

Listed on the 1st sections of
TSE, OSE and FSE

Ticker: 4651

SANIX



Consolidated Financial Statements

For the First Half ended September 30, 2010

SANIX INCORPORATED

November 11, 2010

(Note) Numbers are rounded off to the nearest whole number.



Contents

1. Summary of 1st Half ended September 30, 2010 P. 1

2. Forecast for FY2010 ending March 31, 2011 P. 10

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:

changes in economic environment in Japan and abroad, business condition in Japanese manufacturing industry, competition with other manufacturers, changing technology, regulatory environment, new legislation and any other factors which are beyond our control.

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.

Summary of 1st Half



Summary of 1st Half

In the first six-month period of the current consolidated fiscal year, both sales and income increased in comparison to the same period last year.

Net Sales	: 14,609 Million Yen	(Up 2,551 million yen compared to the same period last year)
Operating Income	: 1,132 Million Yen	(Up 947 million yen compared to the same period last year)
Ordinary Income	: 1,090 Million Yen	(Up 956 million yen compared to the same period last year)
Net Income	: 806 Million Yen	(Up 745 million yen compared to the same period last year)

◆ Net Sales ◆

In the HS Division, sales of existing products steadily increased, with solar photovoltaic power generation systems contributing to sales. The ES Division continued to concentrate on improving sales efficiency. Consequently, both divisions saw their sales increase from the same period last year.

In the Environment Resources Development (ERD) Division, revenue from the waste plastic processing business grew by 27.5%, due to increases in the number of customers and the volume of incoming waste plastic. Power sales rose by 8.5%, because Sanix Energy's Tomakomai Power Plant reduced the regular maintenance period compared to the previous year and signed a new contract with another purchaser under better conditions after terminating a wholesale contract with a previous purchaser. Revenue from organic liquid waste processing fell by 11.2%. However, the Division received added revenue from landfill operations (since the Group acquired a landfill site), which helped push up sales in the ERD division by 27.4%. As a result, the Sanix Group's sales increased by 21.2%.

◆ Earnings ◆

Incomes grew from the same period last year thanks to improved profitability due to a reduction of fixed costs in addition to increased sales.

1st Half : Statement of Income

(Millions of Yen)	FY2009		FY2010					
	1st Half		1st Half					
	Actual	% to sales	Actual	% to sales	% to last year	Projection	% of change	Difference
Net Sales	12,057	100.0%	14,609	100.0%	121.2%	14,400	101.5%	209
HS	7,212	59.8%	8,681	59.4%	120.4%	8,554	101.5%	127
ES	1,229	10.2%	1,322	9.1%	107.6%	1,263	104.7%	59
ERD	3,616	30.0%	4,605	31.5%	127.4%	4,583	100.5%	22
Cost of Sales	6,889	57.1%	8,509	58.3%	123.5%	8,472	100.4%	37
Gross Profit	5,168	42.9%	6,099	41.7%	118.0%	5,927	102.9%	171
SG&A	4,983	41.3%	4,966	34.0%	99.7%	4,867	102.0%	98
Operation Income	185	1.5%	1,132	7.8%	612.1%	1,060	106.8%	72
Ordinary Income	133	1.1%	1,090	7.5%	815.1%	1,016	107.3%	74
Net Income	60	0.5%	806	5.5%	—	820	98.3%	(13)

■ Sales in HS, ES and ERD Division grew compared to budget. Incomes increased compared to budget thanks to improved profitability due to a reduction of fixed costs in addition to increased sales compared to budget. In the first quarter, the Group posted an extraordinary loss of 114 million yen, because "Accounting Standards for Asset Retirement Obligations" (ASBJ Statement No. 18) and "Guidance on Accounting Standards for Asset Retirement Obligations" (ASBJ Guidance No. 21) shall be applied from fiscal years beginning on or after April 1, 2010.

1st Half : Segment Information

(Millions of Yen)		FY 2009		FY 2010					
		1st Half		1st Half					
		Actual	% to last year	Actual	% to sales	% to last year	Projection	% of change	Difference
HS	Net Sales	7,212	90.4%	8,681	100.0%	120.4%	8,554	101.5%	127
	Gross Profit	4,816	89.3%	5,008	57.7%	104.0%	4,471	112.0%	537
	SG&A	2,718	77.2%	2,748	31.7%	101.1%	2,651	103.7%	96
	Op.Income	2,098	112.0%	2,260	26.0%	107.7%	1,819	124.2%	440
ES	Net Sales	1,229	73.4%	1,322	100.0%	107.6%	1,263	104.7%	59
	Gross Profit	520	82.1%	500	37.8%	96.2%	515	97.1%	(15)
	SG&A	442	68.9%	383	29.0%	86.7%	393	97.4%	(10)
	Op.Income	78	—	117	8.9%	149.7%	122	96.1%	(4)
ERD	Net Sales	3,616	96.1%	4,605	100.0%	127.4%	4,583	100.5%	22
	Gross Profit	(168)	—	589	12.8%	—	941	62.7%	(351)
	SG&A	768	114.7%	778	16.9%	101.3%	742	104.9%	36
	Op.Income	(937)	—	(188)	—	—	198	—	(387)
Group	Op.Income	(1,053)	—	(1,056)	—	—	(1,080)	—	23

1st Half : Statement of Income

(Millions of Yen)	FY2010						
	1st Quarter			2nd Quarter			
	Actual	Projection	Difference	Actual	Projection	% of change	Difference
Net Sales	7,274	7,438	(163)	7,334	6,961	105.4%	372
HS	4,403	4,595	(191)	4,277	3,958	108.1%	319
ES	649	628	20	672	634	106.0%	38
ERD	2,221	2,214	7	2,384	2,369	100.6%	15
Cost of Sales	4,157	4,359	(202)	4,352	4,112	105.8%	239
Gross Profit	3,117	3,078	38	2,981	2,848	104.7%	132
SG&A	2,505	2,552	(46)	2,460	2,315	106.3%	145
Operating Income	611	526	85	520	533	97.6%	(12)
Ordinary Income	593	506	86	496	509	97.5%	(12)
Net Income	440	336	103	365	483	75.7%	(117)

