



Code : 4651

Financial Results Briefing For FY2020 2Q

SANIX INCORPORATED
November 17, 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 2Q

Consolidated Financial Results for FY2020 2Q



(Millions of Yen)

	FY2019	FY2020				
	2Q Results	2Q Results	Y on Y	Difference	Plan	Diff. from Plan
Net Sales	24,538	23,947	97.6%	-590	24,180	-233
Gross Profit (Gross Profit Margin)	8,863 36.1%	9,132 38.1%	103.0%	+ 269	8,934 36.9%	+ 197
Operating Income (Operating Income Margin)	1,551 6.3%	1,664 7.0%	107.3%	+ 112	1,306 5.4%	+ 358
Ordinary Income (Ordinary Income Margin)	1,429 5.8%	1,562 6.5%	109.3%	+ 133	1,197 5.0%	+ 365
Profit attribute to owners of parents (Net Income Margin)	1,140 4.6%	1,410 5.9%	123.7%	+ 270	982 4.1%	+ 427

Sales decreased in the Solar Engineering (SE) Division, reflecting the delayed installation of solar electric power systems caused by the delayed marketing of new systems due to the spread of COVID-19. Sales in the Energy Business (EB) Division fell chiefly due to a decrease in power supply per high-voltage power supply destination and a decline in wholesale electric power. Sales in the Home Sanitation (HS) Division were on par with those in the same period of the previous year, although the Division voluntarily refrained from starting new operations during the state of emergency. Sales rose year on year in the Establishment Sanitation (ES) Division and the Environmental Resources Development (ERD) Division. As a result, net sales in the entire Group stood at ¥23,947 million (down 2.4% year on year).

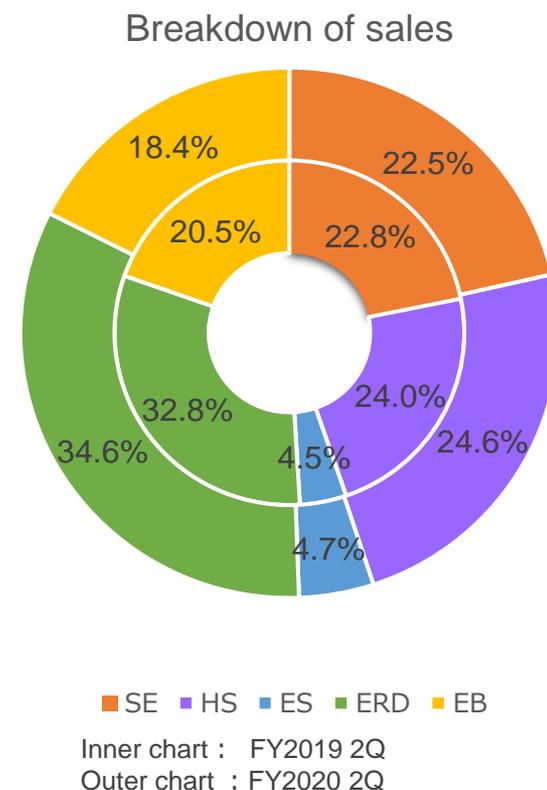
Profit increased in the ERD Division, reflecting the increase in sales. Profit fell in the SE and EB Divisions, where sales dropped. Profit also declined in the HS and ES Divisions due to an increase in cost resulting chiefly from a rise in the number of personnel. For the entire Group, operating income came to ¥1,664 million (up 7.3% year on year) and ordinary income was ¥1,562 million (up 9.3% year on year). Net income attributable to owners of the parent company stood at ¥1,410 million (up 23.7% year on year).

Results of Net Sales and Income of each segment FY2020 2Q

SANIX

(Millions of Yen)

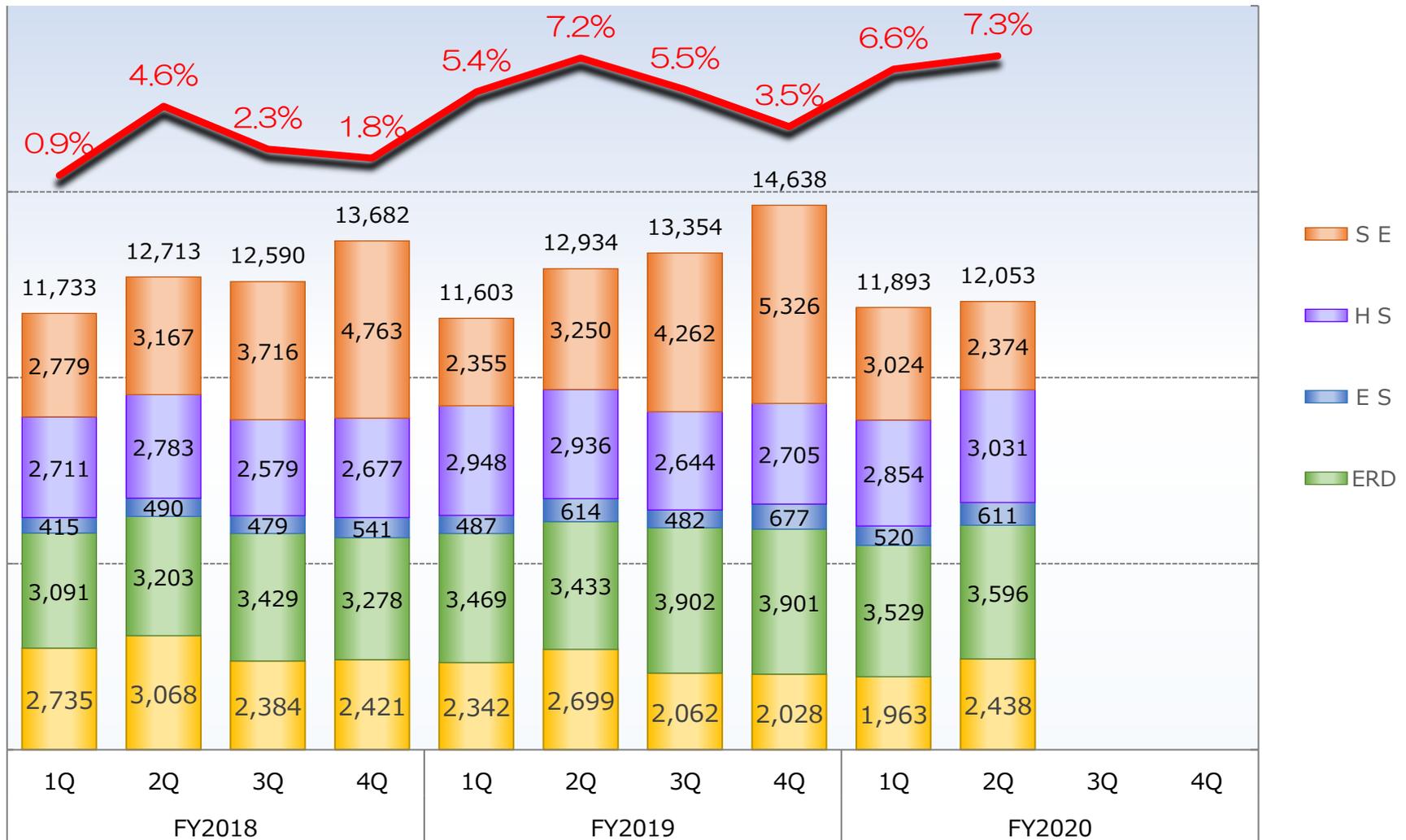
	FY2019	FY2020		
	2Q Results	2Q Results	Y on Y	Plan
Net Sales	24,538	23,947	97.6%	24,180
SE Division	5,606	5,399	96.3%	5,625
HS Division	5,884	5,886	100.0%	5,869
ES Division	1,102	1,132	102.8%	1,096
ERD Division	8,045	8,296	103.1%	8,308
Energy Business Division	5,041	4,402	87.3%	4,508
Adjustment of intersegment sales	(1,142)	(1,169)	-	(1,227)
Operating Income	1,551	1,664	107.3%	1,306
SE Division	298	233	78.3%	154
HS Division	1,235	1,168	94.6%	1,156
ES Division	137	118	86.4%	110
ERD Division	1,655	1,974	119.3%	1,715
Energy Business Division	(30)	(33)	-	15
Group	(1,744)	(1,798)	-	(1,845)



