Medium-Term Management Plan
(FY2023 to FY2025)

May 15,2023

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Corporate philosophy

Clean and Comfortable Environment for the Next Generation

With calls for the creation of a sustainable society on a global scale, efforts to address the global environment are becoming an increasingly important and urgent issue.

Based on the corporate philosophy of "Clean and Comfortable Environment for the Next Generation," Sanix Group moves forward toward the early realization of a society in which passing on

"a comfortable living environment to the next generation,"
"energy with low environmental impact,"
"recycling resources instead of abandoning"

are common values.

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The Value Sanix Provides

Increasingly complex social issues

- Intensifying natural disasters, infectious diseases
- Global warming
- Depletion of resources

『Clean and Comfortable Environment for the Next Generation』

Solving social issues through business activities

Sustainable society

- Safe and secure lifestyle
- Decarbonized society
- Sustainable production and consumption

Residential Environment area

a comfortable living environment to the next generation

- Maintenance for detached houses
- Maintenance for apartment complexes
- Residential solar power installation
- Hygiene management

Energy area

energy with low environmental impact

- Installation of photovoltaic power generation equipment for self-consumption for corporate clients
- Development for photovoltaic power generation for energy companies
- Maintenance of existing photovoltaic power equipment/plants
- Retail sales of electric power

Resource Circulation Area

recycling resources instead of abandoning

- Recycling of waste plastics
- Power generation from waste plastic fuel
- Purification of waste liquid and production of recycled fuel
- Final disposal of industrial waste

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Environmental Analysis and Identification of materiality

	Business environment	Material issues
Residential Environment area	✓ Government policy on the revitalization of the existing housing market ✓ Government policy oriented toward improving the quality of housing stock from the perspective of decarbonization (e.g., mandatory installation of photovoltaic power equipment, popularization of ZEH homes, etc.) ✓ Growing awareness of, and need for, hygiene in housing during the COVID-19 pandemic ✓ Accelerate measures to address aging buildings and condominiums	✓ Establishment of a system for providing services that contribute to reducing the environmental burden and improving the environmental value of housing, such as energy conservation in housing ✓ Promotion of effective use of existing housing resources, such as the lengthening of the service life of houses, buildings, condominiums, etc., and remodeling
Energy area	✓ Growing trend toward carbon neutrality in local communities and businesses ✓ Full-scale use of renewable energy in response to rising energy prices, tight power supply and demand, and growing environmental awareness	✓ Promotion of development of power sources capable of meeting renewable energy needs ✓ Establishment of photovoltaic power generation as a stable power source to become a sustainable social infrastructure
Resource Circulation Area	✓ Growing global awareness of issues related to plastic waste ✓ Advocating the transition to a circular economy for society as a whole ✓ Stronger calls for companies to properly dispose of waste and promote recycling	✓ Development of new recycling methods ✓ Reviewing of the entire lifecycle of plastics and building a recycling system that contributes to the transition to a circular economy
Sanix Group	✓ Sophistication of demands for corporate governance ✓ Stronger requirements for ESG indicators and non-financial information disclosure	✓ Strengthening of financial base ✓ Response to governance structure requirements ✓ Securing and development of human resources for planning and development in each area

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Long-Term Vision / Medium-Term Management Plan

Medium-Term Management Plan
FY2019 to FY2022

【FY2022】

Net sales	46.2 Billion
Operating Income	1.7 Billion
ROE	24.8%
Equity ratio	18.0%

Medium-Term Management Plan
FY2023 to FY2025

【FY2025】

Net sales	53 Billion
Operating Income	3 Billion
EBITDA	5 Billion
ROE	15%(or more)
Equity ratio	30%(or more)

Growth acceleration period

Rapid growth period

Long-Term Vision2030

【FY2030】

Net sales	100 Billion
Operating Income Margin	10%(or more)
ROE	17%(or more)
ROIC	15%(or more)

Execution of strategic investments

Expansion of business opportunities

- Activation of investments for decarbonization
- Obligation to improve the environmental value of residential housing
- Transition to a resource-recycling economy

Expansion of strategic investments

Creation of new businesses

- Creation of new businesses in the environment, energy, and recycling sectors

Full-scale launch of start-up business

- Moving onto a stable trajectory of launching businesses and growing them into business pillars

Creation of new businesses

- Creation of more new businesses in the environment, energy, and recycling fields

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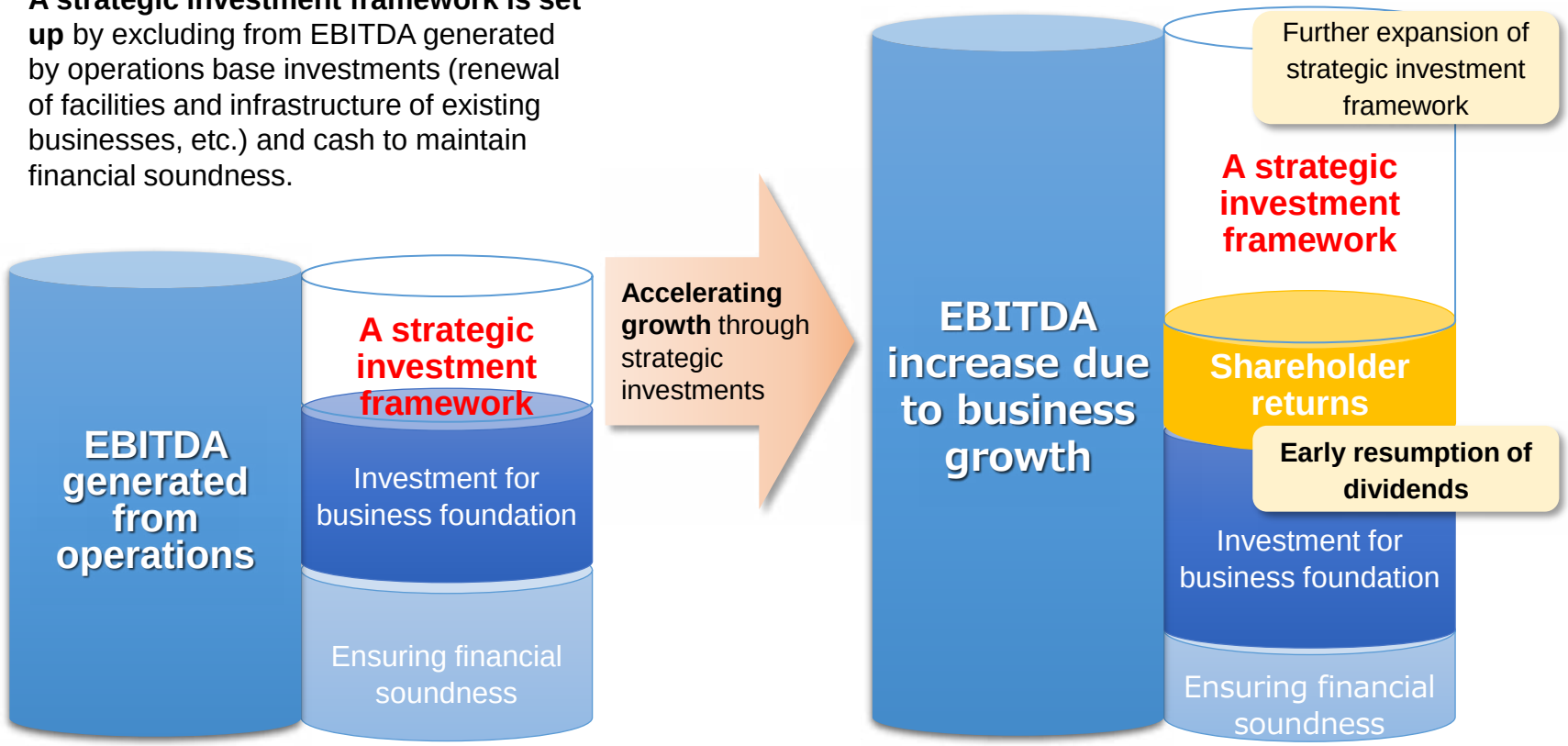
Strategic Investment Approach