1st Half : Segment Information

(Million of Yen)		FY2010						
		1st Quarter			2nd Quarter			
		Actual	Projection	Difference	Actual	Projection	% of change	Difference
HS	Net Sales	4,403	4,595	(191)	4,277	3,958	108.1%	319
	Gross Profit	2,674	2,496	177	2,334	1,974	118.3%	360
	SG&A	1,388	1,403	(15)	1,360	1,248	109.0%	112
	Op.Income	1,285	1,093	192	974	726	134.2%	248
ES	Net Sales	649	628	20	672	634	106.0%	38
	Gross Profit	238	257	(19)	261	257	101.6%	4
	SG&A	182	195	(13)	200	197	101.4%	2
	Op.Income	55	61	(6)	61	60	102.0%	1
ERD	Net Sales	2,221	2,214	7	2,384	2,369	100.6%	15
	Gross Profit	204	324	(119)	385	617	62.4%	(231)
	SG&A	383	371	12	395	371	106.4%	23
	Op.Income	(179)	(47)	(131)	(9)	246	—	(255)
Group	Op.Income	(551)	(581)	30	(505)	(498)	—	(6)

1st Half : HS Division

■ Both sales and income increased, although sales fell below budget after revising the sales plan.

In first half, the Group changed its sales plan to focus on sales of existing products with higher profit. Although revenue from the termite eradication service failed to reach the budget, the Division's sales increased compared to the budget, because sales of other existing products mostly exceeded the budget. Operating income was 24.2% over the budget, reaching 2,260 million yen, due to increased sales of existing products with high profit margins compared the budget.

(Millions of Yen)	FY2009	FY2010				
	1st Half	1st Half				
	Actual	Actual	% to last year	Projection	% of change	Difference
Total Net Sales	7,212	8,681	120.4%	8,554	101.5%	127
Termite Eradication Service	2,763	2,567	92.9%	2,806	91.5%	(238)
Under-Floor/-Roof Ventiration System	1,606	1,887	117.5%	1,586	118.9%	300
Foundation Repairing Treatment	1,447	1,205	83.3%	1,010	119.4%	195
House Reinforcement System	193	232	120.1%	180	128.9%	52
Solar Photovoltaic Power Generation System	—	1,215	—	1,927	63.1%	(711)
Others	1,202	1,572	130.8%	1,043	150.7%	528
Operating Income	2,098	2,260	107.7%	1,819	124.2%	440

1st Half : ES Division

■ Lower earnings on higher sales due to a large order in the building waterproofing business

Sales in the ES Division grew compared budget due to a large order in the building waterproofing business, despite the revenue from repair of building water-works fell short of budget, and revenue from lucrative anti-rust equipment installation was almost in line with our budget, because we could secure orders due to our efforts to deepen relationships with existing business partners and explore new business partners.

With revenue from the building waterproofing business with a high percentage of subcontracting costs growing over budget, operating income in the ES Division was 117 million yen, down 3.9% compared to budget.

(Millions of Yen)	FY2009	FY2010				
	1st Half	1st Half				
	Actual	Actual	% to last year	Projection	% of change	Difference
Total Net Sales	1,229	1,322	107.6%	1,263	104.7%	59
Anti-Rust Equipment Installation	344	326	94.7%	314	103.6%	11
Repair of Building Water-works	388	391	100.8%	453	86.5%	(61)
Waterproofing of Building	103	257	247.7%	98	262.8%	159
Solar Photovoltaic Power Generation System	—	1	—	—	—	1
Others	392	345	88.0%	397	86.9%	(51)
Operating Income	78	117	149.7%	122	96.1%	(4)

1st Half : ERD Division

■ Sales increased from the same period last year. Losses became smaller, but recovery was weak.

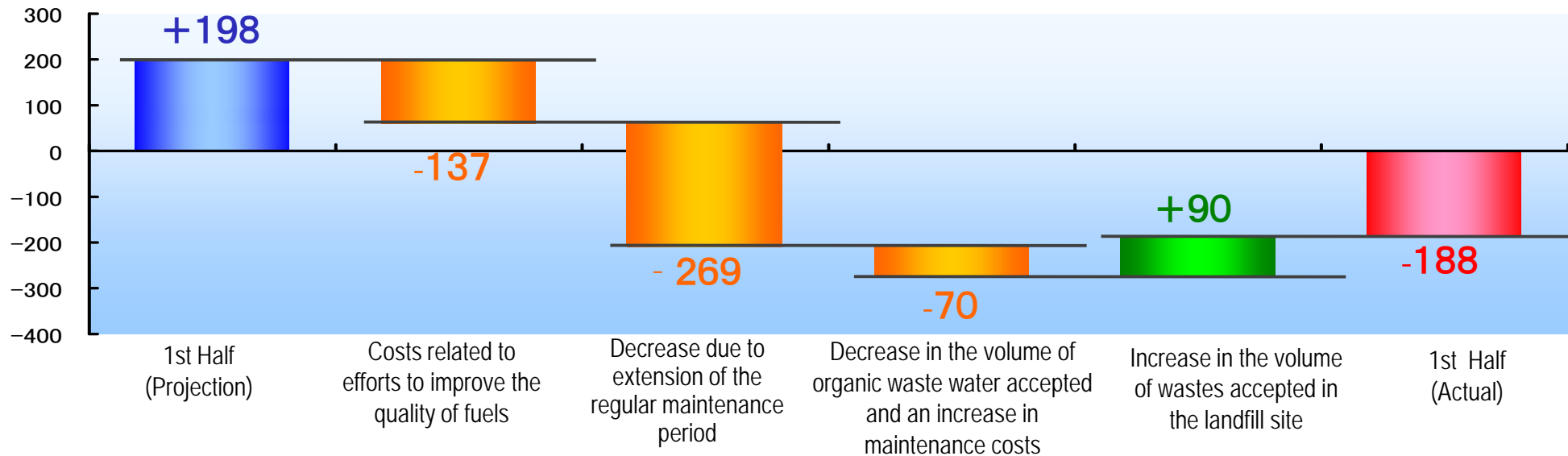
Revenue from waste plastic processing and final disposal grew steadily, but revenue from organic liquid waste processing did not reach budget due to a decline in the volume of wastewater from the restaurant industry and food plants. Revenue from the Sanix Energy's Tomakomai Power Plant failed to reach budget since operation days decreased compared to schedule, due to extension of the regular maintenance period. Operating income decreased compared to the budget, due to a decrease in revenue associated with the extension of the regular maintenance period at the Tomakomai Power Plant and an increase in costs related to efforts to improve the quality of fuels, although there were some signs for recovery in profitability.

