



for Energy, for Environment

Photovoltaic Solution

Total Sanitation

Environmental Resources Development

Financial Results Briefing For FY2017



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Environmental Resources Development

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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:

changes in economic changes of the Feed-in-Tariff (FIT) scheme for renewable energy and changes of the utility company's policy for installation of renewable energy, 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

Consolidated Financial Results for FY2017

(Millions of Yen)

	FY2016	FY 2017				
	Results	Results	Y o Y	Difference	Plan	to Plan
Net Sales	50,955	49,993	98.1%	- 961	47,680	+ 2,313
Gross Profit	14,142	14,044	99.3%	- 97	13,440	+ 604
Gross Profit Margin	27.8%	28.1%			28.2%	
Operating Income	1,036	1,246	120.2%	+ 209	1,210	+ 36
Operating Income Margin	2.0%	2.5%			2.5%	
Ordinary Income	907	1,019	112.4%	+ 112	1,090	- 70
Ordinary Income Margin	1.8%	2.0%			2.3%	
Profit attributable to owners of parent	416	1,180	283.6%	+ 763	810	+ 370
Net Income Margin	0.8%	2.4%			1.7%	

Sales increased in the HS Business Division and the ES Business Division, where the sales structure was reinforced due to an appropriate personnel allocation, and sales also increased in the Environmental Resources Development Business Division due to the Power Producer and Supplier business. Meanwhile, the impact of the contraction of the solar electric power market was not averted, and therefore sales in the SE Division declined. As a consequence, the net sales of the entire Group were ¥49,993 million (down 1.9% year on year).

There was a significant increase in profit in the HS Division and the ES Division and a significant fall in selling, general and administrative expenses with advanced cost reductions as a result of management rationalization initiatives, meaning that operating income and each income type below turned positive. As a consequence, for the whole Group, operating income was ¥1,246 million (up 20.2% year on year) and ordinary income was ¥1,019 million (up 12.4% year on year). After a study of the recoverability of its deferred tax assets, the Group recorded deferred tax assets. Consequently, the Group posted net income attributable to the owners of the parent company of ¥1,180 million (up 183.6% year on year).

Results of each segment for FY2017

(Millions of Yen)

	FY2016		FY2017				
	Results	Prop.	Results	Prop.	Y o Y	Difference	% to Plan
Net sales	50,955		49,993		98.1%	+ 2,313	
SE Division	26,225	51.5%	17,870	35.7%	68.1%	- 282	38.1%
HS Division	6,562	12.9%	8,922	17.8%	136.0%	+ 1,065	16.5%
ES Division	1,033	2.0%	1,444	2.9%	139.7%	+ 175	2.7%
ERD Division	17,133	33.6%	21,755	43.5%	127.0%	+ 1,354	42.8%
Gross Profit	14,142	27.8%	14,044	28.1%	99.3%	+ 604	28.2%
SG & A	13,106	25.7%	12,798	25.6%	97.7%	+ 568	25.7%
Operating Income	1,036	2.0%	1,246	2.5%	120.2%	+ 36	2.5%
SE Division	1,669	<u>6.4%</u>	1,668	<u>9.3%</u>	100.0%	- 458	<u>11.7%</u>
HS Division	979	<u>14.9%</u>	1,471	<u>16.5%</u>	150.3%	+ 433	<u>13.2%</u>
ES Division	94	<u>9.2%</u>	179	<u>12.5%</u>	189.8%	+ 80	<u>7.8%</u>
ERD Division	1,029	<u>6.0%</u>	972	<u>4.5%</u>	94.4%	+ 32	<u>4.6%</u>
Group	(2,735)	—	(3,045)	—	—	- 51	—

* The underlined percentage indicate Operating Margin of each segment.

Quarterly Results of each Segment for FY2017

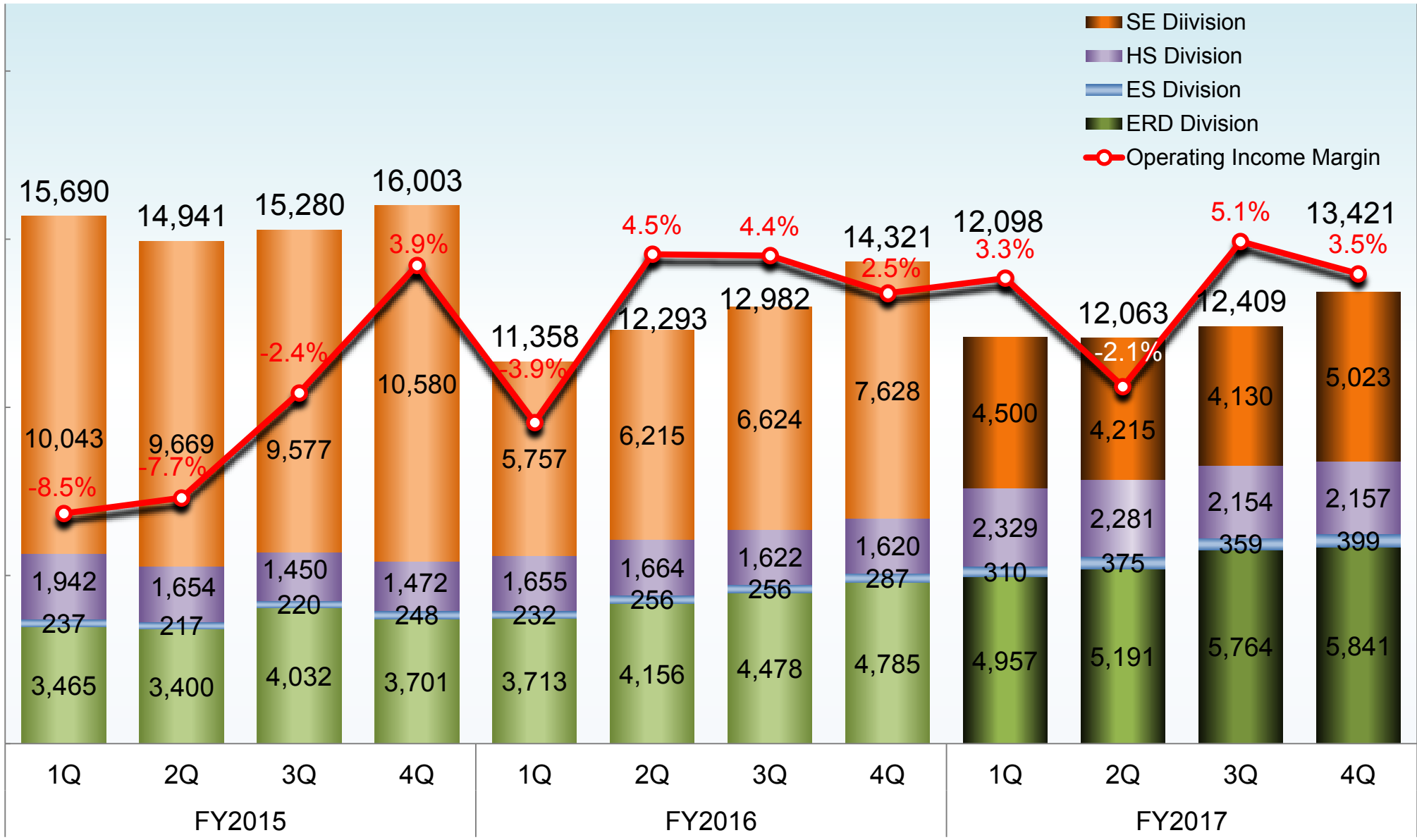
(Millions of Yen)