【Reference】 Quarterly Segment Information(changes)



(Millions of Yen)



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

Segment Information for FY2020 2Q(SE Division)



(Millions of Yen)

	FY2019		FY2020				
	2Q Results	Prop.	2Q Results	Prop.	Y on Y	Plan	% for Plan
Net Sales	5,606		5,399		96.3%	5,625	
Direct Sales	5,417	96.6%	5,248	97.2%	96.9%	5,467	97.2%
Whole sales	121	2.2%	98	1.8%	81.4%	101	1.8%
Others	67	1.2%	51	1.0%	76.3%	56	1.0%
Costs of Sales	3,655	65.2%	3,656	67.7%	100.0%	3,902	69.4%
Material costs	2,127	38.0%	2,104	39.0%	98.9%	2,237	39.8%
Labor costs	338	6.0%	328	6.1%	97.1%	329	5.9%
Gross Profit	1,950	34.8%	1,742	32.3%	89.3%	1,722	30.6%
SG&A	1,652	29.5%	1,508	27.9%	91.3%	1,567	27.9%
Personnel expenses	885	15.8%	835	15.5%	94.3%	886	15.8%
Operating Income	298	5.3%	233	4.3%	78.3%	154	2.8%

Sales from solar electric power systems fell, reflecting the delayed marketing of new systems due mainly to the spread of COVID-19, despite steady progress in the installation of those systems with land, which is an ongoing project from the previous term. Net sales in this segment decreased to ¥5,399 million (down 3.7% year on year).

The segment posted operating income of ¥233 million (down 21.7% year on year) primarily due to the decrease in sales despite restraints on selling, general and administrative expenses.

Segment Information for FY2020 2Q(HS Division)