(Millions of Yen)	FY2009	FY2010				
	1st Half	1st Half				
	Actual	Actual	% to last year	Projection	% of change	Difference
Total Net Sales	3,616	4,605	127.4%	4,583	100.5%	22
Waste Plastic Recycled	1,952	2,488	127.5%	2,369	105.0%	119
Organic Waste Water Recycled	781	694	88.8%	724	95.9%	(29)
Power Generation	637	690	108.5%	817	84.5%	(126)
Final Disposal	—	459	—	427	107.4%	31
Others	245	272	111.2%	244	111.4%	21
Operating Income	(937)	(188)	—	198	—	(387)

1st Half : Analysis of a decrease in op. income in comparison to the budget in the ERD Division

■ ERD Division : Op. Income in the first half

(Millions of Yen)



*** Waste Plastic Recycled**

Although sales increased compared to the budget, operating income was lower than expected, because costs increased due to efforts to improve the quality of fuel supplied to the Tomakomai Power Plant and outside customers.

*** Power Generation**

Operating income decreased over the budget due to a decrease in revenue and an increase in repair expenses associated with extension of the regular maintenance in the first quarter.

*** Organic Waste Water Recycled**

Operating income decreased compared to the budget, because the volume of organic waste water accepted fell short of the forecast and maintenance costs increased.

*** Final Disposal**

Operating income increased compared to budget due to increase in the volume of incoming wastes from outside of SANIX group company.

Forecast for FY2010



FY2010 : Revision to forecast

Forecast for consolidated FY 2010

Net Sales	:	30,000 Million Yen	(The previous forecast : 27,500 million yen)
Operating Income	:	1,300 Million Yen	(The previous forecast : 1,240 million yen)
Ordinary Income	:	1,230 Million Yen	(The previous forecast : 1,150 million yen)
Net Income	:	900 Million Yen	(The previous forecast : 900 million yen)

Key Points of Operational Forecasts for the Fiscal 2010

◆ **HS Division (Operating income will increase by 210 million yen from the previous forecast)**

Since both sales and income increased compared to budget in the first half, the management forecasts the business will remain steady in the second half of the fiscal year. The HS Division will especially focus on the marketing of solar photovoltaic power generation system.

◆ **ES Division (Operating income will be no change from the previous forecast)**

The ES Division kept in the black despite lower earnings compared to budget in the first half. Although the business is not likely to show a drastic improvement, the management forecasts it will remain steady in the second half of the fiscal year.

◆ **ERD Division (Operating income will decrease by 150 million yen from the previous forecast)**

Taking into account the discrepancy between the initial budget and the first six-month performance caused by several factors including the extension of the regular maintenance period at the Tomakomai Power Plant and efforts to improve the quality of fuels, we revised the earnings forecast for the second half of the current fiscal year. We expect profitability to improve in the second half of the current fiscal year due to our efforts in the first six-month period.

FY2010 : Statement of Income (Projection)

(Millions of Yen)	FY2010								
	1st Half	2nd Half				Full Year			
	Actual	Revised Forecast	% to last year	Previous Forecast	Difference	Revised Forecast	% to last year	Previous Forecast	Difference
Net Sales	14,609	15,390	123.3%	13,100	2,290	30,000	122.3%	27,500	2,500
(HS)	8,681	8,688	126.9%	7,196	1,492	17,370	123.6%	15,750	1,620
(ES)	1,322	1,482	112.4%	1,307	175	2,805	110.1%	2,570	235
(ERD)	4,605	5,219	120.9%	4,597	622	9,825	123.8%	9,180	645
Cost of Sales	8,509	10,090	130.5%	8,352	1,737	18,600	127.2%	16,824	1,775
Gross Profit	6,099	5,300	111.6%	4,747	552	11,400	114.9%	10,675	724
SGA	4,966	5,133	113.0%	4,567	565	10,100	106.0%	9,435	664
Operating Income	1,132	167	81.6%	180	(12)	1,300	333.1%	1,240	60
Ordinary Income	1,090	139	153.4%	134	5	1,230	547.0%	1,150	80
Net Income	806	93	—	80	13	900	—	900	—

■ Sales in the HS division, the mainstay of the Company, are expected to exceed the initial budget substantially, because the division will focus on marketing high priced solar photovoltaic power generation systems. Judging from the first six months of performance, sales of other divisions are also likely to exceed the initial budget. We expect operating income and ordinary income to increase compared to the initial budget, due to an increase in sales. However, net income is likely to remain the same as the initial budget.