	FY2017							
	1Q		2Q		3Q		4Q	
	Results	Prop.	Results	Prop.	Results	Prop.	Results	Prop.
Net Sales	12,098		12,063		12,409		13,421	
SE Division	4,500	37.2%	4,215	34.9%	4,130	33.3%	5,023	37.4%
HS Division	2,329	19.3%	2,281	18.9%	2,154	17.4%	2,157	16.1%
ES Division	310	2.6%	375	3.1%	359	2.9%	399	3.0%
ERD Division	4,957	41.0%	5,191	43.0%	5,764	46.5%	5,841	43.5%
Gross Profit	3,722	30.8%	2,963	24.6%	3,735	30.1%	3,624	27.0%
SG & A	3,325	27.5%	3,220	26.7%	3,100	25.0%	3,151	23.5%
Operating Income	396	3.3%	(257)	—	634	5.1%	473	3.5%
SE Division	442	<u>9.8%</u>	495	<u>11.8%</u>	409	<u>9.9%</u>	321	<u>6.4%</u>
HS Division	402	<u>17.3%</u>	347	<u>15.2%</u>	353	<u>16.4%</u>	367	<u>17.1%</u>
ES Division	40	<u>12.9%</u>	58	<u>15.6%</u>	31	<u>8.9%</u>	49	<u>12.4%</u>
ERD Division	338	<u>6.8%</u>	(395)	—	559	<u>9.7%</u>	470	<u>8.0%</u>
Group	(826)	—	(763)	—	(719)	—	(735)	—

* The underlined percentage indicate Operating Margin of each segment.

Quarterly Segment Information (changes)

(Millions of Yen)



Challenges and Progress and Results for FY2017

Challenges		Progress and Results
SE Division	<ul style="list-style-type: none"> Establishment of an appropriate system for the market contraction Response to changes in the market environment upon the revision of laws and regulations 	<ul style="list-style-type: none"> Besides the organization change at the beginning of the period, the Company flexibly reassigned personnel to HS during the period as well. The construction work plan is delayed overall, affected by the belated authorization of the business plan.
HS Division	<ul style="list-style-type: none"> Establishment of the management system for controlling the decrease of existing customers Increase of menus for proposals to customers by introducing new products 	<ul style="list-style-type: none"> Contact with customers expanded due to the increase in staff as a result of reassignment from SE, contributing to higher sales. The contribution to sales became larger due to proposals of products outside disinfection, such as base repair and underfloor ventilation.
ES Division	<ul style="list-style-type: none"> Expansion and strengthening of alliances to increase transactions through introduction 	<ul style="list-style-type: none"> Number of replacements and new installations of anti-rust equipment installation (Brand name: Daelman Shock) increased substantially. The development of business partners progressed, and there were referrals from 36 companies. Direct sales to owners also increased as a result of running ads.
ERD Division	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Unit prices are continuously on the rise, incrementally. The number of statutory inspection days was extended more than planned, and the operating days of the power station decreased. Profitability improved substantially from Q4 due to a change in the power supplier in the Power Producer and Supplier business.
Head Office	<ul style="list-style-type: none"> Strengthening of cooperation among departments Strengthening and improvement of the department in charge of planning for future growth 	<ul style="list-style-type: none"> The Company established a cross-division project and addressed the issues of business improvements and cost reductions.

Segment Information for FY2017 (SE Division)

(Millions of Yen)

	FY2016		FY2017				
	Results	Prop.	Results	Prop.	Y o Y	Difference	% to Plan
Net Sales	26,225		17,870		68.1%	- 282	
Photovoltaic System							
Direct Sales	24,228	92.4%	16,647	93.2%	68.7%	- 753	95.9%
Wholesales	1,889	7.2%	1,026	5.7%	54.3%	+ 376	3.6%
Others	107	0.4%	196	1.1%	183.7%	+ 94	0.6%
Cost of Sales	18,802	71.7%	12,308	68.9%	65.5%	+ 101	67.2%
Material costs *	13,320	50.8%	8,291	46.4%	62.2%	+ 337	43.8%
Labor costs	2,253	8.6%	1,433	8.0%	63.6%	- 420	10.2%
Gross Profit	7,423	28.3%	5,562	31.1%	74.9%	- 383	32.8%
SG & A	5,754	21.9%	3,893	21.8%	67.7%	+ 74	21.0%
Personnel expenses	2,194	8.4%	1,769	9.9%	80.7%	+ 190	8.7%
Other expenses	3,559	13.6%	2,124	11.9%	59.7%	- 115	12.3%
Operating Income	1,669	6.4%	1,668	9.3%	100.0%	- 458	11.7%

* Material costs includes material costs and supply expenses.

