



for Energy, for Environment

Photovoltaic Solution

Total Sanitation

Environmental Resources Development

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Consolidated Financial Statements  
For the Third Quarter ended December 31, 2017



for Energy, for Environment

Photovoltaic Solution  
Total Sanitation  
Environmental Resources Development

## 1. Financial Results for FY2017 3Q

Page. 3

## 2. Forecast for FY2017

Page.16

### 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.

### (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 “-”.



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# 1. Financial Results for FY2017 3Q

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## Consolidated Financial Results for FY2017 3Q

(Millions of Yen)

	FY2016 3Quarters	FY2017 3Quarters				
	Results	Results	Y o Y	Difference	Plan	Diff. from Plan
<b>Net Sales</b>	36,633	<b>36,571</b>	99.8%	-62	35,863	708
<b>Gross Profit</b>	10,482	<b>10,420</b>	99.4%	-62	9,981	439
(Gross Profit Margin)	28.6%	28.5%			27.8%	
<b>Operating Income</b>	674	<b>773</b>	114.6%	98	734	39
(Operating Income Margin)	1.8%	2.1%			2.0%	
<b>Ordinary Income</b>	452	<b>558</b>	123.3%	105	630	-71
(Ordinary Income Margin)	1.2%	1.5%			1.8%	
<b>Profit attributable to owners of parent</b>	51	<b>341</b>	662.7%	290	437	-95
(Net Income Margin)	0.1%	0.9%			1.2%	

Net sales in the SE Division decreased due to the shrinkage of the market for solar power generation. However, the appropriate distribution of personnel and other management resources as well as the strengthened marketing system, etc. resulted in an increase in the revenue of the HS and ES Divisions. The Environmental Resources Development Division also achieved increased sales based on the expansion of its new electric power business.

Consequently, the total net sales of the Group decreased 0.2% year on year, to ¥36,571 million.

Profit declined for the Environmental Resources Development Division, mainly reflecting a cost increase related to the statutory boiler inspections at the Tomakomai Power Plant. Profitability improved in the other three divisions, thanks primarily to reduced expenses as a result of management streamlining and the lower cost of materials. As a result, the overall financial results of the Group included operating income of ¥773 million (up 14.6% year on year), an ordinary profit of ¥558 million (up 23.3%), and net profit attributable to owners of parent of ¥341 million (up 562.7%).

# Results of each segment for FY2017 3Q

(Millions of Yen)

	FY2016 3Quarters		FY2017 3Quarters				
	Results	Prop.	Results	Prop.	Y o Y	Diff. from Plan	% for Plan
<b>Net Sales</b>	36,633		<b>36,571</b>		99.8%	708	
SE Division	18,597	50.8%	<b>12,846</b>	35.1%	69.1%	-835	38.2%
HS Division	4,941	13.5%	<b>6,765</b>	18.5%	136.9%	775	16.7%
ES Division	746	2.0%	<b>1,045</b>	2.9%	140.0%	129	2.6%
ERD Division	12,348	33.7%	<b>15,914</b>	43.5%	128.9%	639	42.6%
<b>Gross Profit</b>	10,482	28.6%	<b>10,420</b>	28.5%	99.4%	439	27.8%
<b>SG &amp; A</b>	9,808	26.8%	<b>9,646</b>	26.4%	98.4%	399	25.8%
<b>Operating Income</b>	674	1.8%	<b>773</b>	2.1%	114.6%	39	2.0%
SE Division	1,247	<u>6.7%</u>	<b>1,347</b>	<u>10.5%</u>	108.0%	-257	<u>11.7%</u>
HS Division	767	<u>15.5%</u>	<b>1,103</b>	<u>16.3%</u>	143.8%	262	<u>14.0%</u>
ES Division	55	<u>7.4%</u>	<b>130</b>	<u>12.5%</u>	236.2%	72	<u>6.3%</u>
ERD Division	678	<u>5.5%</u>	<b>502</b>	<u>3.2%</u>	74.0%	-42	<u>3.6%</u>
<b>Group</b>	(2,073)	—	<b>(2,310)</b>	—	—	4	—

•The underlined percentage indicate Operating Margin of each segment.

# 【Reference】 Quarterly Segment Information for FY2017

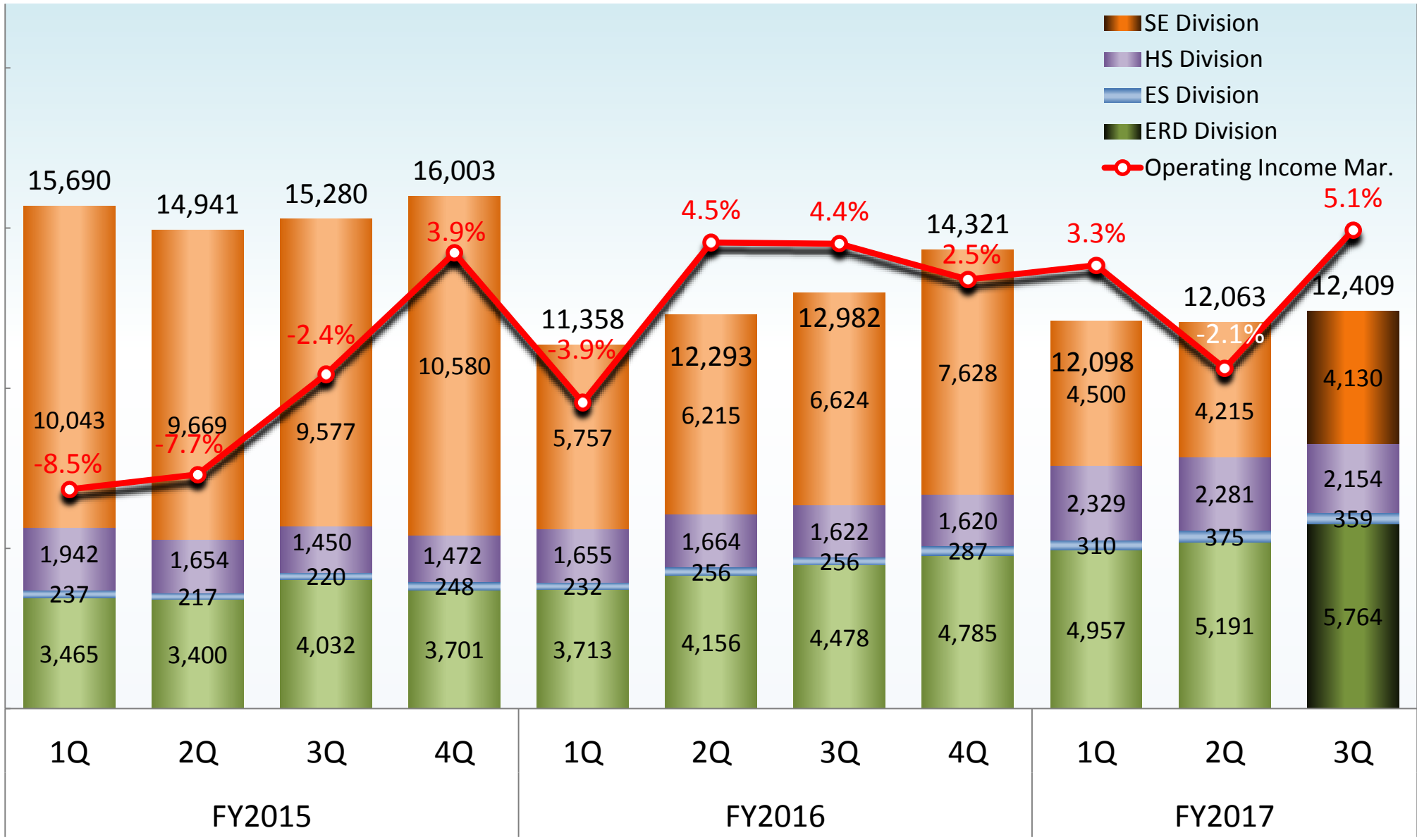
(Millions of Yen)