FY2010 : Segment Information (Projection)

(Millions of Yen)		FY2010								
		1st Half	2nd Half				Full Year			
		Actual	Revised Forecast	% to last year	Previous Forecast	Difference	Revised Forecast	% to last year	Previous Forecast	Difference
HS	Net Sales	8,681	8,688	126.9%	7,196	1,492	17,370	123.6%	15,750	1,620
	Gross Profit	5,008	3,541	97.3%	3,339	202	8,550	101.1%	7,810	740
	SG&A	2,748	2,891	121.9%	2,458	433	5,640	110.8%	5,110	530
	Op.Income	2,260	649	51.2%	880	(230)	2,910	86.5%	2,700	210
ES	Net Sales	1,322	1,482	112.4%	1,307	175	2,805	110.1%	2,570	235
	Gross Profit	500	549	106.2%	514	35	1,050	101.2%	1,030	20
	SG&A	383	426	110.9%	396	30	810	98.0%	790	20
	Op.Income	117	122	92.4%	118	4	240	113.6%	240	—
ERD	Net Sales	4,605	5,219	120.9%	4,597	622	9,825	123.8%	9,180	645
	Gross Profit	589	1,210	204.0%	894	315	1,800	423.7%	1,835	(35)
	SG&A	778	821	106.9%	742	78	1,600	104.1%	1,485	114
	Op.Income	(188)	388	—	151	237	200	—	350	(150)
Group	Op.Income	(1,056)	(993)	—	(970)	(23)	(2,050)	—	(2,050)	—

FY2010 : Quarterly Statement of Income (Projection)

(Millions of Yen)	FY2010							
	1Q		2Q		3Q		4Q	
	Actual	% to last year	Actual	% to last year	Revised Forecast	% to last year	Revised Forecast	% to last year
Net Sales	7,274	115.7%	7,334	127.1%	8,001	133.9%	7,389	113.6%
(HS)	4,403	112.2%	4,277	130.2%	4,595	143.7%	4,093	112.2%
(ES)	649	100.2%	672	115.8%	737	111.3%	745	113.6%
(ERD)	2,221	129.6%	2,384	125.3%	2,668	126.2%	2,551	115.7%
Cost of Sales	4,157	115.2%	4,352	132.7%	5,445	144.1%	4,644	117.5%
Gross Profit	3,117	116.3%	2,981	119.8%	2,555	116.4%	2,745	107.5%
SGA	2,505	95.9%	2,460	103.8%	2,540	114.8%	2,592	111.2%
Operating Income	611	916.6%	520	440.4%	15	—	152	68.9%
Ordinary Income	593	757.5%	496	896.6%	(6)	—	146	74.3%
Net Income	440	522.8%	365	—	(130)	—	223	—

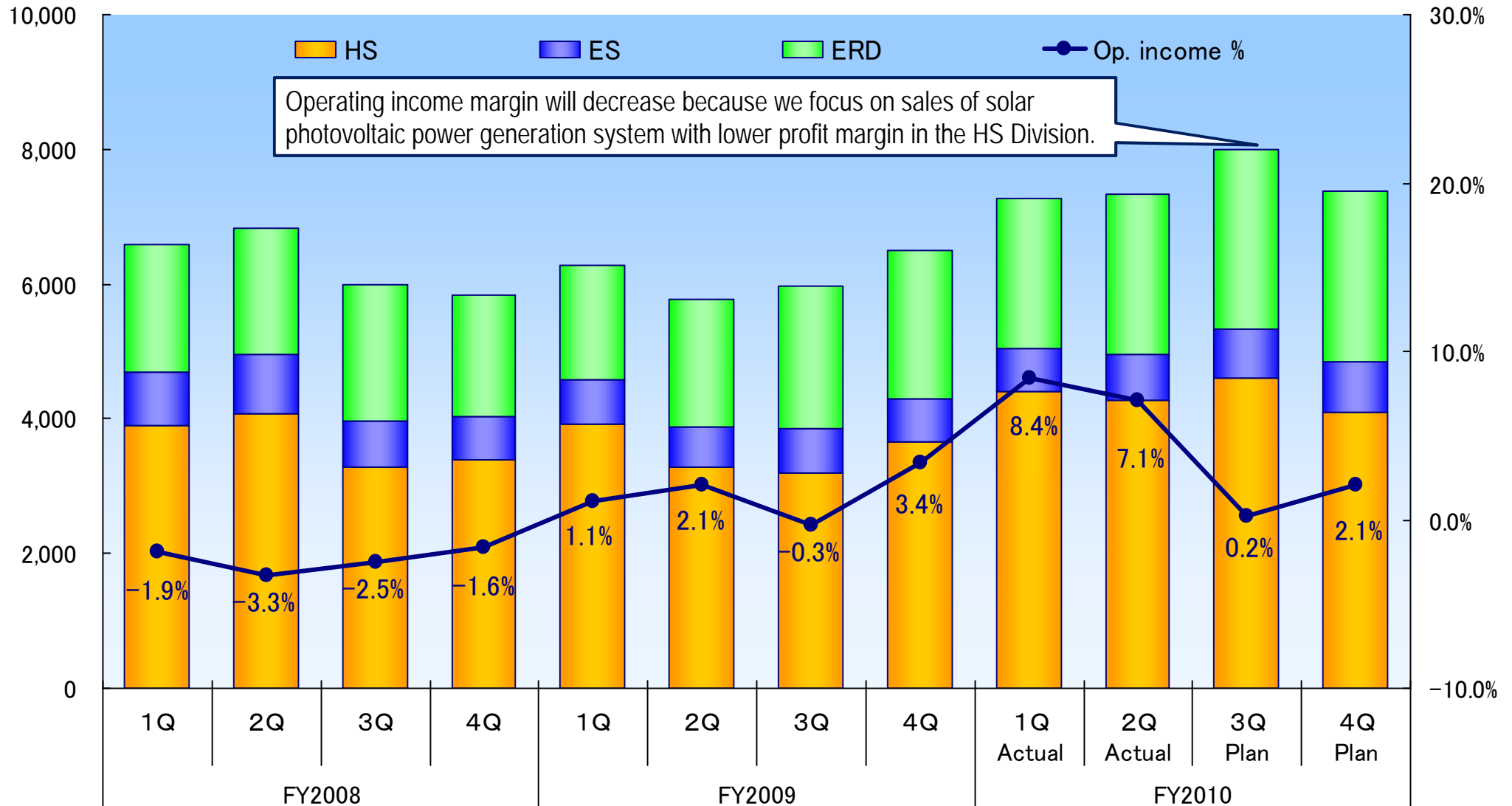
FY2010 : Segment Information (Projection)

