

# Financial Results Briefing For FY2020 1Q

SANIX INCORPORATED  
August 18, 2020

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### Disclaimer

This material contains certain forward-looking statements. Such forward-looking statements are not intended to provide guarantees of our future performance and are based on certain assumptions and management's judgment based on currently available information. Therefore, actual results in future earnings and operating results may materially differ from those contained in the forward-looking statements.

The following items are among the factors that could cause actual results to differ materially from the forward-looking statements in this material: The spread of the COVID-19 and the government and local governments' handling of the coronavirus, trends in the Japanese economy, trends in the Feed-in Tariff scheme for renewable energy, trends in the handling of waste (particularly waste plastics), the competitive environment, technological innovations, regulations, laws and other factors that are not expected by the Company.

In addition, this presentation is not intended to solicit investment to securities issued by us. We assume no responsibility for any losses and liabilities that may be incurred because of information contained in this material.

### (Note)

- Numbers are rounded off to the nearest whole number.
- “( )” in operating income, ordinary income and net income indicate operating loss, ordinary loss and net loss respectively.
- In case of negative or above 1,000%, margin is expressed by “-”.

# 1. Financial Results for FY2020 1Q

# Consolidated Financial Results for FY2020 1Q



(Millions of Yen)

	FY2019	FY2020		
	1Q Results	1Q Results	Y on Y	Difference
<b>Net Sales</b>	11,603	<b>11,893</b>	102.5%	+ 290
<b>Gross Profit</b> (Gross Profit Margin)	4,263 36.7%	<b>4,505</b> 37.9%	105.7%	+ 241
<b>Operating Income</b> (Operating Income Margin)	623 5.4%	<b>784</b> 6.6%	126.0%	+ 161
<b>Ordinary Income</b> (Ordinary Income Margin)	600 5.2%	<b>755</b> 6.3%	125.8%	+ 154
<b>Profit attribute to owners of parents</b> (Net Income Margin)	436 3.8%	<b>663</b> 5.6%	152.2%	+ 227

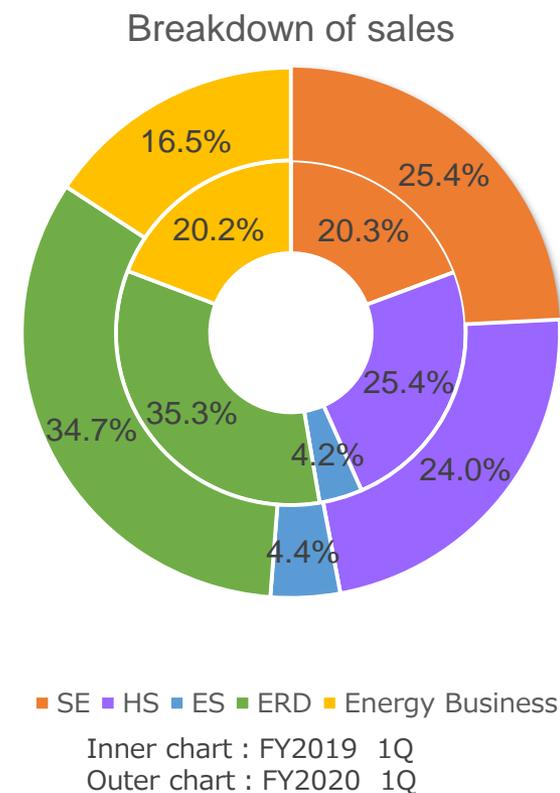
Sales increased in the Solar Engineering (SE) Division, reflecting steady progress in the installation of solar electric power systems with land. Sales rose year on year also in the Establishment Sanitation (ES) Division and the Environmental Resources Development (ERD) Division. In the Home Sanitation (HS) Division, the Group voluntarily refrained from starting new operations in the areas subject to the state of emergency as the coronavirus spread. Sales in the Energy Business (EB) Division fell chiefly due to a decrease in power supply per high-voltage power supply destination and a fall in wholesale electric power. Net sales at the entire Group stood at ¥11,893 million (up 2.5% year on year).

Profit increased in the SE Division and in the ERD Division, reflecting the increase in sales. Profit fell in the HS Division and in the EB Division, where sales dropped. Profit declined also in the ES Division due to an increase in cost resulting chiefly from an increase in the number of personnel. For the entire Group, operating income came to ¥784 million (up 26.0% year on year) and ordinary income was ¥755 million (up 25.8% year on year). Net income attributable to owners of the parent company stood at ¥663 million (up 52.2% year on year).

# Results of Net Sales and Income of each segment FY2020 1Q

(Millions of Yen)