	FY2016		FY2017					
	4Q		1Q		2Q		3Q	
	Results	Prop.	Results	Prop.	Results	Prop.	Results	Prop.
<b>Net Sales</b>	14,321		12,098		12,063		<b>12,409</b>	
SE Division	7,628	53.3%	4,500	37.2%	4,215	34.9%	<b>4,130</b>	33.3%
HS Division	1,620	11.3%	2,329	19.3%	2,281	18.9%	<b>2,154</b>	17.4%
ES Division	287	2.0%	310	2.6%	375	3.1%	<b>359</b>	2.9%
ERD Division	4,785	33.4%	4,957	41.0%	5,191	43.0%	<b>5,764</b>	46.5%
<b>Gross Profit</b>	3,660	25.6%	3,722	30.8%	2,963	24.6%	<b>3,735</b>	30.1%
<b>SG &amp; A</b>	3,298	23.0%	3,325	27.5%	3,220	26.7%	<b>3,100</b>	25.0%
<b>Operating Income</b>	361	2.5%	396	3.3%	(257)	—	<b>634</b>	5.1%
SE Division	421	<u>5.5%</u>	442	<u>9.8%</u>	495	<u>11.8%</u>	<b>409</b>	<u>9.9%</u>
HS Division	212	<u>13.1%</u>	402	<u>17.3%</u>	347	<u>15.2%</u>	<b>353</b>	<u>16.4%</u>
ES Division	39	<u>13.7%</u>	40	<u>12.9%</u>	58	<u>15.6%</u>	<b>31</b>	<u>8.9%</u>
ERD Division	351	<u>7.3%</u>	338	<u>6.8%</u>	(395)	—	<b>559</b>	<u>9.7%</u>
<b>Group</b>	(662)	—	(826)	—	(763)	—	<b>(719)</b>	—

•The underlined percentage indicate Operating Margin of each segment.

# Quarterly Segment Information (Changes)

(Millions of Yen)



## Segment Information for FY2017 3Q ( SE Division )

(Millions of Yen)

	FY2016 3Quarters		FY2017 3Quarters				
	Results	Prop.	Results	Prop.	Difference	Plan	% for Plan
<b>Net Sales</b>	18,597		<b>12,846</b>		69.1%	13,682	
<b>Photovoltaic System</b>							
Direct Sales	17,177	92.4%	<b>11,858</b>	92.3%	69.0%	13,100	95.8%
Wholesale	1,338	7.2%	<b>816</b>	6.4%	61.0%	500	3.7%
<b>Others</b>	81	0.4%	<b>171</b>	1.3%	210.2%	81	0.6%
<b>Cost of Sales</b>	13,065	70.3%	<b>8,551</b>	66.6%	65.5%	9,218	67.4%
Material costs ※	9,064	48.7%	<b>5,533</b>	43.1%	61.0%	6,010	43.9%
Labor costs	1,759	9.5%	<b>1,125</b>	8.8%	64.0%	1,390	10.2%
<b>Gross Profit</b>	5,531	29.7%	<b>4,294</b>	33.4%	77.6%	4,464	32.6%
<b>SG &amp; A</b>	4,284	23.0%	<b>2,947</b>	22.9%	68.8%	2,859	20.9%
Personnel expenses	1,599	8.6%	<b>1,294</b>	10.1%	80.9%	1,172	8.6%
Other expenses	2,684	14.4%	<b>1,652</b>	12.9%	#REF!	1,686	12.3%
<b>Operating Income</b>	1,247	6.7%	<b>1,347</b>	10.5%	108.0%	1,605	11.7%

※ Material costs includes material costs and supply expenses.

While the Division focused on the maintenance business including the installation of incidental equipment following the legislative revisions for the Feed-In Tariffs (FIT), sales from the installation of PV systems declined 31.0% year on year due to a fall in the number of constructions and installations of PV systems, strongly affected by the contraction of the market size for commercial PV systems. As a consequence, the sales were ¥12,846 million (decreased 30.9% year on year).

Despite the significant fall in sales, operating income increased to ¥1,347 million (up 8.0% year on year) thanks to improved profitability as a result of cost reductions through management streamlining efforts, lower materials costs and lower labor expenses by implementing more appropriate labor force allocations.