- **Set strategic investment frameworks** and invest in growth, using EBITDA generated by the entire business as a source of funds.
- Accelerate future growth through strategic investments, **further expand the strategic investment framework**, and **resume dividend payments as soon as possible**.

A strategic investment framework is set up by excluding from EBITDA generated by operations base investments (renewal of facilities and infrastructure of existing businesses, etc.) and cash to maintain financial soundness.



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Medium-Term Management Plan summary

FY2025 forecasts		
Net sales	**53**	**Billion**
CAGR(2023→2026)	5%	
FY2022 Results	46.2	Billion

FY2025 forecasts		
Operating Income	**3**	**Billion**
CAGR(2023→2026)	20%	
FY2022 Results	1.7	Billion

FY2025 forecasts		
EBITDA	**5**	**Billion**
CAGR(2023→2026)	11%	
FY2022 Results	3.6	Billion

FY2025 forecasts		
Equity ratio	**30**	**%** (or more)
	＋12 Points	
FY2022 Results	18.0	%

1. Increase earnings strength through steady growth in existing businesses and secure a **stable financial base**.
2. Establish a **strategic investment framework** while ensuring financial soundness and **initiating aggressive growth investments** for future growth.
3. Pave the way for an **early resumption of dividend payments** by accumulating stable profits.

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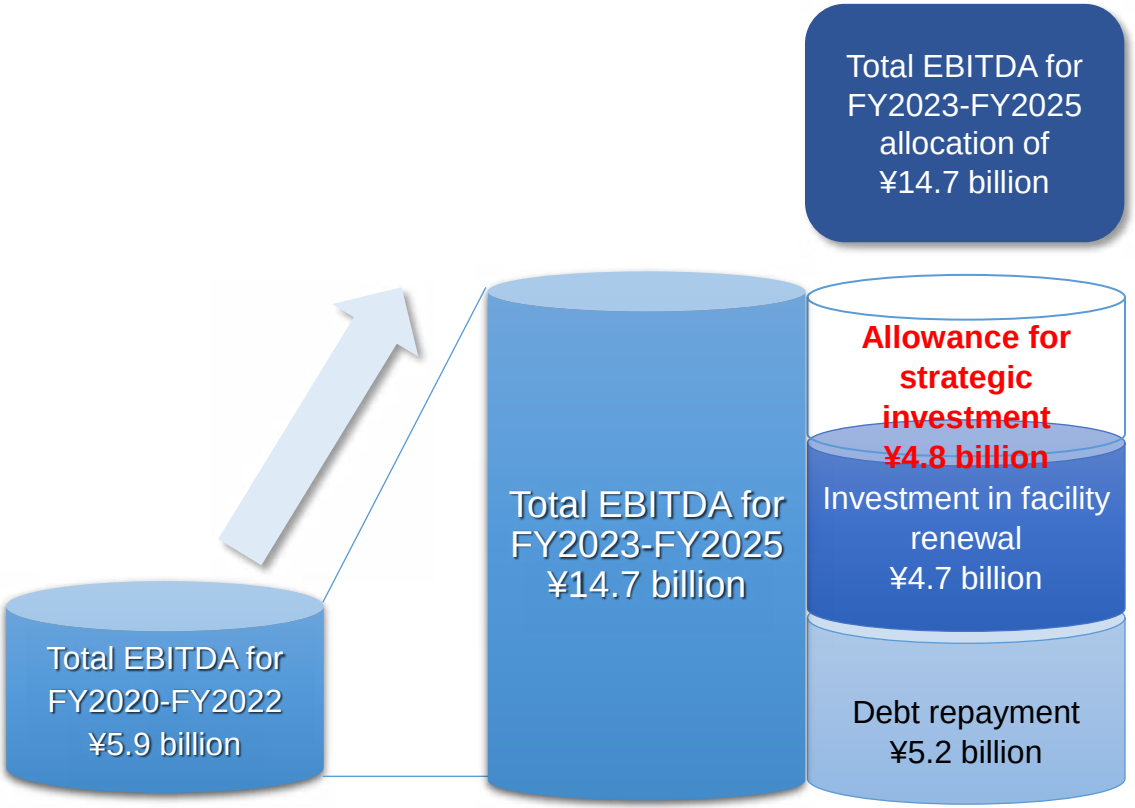
Resource Allocation

- The earning power of the entire business will increase during the plan period and three-year accumulated EBITDA is expected to be 14.7 billion yen.
- The portion excluding debt repayment and facility renewal are considered to be the within the limit for **strategic investment** and funds are allocated for growth.