In conjunction with the revisions of the legislation for the Feed-In Tariffs (FIT), the Group expanded the maintenance business associated with solar electric power related ancillary equipment. However, there was a significant impact due to the contraction of the market size of the industrial solar electric power business, and construction sales for solar electric power systems declined 31.3% year on year. As a consequence, sales were ¥17,870 million (down 31.9% year on year).

Despite a decline in sales, the Company achieved operating income of ¥1,668 million (down 0.0% year on year) due to management rationalization and cost reductions, including costs of materials. It should be noted that the Company recorded an inventory valuation loss of ¥401 million associated with the decrease in profitability for power conditioners that had been manufactured in house.

【Reference】 Quarterly Segment Information for FY2017 (SE Division)

(Millions of Yen)

	FY2017									
	1 Q		2Q		3Q		4Q		Whole Year	
	Results	Prop.	Results	Prop.	Results	Prop.	Results	Prop.	Results	Prop.
Net Sales	4,500		4,215		4,130		5,023		17,870	
Cost of Sales	2,998	66.6%	2,738	65.0%	2,813	68.1%	3,756	74.8%	12,308	68.9%
Material costs *	1,901	42.3%	1,757	41.7%	1,873	45.4%	2,758	54.9%	8,291	46.4%
Labor costs	403	9.0%	370	8.8%	351	8.5%	308	6.1%	1,433	8.0%
Outsourcing costs	227	5.1%	196	4.7%	174	4.2%	301	6.0%	900	5.0%
Other costs	465	10.4%	414	9.8%	414	10.0%	387	7.7%	1,682	9.4%
Gross Profit	1,501	33.4%	1,476	35.0%	1,316	31.9%	1,267	25.2%	5,562	31.1%
SG & A	1,059	23.5%	980	23.3%	906	22.0%	946	18.8%	3,893	21.8%
Personnel expenses	439	9.8%	430	10.2%	424	10.3%	475	9.5%	1,769	9.9%
Other expenses	620	13.8%	550	13.1%	481	11.7%	471	9.4%	2,124	11.9%
Operating Income	442	9.8%	495	11.8%	409	9.9%	321	6.4%	1,668	9.3%

※ Material costs includes material costs and supply expenses.

【Recording of loss from inventory revaluation】

The Company acknowledges that profitability declined as to some of the inventory of components of solar electric power systems (power conditioners, bases), and a valuation loss of ¥401 million was recorded in cost of sales (material costs).

Segment Information for FY2017 (HS Division)

(Millions of Yen)

	FY2016		FY2017				
	Results	Prop.	Results	Prop.	Y o Y	Difference	% to Plan
Net Sales	6,562		8,922		136.0%	+ 1,065	
Termite Eradication Service	2,159	32.9%	2,628	29.5%	121.7%	- 23	33.8%
Under-Roof/Roof Ventilation System	743	11.3%	1,254	14.1%	168.7%	+ 252	12.8%
Foundation Repairing/Home Reinforcement System	1,249	19.0%	1,957	21.9%	156.7%	+ 837	14.3%
Others	2,410	36.7%	3,081	34.5%	127.9%	- 1	39.2%
Cost of Sales	3,276	49.9%	3,975	44.6%	121.3%	+ 185	48.2%
Labor costs	950	14.5%	1,213	13.6%	127.7%	+ 266	12.1%
Gross Profit	3,285	50.1%	4,947	55.4%	150.6%	+ 880	51.8%
SG & A	2,306	35.1%	3,475	39.0%	150.7%	+ 446	38.6%
Personnel expenses	1,603	24.4%	2,204	24.7%	137.4%	+ 103	26.7%
Operating Income	979	14.9%	1,471	16.5%	150.3%	+ 433	13.2%

Thanks to reassigning part of the workforce from the SE Division to the HS Division, the Company reinforced and expanded the sales structure and account management of the HS Business. As a result, termite extermination increased 21.7% year on year and underfloor/ceiling ventilation systems increased 68.7% year on year. Base repair/roof reinforcement construction increased 56.7% year on year. As a result of the initiatives that succeeded in putting an end to the declining sales, the division's sales were ¥8,922 million (up 36.0% year on year).

Operating income stood at ¥1,471 million (up 50.3% year on year) due to the contribution of a significant increase in sales, although fixed expenses rose mainly due to an increase in personnel expenses.

[Reference] Changes of Profitability of SE / HS Division

■ Changes of SE Division

	FY2016	FY2017				
	Whole Year	1Q	2Q	3Q	4Q	Whole Year
Marginal Profit Ratio (%)	44.5	48.4	49.2	46.3	43.7	46.8
Average Monthly Fixed Cost (Million Yen per month)	767	578	525	499	488	522
Breakeven Sales Volume (Million Yen per month)	1,726	1,193	1,067	1,078	1,118	1,117

* The results for FY2016, the 4^Q and whole year ended March 31, 2018 do not include the loss from inventory revaluation of ¥777 million and ¥401 million each that are included in material costs.

■ Changes of HS Division

	FY2016	FY2017				
	Whole Year	1Q	2Q	3Q	4Q	Whole Year
Marginal Profit Ratio (%)	67.9	71.2	70.5	73.2	74.5	72.3
Average Monthly Fixed Cost (Million Yen per month)	288	399	412	403	407	405
Breakeven Sales Volume (Million Yen per month)	425	561	584	551	547	561

* 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 (ES Division)

(Millions of Yen)

	FY2016		FY2017				
	Results	Prop.	Results	Prop.	Y o Y	Difference	% to Plan
Net Sales	1,033		1,444		139.7%	+ 175	
Cost of Sales	623	60.3%	755	52.3%	121.2%	- 28	61.8%
Labor costs	156	15.1%	180	12.5%	115.7%	+ 2	14.0%
Gross Profit	410	39.7%	689	47.7%	167.8%	+ 204	38.2%
SG & A	315	30.6%	509	35.3%	161.2%	+ 123	30.4%
Personnel expenses	195	18.9%	313	21.7%	160.2%	+ 74	18.9%
Operating Income	94	9.2%	179	12.5%	189.8%	+ 80	7.8%

Similarly to the HS Division, the Company reassigned part of the workforce from the SE Division to the ES Division and reinforced the sales structure and focused on propositions for management companies and owners of buildings and condominiums. Sales of anti-rust equipment installation, our mainstay product, increased 334.1% year on year (brand name: Daelman Shock). As a result, net sales were ¥1,444 million (up 39.7% year on year).