# 【Reference】 Quarterly Segment Information ( SE Division )

(Millions of Yen)

	FY2016		FY2017					
	4Q		1Q		2Q		3Q	
	Results	Prop.	Results	Prop.	Results	Prop.	Results	Prop.
<b>Net Sales</b>	7,628		4,500		4,215		<b>4,130</b>	
<b>Cost of Sales</b>	5,736	75.2%	2,998	66.6%	2,738	65.0%	<b>2,813</b>	68.1%
<b>Material costs ※</b>	4,256	55.8%	1,901	42.3%	1,757	41.7%	<b>1,873</b>	45.4%
<b>Labor costs</b>	494	6.5%	403	9.0%	370	8.8%	<b>351</b>	8.5%
<b>Outsourcing costs</b>	445	5.8%	227	5.1%	196	4.7%	<b>174</b>	4.2%
<b>Other costs</b>	540	7.1%	465	10.4%	414	9.8%	<b>414</b>	10.0%
<b>Gross Profit</b>	1,891	24.8%	1,501	33.4%	1,476	35.0%	<b>1,316</b>	31.9%
<b>SG &amp; A</b>	1,469	19.3%	1,059	23.5%	980	23.3%	<b>906</b>	22.0%
<b>Personnel expenses</b>	594	7.8%	439	9.8%	430	10.2%	<b>424</b>	10.3%
<b>Other expenses</b>	874	11.5%	620	13.8%	550	13.1%	<b>481</b>	11.7%
<b>Operating Income</b>	421	5.5%	442	9.8%	495	11.8%	<b>409</b>	9.9%

※ Material costs includes material costs and supply expenses.

## Segment Information for FY2017 3Q ( HS Division )

(Millions of Yen)

	FY2016 3Quarters		FY2017 3Quarters				
	Results	Prop.	Results	Prop.	Y o Y	Plan	% for Plan
<b>Net Sales</b>	4,941		<b>6,765</b>		136.9%	5,990	
Termite Eradication Servic	1,703	34.5%	<b>1,970</b>	29.1%	115.7%	2,100	35.1%
Under-Floor/Roof Ventilation System	669	13.5%	<b>946</b>	14.0%	141.5%	769	12.8%
Foundation Repairing Home Reinforcement System	437	8.9%	<b>1,428</b>	21.1%	326.4%	800	13.4%
Others	2,130	43.1%	<b>2,419</b>	35.8%	113.5%	2,320	38.7%
<b>Costs of Sales</b>	2,440	49.4%	<b>3,039</b>	44.9%	124.5%	2,865	47.8%
Labor costs	712	14.4%	<b>903</b>	13.4%	126.9%	706	11.8%
<b>Gross Profit</b>	2,501	50.6%	<b>3,726</b>	55.1%	149.0%	3,125	52.2%
<b>SG &amp; A</b>	1,733	35.1%	<b>2,622</b>	38.8%	151.3%	2,284	38.1%
Personnel expenses	1,213	24.6%	<b>1,660</b>	24.5%	136.8%	1,576	26.3%
<b>Operating Income</b>	767	15.5%	<b>1,103</b>	16.3%	143.8%	841	14.0%

As a result of focusing on the strengthening and enhancement of the marketing and customer management systems by increasing the number of employees through personnel transfers from the SE Division for the purpose of growing the business size of the HS Division, sales of termite eradication services increased 15.7% year on year, and sales of under-roof and roof ventilation systems were up 41.5% year on year. Sales of foundation repair and home reinforcement services rose 226.4% year on year. As a result, the sales were ¥6,765 million (increased 36.9% year on year).

Operating income rose 43.8% year on year, to ¥1,103 million, thanks to the significant rise in segment sales, which offset an increase in fixed costs mainly due to the additional employees.

# [Reference] Changes of Profitability of SE / HS Division

## ■ Changes of SE Division

	FY2016		FY2017			
	Results		Results			Plan
	1 <sup>st</sup> . Half	2 <sup>nd</sup> . Half	1 <sup>st</sup> . Half	3Q	3Quarters	3Quarters
Marginal Profit Ratio (%)	42.8	45.9	48.8	46.3	48.0	48.4
Average Monthly Fixed Cost (Million Yen per month)	788	746	551	499	534	557
Breakeven Sales Volume (Million Yen per month)	1,844	1,625	1,130	1,078	1,113	1,151

\* The results for the 2<sup>nd</sup>. Half of FY2016 does not include the loss from inventory revaluation of ¥777 million that is included in material costs.

## ■ Changes of HS Division

	FY2016		FY2017			
	Results		Results			Plan
	1 <sup>st</sup> . Half	2 <sup>nd</sup> . Half	1 <sup>st</sup> . Half	3Q	3Quarters	3Quarters
Marginal Profit Ratio (%)	68.3	67.6	70.8	73.2	71.6	67.4
Average Monthly Fixed Cost (Million Yen per month)	290	287	405	403	405	350
Breakeven Sales Volume (Million Yen per month)	425	425	573	551	565	519

\* A marginal profit ratio is shown as profit ratio which is subtracted variable cost such as material, outsourcing costs.

\* Breakeven Sales Volume...Fixed Cost / Marginal profit ratio

## Segment Information for FY2017 3Q ( ES Division )

(Millions of Yen)

	FY2016 3Quarters		FY2017 3Quarters				
	Results	Prop.	Results	Prop.	Y o Y	Plan	% for Plan
<b>Net Sales</b>	746		<b>1,045</b>		140.0%	916	
<b>Cost of Sales</b>	455	61.1%	<b>551</b>	52.8%	121.1%	571	62.3%
<b>Labor costs</b>	118	15.9%	<b>133</b>	12.8%	112.6%	133	14.5%
<b>Gross Profit</b>	290	38.9%	<b>493</b>	47.2%	169.8%	345	37.7%
<b>SG &amp; A</b>	235	31.5%	<b>362</b>	34.7%	154.2%	287	31.3%
<b>Personnel expenses</b>	143	19.2%	<b>226</b>	21.6%	157.8%	178	19.5%
<b>Operating Income</b>	55	7.4%	<b>130</b>	12.5%	236.2%	58	6.3%

Sales of anti-rust equipment installation (Brand name: Daelman Shock), the key product and service, increased 336.8% year on year as a result of focusing on products for the maintenance of buildings and condominiums and strengthening the marketing system by increasing the number of employees through personnel transfers from the SE Division for the purpose of expanding the size of the ES Division. As a result, net sales were ¥1,045 million (increased 40.0% year on year).