Set up a strategic investment framework of 4.8 billion yen over 3 years.

Capital expenditures (existing expansion, new)

・Entry into the material recycling business

・Expansion and construction of waste-to-fuel facilities

・Improvement of power generation performance at Tomakomai Power Plant

R&D investment

・Solar cell module recycling demonstration

Investment in human capital

・Securing of highly specialized human resources

・Active recruitment and training of human resources

M&A, alliances, etc.

・Acceleration of growth (area and service expansion)

・Synergy creation

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①Investment for Growth
Expansion of Business Areas

Waste plastic processing business

Start full-scale material recycling and expand the business domain.

Intangible aspects

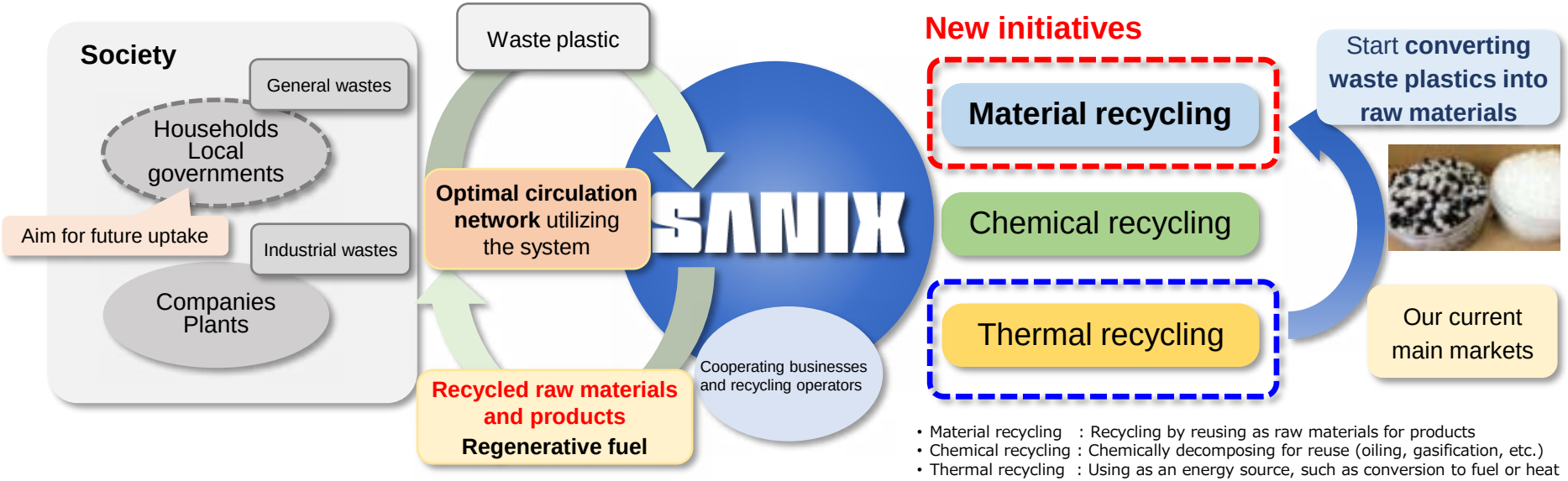
Establish a resource recycling network through a waste management system.

- Start sales of SANIX system for waste generators and SANIX system Pro for collection and transportation companies.
- By expanding and upgrading the system, build a waste recycling network in the future and improve the recycling rate of society as a whole.

Tangible aspects

Introduce material recycling facilities.

- Install new processing facilities for hard plastics and develop recycling into raw materials and recycled products based on collaboration with recycling companies, etc.
- Aim to incorporate waste plastics from municipalities for container and packaging recycling in the future.



- Material recycling : Recycling by reusing as raw materials for products
- Chemical recycling : Chemically decomposing for reuse (oiling, gasification, etc.)
- Thermal recycling : Using as an energy source, such as conversion to fuel or heat

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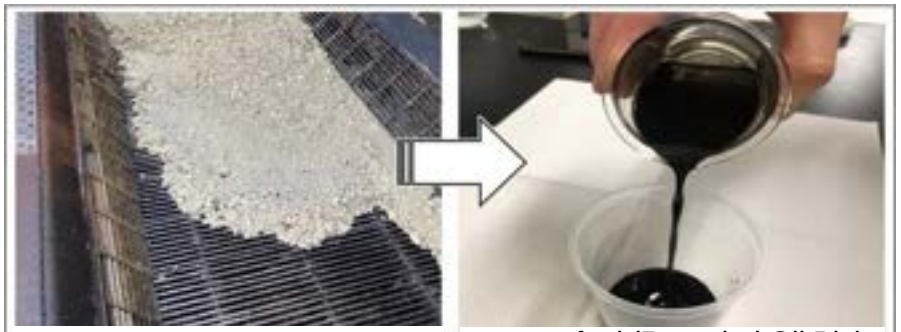
②Investment for Growth
Enhancement and Streamlining of Existing Facilities

Waste liquid treatment business

Doubling of recycled oil production line
+ conversion of sludge into fuel



Industrial waste as raw material　　recycled fuel (Recycled Oil Bio)

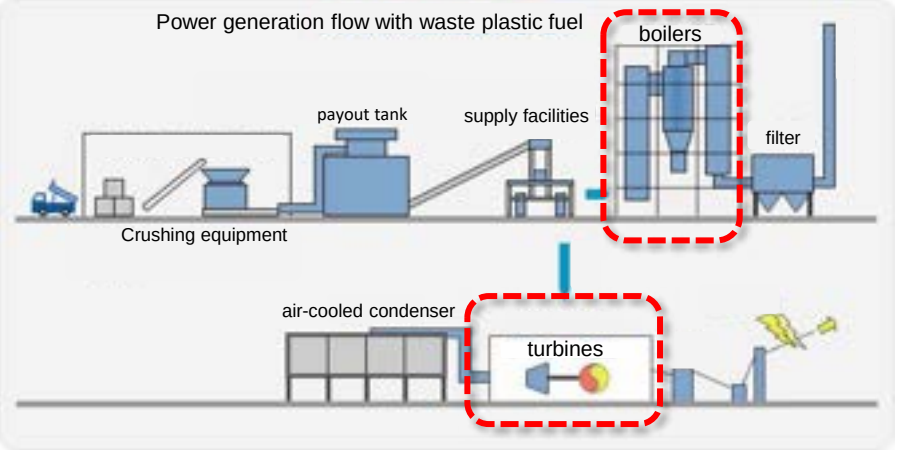
- **Expand the production line for Recycled Oil Bio**, a recycled fuel derived from organic waste liquids that is delivered to the Hibiki Plant, which purifies and treats waste liquids.
  - ✓ Inquiries for using an alternative fuel to fossil fuels are strong, so plan to double the number of production lines from the current one to two by the end of FY2023.