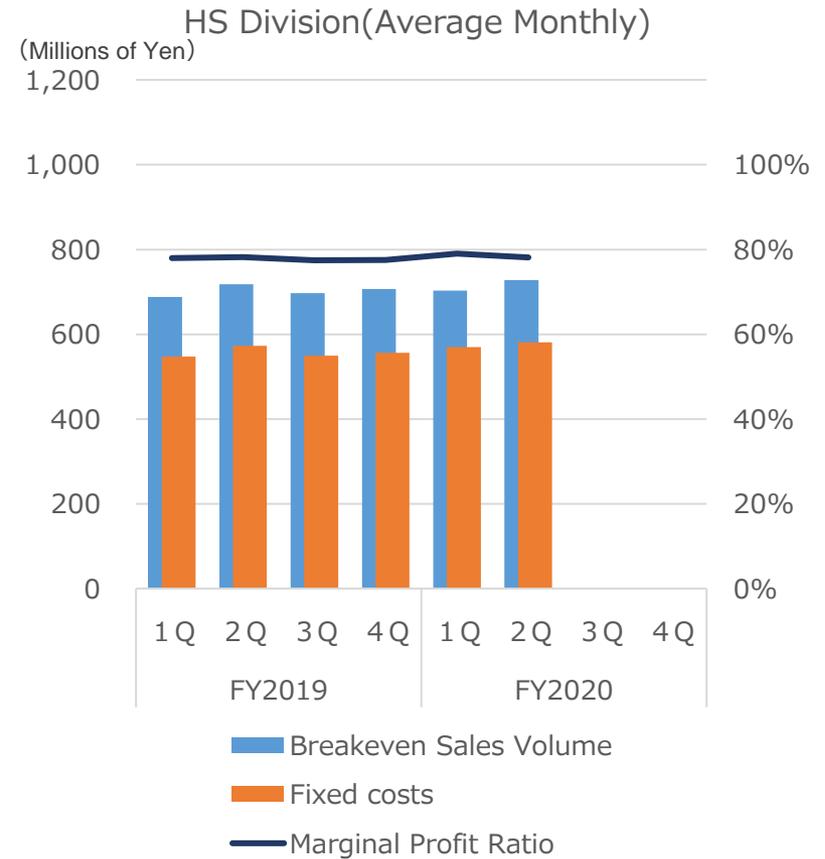
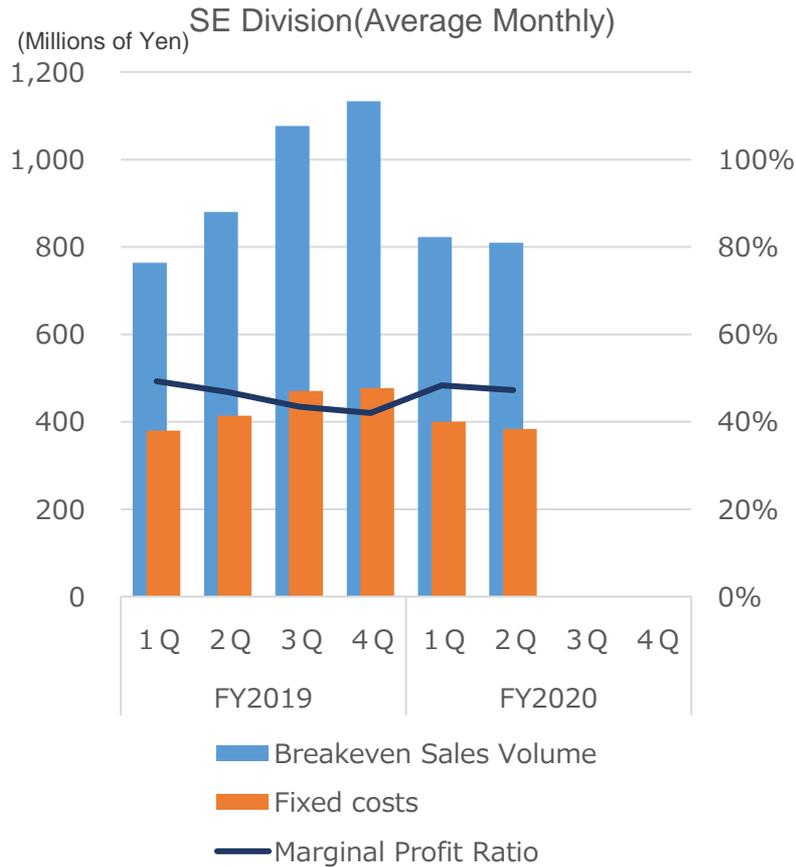


(Millions of Yen)

	FY2019		FY2020				
	2Q Results	Prop.	2Q Results	Prop.	Y on Y	Plan	% for Plan
Net Sales	5,884		5,886		100.0%	5,869	
Terminate Eradication Service	1,991	33.8%	1,931	32.8%	97.0%	1,977	33.7%
Under-Floor/Roof Ventilation Systems	1,187	20.2%	1,520	25.8%	128.1%	1,392	23.7%
Foundation Repairing/Home Reinforcement Systems	969	16.5%	845	14.4%	87.2%	920	15.7%
Others	1,736	29.5%	1,588	27.0%	91.5%	1,578	26.9%
Cost of Sales	2,278	38.7%	2,245	38.2%	98.6%	2,238	38.1%
Labor costs	786	13.4%	797	13.5%	101.4%	810	13.8%
Gross Profit	3,606	61.3%	3,640	61.8%	100.9%	3,630	61.9%
SG&A	2,371	40.3%	2,471	42.0%	104.2%	2,473	42.2%
Personnel expenses	1,455	24.7%	1,559	26.5%	107.1%	1,533	26.1%
Operating Income	1,235	21.0%	1,168	19.9%	94.6%	1,156	19.7%

In the HS Division, the Group voluntarily refrained from starting new operations during the state of emergency following the spread of COVID-19 and limited operations to answering inquiries from customers. After the state of emergency was lifted, the Group returned to normal business while implementing infection prevention measures. As a result, termite eradication service fell 3.0% year on year and foundation repairing/home reinforcement system decreased 12.8% year on year, but under-floor/roof ventilation system increased 28.1% year on year. The division's sales were ¥5,886 million (up 0.0% year on year).

Operating income stood at ¥1,168 million (down 5.4% year on year) because of a rise in personnel and other 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) **SANIX**

(Millions of Yen)

	FY2019		FY2020				
	2Q Results	Prop.	2Q Results	Prop.	Y on Y	Plan	% for Plan
Net Sales	1,102		1,132		102.8%	1,096	
Cost of Sales	531	48.3%	522	46.1%	98.2%	504	46.0%
Labor costs	125	11.4%	126	11.2%	100.4%	121	11.1%
Gross Profit	570	51.7%	610	53.9%	107.0%	592	54.0%
SG&A	432	39.3%	491	43.4%	113.6%	482	44.0%
Personnel expenses	263	23.9%	293	25.9%	111.5%	286	26.1%
Operating Income	137	12.5%	118	10.5%	86.4%	110	10.0%

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, rose 2.5% year on year and sales of repair of building water-works rose 32.9% year on year, while sales of building waterproof paint repair fell 41.9% year on year. The division's net sales rose to ¥1,132 million (up 2.8% year on year).

Operating income fell to ¥118 million (down 13.6% 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				
	2Q Results	Prop.	2Q Results	Prop.	Y on Y	Plan	% for Plan
Net Sales	8,045		8,296		103.1%	8,308	
Plastic Fuels	4,703	58.5%	5,146	62.0%	109.4%	5,093	61.3%
Power Stations	1,644	20.4%	1,570	18.9%	95.5%	1,660	20.0%
Organic Waste Water	962	12.0%	921	11.1%	95.8%	957	11.5%
Final Disposal	470	5.8%	384	4.6%	81.7%	330	4.0%
Others	264	3.3%	272	3.3%	103.1%	266	3.2%
Costs of Sales	5,456	67.8%	5,408	65.2%	99.1%	5,639	67.9%
Labor costs	889	11.1%	918	11.1%	103.3%	925	11.1%
Gross Profit	2,589	32.2%	2,888	34.8%	111.5%	2,669	32.1%
SG&A	934	11.6%	914	11.0%	97.9%	953	11.5%
Personnel expenses	517	6.4%	538	6.5%	104.1%	545	6.6%
Operating Income	1,655	20.6%	1,974	23.8%	119.3%	1,715	20.6%

Plastic fuel sales increased 9.4% year on year due to the thorough acceptance inspection of waste plastic articles, though the acceptance volume declined. Power plant sales dropped 4.5% year on year, and organic waste water recycle fell 4.2% year on year, reflecting a decrease in the acceptance volume. Final disposal decreased 18.3% year on year. Net sales in this division stood at ¥8,296 million (up 3.1% year on year).