Operating income climbed to ¥130 million (an increase of 136.2% year on year), reflecting the strong growth of segment sales, which offset an increase in fixed costs mainly due to the additional employees.

## Segment Information for FY2017 3Q ( ERD Division )

(Millions of Yen)

	FY2016 3Quarters		FY2017 3Quarters				
	Results	Prop.	Results	Prop.	Y o Y	Plan	% for Plan
<b>Net Sales</b>	12,348		<b>15,914</b>		128.9%	15,275	
<b>Plastic Fuels</b>	5,403	43.8%	<b>5,712</b>	35.9%	105.7%	5,584	36.6%
<b>Power Generation</b>	4,489	36.4%	<b>7,830</b>	49.2%	174.4%	7,377	48.3%
Power Producer and Supplier	1,708	13.8%	<b>5,259</b>	33.0%	307.9%	4,609	30.2%
<b>Organic Waste Water</b>	1,345	10.9%	<b>1,332</b>	8.4%	99.0%	1,320	8.6%
<b>Final Disposal</b>	534	4.3%	<b>519</b>	3.3%	97.3%	453	3.0%
<b>Others</b>	576	4.7%	<b>518</b>	3.3%	90.0%	540	3.5%
<b>Cost of Sales</b>	10,189	82.5%	<b>14,008</b>	88.0%	137.5%	13,228	86.6%
<b>Gross Profit</b>	2,159	17.5%	<b>1,905</b>	12.0%	88.3%	2,047	13.4%
<b>SG &amp; A</b>	1,481	12.0%	<b>1,403</b>	8.8%	94.8%	1,502	9.8%
<b>Operating Income</b>	678	5.5%	<b>502</b>	3.2%	74.0%	545	3.6%

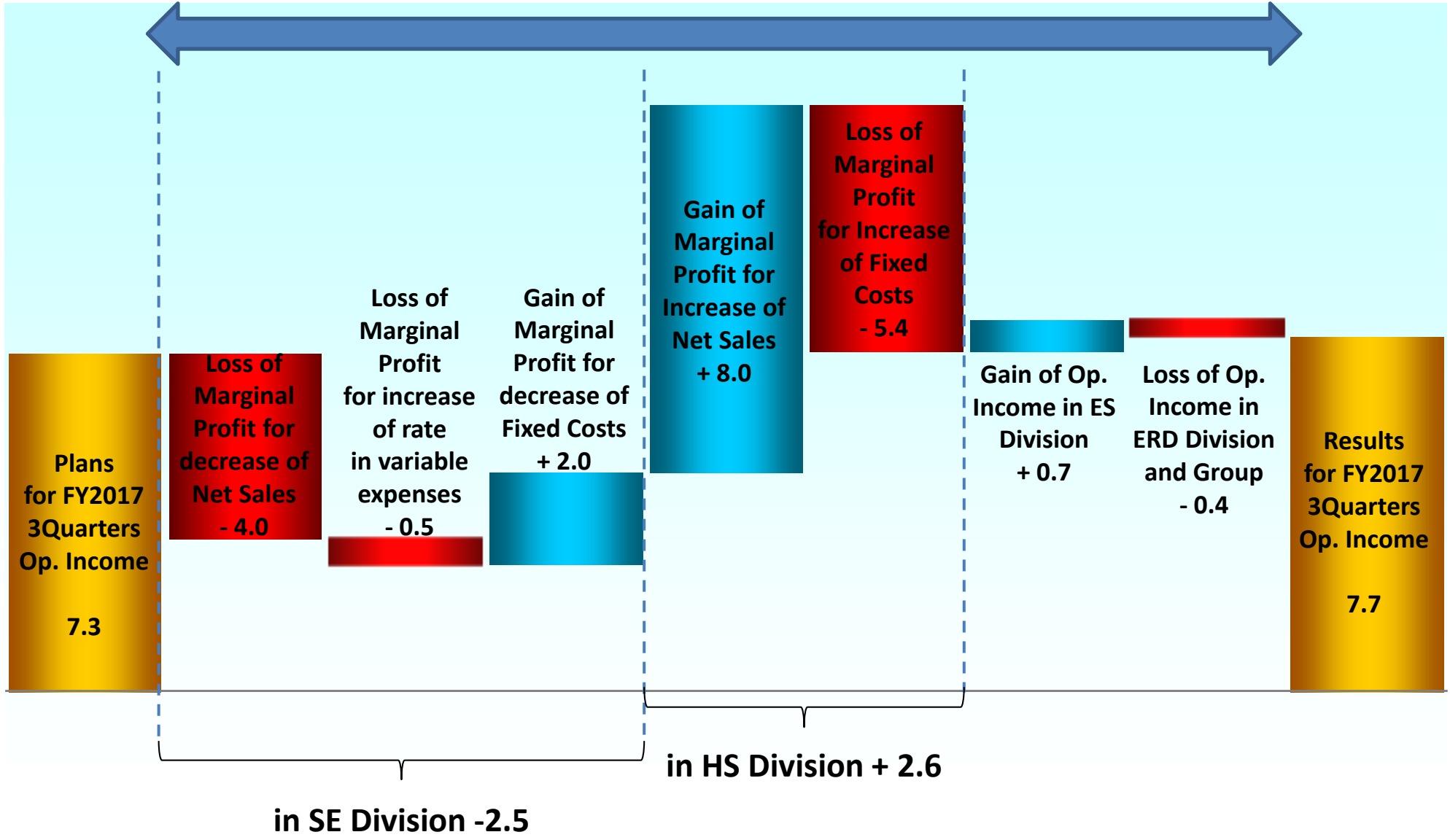
Sales of plastic fuel increased 5.7% year on year, mainly due to the improved unit prices of waste plastic collected. Electricity sales grew 74.4% year on year, due primarily to an increase in electric energy suppliers in the new electric power business. As a consequence, the sales were ¥15,914 million (increased 28.9% year on year).