Production capacity **2,160t / year ▶ 4,320t / year**

- In addition, **a new line to convert sludge contained in organic liquid waste into solid fuel** is expected to start operation in FY2025.
- Reduce sludge disposal costs and generate new revenue from fuel sales.

power generation business

Facility renewal
+ power generation capacity improvement



- Large-scale investments have been initiated to ensure stable operation and efficiency in the future, focusing on the main facilities of the Tomakomai Power Plant, which has been in operation for about 20 years since October 2003, (see details, P.18)
  - ✓ Boiler equipment: Replace piping inside the boiler sequentially over a period of about 5 years starting in the FY2024.
  - ✓ Turbines & generators: Renew turbines and generators to be implemented in FY2025. **Expect to improve power generation capacity by about 8%** through optimal design.

※Recycled Oil Bio is a fuel made from recycled waste that has been recognized for its high environmental value and certified as a Kitakyushu Eco-Premium in 2021 and the 15th Fukuoka Prefecture Recycled Product.

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③Investment for Growth
Research and Development for Commercialization

Research and development of new business

Start demonstration recycling of used photovoltaic panels

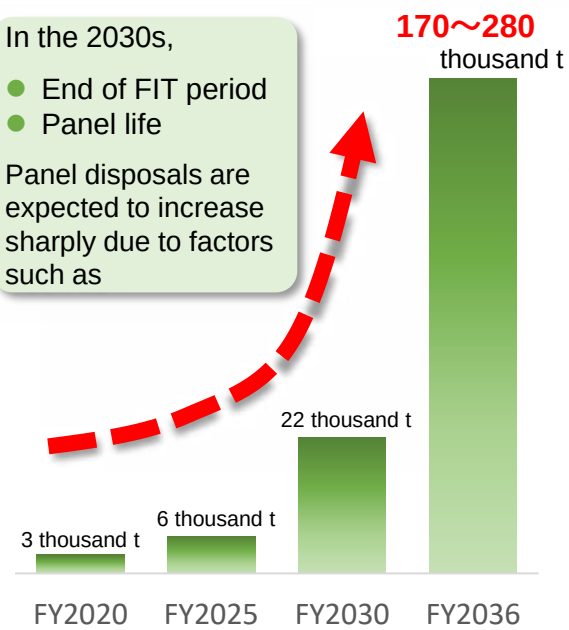
Assuming that a large amount of used solar panels will be generated in the 2030s, **establish a technology verification line with the aim of commercializing a solar panel reuse and recycling business** by leveraging our knowledge of solar panels and our strength in industrial waste disposal networks.

Panel disposal forecast in Japan

In the 2030s,

- End of FIT period
- Panel life

Panel disposals are expected to increase sharply due to factors such as



※Source: Processed data from NEDO estimates

Huge amount of solar panel shipments accumulated in the photovoltaic power generation business

- Residential : Approx. 20,000
- Business use: Approx. 29,000
- Cumulative total 1.4 GW
- Cumulative shipments of approximately 5 million panels

＋

Utilize our nationwide network of industrial waste treatment and recycling sites.

Panel recycling image

Removal

- Aluminum frame Metal recycling
- Wiring Metal recycling

Glass detachment

- Splinters of glass Glass fiber, roadbed materials, etc.

Pulverizing

- Cell sheet Extraction of silver and other metals by refining

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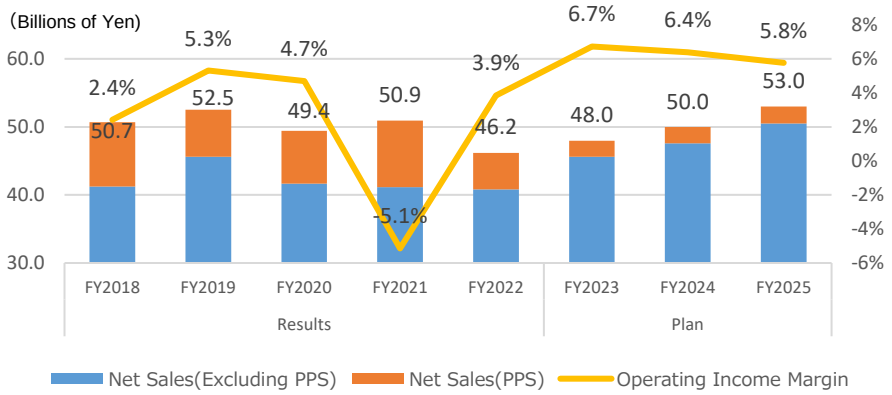
Projections

(Billions of Yen)

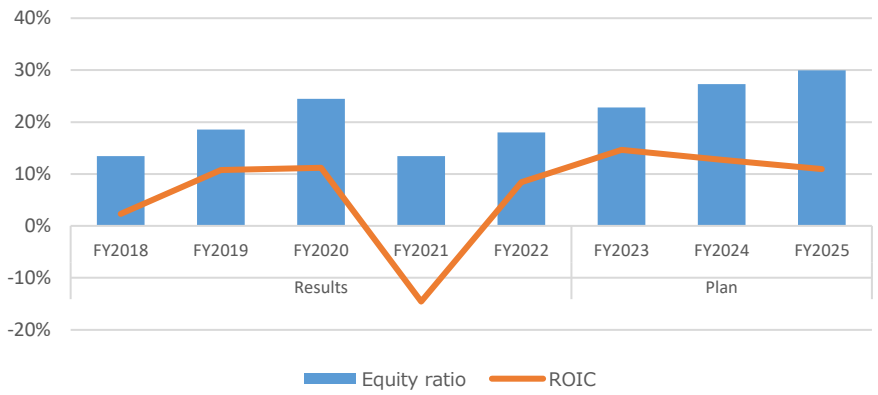
(Consolidated)	FY2022 Results	FY2023 Plan	FY2024 Plan	FY2025 Plan
Net Sales	46.2	48.0	50.0	53.0
Operating Income	1.7	3.2	3.2	3.0
EBITDA※	3.6	4.8	4.9	5.0
ROE	24.8%	35.0%	24.0%	16.0%
ROIC	8.4%	14.0%	12.0%	10.0%
Equity ratio	18.0%	22.0%	27.0%	30.0%

※ EBITDA is operating Income + depreciation.