(Millions of Yen)		FY2010							
		1Q		2Q		3Q		4Q	
		Actual	% to last year	Actual	% to last year	Revised Forecast	% to last year	Revised Forecast	% to last year
HS	Net Sales	4,403	112.2%	4,277	130.2%	4,595	143.7%	4,093	112.2%
	Gross Profit	2,674	100.2%	2,334	108.7%	1,680	99.4%	1,860	95.5%
	SG&A	1,388	97.5%	1,360	105.0%	1,418	123.3%	1,472	120.7%
	Op. Income	1,285	103.2%	974	114.4%	262	48.5%	387	53.3%
ES	Net Sales	649	100.2%	672	115.8%	737	111.3%	745	113.6%
	Gross Profit	238	87.2%	261	106.1%	269	100.4%	279	112.4%
	SG&A	182	79.7%	200	94.3%	212	107.2%	214	114.9%
	Op. Income	55	126.4%	61	179.9%	56	81.0%	65	105.1%
ERD	Net Sales	2,221	129.6%	2,384	125.3%	2,668	126.2%	2,551	115.7%
	Gross Profit	204	—	385	406.1%	604	255.1%	605	169.9%
	SG&A	383	95.9%	395	107.2%	408	104.8%	412	109.0%
	Op. Income	(179)	—	(9)	—	196	—	192	—
Group	Op. Income	(551)	—	(505)	—	(500)	—	(493)	—

FY2010 : Quarterly Segment Information

Net Sales by Segment and Operating Income Margin

(Millions of Yen)



FY 2010 : HS Division (Projection)

<Definite strategy>

- Projection for sales of existing product has little change.
- Sales of solar photovoltaic power generation system
 - Direct sales to current customers—The Group begun sales activities from October.
 - Orders from end users to dealers— We will begin by opening showrooms (also used as sales offices) one by one in the Kanto area, improving our support to dealers for expanding sales.

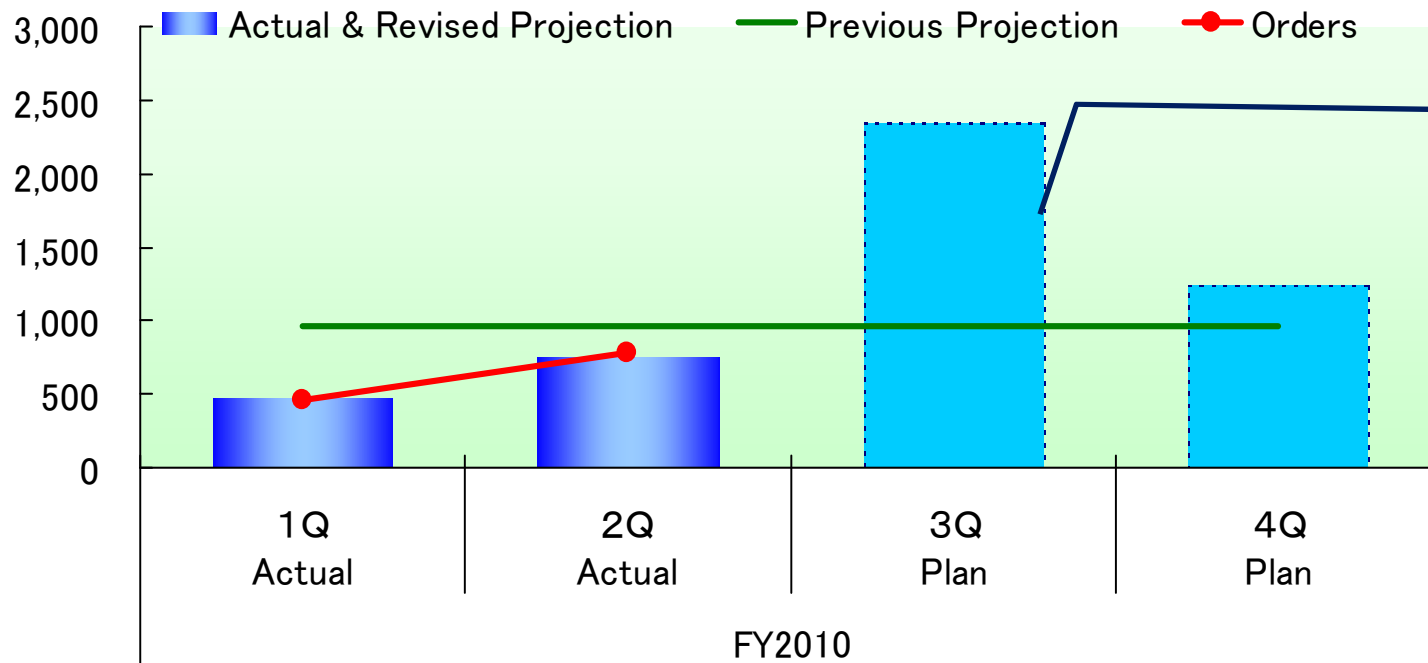
(Millions of Yen)	FY2009 Actual	FY2010 Revised Forecast	FY2010 Previous Forecast	Difference
Net Sales	14,056	17,370	15,750	+1,620
Gross Profit	8,455	8,550	7,810	+740
SGA	5,090	5,640	5,110	+530
Op. Income	3,365	2,910	2,700	+210

- Sales of solar photovoltaic power generation systems, both direct sales to our existing customers and wholesale distribution to dealers, are expected to exceed the previous forecast
- Earnings in the division will increase compared to previous forecast associated with increased revenue for sales of solar photovoltaic power generation system.