Operating income stood at ¥1,974 million (up 19.3% year on year), chiefly reflecting an increase in profitability attributable to the thorough acceptance inspection of waste plastic, among other factors.

Segment Information for FY2020 1Q (EB Division)



(Millions of Yen)

	FY2019		FY2020				
	2Q Results	Prop.	2Q Results	Prop.	Y on Y	Plan	% for Plan
Net Sales	5,041		4,402		87.3%	4,508	
Cost of Sales	4,895	97.1%	4,151	94.3%	84.8%	4,188	92.9%
Material costs	4,692	93.1%	3,911	88.8%	83.4%	3,890	86.3%
Gross Profit	146	2.9%	250	5.7%	171.1%	319	7.1%
SG&A	177	3.5%	283	6.4%	160.3%	304	6.7%
Personnel expenses	97	1.9%	162	3.7%	167.9%	169	3.8%
Operating Income	(30)	–	(33)	–	–	15	0.3%

Net sales stood at ¥4,402 million (down 12.7% year on year), chiefly reflecting a decline in retail sales of high-voltage power due to a decrease in the number of contracts in the new electricity business and a drop in wholesale supply to the electricity market as a result of cancellation of part of procurement through negotiations.

An operating loss of ¥33 million (an operating loss of ¥30 million in the same period of the previous fiscal year) was posted due to the significant effect of the increase in personnel and other costs as a result of a rise in those promoting the third-party owned solar electric power model for detached houses that the EB Division has been working on with other companies, although the profitability of its new electricity business improved due to the partial cancellation of relative procurement.

2.Forecasts for FY2020

Consolidated Financial Forecast for FY2020



(Millions of Yen)

	FY2019		FY2020			
	Results	Difference	Revised Plan	Diff. from Pre. Period	Original Plan	Diff. from original plan
Net Sales	52,531	+ 1,811	49,738	-2,792	50,343	-605
Gross Profit (Gross Profit Margin)	17,556 33.4%	+ 2,726	17,626 35.4%	+ 70	17,562 34.9%	+ 64
Operating Income (Operating Income Margin)	2,791 5.3%	+ 1,566	1,940 3.9%	-851	1,940 3.9%	+ 0
Ordinary Income (Ordinary Income Margin)	2,592 4.9%	+ 1,409	1,785 3.6%	-807	1,785 3.5%	+ 0
Profit attribute to owners of parents (Net Income Margin)	1,850 3.5%	+ 1,610	1,345 2.7%	-505	1,345 2.7%	+ 0

The Company revised its forecasts for the consolidated business results for the fiscal year ending March 31, 2021 on November 12, 2020, as described below, taking into account the results for the first half of the fiscal year.

Net sales are expected to fall below the previous forecast due to a decrease in net sales in the Energy Business Division.

Operating income, ordinary income, and net income attributable to owners of the parent company are expected to remain unchanged from the initial forecasts based on the review for each business division, despite net sales falling short of the forecast.

【Reference】 Progress for FY2020



(Millions of Yen)

	FY2019	FY2020			
	Results	Revised Plan	Diff. from Pre. Period	Original Plan	Diff. from original plan
Net Sales	52,531	49,738	-2,792	50,343	-605
SE Division	15,195	12,161	-3,033	12,161	+ 0
HS Division	11,235	11,474	+ 239	11,474	+ 0
ES Division	2,261	2,320	+ 58	2,320	+ 0
ERD Division	16,759	16,824	+ 64	16,779	+ 45
EB Division	9,132	9,266	+ 134	9,916	-650
Adjustment of intersegment of sales	(2053)	(2,309)	-256	(2,309)	+ 0
Operating Income	2,791	1,940	-851	1,940	+ 0
SE Division	901	381	-520	381	+ 0
HS Division	2,061	2,017	-44	2,017	+ 0
ES Division	281	282	+ 0	282	+ 0
ERD Division	3,483	3,112	-370	2,923	+ 189
EB Division	(485)	26	+ 511	116	-90
Group	(3452)	(3,879)	-426	(3,780)	-98

Segment Forecast for FY2020(SE Division)



(Millions of Yen)

	FY2019	FY2020			
	Results	Revised Plan	Diff.from Pre. Period	Original Plan	Diff. from original plan
Net Sales	15,195	12,161	-3,033	12,161	+ 0
Direct Sales	14,807	11,838	-2,968	11,838	+ 0
Whole Sales	269	221	-48	221	+ 0
Others	117	101	-16	101	+ 0
Costs of Sales	10,886	8,509	-2,377	8,509	+ 0
Material costs	6,711	4,999	-1,711	4,999	+ 0
Labor Costs	715	654	-61	654	+ 0
Gross Profit	4,308	3,652	-655	3,652	+ 0
SG&A	3,406	3,270	-135	3,270	+ 0
Personnel expenses	1,878	1,826	-51	1,826	+ 0
Operating Income	901	381	-520	381	+ 0

In response to the revision of the FIT system, which changed its system design to promote self-consumption instead of selling all electricity, the SE Division will shift the focus of its sales strategy to self-consumption. However, we expect a year-on-year decrease in sales due to the fact that it will take some time for the effects of the strategic change to appear and the Division cannot expect new projects for solar power with land, which was strong in the previous fiscal year.