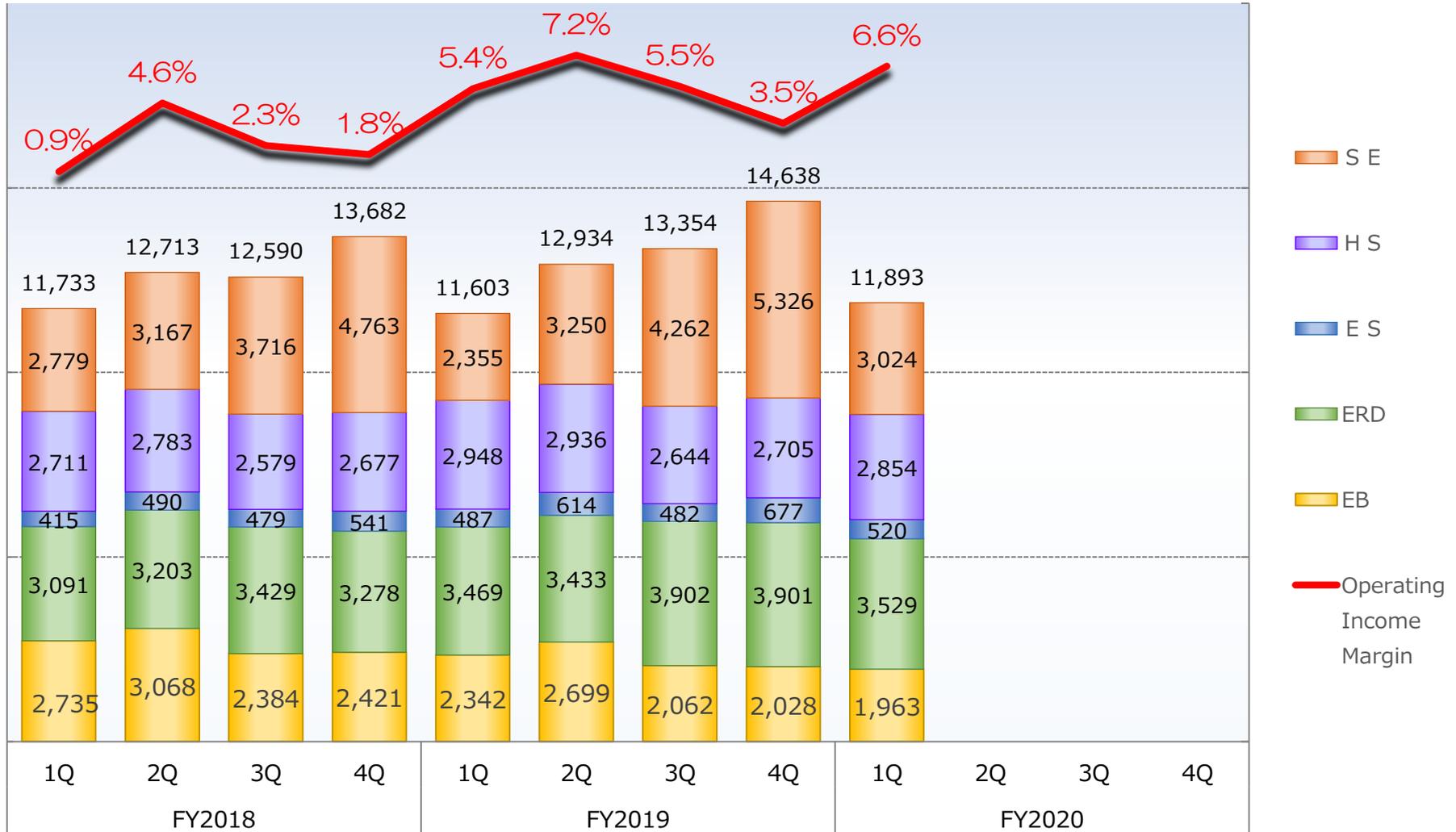
	FY2019	FY2020	
	1Q Results	1Q Results	Y on Y
<b>Net Sales</b>	<b>11,603</b>	<b>11,893</b>	<b>102.5%</b>
SE Division	2,355	3,024	128.4%
HS Division	2,948	2,854	96.8%
ES Division	487	520	106.8%
ERD Division	4,093	4,131	100.9%
Energy Business Division	2,342	1,963	83.8%
Adjustment of intersegment sales	(624)	(602)	-
<b>Operating Income</b>	<b>623</b>	<b>784</b>	<b>126.0%</b>
SE Division	20	263	-
HS Division	655	545	83.2%
ES Division	40	29	72.5%
ERD Division	867	942	108.7%
Energy Business Division	(41)	(80)	-
Group	(919)	(915)	-



# 【Reference】 Quarterly Segment Information(changes)



(Millions of Yen)



The intersegment sales adjustment is subtracted from the sales at ERD Div.

# Segment Information for FY2020 1Q(SE Division)



(Millions of Yen)

	FY2019		FY2020		
	1Q Results	Prop.	1Q Results	Prop.	Y on Y
<b>Net Sales</b>	<b>2,355</b>		<b>3,024</b>		128.4%
Direct Sales	2,262	96.1%	2,956	97.8%	130.7%
Wholesales	61	2.6%	41	1.4%	67.4%
Others	31	1.3%	26	0.9%	84.8%
<b>Cost of Sales</b>	<b>1,541</b>	<b>65.4%</b>	<b>2,014</b>	<b>66.6%</b>	<b>130.7%</b>
Material costs	861	36.6%	1,140	37.7%	132.5%
Labor costs	170	7.2%	166	5.5%	98.1%
<b>Gross Profit</b>	<b>814</b>	<b>34.6%</b>	<b>1,010</b>	<b>33.4%</b>	<b>124.1%</b>
<b>SG &amp; A</b>	<b>793</b>	<b>33.7%</b>	<b>746</b>	<b>24.7%</b>	<b>94.1%</b>
Personnel expenses	440	18.7%	437	14.5%	99.2%
<b>Operating Income</b>	<b>20</b>	<b>0.9%</b>	<b>263</b>	<b>8.7%</b>	<b>-</b>

Sales from solar electric power systems rose, reflecting good progress made in the installation of solar electric power system with land as in the previous fiscal year. Net sales in this segment increased to ¥3,024 million (up 28.4% year on year).

The segment posted operating income of ¥263 million (operating income of ¥20 million in the same period of the previous fiscal year) primarily due to the rise in sales and also because of a reduction in selling, general and administrative expenses.

