

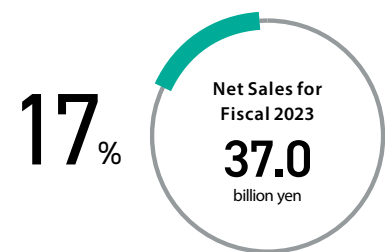
# Plants & Machinery Systems Business



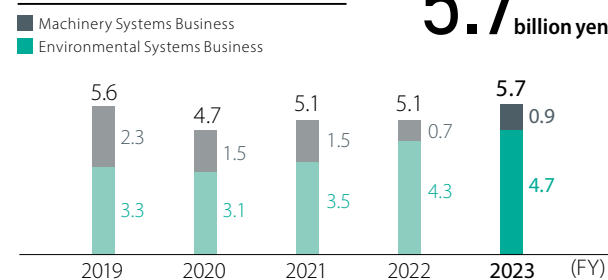
In fiscal 2023, although the Machinery Systems Business achieved higher sales and profit compared to the previous fiscal year, profitability remained low in the wake of soaring material and equipment prices. On the other hand, we have begun to see positive results from sales activities in our focused areas related to EV batteries, semiconductors, medical services, and others. In the Environmental Systems Business, orders received increased due to orders for large-scale construction for water and sewage treatment facilities and waste treatment facilities. In addition, steady progress in carry-over projects and other factors led to increases in both sales and profit. The Machinery Systems Business provides material handling technologies in response to automation and labor-saving needs arising from the dwindling working population and will contribute to improving productivity and promoting work-style reform for customers. As the Sanki Engineering Group's manufacturing department with a long history, we will maintain public awareness of our presence by consistently introducing new products to meet society's needs. The Environmental Systems Business has been given the most motivating responsibility for supporting environmental social infrastructure such as water treatment and waste treatment facilities. We will focus on technology development for resolving social challenges, such as realizing carbon neutrality and a circular economy, to create comfortable environments as stated in our management philosophy. Both Machinery Systems and Environmental Systems are key businesses that address the materiality of the Sanki Engineering Group and will continue to contribute to the sustainable growth of the entire Group.

**Kazuaki Iijima** Director, Senior Executive Officer and General Manager of the Plants & Machinery Systems Headquarters

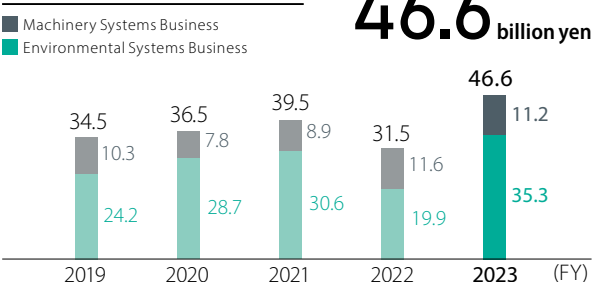
Net Sales Composition Ratio



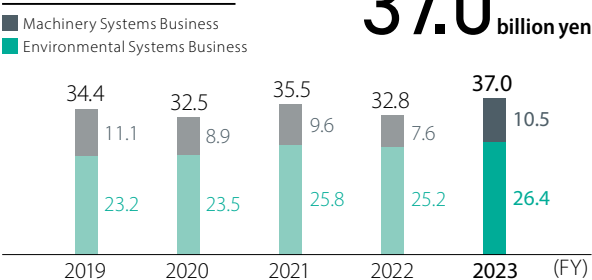
Gross Profit Margin (Billions of Yen)



Orders Received (Billions of Yen)



Net Sales (Billions of Yen)



## Opportunities and Risks in the Business Environment

### Machinery Systems Business

- Growing need for automation and labor-saving solutions arising from the decline in Japan's working population
- Steady investment in logistics facilities and manufacturing facilities for semiconductors and EV batteries
- Increase in materials and equipment prices, rise in labor costs
- Expansion in decarbonization needs in Japan and overseas
- Expansion in energy conservation needs resulting from rising energy prices
- Japanese government policy for promoting PPPs and PFIs\*

### Environmental Systems Business

\*A public private partnership is a public-private sector collaboration to provide public services, while a private finance initiative is a representative PPP approach.