Segment Forecast for FY2020(HS Division)



(Millions of Yen)

	FY2019	FY2020			
	Results	Revised Plan	Diff.from Pre. Period	Original Plan	Diff. from original plan
Net Sales	11,235	11,474	+ 239	11,474	+ 0
Terminate Eradation System	3,547	3,647	+ 99	3,647	+ 0
Under-Floor/Roof Ventilation System	2,497	2,797	+ 300	2,797	+ 0
Foundation Repairing/Home Reinforcement	1,881	1,896	+ 15	1,896	+ 0
Others	3,308	3,133	-174	3,133	+ 0
Costs of Sales	4,488	4,513	+ 25	4,513	+ 0
Labor costs	1,606	1,678	+ 72	1,678	+ 0
Gross Profit	6,746	6,961	+ 214	6,961	+ 0
SG&A	4,684	4,944	+ 259	4,944	+ 0
Personnel expenses	2,911	3,048	+ 136	3,048	+ 0
Operating Income	2,061	2,017	-44	2,017	+ 0

The HS Division will continue to pursue its multi-year strategy. The division will strive to increase the number of customers by boosting the number of staff to gain new customers and expanding more services to existing customers.

Segment Forecast for FY2020(ES Division)



(Millions of Yen)

	FY2019	FY2020			
	Results	Revised Plan	Diff.from Pre. Period	Original Plan	Diff. from original plan
Net Sales	2,261	2,320	+ 58	2,320	+ 0
Anti-rust equipment installation	1,124	1,272	+ 148	1,272	+ 0
Others	1,137	1,047	-90	1,047	+ 0
Cost of Sales	1,072	1,045	-27	1,045	+ 0
Labor costs	256	254	-2	254	+ 0
Gross Profit	1,188	1,274	+ 85	1,274	+ 0
SG&A	907	991	+ 84	991	+ 0
Personnel expenses	538	588	+ 50	588	+ 0
Operating Income	281	282	+ 0	282	+ 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 through close follow-ups and increasing opportunities for direct business talks with real estate owners.

Segment Forecast for FY2020(ERD Division)



(Millions of Yen)

	FY2019	FY2020			
	Results	Revised Plan	Diff.from Pre. Period	Original Plan	Diff. from original plan
Net Sales	16,759	16,824	+ 64	16,779	+ 45
Plastic fuels	10,111	10,350	+ 238	10,316	+ 33
Power Station	3,023	3,359	+ 336	3,359	+ 0
Oraganic Waste Water	1,968	1,987	+ 19	1,987	+ 0
Final Disposal	1,122	583	-539	583	+ 0
Others	533	543	+ 10	531	+ 11
Costs of Sales	11,375	11,761	+ 385	11,894	-132
Labor costs	1,820	1,882	+ 62	1,881	+ 0
Gross Profit	5,384	5,063	-321	4,885	+ 177
SG&A	1,901	1,950	+ 49	1,961	-11
Personnel expenses	1,067	1,113	+ 46	1,103	+ 10
Operating Income	3,483	3,112	-370	2,923	+ 189

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 fuel. 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)

	FY2019	FY2020			
	Results	Revised Plan	Diff.from Pre. Period	Original Plan	Diff. from original plan
Net Sales	9,132	9,266	+ 134	9,916	-650
Costs of Sales	9,203	8,591	-612	9,128	-537
Material Costs	8,795	7,949	-845	8,268	-319
Gross Profit	(71)	675	+ 746	788	-113
SG&A	413	649	+ 235	671	-22
Personnel expenses	228	365	+ 137	362	+ 3
Operating Income	(485)	26	+ 511	116	-90

The EB Division posted a significant loss in the previous fiscal year, in which it began a new electric power business. In the fiscal year under review, the division has been working to improve profitability by reviewing its electric power procurement policy to increase the ratio of procurement from markets where transaction prices are on a downward trend. The division is expected to proceed with its initial plan, which was formulated at the beginning of the fiscal year.

Regarding the third-party owned solar electric power model for detached houses that the EB Division has been working on with other companies since the previous fiscal year, the number of new orders received in the second quarter was approximately 40% lower than expected, because refraining from face-to-face sales to prevent coronavirus infection affected the Tokyo area in particular for a long period, where the number of infected people remained unstable. For this reason, the Division revised downward the outlook for this business by reviewing its initial plan.

Materials

Impact of COVID-19 in Q2

Sales in Q2 remained largely as planned, despite being affected by COVID-19.

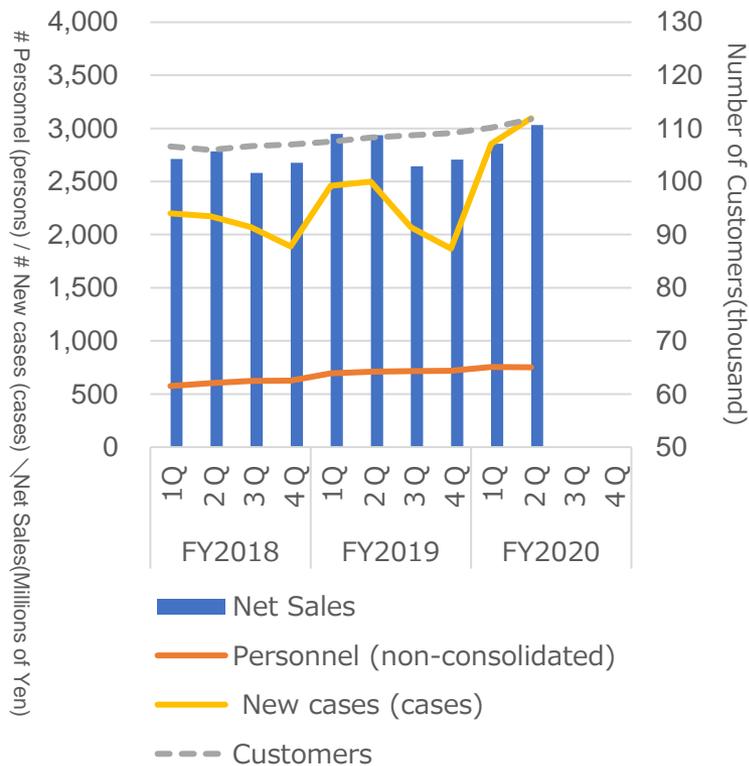
(Millions of Yen)