# Segment Information for FY2020 1Q(HS Division)

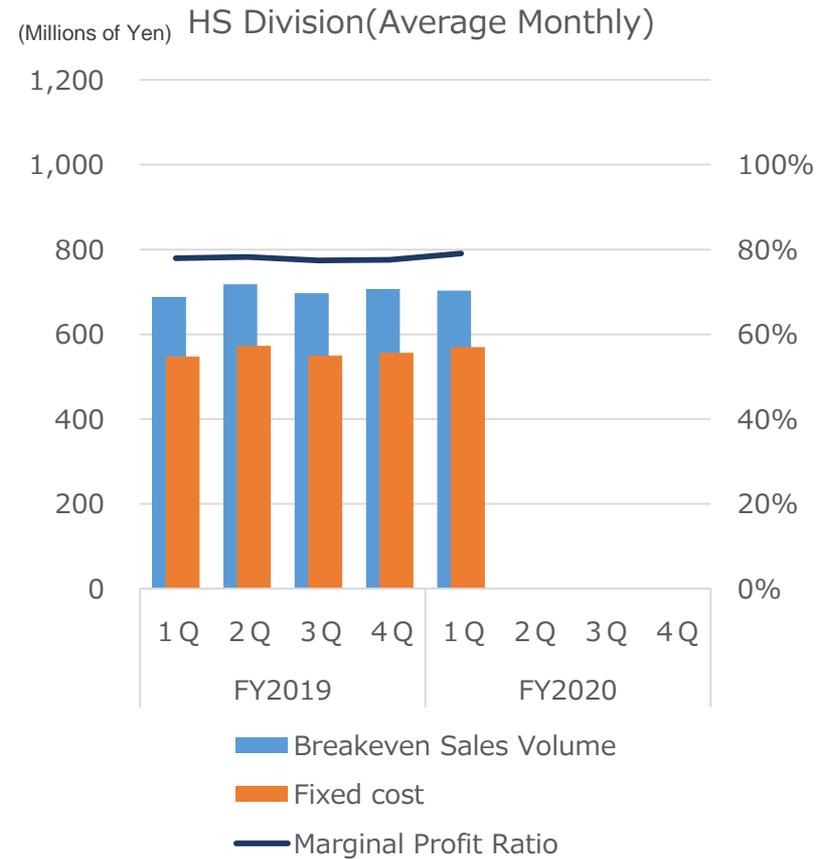
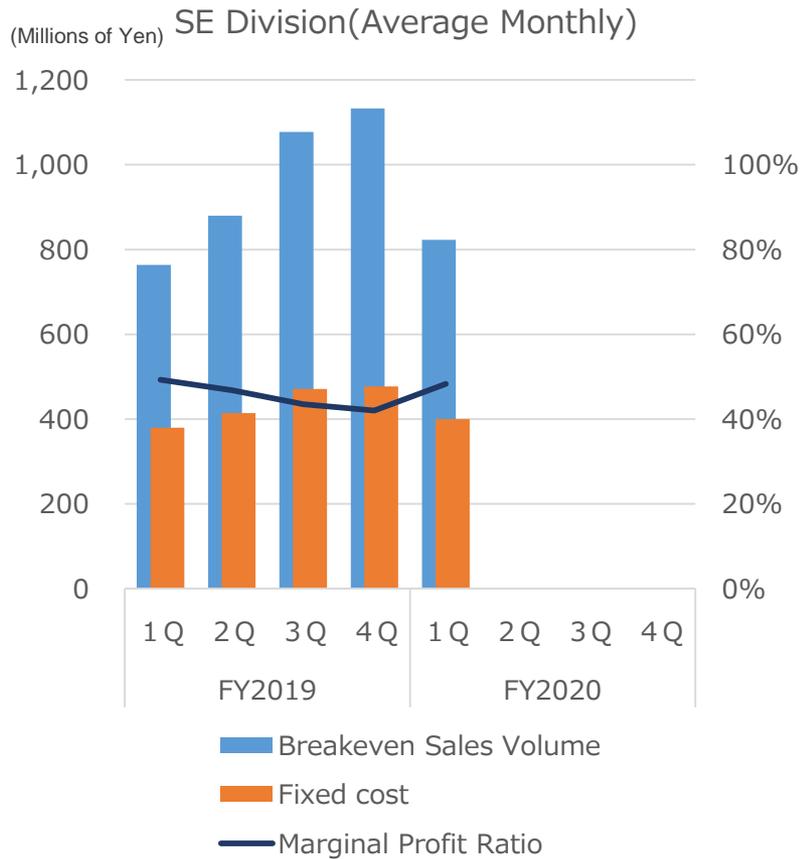


(Millions of Yen)

	FY2019		FY2020		
	1Q Results	Prop.	1Q Results	Prop.	Y on Y
<b>Net Sales</b>	<b>2,948</b>		<b>2,854</b>		96.8%
Terminate Eradication Service	1,024	34.8%	953	33.4%	93.0%
Under-Roof/Roof Ventilation Systems	557	18.9%	725	25.4%	130.1%
Foundation Repairing/Home Reinforcement Systems	517	17.5%	442	15.5%	85.5%
Others	848	28.8%	733	25.7%	86.4%
<b>Cost of Sales</b>	<b>1,120</b>	<b>38.0%</b>	<b>1,086</b>	<b>38.1%</b>	<b>97.0%</b>
Labor costs	372	12.6%	397	13.9%	106.8%
<b>Gross Profit</b>	<b>1,828</b>	<b>62.0%</b>	<b>1,768</b>	<b>61.9%</b>	<b>96.7%</b>
<b>SG&amp;A</b>	<b>1,172</b>	<b>39.8%</b>	<b>1,223</b>	<b>42.8%</b>	<b>104.3%</b>
Personnel expenses	716	24.3%	774	27.1%	108.1%
<b>Operating Income</b>	<b>655</b>	<b>22.2%</b>	<b>545</b>	<b>19.1%</b>	<b>83.2%</b>

In the HS Division, the Group voluntarily refrained from starting new operations in the areas subject to the state of emergency declared following the spread of the coronavirus and limited operations to answering inquiries from customers. As a result, termite extermination fell 7.0% year on year and basic repair work and home reinforcement decreased 14.5% year on year. The division's sales dropped to ¥2,854 million (down 3.2% year on year).

Operating income stood at ¥545 million (down 16.8% year on year) chiefly due to the fall in sales and an increase in costs, including a rise in personnel expenses due to an increase in staff.



A revaluation loss on inventory of ¥644 million is posted as materials cost in SE Division in 4Q of the fiscal period ended March 2020. In the chart above, the effect of the revaluation loss is excluded.