Operating income stood at ¥179 million (up 89.8% year on year) due to the contribution of a significant increase in sales, although fixed expenses rose mainly due to an increase in personnel expenses.

Segment Information for FY2017 (ERD Division)

(Millions of Yen)

	FY2016		FY2017				
	Results	Prop.	Results	Prop.	Y o Y	Difference	% to Plan
Net Sales	17,133		21,755		127.0%	+ 1,354	
Plastic Fuels	7,160	41.8%	7,556	34.7%	105.5%	+ 194	36.1%
Power Generation	6,806	39.7%	11,095	51.0%	163.0%	+ 1,050	49.2%
Power Producer and Supplier	2,925	17.1%	7,621	35.0%	260.5%	+ 1,398	30.5%
Organic Waste Water	1,768	10.3%	1,748	8.0%	98.9%	+ 5	8.5%
Final Disposal	648	3.8%	654	3.0%	100.9%	+ 107	2.7%
Others	750	4.4%	701	3.2%	93.5%	- 2	3.5%
Cost of Sales	14,110	82.4%	18,909	86.9%	134.0%	+ 1,450	85.6%
Gross Profit	3,023	17.6%	2,846	13.1%	94.1%	- 95	14.4%
SG & A	1,994	11.6%	1,873	8.6%	94.0%	- 128	9.8%
Operating Income	1,029	6.0%	972	4.5%	94.4%	+ 32	4.6%

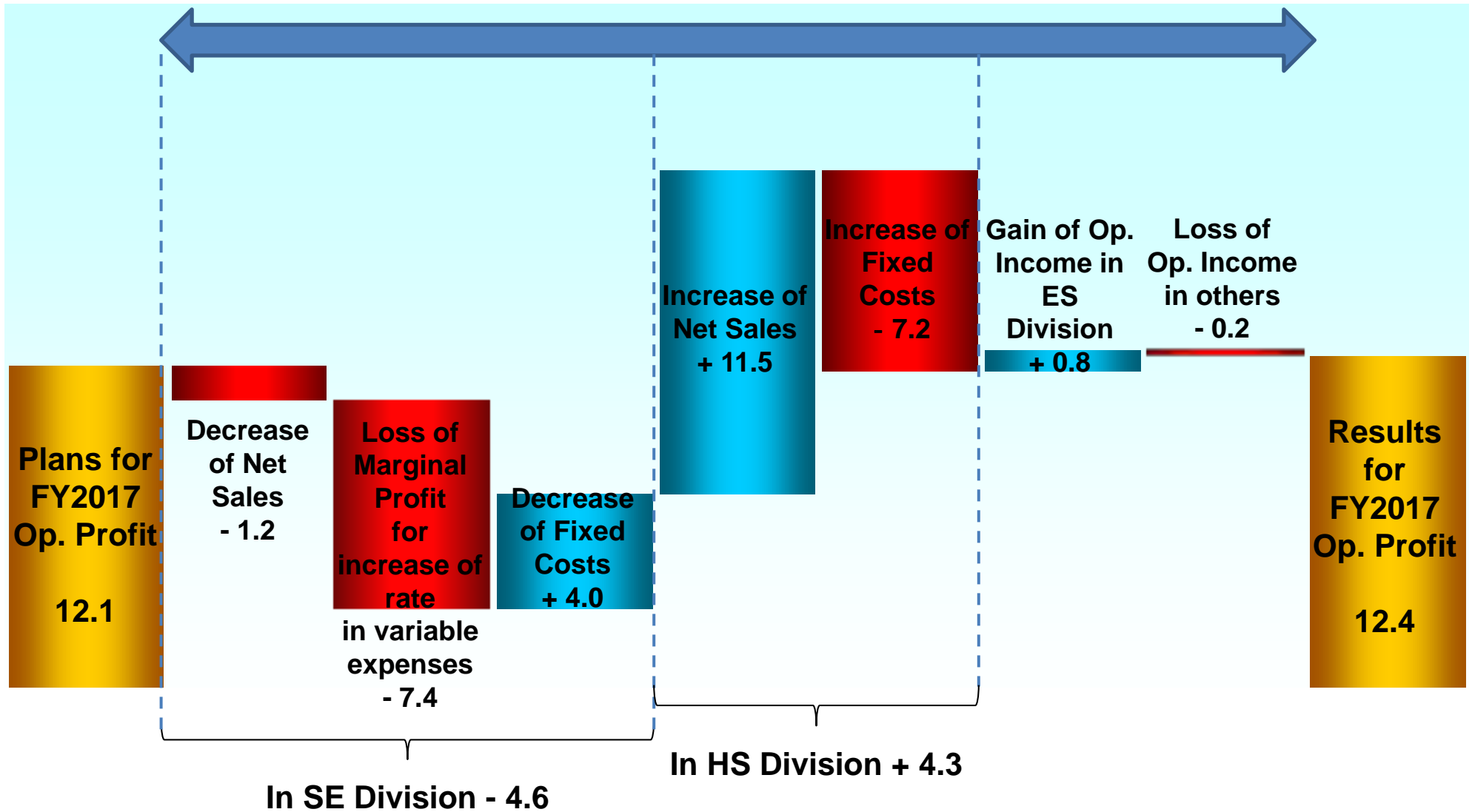
Due to a rise in unit prices of waste plastic, plastic fuel sales increased 5.5% year on year and electricity sales increased 63.0% year on year due to a lift in the number of service contracts in the Power Producer and Supplier business. As a consequence, sales amounted to ¥21,755 million (up 27.0% year on year).

Although there was an improvement in the gross margin ratio, mainly attributable to the revision of unit prices for the collection of waste plastic and the profitability of the Power Producer and Supplier business, operating income stood at ¥972 million (down 5.6% year on year) because repair costs related to the statutory inspection once every two years at the Tomakomai Power Plant increased.