FY2020	1Q (Apr to Jun)	2Q (July to Sep)	1 st Half Results	1 st Half Plan	Impact of COVID-19
Net Sales	11,893	12,053	23,947	24,180	Largely as planned (-1.0% compared to the plan)
SE Division	3,024	2,374	5,399	5,625	Due to the curbing of operations, a shift to the sales of self-consumption type solar power generation was delayed and new orders decreased.
HS Division	2,854	3,031	5,886	5,869	Affected by self-restraint of sales and postponed installation during the state of emergency, business recovered after it was lifted.
ES Division	520	611	1,132	1,096	Gradually recovered from June, although operations were affected due to the suspended operations of business partner companies.
ERD Division	4,131	4,164	8,296	8,308	The acceptance volume decreased due to the sluggish operations at some plants discharging waste.
EB Division	1,963	2,438	4,402	4,508	Supply decreased due to business stagnation at the power supply destination, but recovered following the resumption of business activities.
Adjustment of intersegment of sales	(602)	(567)	(1,169)	(1,227)	

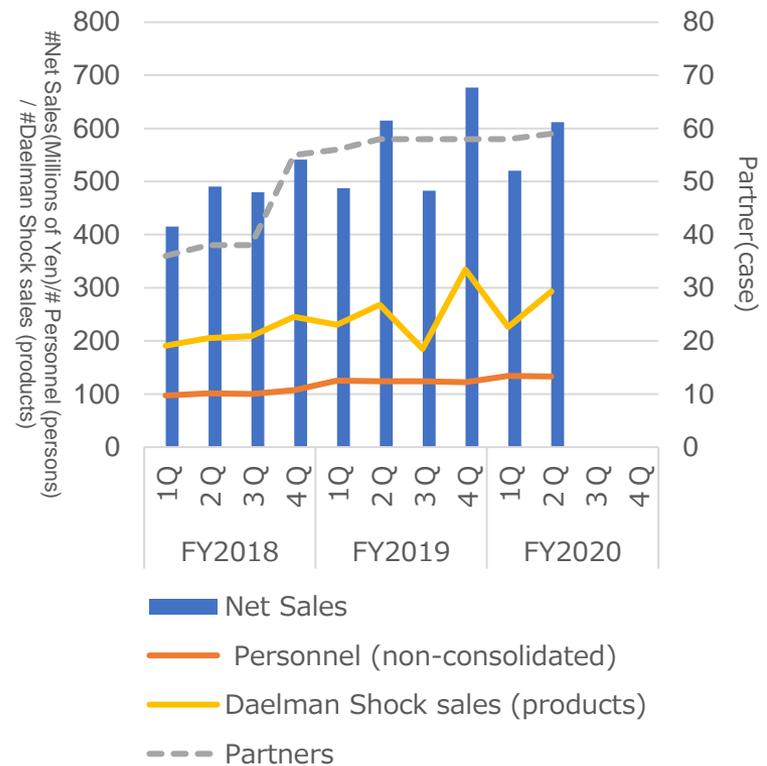
Recognized that our company's business is necessary in the world, while operating amid the coronavirus pandemic.

- In the fiscal year under review, the HS and ES Divisions are showing strong performance even amid the coronavirus pandemic.

Changes in HS Division's Performance



Changes in ES Division's Performance



Growth Factors for Solar Power Generation Market in Japan

The prime minister declared that Japan will reduce greenhouse gas emissions to net zero by 2050

(October 2020).

① Legal development and subsidies for widespread use

- Self-consumption type through solar power generation and power storage systems* Expand support for conversion
- Develop laws and expand support for a new electricity business

② Tax Breaks

- Effects as a tax-saving measure for small and medium-sized enterprises (special depreciation and tax credits)

③ Changes in the social environment

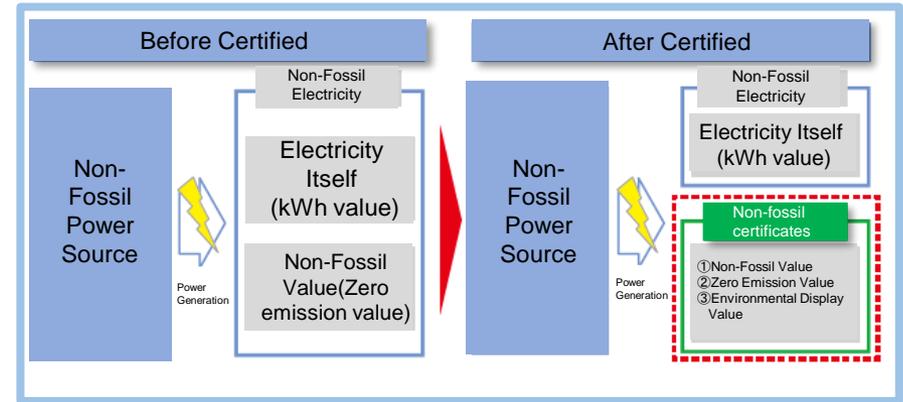
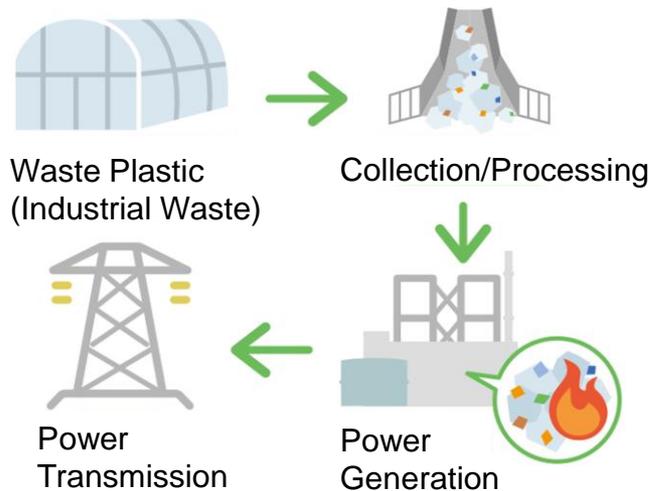
- Introductions of SDGs, ESG investment and RE100 led by electric consumers are carried out.
- The distributed power supply market, including solar power generation, is expanding to strengthen power resilience.