# Segment Information for FY2020 1Q(ES Division)



(Millions of Yen)

	FY2019		FY2020		
	1Q Results	Prop.	1Q Results	Prop.	Y on Y
<b>Net Sales</b>	487		<b>520</b>		106.8%
<b>Cost of Sales</b>	234	48.1%	<b>245</b>	47.2%	104.8%
Labor costs	60	12.5%	<b>61</b>	11.8%	101.4%
<b>Gross Profit</b>	253	51.9%	<b>274</b>	52.8%	108.6%
<b>SG&amp;A</b>	212	43.6%	<b>245</b>	47.1%	115.5%
Personnel expenses	130	26.7%	<b>147</b>	28.4%	113.5%
<b>Operating Income</b>	40	8.3%	<b>29</b>	5.7%	72.5%

ES Division strengthened its relationships with the owners of buildings and condominiums and partner companies, including management companies for years, actively increasing personnel and opening offices. Sales of anti-rust equipment installation (brand name: Daelman Shock), our main product, fell 2.8% year on year, but sales of repair of building water-works and building waterproof paint repair rose 23.7% year on year and 52.5% year on year, respectively. The division's net sales rose to ¥520 million (up 6.8% year on year).

Operating income fell to ¥29 million (down 27.5% year on year) due to an increase in costs such as a rise in personnel expenses associated with an increase in staff, which more than offset the effect of the increase in sales.

# Segment Information for FY2020 1Q(ERD Division)



(Millions of Yen)

	FY2019		FY2020		
	1Q Results	Prop.	1Q Results	Prop.	Y on Y
<b>Net Sales</b>	<b>4,093</b>		<b>4,131</b>		100.9%
Plastic Fuels	2,367	57.8%	2,575	62.3%	108.8%
Power Stations	868	21.2%	784	19.0%	90.3%
Organic Waste Water	475	11.6%	447	10.8%	94.1%
Final Disposal	248	6.1%	186	4.5%	75.1%
Others	134	3.3%	138	3.4%	103.4%
<b>Cost of Sales</b>	<b>2,764</b>	<b>67.5%</b>	<b>2,733</b>	<b>66.2%</b>	<b>98.9%</b>
Labor costs	455	11.1%	455	11.0%	100.0%
<b>Gross Profit</b>	<b>1,329</b>	<b>32.5%</b>	<b>1,397</b>	<b>33.8%</b>	<b>105.2%</b>
<b>SG&amp;A</b>	<b>461</b>	<b>11.3%</b>	<b>454</b>	<b>11.0%</b>	<b>98.5%</b>
Personnel expenses	257	6.3%	271	6.6%	105.2%
<b>Operating Income</b>	<b>867</b>	<b>21.2%</b>	<b>942</b>	<b>22.8%</b>	<b>108.7%</b>

Plastic fuel sales increased 8.8% year on year due to the thorough acceptance inspection of waste plastic articles although the acceptance volume declined. Power plant sales dropped 9.7% year on year, and organic waste water recycle fell 5.9% year on year, reflecting a decrease in the acceptance volume. Final disposal decreased 24.9% year on year. Net sales in this division stood at ¥4,131 million (up 0.9% year on year).

Operating income stood at ¥942 million (up 8.7% year on year), chiefly reflecting an increase in profitability attributable to thorough acceptance inspection of waste plastic, among other factors.

(Millions of Yen)

	FY2019		FY2020		
	1Q Results	Prop.	1Q Results	Prop.	Y on Y
<b>Net Sales</b>	<b>2,342</b>		<b>1,963</b>		83.8%
<b>Cost of Sales</b>	<b>2,303</b>	98.3%	<b>1,909</b>	97.2%	82.9%
Material costs	2,206	94.2%	1,800	91.7%	81.6%
<b>Gross Profit</b>	<b>38</b>	1.7%	<b>54</b>	2.8%	139.3%
<b>SG&amp;A</b>	<b>80</b>	3.4%	<b>134</b>	6.9%	166.8%
Personnel expenses	46	2.0%	78	4.0%	168.7%
<b>Operating Income</b>	<b>(41)</b>	-	<b>(80)</b>	-	-