Operating income was ¥502 million (down 26.0% year on year) due mainly to an increase in expenses for statutory boiler inspections at the Tomakomai Power Plant, which take place every two years.

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

**+ 0.4**

(Hundred Millions of Yen)



# Segment Information of the Progress for FY2017 3Q

(Millions of Yen)

	FY2016			FY2017		
	Results		Progress	Plan	Results	Progress
	Full Year	3Quarters		Full Year	3Quarters	
<b>Net Sales</b>	50,955	36,633	71.9%	47,680	36,571	<b>76.7%</b>
SE Division	26,225	18,597	70.9%	18,153	12,846	<b>70.8%</b>
HS Division	6,562	4,941	75.3%	7,857	6,765	<b>86.1%</b>
ES Division	1,033	746	72.2%	1,269	1,045	<b>82.4%</b>
ERD Division	17,133	12,348	72.1%	20,401	15,914	<b>78.0%</b>
<b>Gross Profit</b>	14,142	10,482	74.1%	13,440	10,420	<b>77.5%</b>
<b>SG &amp; A</b>	13,106	9,808	74.8%	12,230	9,646	<b>78.9%</b>
<b>Operating Income</b>	1,036	674	65.1%	1,210	773	<b>63.9%</b>
SE Division	1,669	1,247	74.7%	2,127	1,347	<b>63.4%</b>
HS Division	979	767	78.3%	1,038	1,103	<b>106.3%</b>
ES Division	94	55	58.3%	99	130	<b>131.9%</b>
ERD Division	1,029	678	65.9%	940	502	<b>53.4%</b>
<b>Group</b>	(2,735)	(2,073)	—	(2,994)	(2,310)	—



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## **2. Forecast for FY2017**

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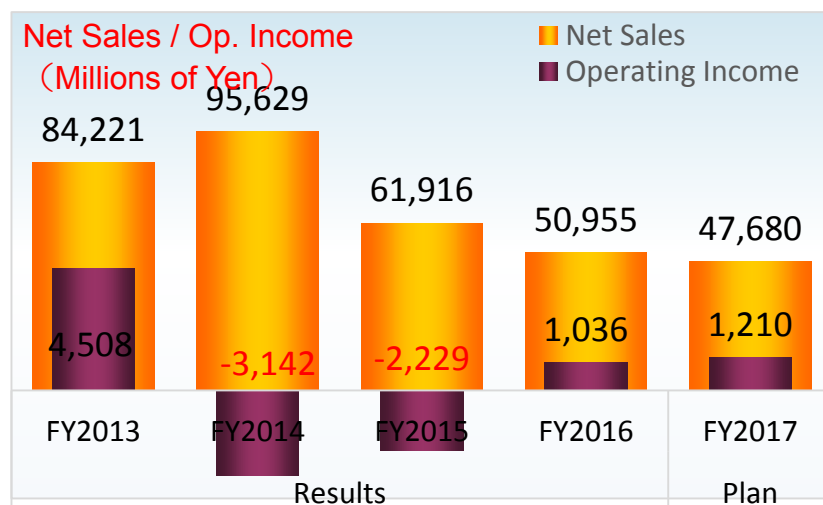


# Consolidated Financial Forecast for FY2017

There is no change from the forecast announced on May 11, 2017

(Millions of Yen)

	FY2016	FY2017		
	Results	Plan	Y o Y	Difference
<b>Net Sales</b>	50,955	<b>47,680</b>	93.6%	-3,275
<b>Gross Profit</b>	14,142	<b>13,440</b>	95.0%	-702
(Gross Profit Margin)	27.8%	<b>28.2%</b>		
<b>Operating Income</b>	1,036	<b>1,210</b>	116.7%	173
(Operating Income Margin)	2.0%	<b>2.5%</b>		
<b>Ordinary Income</b>	907	<b>1,090</b>	120.2%	182
(Ordinary Income Margin)	1.8%	<b>2.3%</b>		
<b>Profit attributable to owners of parent</b>	416	<b>810</b>	194.7%	393
(Net Income Margin)	0.8%	<b>1.7%</b>		



There is no change in the forecast of consolidated business results for the current fiscal year ending March 31, 2018, from the forecasts announced on May 11, 2017.

During the fiscal year under review, which constitutes the second year of the medium-term business plan, the Group will work to stabilize revenue from the four businesses by implementing appropriate reorganization and inter-divisional personnel transfers and maintaining a sustainable surplus and continuous growth in order to further strengthen the business structure by responding to the business environment in the solar power business.

