, Tokyo 104-0054 Tel: +81-3-3536-3948 (switchboard)
Founded	October 1, 1918
Paid-in capital	28,619 million yen
Business locations	39 branches in Japan, 44 affiliated companies in Japan, 40 affiliated companies overseas, 1 representative office overseas
Number of employees	12,235 (Consolidated: 30,672) (As of March 2024)
Sales	394,365 million yen (Consolidated: 563,547 million yen) (As of March 2024)
Business lines	Operation of logistics and plant engineering businesses in Japan and overseas. In the Logistics Business, Sankyu engages in various tasks in ports, warehouse storage, truck transportation and on-site tasks for client companies. In the Plant Engineering Business, Sankyu conducts construction of general industrial machinery and environmental facilities, equipment installation, piping work, maintenance, etc.

Composition of shareholders (as of March 31, 2024)



Investor Information

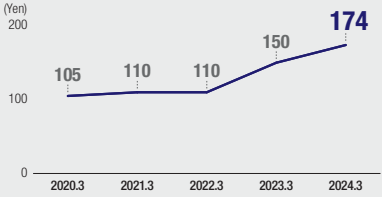
IR calendar

Jan.	End of month: Third quarter financial results announcement
Feb.	
Mar.	
Apr.	
May	Beginning of month: Fourth quarter financial results announcement
June	End of month: Annual General Meeting of Shareholders, Thank You Report issued
July	End of month: First quarter financial results announcement
Aug.	
Sept.	
Oct.	End of month: Second quarter financial results announcement
Nov.	
Dec.	Beginning of month: Thank You Report issued

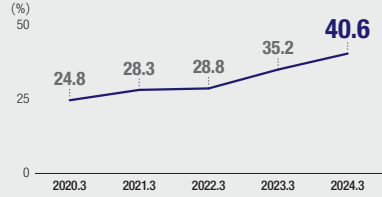
Stock price and market value

	2020/3	2021/3	2022/3	2023/3	2024/3
Stock price at period-end (yen)	4,035	4,860	3,990	4,905	5,222
Highest price (yen)	6,130	5,250	5,590	5,350	5,644
Lowest price (yen)	3,435	3,620	3,740	3,595	4,513
Number of shares outstanding at period-end (thousand shares)	65,215	65,215	61,758	61,758	61,758
Market value at period-end (million yen)	263,145	316,947	246,414	302,923	322,500

Dividend per share



Dividend payout ratio



Share information

Listed exchanges	Tokyo Stock Exchange Prime Market, Fukuoka Stock Exchange (Securities code: 9065)
Business year	From April 1 each year to March 31 of the following year
Annual General Meeting of Shareholders	June every year
Total number of authorized shares to be issued	200,000,000 shares
Total number of issued shares	61,757,978 shares
Shareholders	9,866 (As of March 31, 2024)
Number of shares in one unit	100 shares

Major shareholders (as of March 31, 2024)

Shareholder name	Number of shares held (thousands)	Percentage held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,276	14.92
Custody Bank of Japan, Ltd. (Trust Account)	4,447	8.01
Nippon Steel Corporation	2,061	3.71
Nibiki Scholarship Foundation	1,960	3.53
Sankyu Employee Ownership Account	1,539	2.77
BYNMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1	1,511	2.72
Mizuho Bank, Ltd.	1,212	2.18
Meiji Yasuda Life Insurance Company	1,200	2.16
SSBTC CLIENT OMNIBUS ACCOUNT	1,155	2.08
JP MORGAN CHASE BANK 385632	1,004	1.81

Credit rating information (as of March 31, 2024)

Credit rating agency	Issuer ratings
Rating and Investment Information, Inc. (R&I)	A (stable)