FY2010 : Solar Photovoltaic Power Generation System (Projection)

■ Quarterly Net Sales of solar photovoltaic power generation system

(Millions of Yen)



◆ September

Orders : 386 millions of Yen
Actual : 266 millions of Yen

◆ October

Orders : 826 millions of Yen
Actual : 334 millions of Yen

Orders increased by 440 million yen on October compared September.

■ Forecast for sales of solar photovoltaic power generation system

- In the first half of the current fiscal year, the Group focused on sales of existing products, and begun sales activities for current customers from October.
- We will continue to promote the sales of solar photovoltaic power generation systems in the third quarter of the current fiscal year. However, we set the sales target for the fourth quarter of the current fiscal year at a lower level than the third quarter, because we forecast that demand for the systems will decrease during the winter.

FY2010 : Solar Photovoltaic Power Generation System (Projection)

■ In the wholesale distribution of solar photovoltaic power generation systems to dealers, which we have primarily developed in the eastern Japan area, we will open showrooms (also used as sales offices) one by one to expand sales further and to improve our support to dealers.

In the Kanto area, the main market for the wholesale distribution of solar photovoltaic power generation systems to dealers, we plan to open stores in the following three places during the third quarter of the current fiscal year.

■ Showrooms (also used as sales offices)

Stronghold	Operating Area (prefecture)
Kanagawa sales office	Kanagawa, Shizuoka, Chiba, Yamanashi
Saitama sales office	Saitama, Gunma
Ibaraki sales office	Ibaraki, Tochigi

● Taking into account the number of stores and sales results to end users in each region, we will plan to open stores one by one in the Tohoku, Koshinetsu, and Chukyo areas.

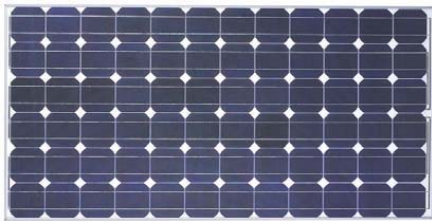
FY2010 : Solar Photovoltaic Power Generation System (Projection)

■ We changed and added product lines from September 2010

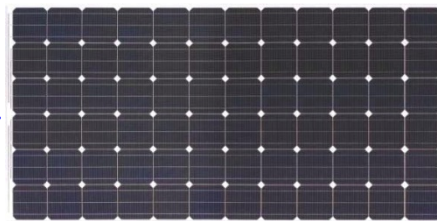
In addition to Solar Photovoltaic Power Generation Systems made by LS Industrial Systems Co., Ltd., we have started marketing the systems made by Hyundai Heavy Industries Co., Ltd. to improve power generation efficiency, LS Industrial Systems Co., Ltd. has revamped their products.

■ Product line up

LS Industrial Systems Co., Ltd.

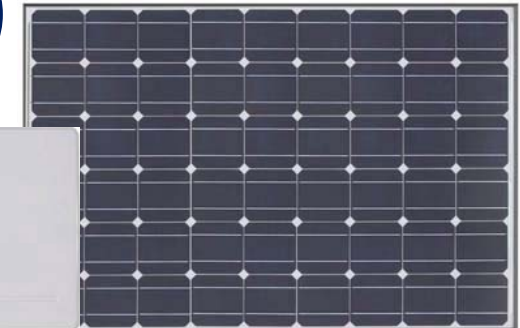


【Old type】
Nominal power
or Max power: 175W
Module efficiency: 14.2%



【New type】
Nominal power
or Max power : **188W**
Module efficiency : **15.2%**

Hyundai Heavy Industries Co., Ltd.



Size of module : 1,476mm × 983mm
Nominal power or Max power : 209W
Module efficiency : 14.4%

■ Establish new subsidiary to manufacture solar cell modules in Shanghai ,China

We will establish a wholly owned subsidiary for manufacturing solar cell modules in Shanghai, China. We aim to cope with demand from the home-use solar photovoltaic power generation system market in Japan that is expected to maintain high growth in the future thanks to Japanese government policies. (For detail, refer to the release on October 27)

FY 2010 : ES Division (Projection)

< Definite strategy >

■ The ES Division concentrated its resources on marketing to corporate customers, such as building and condominium management companies and deepening relationships with business partners.

■ Since the Company regards Kanto area, the largest market in Japan, as the forefront of new business development, it concentrates on the sales of solar power photovoltaic generation system.

Operating income is expected to remain the same as the initial budget, since selling, general and administrative expenses will increase in the Kanto Service Center. (For detail, refer to the release on October 27)

(Millions of Yen)	FY2009 Actual	FY2010 Revised Plan	FY2010 Previous Plan	Difference
Net Sales	2,547	2,805	2,570	+235
Gross Profit	1,037	1,050	1,030	+20
SGA	826	810	790	+20
Op. Income	211	240	240	—

● Net sales is expected to exceed the initial budget due to promoting sales of solar photovoltaic power generation system.

● Operating income is expected to remain the same as the initial budget, since SGA will increase in the Kanto Service Center.