Consolidated Net Sales and Operating Income



ROIC and Equity ratio



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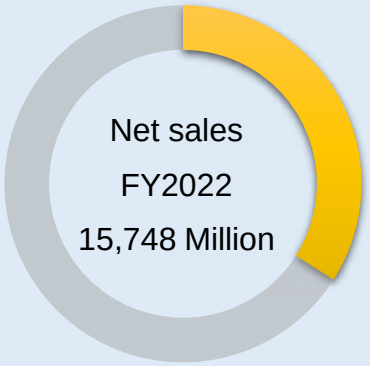
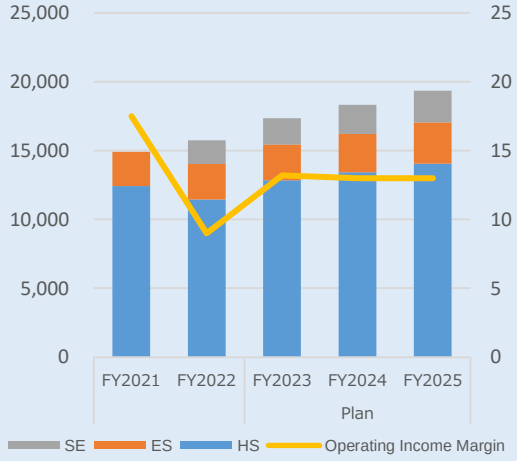
Strategies by Business Segment ＜Residential Environment Area＞

Strengthen corporate sales (cultivation of business partners) system

- Expand new customer channels and improve sales productivity through expansion of business partners.
- Increase sales capabilities and service quality through enhanced retention and development of human resources.

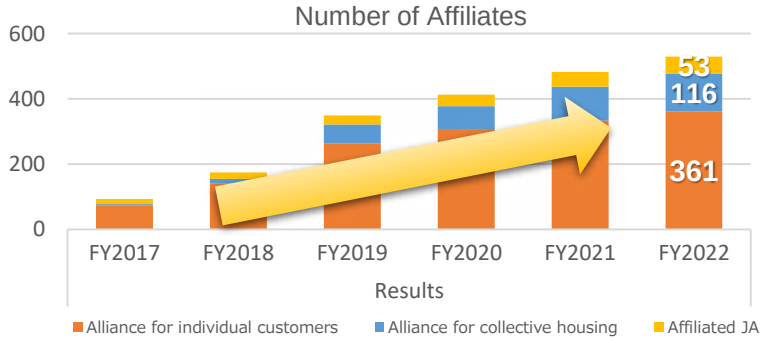




(Billions of Yen)

	FY2022 Results	FY2023 Plan	FY2024 Plan	FY2025 Plan
Net Sales	15.7	17.3	18.3	19.3
H S	11.4	12.8	13.4	14.0
E S	2.5	2.6	2.8	3.0
S E	1.7	1.9	2.1	2.3
Operating Income	1.4	2.2	2.3	2.5

- Net sales are expected to rise 3.6 billion yen from FY2022, to 19.3 billion yen.
- Operating income is expected to be 2.5 billion yen, reflecting improved profitability thanks to the increased productivity, although personnel and other expenses will rise with the headcount increase.
- The headcount is expected to increase by approximately 170 to over 1,200 over the next three years.



Affiliated JA＊
53 JA
Alliance for collective housing
116 Corporation
Alliance for individual customers
361 Corporation

＊Japan Agricultural Cooperatives

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Strategies by Business Segment ＜Residential Environment Area＞

＜Our strengths＞

- Stable revenue base based on ongoing business relationships with customers
- Human resources with both high sales capabilities and construction skills
- Sales network rooted in local communities

＜External environment＞

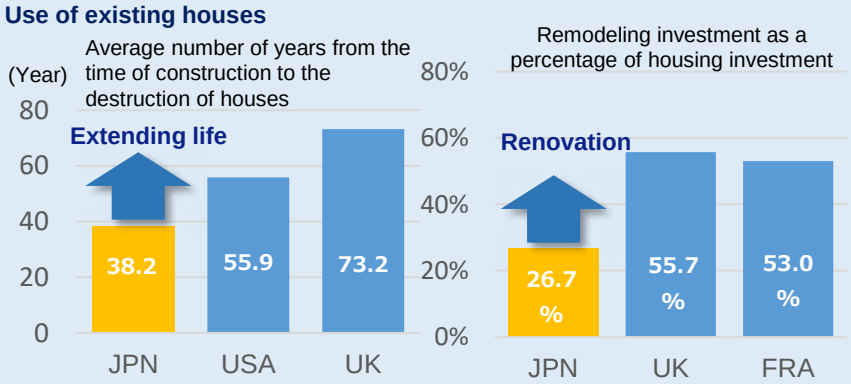
- Government policy that forms high-quality housing stock and emphasizes the use of housing stock, including home renovation and existing home distribution
- Expansion of demand for housing maintenance and hygienic environments generated by the COVID-19 pandemic
- Growing need for photovoltaic power generation for residential housing due to the steep rise in electricity fees and growing environmental awareness

Housing Policy Trends

Total number of housing units: **approx. 62 million**,
of which wooden single-family houses: **approx. 29 million** (including vacant houses)

- With the number of new housing starts expected to shrink against the backdrop of a declining population and other factors, the Company has shifted to a policy of improving the quality of existing housing and **emphasizing the use of existing housing.**
- In addition, the policy is to promote **energy conservation** from the perspective of decarbonization.