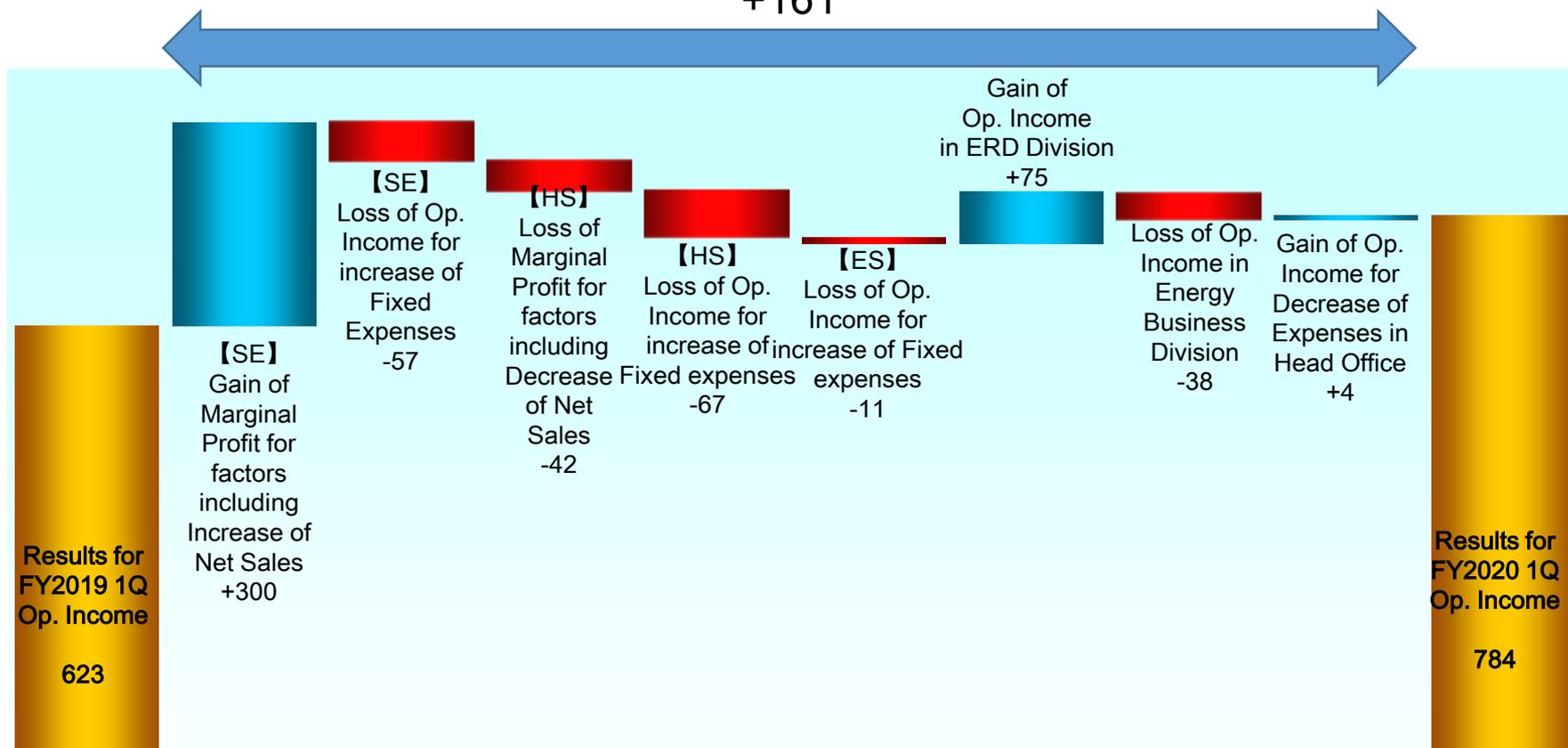
Net sales stood at ¥1,963 million (down 16.2% year on year), chiefly reflecting a decline in retail sales of high-voltage power due to a fall in the number of contracts and a fall in wholesale supply to the electricity market as a result of cancellation of part of procurement through negotiations.

An operating loss of ¥80 million (an operating loss of ¥41 million in the same period of the previous fiscal year) was posted due to the significant effect of the decrease in net sales.

# 【Reference】 Factors in increase or decrease of Op. Income

(Millions of Yen)

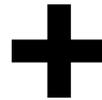
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## 2.Forecast for FY2020

In the second year of the Medium-Term Management Plan, the Group will adhere to the basic policy of the Medium-Term Management Plan and will respond to the new normal after the outbreak of the COVID-19 to maintain and continue business activities.

Medium-Term  
Management Plan



New normal

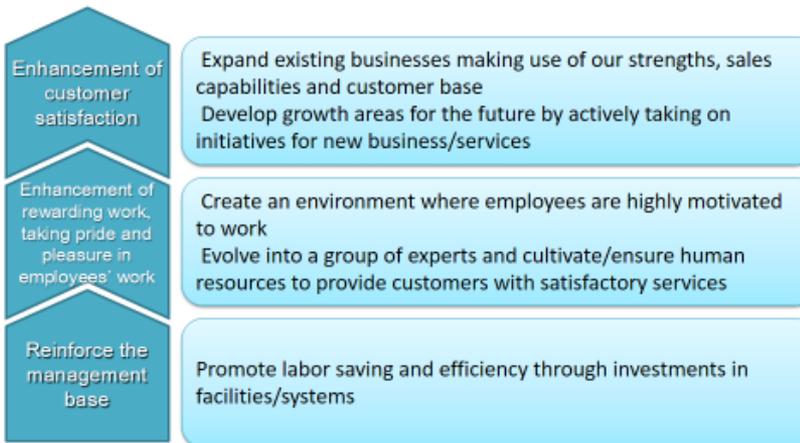
## FY2020 Business Plan

### Medium-Term Management Plan, Main Issues



#### "Medium-Term Management Plan, Management Policy"

While reinforcing/expanding the existing base, implement a new initiative and gain a foothold in growth



Prioritize stakeholders' safety and security

Responding to changes in the environment appropriately

# Impact of Measures to Prevent the Spread of COVID-19 on the Business Segment of the Company

- The Company assumes that there will be no big second wave. Nevertheless, it does not think it will be able to avoid the effects of the coronavirus. The Company expects that the economy will recover only moderately.
- The Company will promptly communicate any significant effects of changes in the environment on its results.

## Effects on the Company's divisions

	Impact of COVID-19 in Q1	Challenge to address
SE Division	<ul style="list-style-type: none"> <li>• New operations were curbed</li> <li>• Installation work made steady progress</li> </ul>	<ul style="list-style-type: none"> <li>• Promote self-consumption projects</li> <li>• Introduce a battery system that has a competitive edge in the market.</li> </ul>
HS Division	<ul style="list-style-type: none"> <li>• Voluntarily refrained from conducting operations in areas subject to the state of emergency. Employees stayed home. (Operations have resumed.)</li> <li>• Postponed work.</li> </ul>	<ul style="list-style-type: none"> <li>• Hire employees and train them to start to work early.</li> <li>• Expand partner companies and organizations.</li> </ul>
ES Division	<ul style="list-style-type: none"> <li>• Operations were limited by suspension of operations by partners (management companies and real estate companies, etc.).</li> </ul>	<ul style="list-style-type: none"> <li>• Expand partner companies.</li> </ul>
ERD Division	<ul style="list-style-type: none"> <li>• Operation at certain plants discharging waste was sluggish.</li> </ul>	<ul style="list-style-type: none"> <li>• Stop the downward trend in the volume of waste accepted</li> <li>• Operate power plants stably</li> </ul>
EB Division	<ul style="list-style-type: none"> <li>• Operation at businesses with which the Group has supply contracts was sluggish, and supply decreased.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase supply contracts</li> <li>• Develop new business with partners</li> </ul>
Headquarter	<ul style="list-style-type: none"> <li>• Investments and expenses for dispersion of employees and working at home increased.</li> </ul>	<ul style="list-style-type: none"> <li>• Operate systems to improve productivity and adapt to changes in the environment.</li> </ul>

- In the FIT system, requirements for the self-consumption type of small solar power generation for businesses (10 – 50kW) have been set, and a shift from sales of all electricity to self-consumption + electricity sales will begin.