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

### Machinery Systems Business

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

### Environmental Systems Business

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

## Machinery Systems Business

### Major Results for Fiscal 2023

- Cultivated the automation and labor-saving market using technologies such as AI, IoT and robotics.
- Built a clean room in the Yamato Product Center, and started development and manufacturing of high-value-added products.
- Developed the "Branch Ball" three-way sorting system to meet automation and labor-saving needs, and exhibited it at the Smart Logistics EXPO 2024 held in January.
- Collaborated with four startup companies to promote the development of new services for expanding business.
- Promoted the Smile Plant Plan (machinery) ahead of the enactment of Japan's revised Labor Standards Act in fiscal 2024 and achieved zero cases, exceeding the legal overtime cap.



SRL Inc. Central Laboratory

### Major Projects

- SRL Inc. Central Laboratory (operation of building management system)
- Japanese Red Cross Society Kanto-Koshinetsu Block Blood Center (introduction of new manufacturing facility, relocation of facility)
- SUMCO Corporation Imari Factory Kubara Plant (stockers for purification materials and carbon parts)
- Narita International Airport Corporation, Terminal 1 North Wing (in-line system refurbishment for the baggage handling system)

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

#### Continuous Expansion in Sales of Core Products

To expand sales of standard conveyors and various conveyance systems for logistics, factory automation, airports, and medical facilities, we will implement energy-saving technology and AI technology in addition to the component technologies and product lineup developed over the years to add further value to these core products while also developing the automation and labor-saving market.

#### Enter Growth Markets in Automobile, Semiconductor, and Overseas Businesses

We will promote research and sales activities toward entering markets for semiconductor and EV battery manufacturing facilities, where demand is expected to continue to grow, as well as overseas markets such as Thailand. We will also develop new services such as market analysis and AI-based predictive maintenance systems through business alliances with startup companies and other partners.

### Promote Business Reform

To strengthen our business foundation, we will reform business with a primary focus on improving operational efficiency by incorporating technologies developed by startup companies and boosting the productivity of the Yamato Product Center. Working in collaboration with

the DX Promotion Office and the Technical Research & Development Center, we will effectively use 3D-CAD, introduce emulators, create a database of design results, and consider adopting the latest technologies in such fields as AI, drones, and 5G.

## Environmental Systems Business

### Major Results for Fiscal 2023

- Concluded a basic agreement and a basic contract under the DBO\*1 method with the Tokyo Metropolitan Government Bureau of Sewerage with respect to a project at the largest water reclamation center in Japan, "Morigasaki Water Reclamation Center Digestion Gas Power Generation Project."
- Our project on the conversion of sewage sludge into feed and fertilizer using insects was selected by Japan's Ministry of Land, Infrastructure, Transport and Tourism's Applied Research on Sewage in fiscal 2023, and following feasibility studies, was set to continue in fiscal 2024.
- Carried out restructuring of Group company businesses. The private water and waste water business, chemical engineering business, and sludge recycling business of Sanki Chemical Engineering & Construction Co., Ltd. were transferred to Sanki Kankyo Service Co., Ltd. to enhance their respective expertise. The two companies also changed their trade names.\*2
- Promoted investment in plant expansion at AQUACONSULT Anlagenbau GmbH to expand global sales of AEROWING.
- Promoted the Smile Plant Plan (environment) ahead of the enactment of Japan's revised Labor Standards Act in fiscal 2024 and achieved zero cases, exceeding the legal overtime cap.



Okubo Water Purification Plant upgrade work for the Seibu system 3B sludge collector

#### Major Projects

- Okubo Water Purification Plant, upgrade work for the Seibu system 3B sludge collector
- Okubo Water Purification Plant, upgrade work for the Seibu system 3B flocculator
- Kasai Water Reclamation Center, construction work for sludge dewatering equipment
- Kiyose Water Reclamation Center, reconstruction work for sludge transportation system

\*1 Design Build Operate is a method of engaging a single private contractor to undertake the entire task of designing, construction, operation, and maintenance.

\*2 Sanki Chemical Engineering & Construction Co., Ltd. → Sanki Greentech Co., Ltd.  
Sanki Kankyo Service Co., Ltd. → Sanki Aquatech Co., Ltd.

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

#### Expand Sales of Products that Meet Energy Conservation Needs

We will strive to expand sales of strategic products, such as the AEROWING ultrafine bubble air diffuser, which contributes to significant energy savings, the highly efficient G3 decanter centrifuge, and the fluidized bed incinerator. At the same time, we will work to expand into businesses related to energy creation.