【Reference】 Factors in increase or decrease of Operating Income

+ 0.3

(Hundred Millions of Yen)





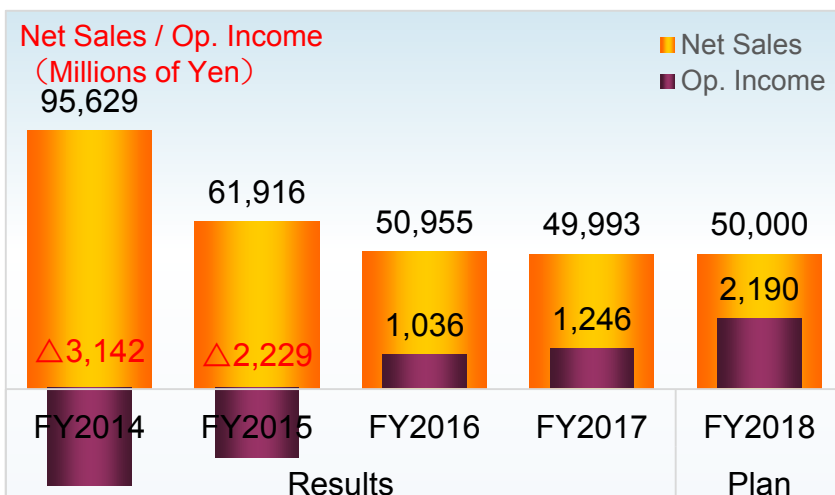
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2. Forecast for FY2018

Consolidated Financial Forecast for FY2018

(Millions of Yen)

	FY2017	FY2018		
	Results	Plan	Y o Y	Difference
Net Sales	49,993	50,000	100.0%	+ 6
Gross Profit	14,044	15,440	109.9%	+ 1,395
Gross Profit Margin	28.1%	30.9%		
Operating Income	1,246	2,190	175.7%	+ 943
Operating Income Margin	2.5%	4.4%		
Ordinary Income	1,019	2,100	206.0%	+ 1,080
Ordinary Income Margin	2.0%	4.2%		
Profit attributable to owners of parent	1,180	1,610	136.4%	+ 429
Net Income Margin	2.4%	3.2%		



The Company will cement a more effective approach to sales activities along with more efficient operations for installation work through the cross-division collaboration of SE, HS and ES. It will hire new graduates and undertake hiring and open stores during the period for future expansion.

In the Environmental Resources Development Division, the Company will increase profits through the collaboration of the power business in Hokkaido and the Power Producer and Supplier business in Honshu under the same framework.

For the consolidated fiscal year ending March 31, 2019, the Company will strive to achieve the sustainable growth of four Divisions and achieve the plan of the numerical targets for the final fiscal year of the medium-term business plan.

【Reference】 Results & Plan in Comparison to Middle-Term Plan

■ Comparison to 『 Middle-Term Plan(FY2016-FY2018) 』 announced on April 15, 2016

(Millions of Yen)

	FY2016		FY2017		FY2018	
	Mid.-term Plan	Results	Mid.-term Plan	Results	Mid.-term Plan	Plan
Net Sales	46,670	50,955	45,250	49,993	46,850	50,000
SE Division	21,910	26,225	18,070	17,870	17,230	13,565
HS Division	7,730	6,562	8,640	8,922	9,690	10,420
ES Division	1,200	1,033	1,320	1,444	1,450	1,684
ERD Division	15,830	17,133	17,220	21,755	18,480	24,331
Gross Profit	13,530	14,142	13,780	14,044	14,810	15,440
SG & A	13,153	13,106	12,570	12,798	12,620	13,250
Operating Income	600	1,036	1,210	1,246	2,190	2,190
SE Division	1,040	1,669	1,620	1,668	1,360	1,508
HS Division	1,080	979	1,100	1,471	1,630	1,806
ES Division	60	94	90	179	110	212
ERD Division	910	1,029	910	972	1,600	1,856
Group	(2,560)	(2,735)	(2,510)	(3,045)	(2,510)	(3,192)
Ordinary Income	480	907	1,160	1,019	2,160	2,100
Profit attributable to owners of parent	(60)	416	800	1,180	1,590	1,610

Challenges for FY2018

SE Division

- Respond to the purchase unit price of ¥18/kWh and establish a structure suitable for the market trend.
- Develop new sales methods including solar electric power with land, etc.
- Promote in-house consumption through combined sale with storage batteries.

HS Division

- Increase staff through internal personnel transfers and hiring during the period.
- Increase the number of business sites to contribute to effective and efficient activities.
- Reinforce sales promotion to gain new customers.

ES Division

- Develop and strengthen the relationship with business partners to achieve an increase in referrals.
- Develop direct business routes with the owners of buildings and condominiums.
- Expand pest control to cover more harmful insects and animals.

ERD Division

- Improve profitability by continuing negotiations for unit prices.
- Efficient operation of power station and improvement of fuel quality.
- Increase the number of users of the Power Producer and Supplier business against the backdrop of the stable securement of power procured.

Head Office

- Establish systems for company-wide business improvements.
- Continue cross-division initiatives including cost reductions, etc.