	F Y 2019	FY2020	Purchased Period
Less than 10kW	¥24*	¥21	10 years
10-50kW		¥13 + tax	
50-250kW	¥14 + tax	¥12 + tax	20 years
250-500kW		Bidding	
500kW or more			

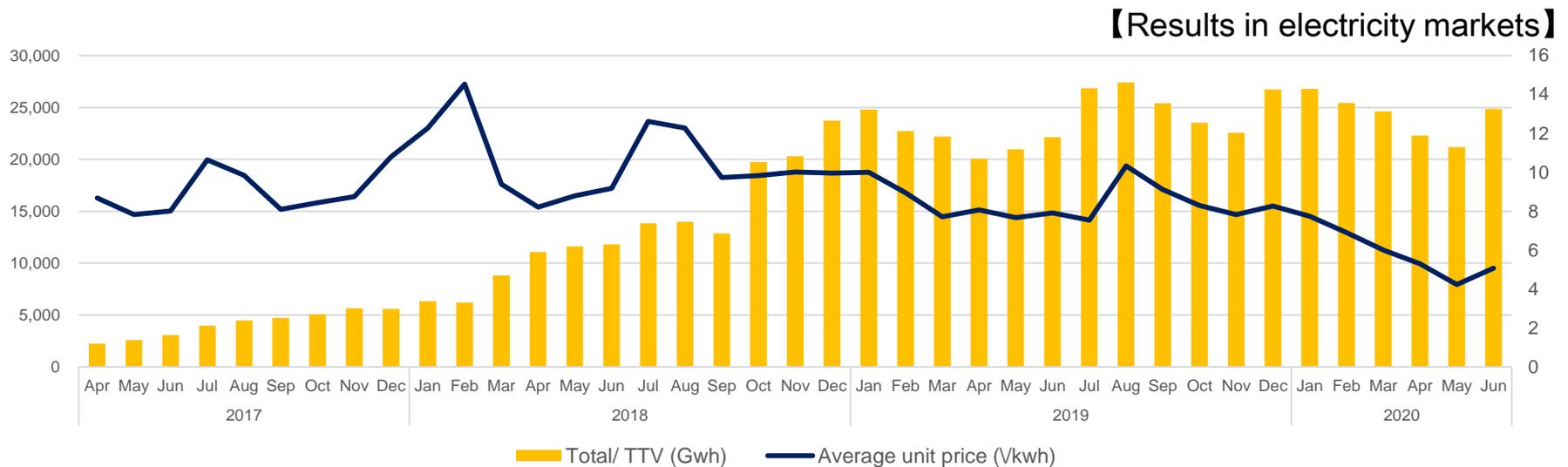
\*There is an obligation to install equipment to control output ¥26

Requirements for “self-consumption type” of solar power generation of 10 – 50kW

- At least 30% of electric power generated shall be used for self-consumption.
- The minimum equipment for use at the time of a disaster shall be installed.

- The Company will shift new operations from solar electric power systems with land to the sale of surplus power that is less than 10kW and solar power for self-consumption.
- In the first half of the fiscal year under review, the Group will carry out installment for projects in the system for purchasing all generated power that are approved by the previous fiscal year in the business plan and are not completed. In the middle and the latter half of the fiscal year, the Group plans to increase installment work for self-consumption.
- The outlook for self-consumption is conservative because the start of the operations was delayed due to the coronavirus and developing new customers is required.

- In April 2018, the Group started procure from major electric utilities through negotiations.
- New providers of electricity have difficulties procuring electricity from trading markets. The Company has an advantage.
- Electric power traded in markets increased in FY2019, and transaction prices was on a downward trend.
- The Group reviewed contracts from June 2020. The Group has cancelled part of procurement through negotiations and has increased the percentage of procurement from markets.



JEPX's Spot Market Index processed by the Company

# Consolidated Financial Forecast for FY2020



(Millions of Yen)

	FY2020						2nd year of Medium-Term Management Plan
	First Half		Second Half		Whole Year		
	Plan	Difference	Plan	Difference	Plan	Difference	
<b>Net Sales</b>	<b>24,180</b>	-357	<b>26,162</b>	-1,830	<b>50,343</b>	-2,187	53,660
<b>Gross Profits</b> (Gross Profit Margin)	<b>8,934</b> 36.9%	+ 71	<b>8,627</b> 33.0%	-65	<b>17,562</b> 34.9%	+ 5	18,020
<b>Operating Income</b> (Operating Income Margin)	<b>1,306</b> 5.4%	-245	<b>633</b> 2.4%	-605	<b>1,940</b> 3.9%	-851	1,940
<b>Ordinary Income</b> (Ordinary Income Oargin)	<b>1,197</b> 5.0%	-232	<b>587</b> 2.2%	-574	<b>1,785</b> 3.5%	-807	1,840
<b>Profit attribute to owners of parents</b> (Net Income Margin)	<b>982</b> 4.1%	-157	<b>362</b> 1.4%	-348	<b>1,345</b> 2.7%	-505	1,330

In the second year of the Medium-Term Management Plan (FY2019-FY2021) to achieve growth through the building of a stable profit structure based on the existing businesses and the development of new businesses and services, the Group will prioritize building a stable earnings base in each business.

The Company forecasts net sales of ¥50,343 million (down 4.2 % year on year), operating income of ¥1,940 million (down 30.5% year on year) and ordinary income of ¥1,785 million (down 31.1% year on year). Net income attributable to the owners of the parent company is forecast to be ¥1,345 million (down 27.3% year on year).