Sankyu's Value Creation	Management Strategy	Business Report	Management	Data Book
Group Network				
Major domestic affiliates				
	Company name	Main business	Business lines	
Subsidiaries	Sankyu Plant Techno Co., Ltd.	Plant engineering	Construction and repair of oil, chemical and steel facilities, power generation facilities, etc.	
	Sankyu Jukiko Co., Ltd.		Construction, transportation of heavy objects, installation, dismantling, etc. of machinery	
	Sankyu Road Engineering Co., Ltd.		Road maintenance management (inspection, survey, road repair, ancillary facility management)	
	HEIWA FUSO TECHNO CO., LTD.		Repair and construction of oil refining, petrochemical and chemical industry equipment, etc.	
	JAPAN INDUSTRIAL TESTING CO., LTD.		Various non-destructive inspection, measurement and diagnosis of buildings, etc.	
	Sankyu Delivery & Service Co., Ltd.	Logistics and port terminal	Trucking business, warehousing business	
	Sankyu Transport Higashinihon Co., Ltd.		Trucking business, forwarding business, cargo handling, packaging business	
	Sankyu Transport Tokyo Co., Ltd.		Trucking business, forwarding business	
	Sankyu Transport Chubu Co., Ltd.		Trucking business, forwarding business	
	Sankyu Transport Kansai Co., Ltd.		Trucking business, forwarding business, cargo handling, packaging business	
	Sankyu Transport Chugoku Co., Ltd.		Trucking business, forwarding business	
	Sankyu Transport Kyushu Co., Ltd.		Trucking business, forwarding business	
	Sankyu Kairiku Co., Ltd.		Port transportation-related business and shipping business, warehousing business, etc.	
	Sankyu Koun Co., Ltd.		Port transportation business, general trucking business, packing and packaging business, etc.	
	Chubu Kaiun Kaisha, Ltd.		General port transportation, on-ship and onshore cargo handling business, customs clearing business, etc.	
	Sankyu Shipping Inc.		Maritime forwarding, ship agent business, shipping broker business, etc.	
	Chiyoda Shipping Ltd.		General ship agent business, cargo agent business for exports and imports	
	SANKYU AIR LOGISTICS CO., LTD.		International freight forwarding business	
	Sankyu Business Service Co., Ltd.	Service (staffing and other)	Building and equipment maintenance management, security, organization, cleaning, etc.	
	Sankyu Higashi Nihon Service Co., Ltd.		Port transportation business, warehousing business, repair of cargo handling equipment, etc.	
	Sankyu Chubu Service Co., Ltd.		Transportation of raw materials and goods within plants, facility maintenance, etc.	
	Sankyu Kinki Service Co., Ltd.		Operation and maintenance of equipment in plants, transportation operations in plants, etc.	
	Sankyu Yamaguchi Business Co., Ltd.		Logistics for raw materials and goods within plants, facility maintenance, etc.	
	Hirobishi Sokounyu Co., Ltd.		Warehousing business, port transportation business, trucking business, etc.	
	Sankyu Oita Business Co., Ltd.		Contract maintenance of steel, oil and chemical plant equipment, etc.	
	Infosense Corporation		Systems integration, software development, etc.	
Equity-method affiliates	Sankyu Clearing Co., Ltd.	Logistics	Purchase and acquisition of trade accounts receivable and monetary claims to Group companies	
	Sannet Logistics Co., Ltd.		Trucking business, warehousing business, customs clearing business, cargo handling business, etc.	

Major overseas affiliates

East Asia		Southeast Asia, Middle East	
TAIYOUNG SANKYU INTERNATIONAL LOGISTICS CO., LTD.	Korea	SANKYU INDIA LOGISTICS & ENGINEERING PRIVATE LIMITED	India
SANKYU-JVAN AN INTERNATIONAL LOGISTICS CO., LTD.	Taiwan	P.T. SANKYU INDONESIA INTERNATIONAL	Indonesia
BEIJING SANKYU LOGISTICS CO., LTD.	China	SANKYU SAUDI ARABIA CO., LTD.	Saudi Arabia
DALIAN SANKYU INTERNATIONAL LOGISTICS CO., LTD.	China	SANKYU (SINGAPORE) PTE. LTD.	Singapore
QINGDAO SANKYU ASIA-PACIFIC LOGISTICS CO., LTD.	China	SANKYU SOUTHEAST ASIA HOLDINGS PTE. LTD.	Singapore
QINGDAO JSD LOGISTICS CO., LTD.	China	SANKYU-THAI CO., LTD.	Thailand
SHANGHAI E&T SANKYU LOGISTICS CO., LTD.	China	SANKYU (VIETNAM) CO., LTD.	Vietnam
SHANGHAI E&T SANKYU DISTRIBUTION CO., LTD.	China	SANKYU LOGISTICS (VIETNAM) CO., LTD.	Vietnam
SANKYU JIANGSU LOGISTICS CO., LTD.	China	SANKYU (MALAYSIA) SDN. BHD.	Malaysia
SANKYU GUANGZHOU LOGISTICS CO., LTD.	China		
SANKYU EASTERN INTERNATIONAL (HONG KONG) CO., LTD.	China		
SANKYU L&T (ZFTZ) CO., LTD.	China		
SANKYU PLANT ENGINEERING SHANGHAI CO., LTD.	China		
SHANGHAI SANKYU TRADING CO., LTD.	China		
		Americas and Europe	
		SANKYU U.S.A. INCORPORATED	U.S.A.
		SANKYU (EUROPE) B.V.	Netherlands
		SANKYU S.A.	Brazil
		SANKYU LOGISTICS BRAZIL	Brazil
		SANKYU MEXICO SA DE CV	Mexico