Use of existing houses



Source: Processed data from statistical data from Ministry of Land, Infrastructure, Transport and Tourism.

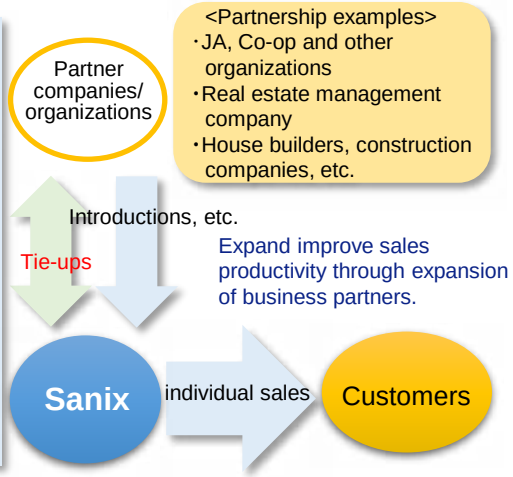
Promotion of decarbonization (Energy conservation)

- Photovoltaic power generation
- Storage batteries
- Improved thermal insulation performance (Windows, insulation, etc.)

Market revitalization for both new and existing buildings given a trend toward mandatory construction and expansion of support (subsidy) programs, etc.

Improvement of corporate marketing

In addition to strengthening the sales style of individual visits, **the corporate sales system will be expanded** to broaden the scope of sales and respond to diverse needs.



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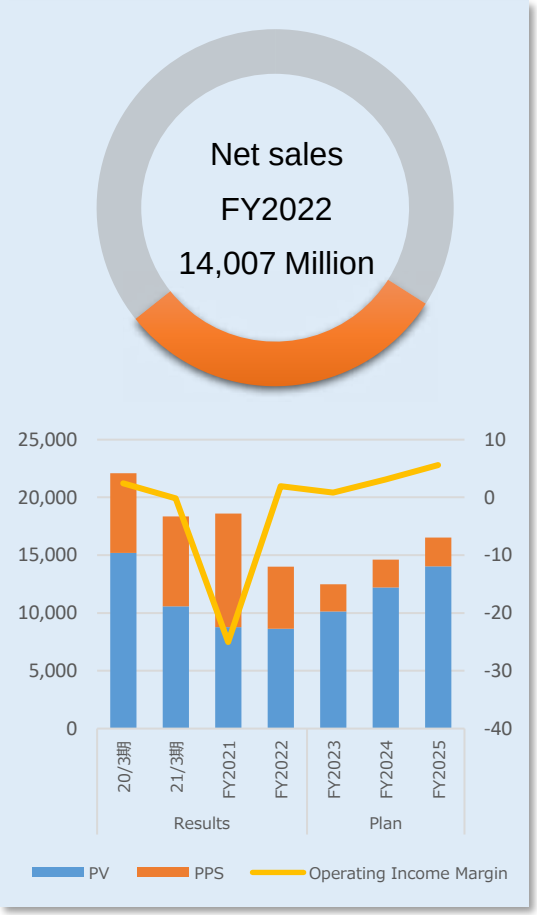
Strategies by Business Segment <Energy Area>

Full transition to non-FIT model

- Reinforcement and area expansion of the system for proposing photovoltaic power for self- consumption to companies and municipalities that are strengthening their decarbonization efforts.
- Promote the development of photovoltaic power plants as a renewable energy source for energy providers supplying renewable electricity.



(Billions of Yen)

	FY2022 Results	FY2023 Plan	FY2024 Plan	FY2025 Plan
Net Sales	14.0	12.4	14.6	16.5
P V	8.6	10.1	12.2	14.0
P P S	5.3	2.3	2.4	2.5
Operating Income	0.2	0.1	0.4	0.9

- Net sales are expected to be 16.5 billion yen due to growth in the PV business on the back of growing decarbonization needs.
- The PPS business has completed business structure reform and has almost halved the sales scale.
- The operating profit margin will gradually improve, despite the significant impact of material cost hikes through FY2023.

Solar Power Generation System
in Mitsui Shopping Park LaLaport Fukuoka (part of the system)

System total capacity: 148.00 kW

Carport-type photovoltaic
power generation

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Strategies by Business Segment ＜Energy Area＞

SANIX

＜Our strengths＞

- Ability to provide seamless services from the development, manufacturing, sale, and construction of photovoltaic power generation systems to their maintenance.
- Ability to propose optimal self-consumption plans leveraging our knowledge of electricity.
- High-quality construction performed by many qualified engineers.
- Track record of approx. 29,000 solar power plant for business use construction projects.

＜External environment＞

- An increase in the impact of installing photovoltaic power generation equipment due to a steep rise in electricity expenses and a decrease in the cost of this equipment.
- Growing demand for renewable energy sources from electric utilities, etc., as demand for renewable energy sources rises
- Corporate efforts to reduce GHG emissions and local activities to achieve zero-carbon cities are in full swing.

Conventional model based on FIT system

Sanix → Request for construction → **Investors who expect to receive revenues from the sale of electricity**

Sanix ← Power plants ← **Investors who expect to receive revenues from the sale of electricity**

	FIT-Price	
FY2012	40Yen/kWh	
FY2013	36Yen/kWh	
∫	∫	
FY2022	11Yen/kWh 10Yen/kWh	More than 10 kW and less than 50 kW More than 50kW
FY2023	10Yen/kWh 9.5Yen/kWh	More than 10 kW and less than 50 kW More than 50kW

※Attractiveness of FIT declines significantly as unit purchase price declines

Full transition to non-FIT model

New dissemination model that does not rely on the FIT system

- On-site PV model (roof-mounted)

Sanix → Request for construction → Businesses expecting **cost savings** (self-consumption/PPA)

Sanix ← Power plants ← Businesses expecting **cost savings** (self-consumption/PPA)

※Accelerated adoption due to the diffusion of a PPA model with no initial cost

The demographics of those seeking photovoltaic power generation are changing. Emergence of renewable electricity needs

<Examples>
- Municipalities that have "declared virtually zero carbon dioxide emissions by 2050
- Companies that promote decarbonization management, such as RE100 participating companies

- Off-site PV model (Land installation)

Sanix (power source development) → Tie-ups → Suppliers of renewable electricity (Power plant owned) → Electricity supply with renewable energy value → Customers seeking **renewable electricity** (RE100 member companies, large corporations, etc.)