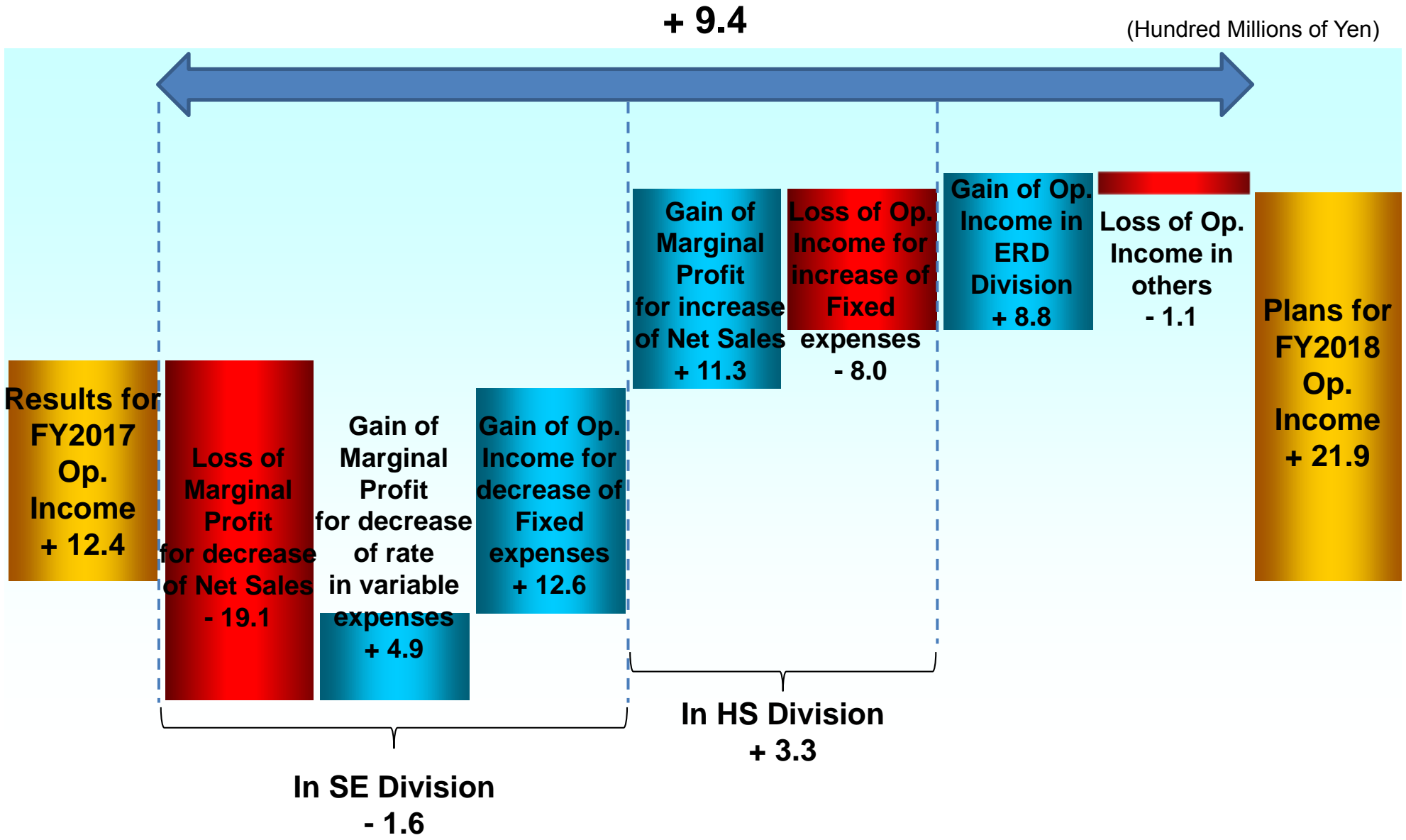
Segment Forecasts for FY2018

(Millions of Yen)

	FY2018								
	First Half			Second Half			Whole Year		
	Plan	Prop.	to Pre. Period	Plan	Prop.	to Pre. Period	Plan	Prop.	to Pre. Period
Net Sales	24,315		+ 152	25,685		- 146	50,000		+ 6
SE Division	6,181	25.4%	- 2,535	7,384	28.7%	- 1,770	13,565	27.1%	- 4,305
HS Division	5,280	21.7%	+ 668	5,140	20.0%	+ 828	10,420	20.8%	+ 1,497
ES Division	841	3.5%	+ 155	843	3.3%	+ 83	1,684	3.4%	+ 239
ERD Division	12,013	49.4%	+ 1,863	12,318	48.0%	+ 711	24,331	48.7%	+ 2,575
Gross Profit	7,489	30.8%	+ 803	7,951	31.0%	+ 591	15,440	30.9%	+ 1,395
SG & A	6,621	27.2%	+ 74	6,629	25.8%	+ 377	13,250	26.5%	+ 451
Operating Income	868	3.6%	+ 729	1,322	5.1%	+ 213	2,190	4.4%	+ 943
SE Division	431	<u>7.0%</u>	- 506	1,077	<u>14.6%</u>	+ 346	1,508	<u>11.1%</u>	- 160
HS Division	1,034	<u>19.6%</u>	+ 284	772	<u>15.0%</u>	+ 50	1,806	<u>17.3%</u>	+ 334
ES Division	104	<u>12.4%</u>	+ 5	108	<u>12.8%</u>	+ 26	212	<u>12.6%</u>	+ 32
ERD Division	952	<u>7.9%</u>	+ 1,009	904	<u>7.3%</u>	- 125	1,856	<u>7.6%</u>	+ 883
Group	(1,653)	—	- 62	(1,539)	—	- 84	(3,192)	—	- 146
Ordinary Income	818	3.4%	+ 847	1,282	5.0%	+ 233	2,100	4.2%	+ 1,080
Profit attributable to owners of parent	643	2.6%	+ 798	967	3.8%	- 368	1,610	3.2%	+ 429

* The underlined percentage indicate Operating Margin of each segment.

[Reference] Factors in increase or decrease of Op. Income



Segment Forecasts for FY2018 (SE Division)

(Millions of Yen)

	FY2018								
	First Half			Second Half			Whole Year		
	Plan	Prop.	to Pre. Period	Plan	Prop.	to Pre. Period	Plan	Prop.	to Pre. Period
Net Sales	6,181		- 2,535	7,384		- 1,770	13,565		- 4,305
Photovoltaic System									
Direct Sales	5,945	96.2%	- 2,046	7,170	97.1%	- 1,484	13,115	96.7%	- 3,531
Wholesales	180	2.9%	- 396	180	2.4%	- 270	360	2.7%	- 666
Others	55	0.9%	- 91	33	0.5%	- 15	89	0.7%	- 107
Cost of Sales	4,043	65.4%	- 1,694	4,588	62.1%	- 1,982	8,631	63.6%	- 3,677
Material costs *	2,677	43.3%	- 981	3,241	43.9%	- 1,390	5,919	43.6%	- 2,372
Labor costs	485	7.8%	- 288	439	5.9%	- 220	924	6.8%	- 509
Gross Profit	2,138	34.6%	- 840	2,796	37.9%	+ 211	4,934	36.4%	- 628
SG & A	1,707	27.6%	- 333	1,719	23.3%	- 134	3,426	25.3%	- 467
Personnel expenses	840	13.6%	- 29	862	11.7%	- 38	1,702	12.6%	- 67
Other expenses	866	14.0%	- 304	856	11.6%	- 96	1,723	12.7%	- 400
Operating Income	431	7.0%	- 506	1,077	14.6%	+ 346	1,508	11.1%	- 160

* Material costs includes material costs and supply expenses.