FY 2010 : ERD Division (Projection)

< Definite strategy >

- In the Resource-Recycling Power Generation business, we will postpone the planned operation suspension in November, because we have achieved stable continuous operation due to additional repair works conducted during the regular maintenance.
- Regarding waste plastic processing, we will continue to focus on expanding the volume of waste plastic accepted and improving quality.
- Regarding organic waste water processing, we will concentrate on reducing costs because the volume of waste water accepted is expected to continue to decrease for a while.

(Million of Yen)	FY2009 Actual	FY2010 Revised Plan	FY2010 Previous Plan	Difference	
Net Sales	7,934	9,825	9,180	+645	● Sales will increase associated with strengthen sales activities.
Gross Profit	424	1,800	1,835	-35	● An increase in cost associated with efforts to improve the quality of fuel.
SGA	1,537	1,600	1,485	+114	● An increase in personnel costs associated with sales activities.
Op. Income	-1,112	200	350	-150	● Returning to profitability by absorbing accumulated loss for past two quarters.

FY 2010 : ERD Division (Projection)

■ Reasons for the difference between the budget and results of the 1st Half in the Resource-Recycling Power Generation Business

- During regular maintenance, cases of deterioration caused by aging were found. The Group extended the regular maintenance period and conducted additional repair works to secure stable operation. Consequently, earnings fell short of budget due to a decrease in operation days.
- Efforts to improve quality in waste plastic processing increased the final disposal expenses, reducing profitability.

Earnings are expected to recover by implementing the following measures.



● We will postpone the planned operation suspension in November, and expect profitability to improve due to stable continuous operation.

we will postpone the planned operation suspension in 2nd half because we extended the regular maintenance period in 1st quarter. The ratio of foreign materials to total waste plastic accepted has declined due to efforts to improve quality in waste plastic processing, resulting in an increase in volume of plastic used as fuels. Consequently, we have achieved stable continuous operation with high power output. Furthermore, we expect profitability to improve due to signing a new electricity sales contract with another purchaser.

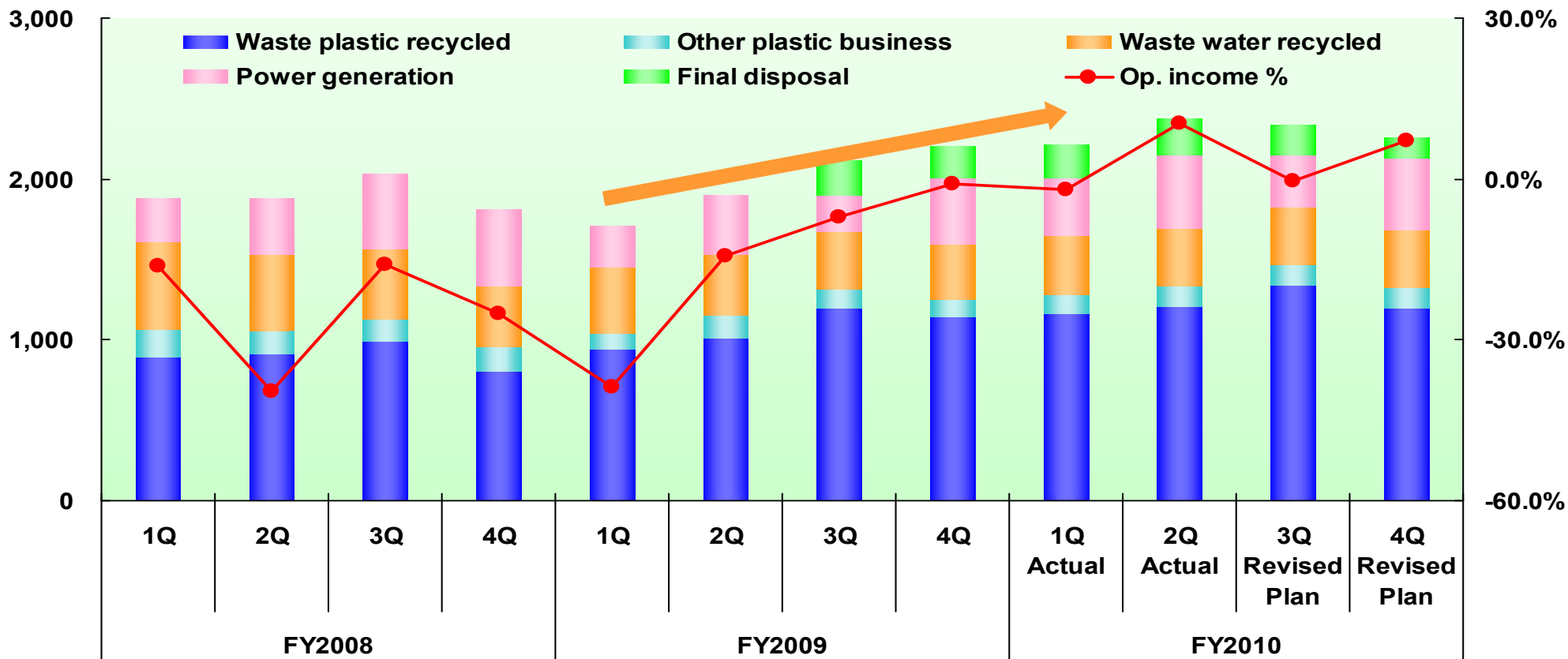
● Improving profitability by drastic efforts to improve quality in waste plastic processing

In waste plastic processing, the volume of waste plastic accepted increased steadily, but the final disposal expenses increased due to efforts to improve quality of fuels supplied to the Tomakomai Power Plant and outside customers. We expect the final disposal expenses to gradually decrease in the third quarter compared to the first six-month period of the current fiscal year, because we will provide suppliers of waste plastics with guidance in sorting waste plastic and limit the acceptance of waste plastic.