# Segment Forecasts for FY2017

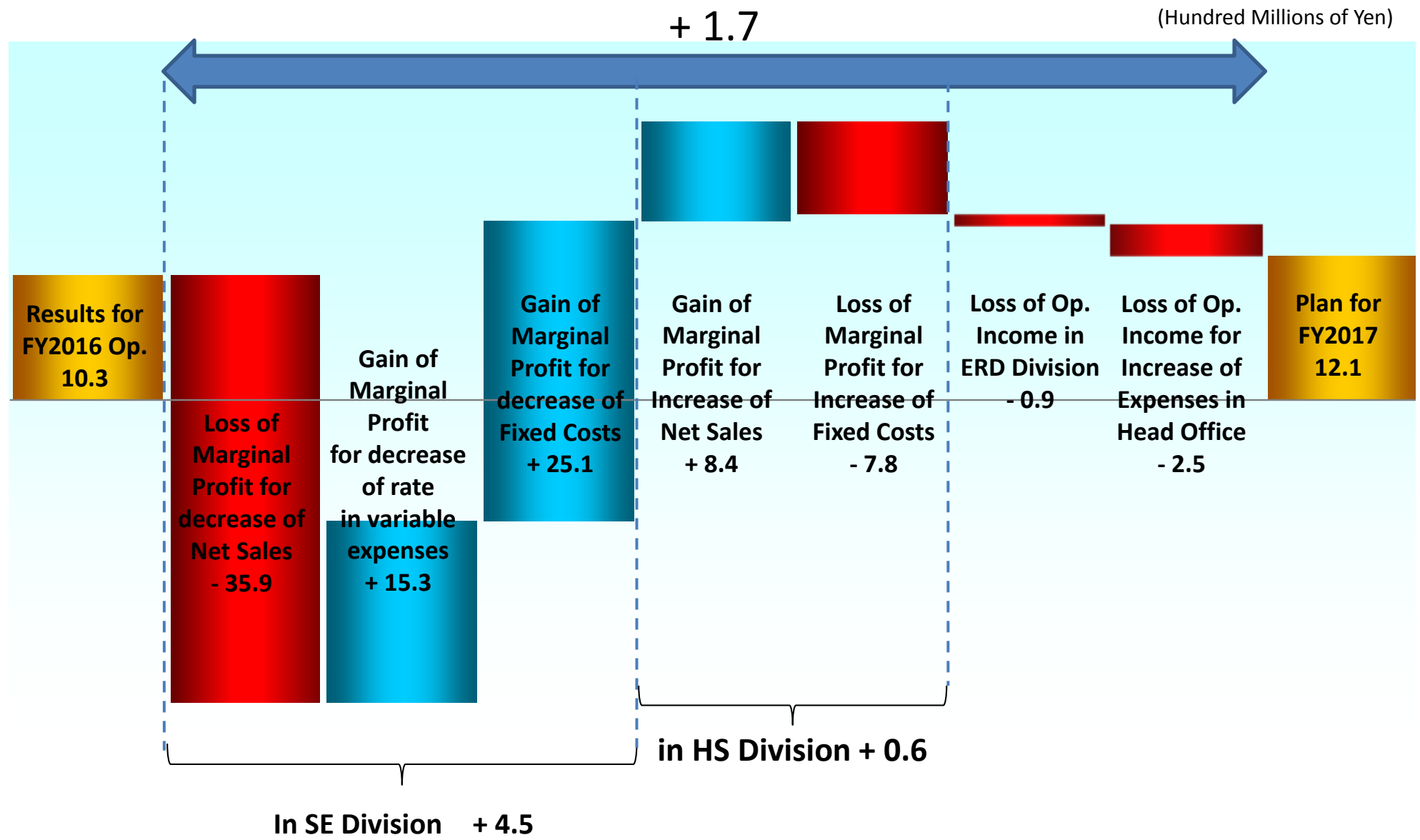
There is no change from the forecast announced on May 11, 2017

(Millions of Yen)

	FY2016		FY2017			
	Results	Prop.	Plan	Prop.	Y o Y	Difference
<b>Net Sales</b>	50,955		<b>47,680</b>		93.6%	-3,275
SE Division	26,225	51.5%	<b>18,153</b>	38.1%	69.2%	-8,072
HS Division	6,562	12.9%	<b>7,857</b>	16.5%	119.7%	1,294
ES Division	1,033	2.0%	<b>1,269</b>	2.7%	122.7%	235
ERD Division	17,133	33.6%	<b>20,401</b>	42.8%	119.1%	3,267
<b>Gross Profit</b>	14,142	27.8%	<b>13,440</b>	28.2%	95.0%	-702
<b>SG &amp; A</b>	13,106	25.7%	<b>12,230</b>	25.7%	93.3%	-876
<b>Operating Income</b>	1,036	2.0%	<b>1,210</b>	2.5%	116.7%	173
SE Division	1,669	<u>6.4%</u>	<b>2,127</b>	<u>11.7%</u>	127.4%	457
HS Division	979	<u>14.9%</u>	<b>1,038</b>	<u>13.2%</u>	106.0%	58
ES Division	94	<u>9.2%</u>	<b>99</b>	<u>7.8%</u>	104.4%	4
ERD Division	1,029	<u>6.0%</u>	<b>940</b>	<u>4.6%</u>	91.3%	-89
Group	(2,735)	—	<b>(2,994)</b>	—	—	-258
<b>Ordinary Income</b>	907	1.8%	<b>1,090</b>	2.3%	120.2%	182
<b>Profit attributable to owners of parent</b>	416	0.8%	<b>810</b>	1.7%	194.7%	393

•The underlined percentage indicate Operating Margin of each segment.

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



# Challenges and Progress for FY2017

## Challenges

### SE Division

- Establishment of an appropriate system for the market contraction
- Response to changes in the market environment upon the revision of laws and regulations

### HS Division

- Establishment of the management system for controlling the decrease of existing customers
- Increase of menus for proposals to customers by introducing new products

### ES Division

- Expansion and strengthening of alliances to increase transactions through introduction
- Strengthening of the sales activity of Rustproof instrument

### ERD Division

- Recovery of a portion of the decreased collection volume due to a rise in unit prices for collection
- Efficient operation of power plants
- Improvement of profitability of PPS business

### Head Office

- Strengthening of cooperation among departments
- Strengthening and improvement of the department in charge of planning for future growth

## Progress

- We have finally started to see some progress in the projects for which we applied for approval in the current fiscal year. However, we have not been able to offset the delay caused by the late administrative approval following the legislative revisions.
- There has been a slight increase in the unit prices of solar panels, influenced by supply-demand balance adjustment in China, but it is expected to slightly decline in the future since the adjustment period was over.

- Some positive results were achieved in the recovery of existing customers as a result of improved customer management.
- Going forward, we will focus on efforts to acquire new customers and expand our customer base.

- Improved customer management due to additional employees resulted in increased sales of anti-rust equipment.
- The Group has been establishing alliances mostly with building and condominium management companies, and will increase these business ties as the foundation for future sales.

- The unit prices of waste plastic collected have been improving, but the volume has yet to reach the level before the rise of unit prices.
- For the new electric power business, the Group has achieved a recovery in profitability, reflecting constant growth in the amount supplied and the number of customers with further stability achieved for power sources.

- Implement cost reduction measures for both the short term and the medium to long term by launching a cross-organizational cost reduction project.