The SE Division expects sales to decrease to ¥13,565 million, down 24.1% year on year, and operating income to decrease to ¥1,508 million yen, down 9.6% year on year.

A decrease in sales is expected against the backdrop of declining construction volume and sales unit prices based on the market trend, including a decline in FIT prices (¥18/kWh).

For this period, the impact of delayed authorization procedures is to be eased.

Propose residential solar electric power/storage batteries in addition to industrial solar electric power. Furthermore, develop new sales methods including a proposition of the use of land.

As for profits, reduce fixed costs including personnel costs resulting from reassigning workforce to the HS Division and proceed with cost reductions for materials, etc.

Segment Forecasts for FY2018 (HS Division)

(Millions of Yen)

	FY2018								
	First Half			Second Half			Whole Year		
	Plan	Prop.	to Pre. Period	Plan	Prop.	to Pre. Period	Plan	Prop.	to Pre. Period
Net Sales	5,280		+ 668	5,140		+ 828	10,420		+ 1,497
Termite Eradication Service	1,693	32.1%	+ 329	1,478	28.8%	+ 213	3,172	30.4%	+ 543
Under-Roof/Roof Ventilation System	750	14.2%	+ 114	737	14.4%	+ 119	1,488	14.3%	+ 233
Foundation Repairing/Home Reinforcement System	1,078	20.4%	+ 167	1,251	24.3%	+ 205	2,330	22.4%	+ 372
Others	1,756	33.3%	+ 57	1,672	32.5%	+ 290	3,429	32.9%	+ 347
Cost of Sales	2,293	43.4%	+ 205	2,272	44.2%	+ 384	4,565	43.8%	+ 589
Labor costs	658	12.5%	+ 51	680	13.2%	+ 73	1,338	12.8%	+ 124
Gross Profit	2,987	56.6%	+ 463	2,868	55.8%	+ 444	5,855	56.2%	+ 907
SG & A	1,953	37.0%	+ 178	2,096	40.8%	+ 394	4,049	38.9%	+ 573
Personnel expenses	1,206	22.8%	+ 74	1,370	26.7%	+ 297	2,576	24.7%	+ 372
Operating Income	1,034	19.6%	+ 284	772	15.0%	+ 50	1,806	17.3%	+ 334

The HS Division expects sales to increase to ¥10,420 million, up 16.8% year on year, and operating income to increase to ¥1,806 million, up 22.7% year on year.

A staff increase due to reassignment from the SE Division is planned, and the Division reinforces the unearthing of customers and further expands the after-sales structure of the existing customers. Moreover, the Division increases the amount of termite termination work backed by increased staff and expects sales for housing-related products to increase as well.

The HS Division expects that the higher fixed expenses due to increased staff to address the expansion of business will be absorbed by the growth in sales, seeking an increase in income.

[Reference] Changes of Profitability of SE / HS Division

■ Changes of SE Division

	Results for FY2017			Plan for FY2018		
	1st. Half	2nd. Half	WholeYear	1st. Half	2nd. Half	WholeYear
Marginal Profit Ratio (%)	48.8	44.9	46.8	48.0	48.3	48.2
Average Monthly Fixed Cost (Million Yen per month)	551	494	522	422	414	418
Breakeven Sales Volume (Million Yen per month)	1,130	1,101	1,117	880	858	869

* The results for the 2nd. Half and whole year ended March 31, 2018 does not include the loss from inventory revaluation of ¥401 million each that is included in material costs.

■ Changes of HS Division

	Results for FY2017			Plan for FY2018		
	1st. Half	2nd. Half	WholeYear	1st. Half	2nd. Half	WholeYear
Marginal Profit Ratio (%)	70.8	73.8	72.3	72.7	72.8	72.7
Average Monthly Fixed Cost (Million Yen per month)	405	405	405	450	487	469
Breakeven Sales Volume (Million Yen per month)	573	549	561	620	669	645

* 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 FY2018 (ES Division)

(Millions of Yen)

	FY2018								
	First Half			Second Half			Whole Year		
	Plan	Prop.	to Pre. Period	Plan	Prop.	to Pre. Period	Plan	Prop.	to Pre. Period
Net Sales	841		+ 155	843		+ 83	1,684		+ 239
Cost of Sales	440	52.3%	+ 85	438	52.0%	+ 37	878	52.1%	+ 122
Labor costs	103	12.2%	+ 15	102	12.1%	+ 8	205	12.2%	+ 24
Gross Profit	401	47.7%	+ 69	405	48.0%	+ 46	806	47.9%	+ 116
SG & A	297	35.3%	+ 64	297	35.2%	+ 20	594	35.3%	+ 84
Personnel expenses	188	22.4%	+ 44	189	22.5%	+ 19	378	22.4%	+ 64
Operating Income	104	12.4%	+ 5	108	12.8%	+ 26	212	12.6%	+ 32

The ES Division expects sales to increase to ¥1,684 million, up 16.6% year on year, and operating income to increase to ¥212 million, up 17.8% year on year.

The Division reinforces the development of business partners for sales channel expansion and strengthens the proposal ability to owners of condominiums, etc. The Division also focuses on anti-rust equipment installation (Brand name: Daelman Shock) and expects sales to increase.

The ES Division expects that the higher fixed expenses due to increased staff to address the expansion of business will be absorbed by the growth in sales, seeking to achieve an increase in income.