Sanix (power source development) ← Power plants ← Suppliers of renewable electricity (Power plant owned)

※Demand for renewable electricity is emerging and the introduction of photovoltaic power plants as a power source is accelerating.

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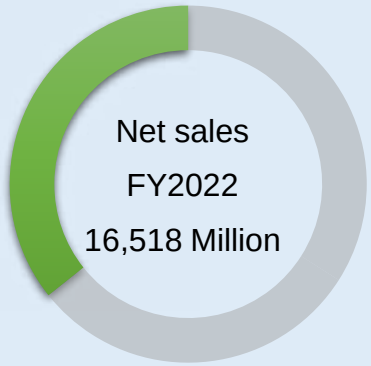
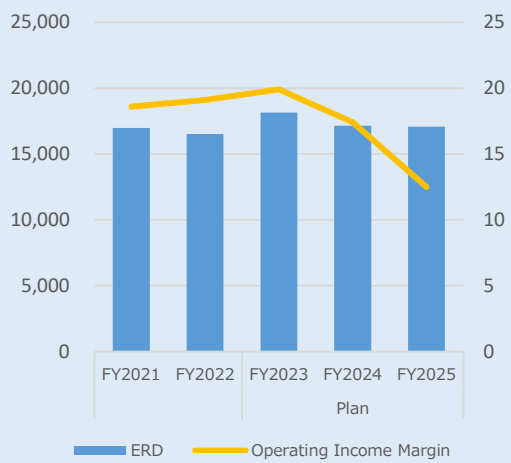
Strategies by Business Segment ＜Resource Circulation Area＞

Execute strategic investments to expand business areas and advance and diversify recycling technologies.

- Invest in the start of material recycling in waste plastic processing and in the expansion of the fuel conversion business in waste liquid processing.
- Continue systematic investment in facility renewal to establish a sustainable business foundation.





(Billions of Yen)

	FY2022 Results	FY2023 Plan	FY2024 Plan	FY2025 Plan
Net sales	16.5	18.1	17.0	17.0
Plastic fuel	10.3	10.4	10.7	10.9
Power Plant	3.1	4.8	3.4	3.0
Waste liquid treatment	2.0	2.1	2.3	2.5
Landfill	1.0	0.6	0.6	0.6
Operating Income	3.1	3.6	2.9	2.1

- Sales increase significantly in the first year due to an increase in the unit price of electricity sold at power plants, but in the second and third years, the number of operating days declined as full-scale renewal work begins.
- The volume of plastic processing orders is gradually increasing with new orders.
- In liquid waste treatment, expect to increase production of Recycled Oil Bio from the second year and start selling sludge fuel from the third year.
- In terms of overall operating income, the transition is affected by the unit price of electricity sold by power plants and operating conditions.

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Strategies by Business Segment ＜Resource Circulation Area＞

＜Our strengths＞

- Characteristic resource-recycling power generation model that uses only waste plastics as fuel (Non-fossil power source)
- A nationwide network of 15 intermediate waste plastic processing plants to collect waste plastics
- High rate of conversion to fuel and recycling technologies backed by an established track record.

＜External environment＞

- Increasing demand for resource recycling throughout the supply chain, and expanding efforts to increase the recycling ratio, especially among large companies
- Demand for the establishment of appropriate regional resource circulation systems.
- Demand for waste-derived recycled fuels is growing due to corporate GHG emissions reductions and soaring fossil fuel prices.

Trends in wastes and resource recycling policies

Policies toward a circular economy in which resources are circulated instead of discarded are strengthened. In particular, the recycling of plastic resources will be promoted.

- Establishing comprehensive strategy for plastic material recycling
- Law Concerning the Promotion of Resource Recycling of Plastics (New Plastics Law) comes into effect.

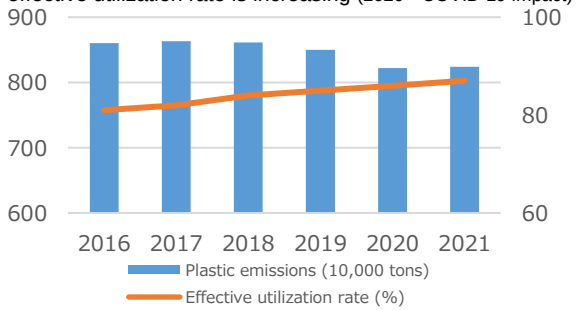
✓ **Effectively utilize used plastics through 100% reuse and recycling**, etc. by the year 2035

✓ **Double the use of recycled plastics** by the year 2030

Measures will be taken to promote plastic resource recycling efforts by all entities (from product design to treatment of discharged plastic), and waste generators will be required to actively reduce discharges and to work on recycling plastics.

Waste plastic emission trends

Waste plastic emissions are gradually decreasing while the effective utilization rate is increasing (2020 - COVID 19 impact)

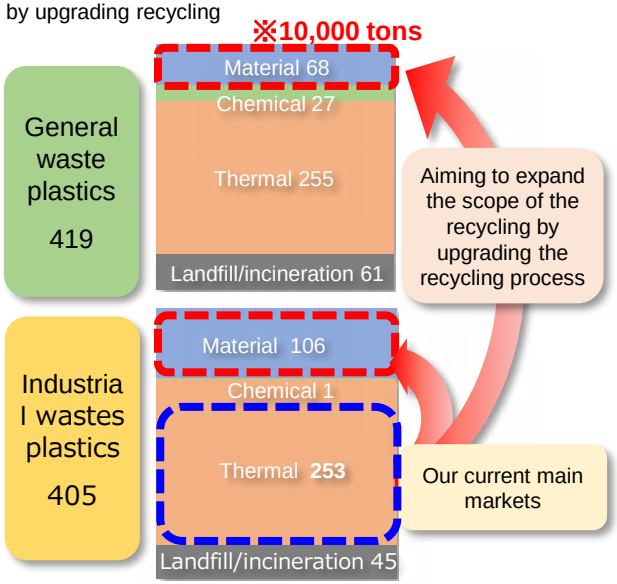


	2016	2017	2018	2019	2020	2021
Plastic emissions (10,000 tons)	860	863	861	850	822	824
Effective utilization rate (%)	81	82	84	85	86	87

※Source: Processed data from materials provided by the Plastic Waste Management Institute.