#### Promote LCE Business

Under the stronger cooperative framework of the Environmental Systems Business group, including the reorganized subsidiaries, Sanki Greentech Co., Ltd. and

Sanki Aquatech Co., Ltd., we will present business proposals primarily focused on reducing greenhouse gas emissions and promote comprehensive LCE projects, from facility maintenance to operation. In the Morigasaki Water Reclamation Center Digestion Gas Power Generation Project (DBO method), for which we signed a basic contract in February 2024, we will strategically establish a framework for steadily developing a long-term business.

#### Develop Overseas Markets for Water Treatment Facilities

AQUACONSULT Anlagenbau GmbH, a Group company based in Austria, will spearhead our efforts to expand sales

of strategic products mainly in Europe and the Middle East, with a focus on AEROWING, which meets the needs for decarbonization. We are also taking measures such as seconding personnel from the Environmental Systems Business group to AQUACONSULT to secure and develop human resources capable of demonstrating their talent

overseas.

Furthermore, in Southeast Asia, where large-scale water treatment facilities are not widely available, we will promote a broad range of proprietary technologies, centered on the drainage treatment unit based on the DHS method, to seek out potential needs for water treatment technology.

## Focus

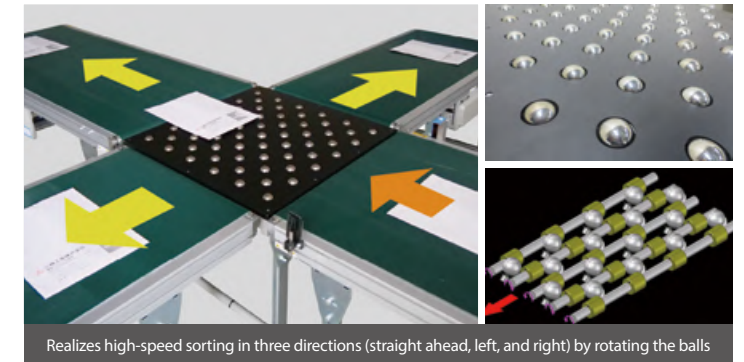
### Machinery Systems Business

#### Meeting the automation and labor-saving needs of logistics facilities

#### Development of the "Branch Ball" Three-Way Sorting System

We developed the "Branch Ball" three-way sorting system to meet automation and labor-saving needs in the context of labor shortages, such as the so-called "2024 problem."

Balls are placed in a staggered arrangement on the conveyor surface and supported at three points, two of which are in contact with the drive shaft. Objects are conveyed by controlling the rotation of the drive shaft to roll the ball in the desired direction. When the drive shaft is rotated in the same direction, the object is conveyed straight ahead. When the adjacent drive shafts are rotated in opposite directions, the object is conveyed in a direction branching off from the line. The system also smoothly transports thin items such as envelopes and bags containing small items and apparel products as well as cardboard boxes. Thanks to the incorporation of a high-performance magnet motor, the system also saves energy.



Realizes high-speed sorting in three directions (straight ahead, left, and right) by rotating the balls

## Focus

### Environmental Systems Business

#### Constructing an advanced wastewater treatment facility to meet strict regulations

#### Promoting the Horizontal Recycling of PET Bottles

Far Eastern Ishizuka Green PET Corporation, which undertakes the horizontal recycling of used PET bottles into raw materials for PET bottles, established a new production site in Himeji City to expand its business. Group company Sanki Chemical Engineering & Construction Co., Ltd. (currently Sanki Greentech Co., Ltd.) was responsible for the design and construction of advanced treatment facilities for factory wastewater generated in the process of producing recycled flakes from crushed and washed PET bottles. Sanki Greentech's private water and waste water business involved in this project has since been transferred to Sanki Aquatech Co., Ltd.

In addition to complying with the Water Pollution Prevention Act, the project also satisfies the even stricter regulations of the Act on Special Measures concerning Conservation of the Environment of the Seto Inland Sea. To meet the stringent standards required by beverage manufacturers, we constructed a facility that can automatically control all processes, from pretreatment to biological and sludge treatment. Thus, we succeeded in creating a labor-saving system that efficiently handles advanced wastewater treatment. We will continue to contribute to the realization of a sustainable society by developing technologies that can meet strict regulations that vary from region to region.



Panoramic view of Far Eastern Ishizuka Green PET Corporation's Himeji Plant