Segment Information for FY2018 (ERD Division)

(Millions of Yen)

	FY2018								
	First Half			Second Half			Whole Year		
	Plan	Prop.	to Pre. Period	Plan	Prop.	to Pre. Period	Plan	Prop.	to Pre. Period
Net Sales	12,013		+ 1,863	12,318		+ 711	24,331		+ 2,575
Plastic Fuels	3,929	32.7%	+ 257	4,017	32.6%	+ 133	7,947	32.7%	+ 390
Power Generation	6,520	54.3%	+ 1,641	6,710	54.5%	+ 493	13,230	54.4%	+ 2,134
Direct Sales	3,202	26.7%	- 182	3,087	25.1%	- 340	6,289	25.9%	- 522
Organic Waste Water	919	7.7%	+ 29	1,006	8.2%	+ 147	1,925	7.9%	+ 176
Final Disposal	310	2.6%	- 49	257	2.1%	- 37	567	2.3%	- 87
Others	334	2.8%	- 15	327	2.7%	- 24	661	2.7%	- 39
Gross Profit	1,963	16.3%	+ 1,111	1,882	15.3%	- 112	3,845	15.8%	+ 998
SG & A	1,011	8.4%	+ 102	978	7.9%	+ 13	1,989	8.2%	+ 115
Operating Income	952	7.9%	+ 1,009	904	7.3%	- 125	1,856	7.6%	+ 883

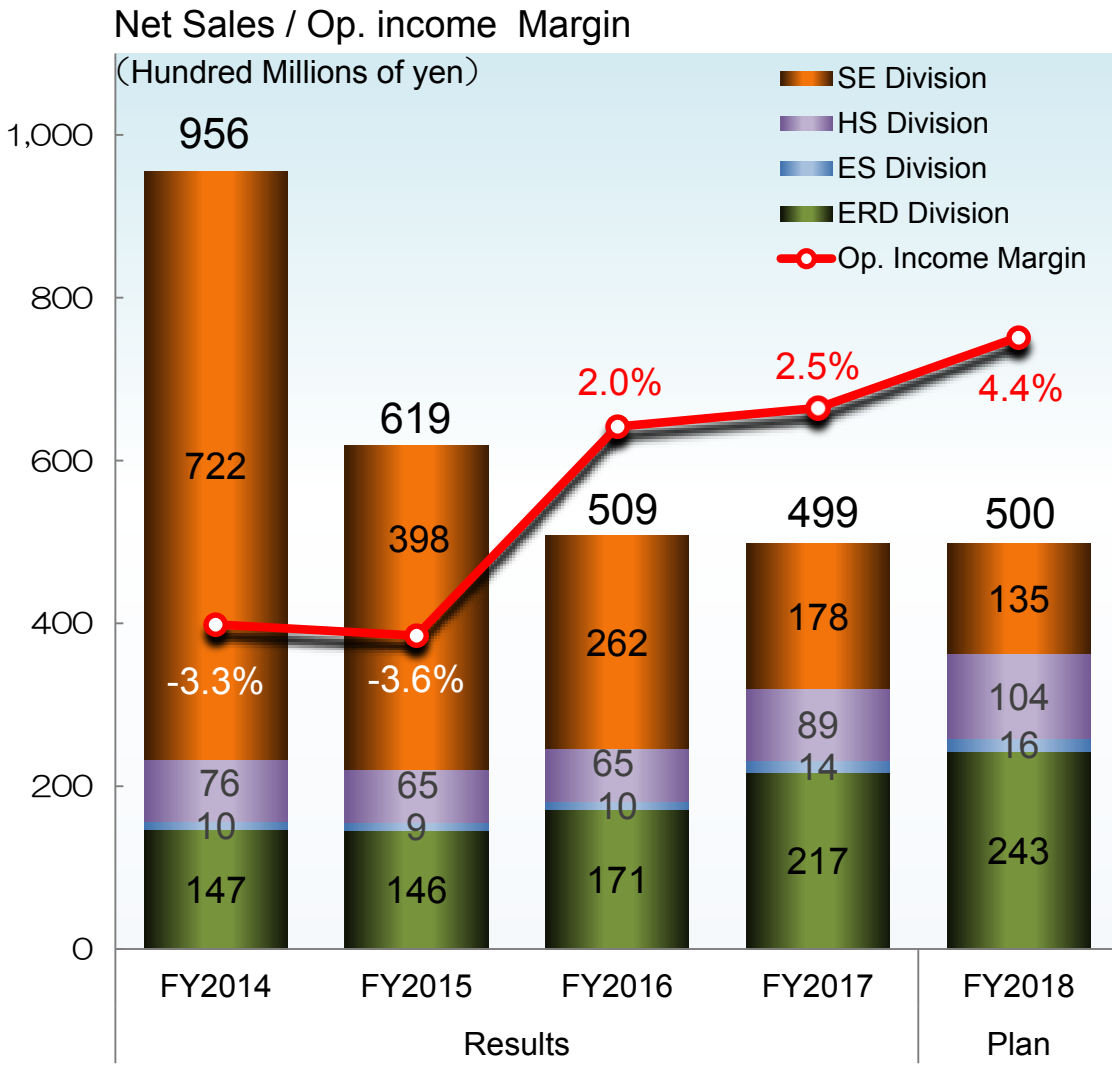
The Environmental Resources Development Division expects sales to increase to ¥ 24,331 million, up 11.8% year on year, and operating income to increase to ¥1,856 million, up 90.9% year on year.

The Division has a policy of reinforcing the collaboration of the power business in Hokkaido and the Power Producer and Supplier business in Honshu under a new framework, and expands the size of the entire power business and lowers costs.

The Division expects profits to increase because the cost of power procurement will decline in the Power Producer and Supplier business, and repair costs related to the statutory inspection at the Tomakomai Power Plant will decrease with no statutory inspection in addition to higher sales.

Segment Forecasts for FY2018

Forecasts of Net Sales and Operating Income Margin of each segment for FY2018



Forecasts for FY2018

Net Sales : ¥50,000million

Op. Income : ¥2,190million

Op. Income Mar. : 4.4%