# 【Reference】 Progress for FY2020



	FY2019	FY2020			
	Results	1Q Results	Progress	Plan	Difference
<b>Net Sales</b>	52,531	11,893	23.6%	50,343	-2,187
SE Division	15,195	3,024	24.9%	12,161	-3,033
HS Division	11,235	2,854	24.9%	11,474	+ 239
ES Division	2,261	520	22.4%	2,320	+ 58
ERD Division	16,759	4,131	24.6%	16,779	+ 19
EB Division	9,132	1,963	19.8%	9,916	+ 784
Adjustment of intersegment of sales	(2,053)	(602)	-	(2,309)	-256
<b>Operating Income</b>	2,791	784	40.5%	1,940	-851
SE Division	901	263	69.0%	381	-520
HS Division	2,061	545	27.0%	2,017	-44
ES Division	281	29	10.4%	282	+ 0
ERD Division	3,483	942	32.3%	2,923	-559
EB Division	(485)	(80)	-	116	+ 601
Group	(3,452)	(915)	-	(3,780)	-328

# Segment Forecast for FY2020(SE Division)



(Millions of Yen)

	First Half			Second Half			Whole Year		
	Plan	Prop.	Difference	Plan	Prop.	Difference	Plan	Prop.	Difference
<b>Net Sales</b>	<b>5,625</b>		+ 19	<b>6,535</b>		-3,052	<b>12,161</b>		-3,033
Direct Sales	<b>5,467</b>	97.2%	+ 49	<b>6,371</b>	97.5%	-3,018	<b>11,838</b>	97.3%	-2,968
Whole Sales	<b>101</b>	1.8%	-19	<b>120</b>	1.8%	-28	<b>221</b>	1.8%	-48
Others	<b>56</b>	1.0%	-10	<b>44</b>	0.7%	-5	<b>101</b>	0.8%	-16
<b>Cost of Sales</b>	<b>3,902</b>	69.4%	+ 247	<b>4,606</b>	70.5%	-2,624	<b>8,509</b>	70.0%	-2,377
Material costs	<b>2,237</b>	39.8%	+ 109	<b>2,762</b>	42.3%	-1,821	<b>4,999</b>	41.1%	-1,711
Labor costs	<b>329</b>	5.9%	-9	<b>325</b>	5.0%	-51	<b>654</b>	5.4%	-61
<b>Gross Profit</b>	<b>1,722</b>	30.6%	-227	<b>1,929</b>	29.5%	-428	<b>3,652</b>	30.0%	-655
<b>SG &amp; A</b>	<b>1,567</b>	27.9%	-84	<b>1,703</b>	26.1%	-51	<b>3,270</b>	26.9%	-135
Personnel expenses	<b>886</b>	15.8%	+ 0	<b>939</b>	14.4%	-52	<b>1,826</b>	15.0%	-51
<b>Operating Income</b>	<b>154</b>	2.8%	-143	<b>226</b>	3.5%	-376	<b>381</b>	3.1%	-520

In the SE Division, the FIT system has changed from a system where all electricity generated is sold to a system that promotes self-consumption. Responding to the change, the Group will shift the focus of its sales strategy to self-consumption. It will take some time before the change in strategy produces results.

In addition, the Group cannot expect any projects to install and sell new solar power electric systems with land, which had solid sales in the same period of the previous year. The Group thus forecasts a year-on-year fall in sales.

# Segment Forecast for FY2020(HS Division)



(Millions of Yen)

	First Half			Second Half			Whole Year		
	Plan	Prop.	Difference	Plan	Prop.	Difference	Plan	Prop.	Difference
<b>Net Sales</b>	<b>5,869</b>		-15	<b>5,605</b>		+ 255	<b>11,474</b>		+ 239
Terminate Eradation Service	<b>1,977</b>	33.7%	-13	<b>1,669</b>	29.8%	+ 113	<b>3,647</b>	31.8%	+ 99
Under-Roof/Roof Ventilation System	<b>1,392</b>	23.7%	+ 205	<b>1,405</b>	25.1%	+ 94	<b>2,797</b>	24.4%	+ 300
Foundation Repairing/Home Reinforcement	<b>920</b>	15.7%	-48	<b>975</b>	17.4%	+ 64	<b>1,896</b>	16.5%	+ 15
Others	<b>1,578</b>	26.9%	-158	<b>1,555</b>	27.7%	-16	<b>3,133</b>	27.3%	-174
<b>Cost of Sales</b>	<b>2,238</b>	38.1%	-39	<b>2,274</b>	40.6%	+ 64	<b>4,513</b>	39.3%	+ 25
Labor costs	<b>810</b>	13.8%	+ 24	<b>867</b>	15.5%	+ 48	<b>1,678</b>	14.6%	+ 72
<b>Gross Profit</b>	<b>3,630</b>	61.9%	+ 23	<b>3,331</b>	59.4%	+ 191	<b>6,961</b>	60.7%	+ 214
<b>SG &amp; A</b>	<b>2,473</b>	42.2%	+ 102	<b>2,470</b>	44.1%	+ 157	<b>4,944</b>	43.1%	+ 259
Personnel expenses	<b>1,533</b>	26.1%	+ 78	<b>1,514</b>	27.0%	+ 58	<b>3,048</b>	26.6%	+ 136
<b>Operating Income</b>	<b>1,156</b>	19.7%	-78	<b>860</b>	15.4%	+ 33	<b>2,017</b>	17.6%	-44

The HS Division will continue to execute the strategy that it has pursued for the last several years. The division will strive to increase the number of customers by boosting the number of staff to gain new customers and expanding services to the existing customers.