Starting material recycling initiatives

Aiming to respond to market needs and expand target areas by upgrading recycling



※Source: Processed data from materials provided by the Plastic Waste Management Institute.

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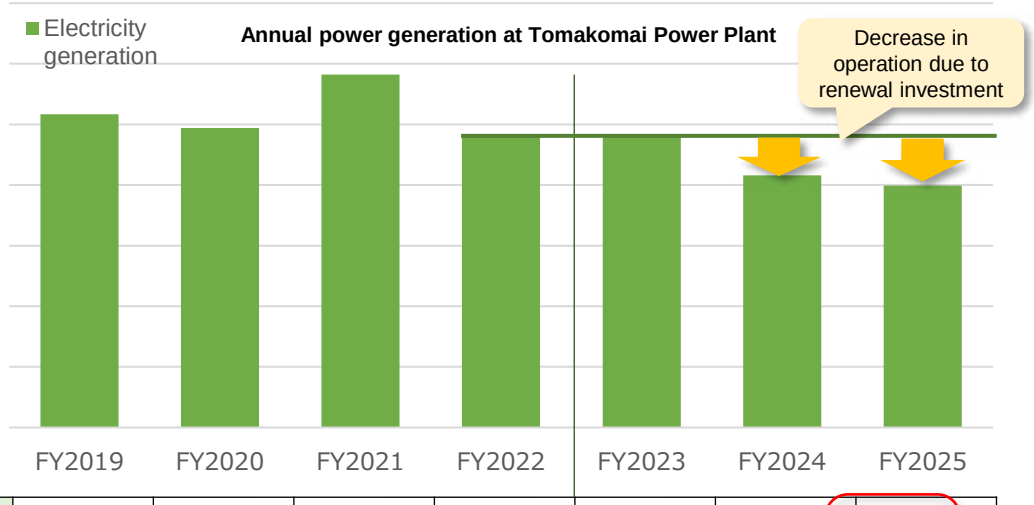
Strategies by Business Segment ＜Resource Circulation Area＞

Tomakomai Power Plant's renewal and operation plan

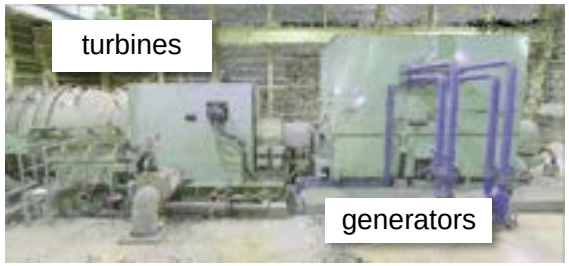
- During Medium-term Management Plan, Tomakomai Power Plant has been in operation for 20 years since 2003.
- Implement large-scale facility upgrades of core turbines and boilers for future stable operation.
- In the renewal of turbines and generators, aim to improve power output by redesigning them to match fuel characteristics.
- Operating days are expected to be about 85% in FY2024 and about 75% in FY2025 compared to a typical year.



Legally required inspections			1.5 months		1.5 months		1.5 months
Investment for boiler renewal				Approximate duration of power generation outage		2 months	2 months
Renewal of turbines							4 months

Simultaneous implementation

Renewal of turbines and generators



Improvement of power generation efficiency by modifying and replacing the turbine and generator design to match the characteristics of the waste plastic fuel currently in use. Increase of power output by about 8% on average.

Implement in FY2025 (Suspension period: 4 months).

Boiler renewal

2 months

Replace aging piping inside the boiler in different occasions for about 5 years.

Start from FY2024 (Suspension period: 2 months/year)

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Strategies by Business Segment ＜Resource Circulation Area＞

Main Investment Schedule

	Investment Details	FY2023	FY2024	FY2025	
Plastic fuel	Material recycling Introduce equipment	Introduce and start operation at each plant			Started introduction in FY2023 Introduce while evaluating the business and regional characteristics of each plant
Waste liquid treatment	Expansion of Recycled Oil Bio Production Line		Start of operation		Scheduled to be completed at the end of the FY2023
	Installation of new sludge-to-fuel line			Start of operation	Scheduled to be completed at the end of the FY2023
Power Plant	Renewal of boiler section	renewal	renewal		Starting from FY2024, internal piping renewal work will be started in different occasions for about 5 years (2 months for each).
	Renewal of turbines and generators		renewal	Output increase	Turbine and generator replacement from March to June 2025 (4 months) Scheduled to begin operating in July 2025
Landfill	Final disposal site Extension work	Construction work			Construction of the next disposal site in preparation for the completion of reclamation at the disposal site currently in operation, to be completed in FY2025
new business	Establish a new demonstration line for recycling used solar panels.		Start of demonstration		Start demonstration in FY2024

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Medium-Term Management Plan(Summary)

(Billions of Yen)

(Consolidated)	FY2022 Results	FY2023 Plan	FY2024 Plan	FY2025 Plan
Net Sales	**46.2**	**48.0**	**50.0**	**53.0**
Residential Environment	15.7	17.3	18.3	19.3
Energy	14.0	12.4	14.6	16.5
Resource Circulation	16.5	18.1	17.0	17.0
Operating Income	**1.7**	**3.2**	**3.2**	**3.0**
Residential Environment	1.4	2.2	2.3	2.5
Energy	0.2	0.1	0.4	0.9
Resource Circulation	3.1	3.6	2.9	2.1
Group	(3.0)	(2.7)	(2.6)	(2.5)

Equity ratio	**18.0%**	**22.0%**	**27.0%**	**30.0%**

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【Disclaimer】

This document aims only to provide information that may be used as a reference when making investment decisions. It is not intended to solicit any purchase or sale of the Company's stock. Investors should make their own investment decisions.

【Note on Forward-looking Statements】

This document includes forecasts and outlooks for the future which are based on the information currently available to SANIX Incorporated. Readers of this document should understand that the forecasts and outlooks indicated in this document may change due to changes in economic trends, environment-related policies, foreign exchange rates, etc.

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