*Advantages of the Self-Consumption Model

- ① **Reduce the electricity bill** through self-consumption of electricity.
- ② **Improve corporate valuation** through environmental efforts by reducing CO2 emissions from renewable energy.
- ③ **Reduce the power outage risk** in the event of a disaster through self-consumption type solar power generation.

- SANIX Energy Tomakomai Power Plant, which is working on resource-recycling power generation using waste plastic as an alternative to fossil fuel, has been certified by the government as a non-FIT, non-fossil power source.
- A non-FIT, **non-fossil certificate** will be issued for the power generated in fiscal 2020 and onward.

Reduce 200,000 tons of coal-fired power generation fuel annually in terms of power generation through effective use of waste plastic fuel at the Tomakomai Power Plant.



Types of Non-Fossil Power

	Designated as Renewable Energy		Not Designated as Renewable Energy
	FIT Power Source	Non-FIT Renewable Energy Power Source	Non-FIT, Non-Fossil Power Source
e.g.	Solar power, wind power, small hydropower, biomass and geothermal power etc.	Large hydropower etc.	Nuclear power and waste plastic etc.

Sanix energy is a non-FIT, non-fossil power source.

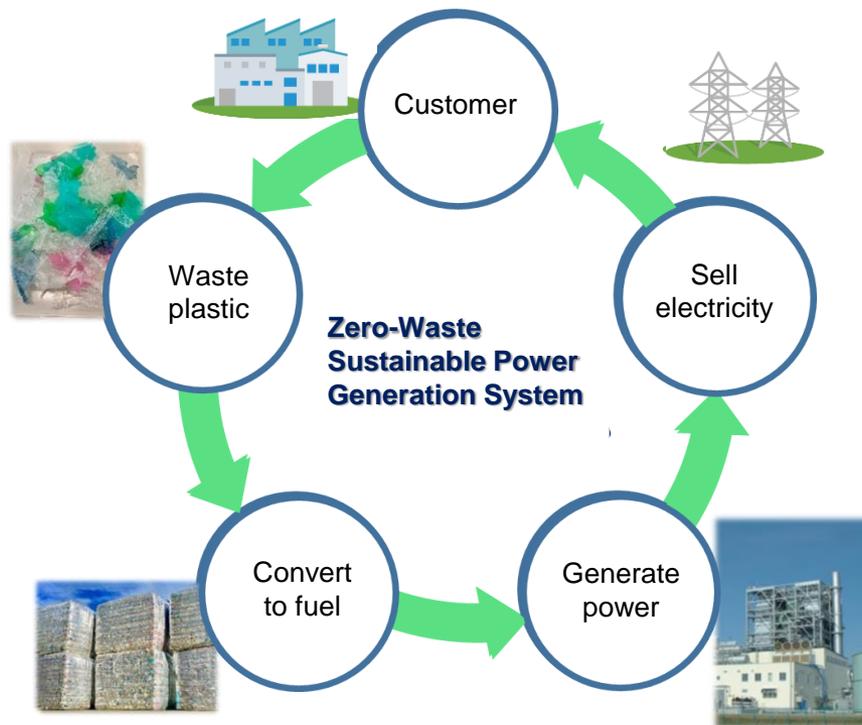
Intent and Purpose of Certification for Non-FIT, Non-Fossil Certificates

The Act on Sophisticated Methods of Energy Supply Structures requires electricity retailers to increase the ratio of non-fossil sources of the electricity they supply to 44% by 2030. In order to achieve this goal, a non-fossil fuel energy value trading market was created.

Regarding the issuance of non-fossil certificates for non-FIT, non-fossil power sources, the amount of power generated from non-FIT, non-fossil power sources will be certified to ensure its reliability.

A power generation system that solves both waste plastic and decarbonization issues

- Effective use of plastic, which is difficult to recycle due to economic rationality, as an alternative for fossil fuel
- Japan's only waste plastic thermal power plant → Technology and knowledge accumulated for 16 years



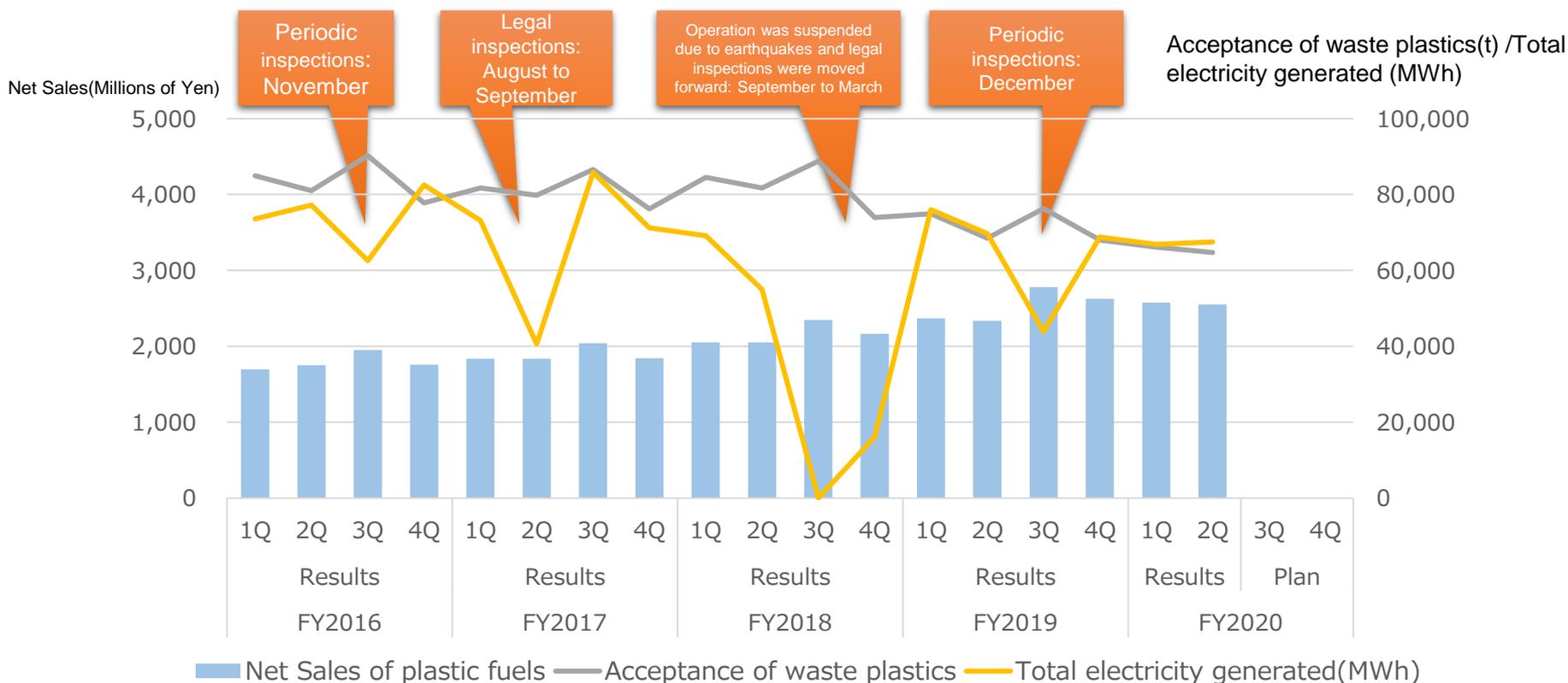
“Resource Circulation Strategy for Plastics”