# Segment Forecasts for FY2017 (SE Division)

There is no change from the forecast announced on May 11, 2017

(Millions of Yen)

	FY2016		FY2017			
	Results	Prop.	Plan	Prop.	Y o Y	Difference
<b>Net Sales</b>	26,225		<b>18,153</b>		69.2%	-8,072
<b>Photovoltaic System</b>						
Direct sales	24,228	92.4%	<b>17,400</b>	95.9%	71.8%	-6,828
Wholesales	1,889	7.2%	<b>650</b>	3.6%	34.4%	-1,239
<b>Others</b>	107	0.4%	<b>102</b>	0.6%	95.3%	-5
<b>Cost of Sales</b>	18,802	71.7%	<b>12,207</b>	67.2%	64.9%	-6,595
Material costs ※	13,320	50.8%	<b>7,954</b>	43.8%	59.7%	-5,366
Labor costs	2,253	8.6%	<b>1,854</b>	10.2%	82.3%	-399
<b>Gross Profit</b>	7,423	28.3%	<b>5,946</b>	32.8%	80.1%	-1,477
<b>SG &amp; A</b>	5,754	21.9%	<b>3,819</b>	21.0%	66.4%	-1,935
Personnel expenses	2,194	8.4%	<b>1,579</b>	8.7%	72.0%	-614
Other expenses	3,559	13.6%	<b>2,239</b>	12.3%	62.9%	-1,320
<b>Operating Income</b>	1,669	6.4%	<b>2,127</b>	11.7%	127.4%	457

※ Material costs includes material costs and supply expenses.

Business in the SE Division is expected to become normalized in the fourth quarter, as the Group is beginning to see some progress in projects that were prolonged by unexpected delays in the administrative approval procedures for new business plans under the revised FIT policy.

The Group aims to achieve the full-year targets for profits through further reductions in costs related to raw materials as well as the reduced labor expenses based on the review of personnel placements, with a thorough review of opportunities to reduce other fixed costs.

# Segment Forecasts for FY2017 (HS Division)

There is no change from the forecast announced on May 11, 2017

(Millions of Yen)

	FY2016		FY2017			
	Results	Prop.	Plan	Prop.	Y o Y	Difference
<b>Net Sales</b>	6,562		<b>7,857</b>		119.7%	1,294
Termite Eradication Service	2,159	32.9%	<b>2,652</b>	33.8%	122.8%	492
Under-Floor/Roof Ventilation System	854	13.0%	<b>1,001</b>	12.8%	117.2%	147
Foundation Repairing/Home Reinforcement System	582	8.9%	<b>1,119</b>	14.3%	192.2%	537
Others	2,965	45.2%	<b>3,083</b>	39.2%	104.0%	117
<b>Cost of Sales</b>	3,276	49.9%	<b>3,790</b>	48.2%	115.7%	513
Labor costs	950	14.5%	<b>947</b>	12.1%	99.7%	-3
<b>Gross Profit</b>	3,285	50.1%	<b>4,067</b>	51.8%	123.8%	781
<b>SG &amp; A</b>	2,306	35.1%	<b>3,029</b>	38.6%	131.3%	722
Personnel expenses	1,603	24.4%	<b>2,101</b>	26.7%	131.0%	497
<b>Operating Income</b>	979	14.9%	<b>1,038</b>	13.2%	106.0%	58

During the quarter, the HS Division saw an improvement in the management of existing customers using the additional employees transferred from the SE Division. The Division will remain committed to achieving the full-year target ahead of schedule by intensifying efforts to develop new customers, while continuing with its current efforts in pursuit of a more extensive customer base.

While having already achieved its full-year target for profit, the Division aims to make a further profit on the strength of higher growth in sales absorbing an increase in labor expenses etc.

# 【Reference】 Changes of Profitability of SE / HS Division

## ■ Changes of SE Division

	FY2016			FY2017	
	Results			Results	Plan
	1 <sup>st</sup> . Half	2 <sup>nd</sup> . Half	Full Year	1 <sup>st</sup> . Half	Full Year
Marginal Profit Ratio (%)	42.8	45.9	44.5	48.8	48.6
Average Monthly Fixed Cost (Million Yen per month)	788	746	767	551	558
Breakeven Sales Volume (Million Yen per month)	1,844	1,625	1,726	1,130	1,148

\* The results for the 2<sup>nd</sup>. Half and Full Year of FY2016 does not include the loss from inventory revaluation of ¥777 million that is included in material costs.

## ■ Changes of HS Division

	FY2016			FY2017	
	Results			Results	Plan
	1 <sup>st</sup> . Half	2 <sup>nd</sup> . Half	Full Year	1 <sup>st</sup> . Half	Full Year
Marginal Profit Ratio (%)	68.3	67.6	67.9	70.8	67.4
Average Monthly Fixed Cost (Million Yen per month)	290	287	288	405	350
Breakeven Sales Volume (Million Yen per month)	425	425	425	573	520

\* A marginal profit ratio is shown as profit ratio which is subtracted variable cost such as material, outsourcing costs.

\* Breakeven Sales Volume...Fixed Cost / Marginal profit ratio

# Segment Forecasts for FY2017 (ES Division)

There is no change from the forecast announced on May 11, 2017

(Millions of Yen)

	FY2016		FY2017			
	Results	Prop.	Plan	Prop.	Y o Y	Difference
<b>Net Sales</b>	1,033		<b>1,269</b>		122.7%	235
<b>Costs of Sales</b>	623	60.3%	<b>784</b>	61.8%	125.8%	160
<b>Labor costs</b>	156	15.1%	<b>178</b>	14.0%	113.9%	21
<b>Gross Profit</b>	410	39.7%	<b>485</b>	38.2%	118.1%	74
<b>SG &amp; A</b>	315	30.6%	<b>386</b>	30.4%	122.2%	70
<b>Personnel expenses</b>	195	18.9%	<b>239</b>	18.9%	122.1%	43
<b>Operating Income</b>	94	9.2%	<b>99</b>	7.8%	104.4%	4

The ES Division aims to achieve the full-year target ahead of schedule and seek further expansion in the customer base in the coming years by intensifying alliances with management companies for buildings and condominiums, etc., acquiring new customers, and improving the post-sale service system for existing customers.

While having already achieved its full-year target for profit, the Division aims to make a further profit on the strength of higher growth in sales absorbing an increase in labor expenses etc.