Glossary

Turnaround maintenance (large-scale periodic repair work)	Turnaround (TA) maintenance refers to periodically shutting down all or part of a plant to conduct inspection, cleaning, and replacement of components, etc. with the objective of checking the soundness of the equipment in various kinds of plants including petrochemical, general chemical, oil refining, electricity generation, gas, and ceramics.
Green logistics	An overall term for logistics initiatives that are considerate to the earth, such as reducing CO ₂ emissions during transportation. These initiatives can be classified into modal shift, concentration of transportation hubs, collaborative distribution, increasing the size of vehicles, etc.
Coke oven gas	Refers to a gas that is produced when coal is dry distilled (baked) to produce coke, which is used as a reducing agent for iron ore. It contains approximately 55% hydrogen and approximately 30% methane, making it a very promising source of hydrogen.
On-site operations	Refers to supporting customers' manufacturing processes directly at their plants. Operations include receiving raw materials, supporting work on manufacturing lines, packaging products for shipping and shipping preparation, and product management inside warehouses.
On-site logistics	Refers to carrying items between warehouses and sites and between processes on-site at a plant.
Port logistics	Refers to the flow of items at a port. All operations such as delivery of goods on behalf of clients, onboard material handling operations before and after delivery, barge transport, coastal material handling, and raft transport are conducted on commission from shippers or shipping companies.
International logistics	Refers to the flow of items internationally. International logistics is characterized by the operations commonly involved in import and export, such as transport by ship or airplane, preparation of customs documentation, use of bonded warehouses, export packaging, and handling in bonded areas and port handling.
Domestic logistics	Refers to the flow of items inside Japan. Main transportation methods of domestic logistics include truck, rail, and coastal shipping.
Operation	Refers to the operation of machinery and so forth to perform work. Supporting such work is referred to as operational support.
Plant engineering	An overall expression covering multiple operations such as planning, design, procurement, construction, and maintenance for new installation, repair, modification, etc. of equipment for plants producing oil, chemicals, power, steel, etc.
Material handling equipment	Refers in general to machinery and equipment used for increasing efficiency and reducing labor of material handling operations that are burdensome for workers.
Modal shift	Refers to an initiative to reduce environmental impact by switching to the use of rail and vessels such as ferries for transporting cargoes usually carried by automobiles such as trucks.
AGV	Stands for Automatic Guided Vehicle. Refers to a robot that replaces the transport work that was previously carried out by people in factories and warehouses. As being called Automatic Guided Vehicle suggests, it is a robot with wheels that travels automatically, and it can carry cargo by either placing it on top or towing it.
FCV	Stands for Fuel Cell Vehicle. Refers to a vehicle that runs by generating electricity and water through a chemical reaction between oxygen and hydrogen, and extracting the electricity to drive the motor. Hydrogen has a high energy density and is highly storable, so it is expected to be used in large commercial vehicles such as buses and trucks, as well as forklifts, because it can be used for traveling long distances and is adaptable to large vehicles and trucks that require large amounts of energy.
PPA	Stands for Power Purchase Agreement. Refers to the direct conclusion of a contract for the sale and purchase of electricity between a power producer and a user. This will enable the user to “specify the purchase of renewable energy” from specific solar power generation facilities, thereby enabling the user to say “our company uses 100% energy derived from solar power generation.”
ZEB	Stands for Net-Zero Energy Building. Refers to a building that aims to achieve a net-zero balance of annual primary energy consumption while also providing a comfortable indoor environment. It is impossible to completely eliminate energy consumption because people are active inside buildings, but it is possible to reduce energy consumption to net-zero by reducing energy use through energy conservation and creating energy to use through energy creation.
ZEV	Stands for Zero Emission Vehicle. Refers to a vehicle with zero emissions (i.e. no emissions), meaning a vehicle that does not emit greenhouse gases such as CO ₂ , which is thought to be a major cause of global warming, or air pollutants. Any vehicles with zero emissions, including cars, trains, aircraft and bicycles, are also ZEVs.
3PM	Stands for 3rd Party Maintenance. Refers to plant facility maintenance services performed on behalf of the owner or manufacturer by a third-party maintenance specialist who is neither the owner nor manufacturer of the plant.
3PL	Stands for 3rd Party Logistics. Refers to the planning and proposal of the most efficient logistics strategy, proposal for the construction of a logistics system, and provision of comprehensive logistics services under contract on behalf of the cargo owner company.

Listed in the order of the Japanese syllabary or the English alphabet