FY2010 : ERD Division

Net Sales by Product and Operating Income Margin

(Millions of Yen)

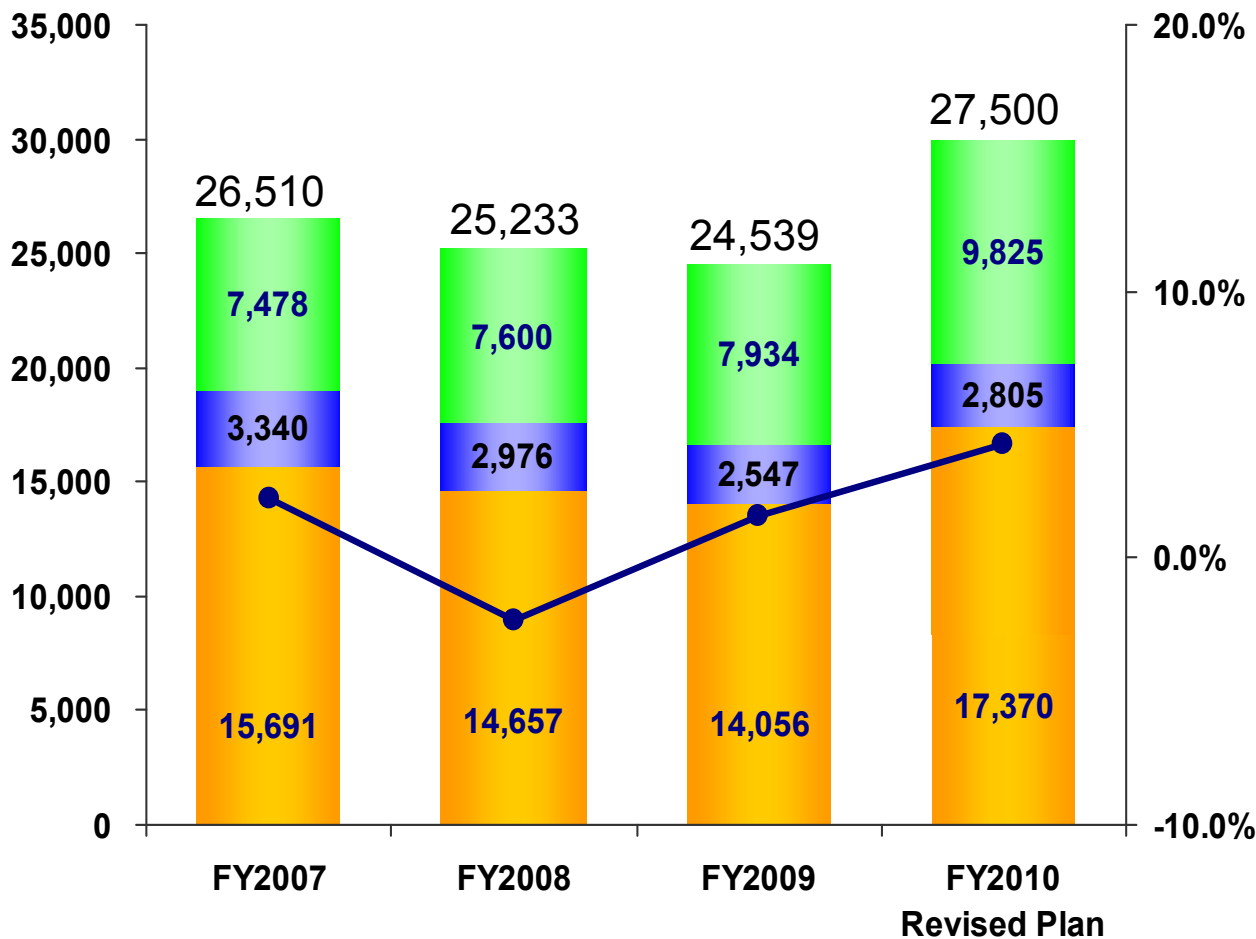


Recovery in the resource-recycling power generation business is expected to become more visible in the fiscal year ending March 2011, compared to the second half of the fiscal year ended March 2010. Profitability is forecast to improve.

FY2010 : Whole Group

Net Sales by Segment and Operating Income Margin

(Millions of Yen)



Forecast for FY2010

Net Sales : 30,000MY

Op. Income : 1,300MY

Op. Income % : 4.3%



【Reference】 Mid-term Business Plan “Spring Plan 2012”

(announced on April 22, 2010)

- Summary of the Business Strategy in the Mid-term Business Plan -

Concentrating our business resources in providing competitive services and goods to meet growing social needs regarding the environment.

Action

Completing establishing a business base by the final year of the mid-term plan for a full-fledged growth in the future.

(Millions of Yen)	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
	Actual	Actual	Actual	Projection	Projection	Projection
Net Sales	26,510	25,233	24,539	27,500	27,850	28,700
H S	15,691	14,657	14,056	15,750	15,380	15,470
E S	3,340	2,976	2,547	2,570	2,610	2,650
ERD	7,478	7,600	7,934	9,180	9,860	10,580
Op. Income	596	(596)	390	1,240	1,520	2,000
Op. Income %	2.2%	-2.4%	1.6%	4.5%	5.5%	7.0%
H S	4,176	3,470	3,365	2,700	2,350	2,160
E S	(201)	(89)	211	240	270	290
ERD	(1,269)	(1,818)	(1,112)	350	940	1,580
Group	(2,109)	(2,159)	(2,073)	(2,050)	(2,040)	(2,030)
Ordinary Income	495	(620)	224	1,150	1,500	2,000

【Reference】 Mid-term Business Plan “Spring Plan 2012”
 (announced on April 22, 2010)

(5) Summary of the Mid-term Business Plan