# Segment Forecasts for FY2017 (ERD Division)

There is no change from the forecast announced on May 11, 2017

(Millions of Yen)

	FY2016		FY2017			
	Results	Prop.	Plan	Prop.	Y o Y	Difference
<b>Net Sales</b>	17,133		<b>20,401</b>		119.1%	3,267
<b>Plastic Fuels</b>	7,139	41.7%	<b>7,361</b>	36.1%	103.1%	222
<b>Power Generation</b>	6,806	39.7%	<b>10,045</b>	49.2%	147.6%	3,238
Power Producer and Supplier	2,925	17.1%	<b>6,223</b>	30.5%	212.7%	3,297
<b>Organic Waste Water</b>	1,768	10.3%	<b>1,743</b>	8.5%	98.5%	-25
<b>Final Disposal</b>	648	3.8%	<b>547</b>	2.7%	84.4%	-101
<b>Others</b>	770	4.5%	<b>704</b>	3.5%	91.4%	-66
<b>Cost of Sales</b>	14,110	82.4%	<b>17,459</b>	85.6%	123.7%	3,348
<b>Gross Profit</b>	3,023	17.6%	<b>2,942</b>	14.4%	97.3%	-81
<b>SG &amp; A</b>	1,994	11.6%	<b>2,002</b>	9.8%	100.4%	7
<b>Operating Income</b>	1,029	6.0%	<b>940</b>	4.6%	91.3%	-89

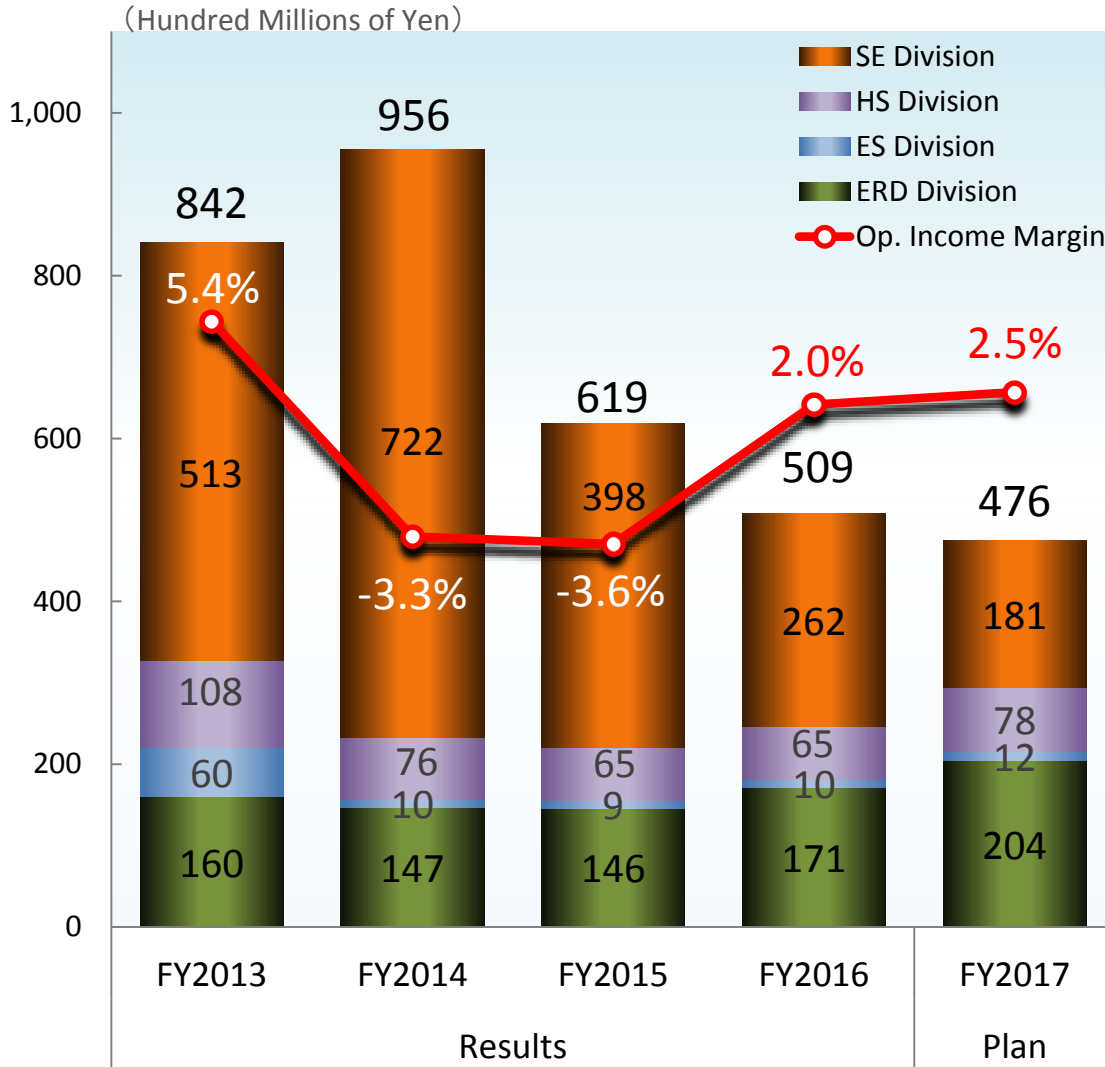
The Environmental Resources Development Division is expected to perform better than expected in terms of revenue, reflecting an increase in revenue from the new electric power business.

In terms of profit, the Division recorded an operating loss mainly due to the implementation of statutory inspections at the Tomakomai Power Plant in the first half. The Division aims to achieve its full-year targets by progressing measures such as improved profitability by revising the unit price of waste plastic collected and the reduction of costs such as disposal expenses.

# Consolidated Financial Forecast for FY2017(Changes)

There is no change from the forecast announced on May 11, 2017

## Forecasts of Net Sales and Operating Income Margin of each segment for FY2017



### Forecasts for FY2017

**Net Sales : ¥47,680million**

**Op. Income : ¥1,210million**

**Op. Income Mar. : 2.5%**

· Figures for FY2013, SE Div. indicates the results of former CPS division, and HS ad ES include the Sales of PV system.