(Formulated by the Japanese government in May 2019)

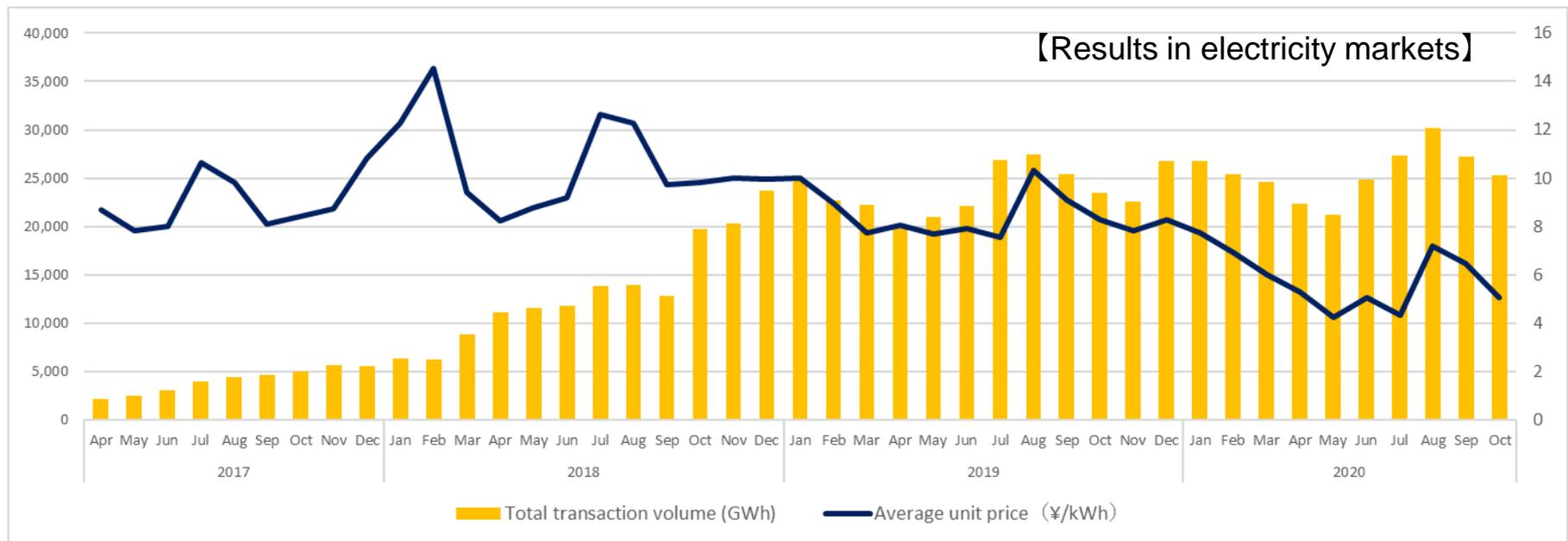
Basic Principle: “3Rs + Renewable”

Based on the principle stipulated in the Basic Act on Establishing a Sound Material-Cycle Society, we will try to use plastic products for as long as possible. After their use, through an effective and efficient recycling system, we will thoroughly separate and collect them in a sustainable manner, and recycle them (including reuse through recycling, and if **it is difficult from a technical and economic perspective, energy utilization through heat recovery**). (Excerpt)

- The acceptance volume decreased due to thorough acceptance inspections of waste plastic articles in and before the previous fiscal year and the suspended operations at plants discharging waste due to the effects of measures against COVID-19. However, sales and profits remained stable.
- The Tomakomai Power Plant is scheduled to implement a statutory inspection in March 2021.
 - A statutory inspection is carried out once every two years (turbines: every four years, boilers: every two years).



- 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 and cancelled part of relative procurement and increased the percentage of procurement from markets. As a result, profitability improved.



JEPX's Spot Market Index processed by the Company

(Millions of Yen)

		FY2018 Results	FY2019 Results	FY2020 Plan
Total assets		31,009	32,514	32,200
Net assets		4,193	6,056	7,300
Capital-to-asset ratio		13.42%	18.55%	22.77%
Return on equity	ROE	5.85%	36.31%	20.12%
Return on total assets	ROA	3.88%	8.16%	5.51%
Return on invested capital	ROIC	2.31%	10.77%	7.96%
Free cash flow		(972)	1,926	251
Capital expenditure		1,080	2,742	2,000~ 2,500