# Segment Forecast for FY2020(ES Division)



(Millions of Yen)

	First Half			Second Half			Whole Year		
	Plan	Prop.	Difference	Plan	Prop.	Difference	Plan	Prop.	Difference
<b>Net Sales</b>	<b>1,096</b>		- 5	<b>1,223</b>		+ 63	<b>2,320</b>		+ 58
Anti-rust equipment installation	569	51.9%	+ 15	703	57.5%	+ 132	1,272	54.9%	+ 148
Others	527	48.1%	- 20	520	42.5%	- 69	1,047	45.1%	- 90
<b>Cost of Sales</b>	<b>504</b>	46.0%	- 27	<b>541</b>	44.3%	+ 0	<b>1,045</b>	45.1%	- 27
Labor costs	121	11.1%	- 3	132	10.8%	+ 1	254	11.0%	- 2
<b>Gross Profit</b>	<b>592</b>	54.0%	+ 22	<b>681</b>	55.7%	+ 63	<b>1,274</b>	54.9%	+ 85
<b>SG &amp; A</b>	<b>482</b>	44.0%	+ 49	<b>509</b>	41.6%	+ 34	<b>991</b>	42.7%	+ 84
Personnel expenses	286	26.1%	+ 23	302	24.7%	+ 27	588	25.4%	+ 50
<b>Operating Income</b>	<b>110</b>	10.0%	- 27	<b>172</b>	14.1%	+ 28	<b>282</b>	12.2%	+ 0

The ES Division will expand sales channels for anti-rust equipment installation (brand name: Daelman Shock), its main product, through the cultivation of partners such as management companies, introductions from existing partners with whom it has built close relationships and increasing opportunities for direct business talks with real estate owners.

# Segment Forecast for FY2020(ERD Division)



(Millions of Yen)

	First Half			Second Half			Whole year		
	Plan	Prop.	Difference	Plan	Prop.	Difference	Plan	Prop.	Difference
<b>Net Sales</b>	<b>8,308</b>		+ 262	<b>8,470</b>		-243	<b>16,779</b>		+ 19
Plastic fuels	5,093	61.3%	+ 390	5,223	61.7%	-184	10,316	61.5%	+ 205
Power Stations	1,660	20.0%	+ 15	1,699	20.1%	+ 320	3,359	20.0%	+ 336
Organic Waste Water	957	11.5%	-4	1,030	12.2%	+ 23	1,987	11.8%	+ 19
Final Disposal	330	4.0%	-140	253	3.0%	-399	583	3.5%	-539
Others	266	3.2%	+ 2	264	3.1%	-4	531	3.2%	-1
<b>Cost of Sales</b>	<b>5,639</b>	67.9%	+ 182	<b>6,254</b>	73.8%	+ 336	<b>11,894</b>	70.9%	+ 518
Labor Costs	925	11.1%	+ 35	956	11.3%	+ 25	1,881	11.2%	+ 61
<b>Gross Profit</b>	<b>2,669</b>	32.1%	+ 80	<b>2,216</b>	26.2%	-579	<b>4,885</b>	29.1%	-499
<b>SG &amp; A</b>	<b>953</b>	11.5%	+ 19	<b>1,008</b>	11.9%	+ 41	<b>1,961</b>	11.7%	+ 60
Personnel expenses	545	6.6%	+ 27	557	6.6%	+ 7	1,103	6.6%	+ 35
<b>Operating Income</b>	<b>1,715</b>	20.6%	+ 60	<b>1,208</b>	14.3%	-620	<b>2,923</b>	17.4%	-559

The ERD Division will increase the profit margin percentage and efficiency by conducting close examinations of articles to be accepted to improve the quality of plastic fuels. There is increasing momentum to reuse waste plastic as resources and growing interest in the appropriate treatment of waste plastic. In this environment, the Group will take advantage of its experience to contribute to building a resource recycling society.

# Segment Forecast for FY2020(EB Division)



(Millions of Yen)

	First Half			Second Half			Whole Year		
	Plan	Prop.	Difference	Plan	Prop.	Difference	Plan	Prop.	Difference
<b>Net Sales</b>	<b>4,508</b>		-533	<b>5,408</b>		+ 1,317	<b>9,916</b>		+ 784
<b>Cost of Sales</b>	<b>4,188</b>	92.9%	-706	<b>4,939</b>	91.3%	+ 630	<b>9,128</b>	92.1%	-75
Material costs	<b>3,890</b>	86.3%	-801	<b>4,377</b>	80.9%	+ 274	<b>8,268</b>	83.4%	-526
<b>Gross Profit</b>	<b>319</b>	7.1%	+ 172	<b>468</b>	8.7%	+ 687	<b>788</b>	7.9%	+ 860
<b>SG &amp; A</b>	<b>304</b>	6.7%	+ 127	<b>367</b>	6.8%	+ 131	<b>671</b>	6.8%	+ 258
Personnel expenses	<b>169</b>	3.8%	+ 72	<b>193</b>	3.6%	+ 61	<b>362</b>	3.7%	+ 134
<b>Operating Income</b>	<b>15</b>	0.3%	+ 45	<b>101</b>	1.9%	+ 555	<b>116</b>	1.2%	+ 601

The EB division posted a significant loss in the previous fiscal year. The division will review its electric power procurement policy and will increase the ratio of procurement from markets where transaction prices are on a downward trend to improve profitability.

- Capital expenditure            A total of ¥2.0 billion to ¥2.5 billion is planned.
- ERD Division
  - Equipment replacement at plants, equipment replacement at organic waste treatment plants
  - Increasing landfill sites (to be operated in March 2022) etc.
- Investment in systems
  
- Repair plans at power plants
  - Power plants will be suspended for about a month in March 2021, and statutory inspections of boilers will be carried out.
- Changes in depreciation

(Millions of Yen)

	FY2018	FY2019	FY2020
Depreciation	808	914	1,119

(Millions of Yen)

		FY2018 Results	FY2019 Results	FY2020 Plan
Return on equity	ROE	5.85%	36.31%	20.12%
Return on total assets	ROA	3.88%	8.16%	5.49%
Equity ratio		13.42%	18.55%	22.53%
Free cash flow		-¥972	¥1,926	¥579
Return on invested capital	ROIC	2.31%	10.77%	7.40%