



for Energy, for Environment

Photovoltaic Solution

Total Sanitation

Environmental Resources Development

Consolidated Financial Statements
For the First Quarter ended June 30,2018



for Energy, for Environment

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Total Sanitation
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 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 FY2018 1Q

Consolidated Financial Results for FY2018 1Q

(Millions of Yen)

	FY2017	FY2018				
	1Q Results	1Q Results	Y on Y	Difference	Plan	Diff. from Plan
Net Sales	12,098	11,733	97.0%	- 365	11,393	+ 340
Gross Profit	3,722	3,540	95.1%	- 181	3,391	+ 149
(Gross Profit Margin)	30.8%	30.2%			29.8%	
Operating Income	396	103	26.2%	- 292	57	+ 46
(Operating Income Margin)	3.3%	0.9%			0.5%	
Ordinary Income	292	154	52.8%	- 138	33	+ 121
(Ordinary Income Margin)	2.4%	1.3%			0.3%	
Profit attributable to owners of parent	209	111	53.2%	- 97	(14)	+ 125
(Net Income Margin)	1.7%	0.9%			—	

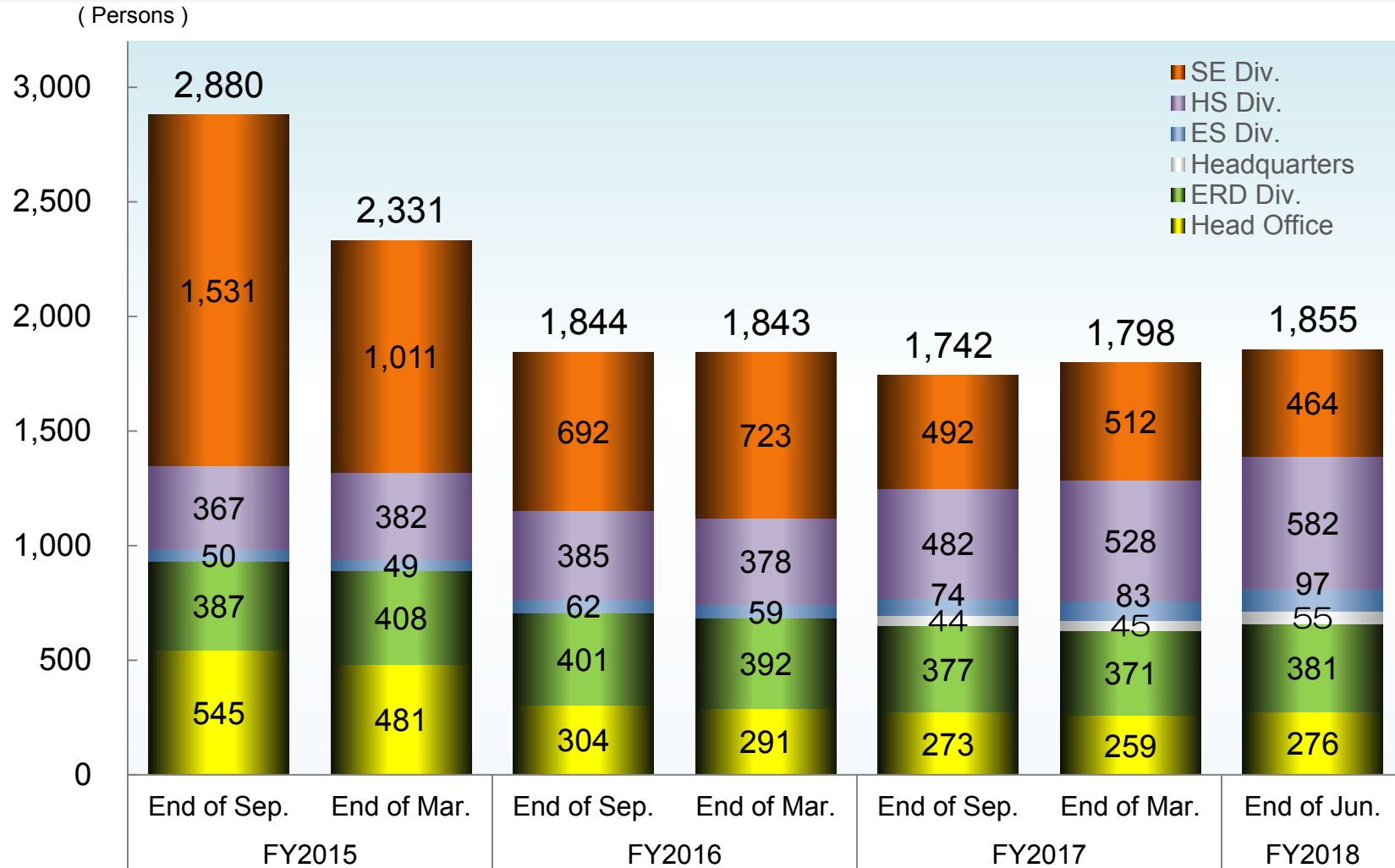
Sales increased in the HS Division and the ES Division as a result of promoting the expansion of the business size by allocating management resources including personnel, and sales also increased in the Environmental Resources Development Business Division as a result of expanding electricity sales in the Power Producer and Supplier (PPS) business. However, sales declined significantly in the SE Division due to the impact of the contraction of the solar electric power market. As a result, net sales of the entire Group stood at ¥11,733 million (down 3.0% year on year).

Profit increased in the HS Division, the ES Division and the Environmental Resources Development Business Division on the back of higher sales. However, profit declined significantly in the SE Division, where sales decreased substantially. As a result, for the entire Group, operating income came to ¥103 million (down 73.8% year on year) and ordinary income was ¥154 million (down 47.2% year on year). Net income attributable to the owners of the parent company stood at ¥111 million (down 46.8% year on year).

Status in Personnel

As occurred last year, some of the personnel were transferred from the SE Division to the HS Division and the ES Division, taking into account the balance of resources allocation among the business segments.

Approximately 50 new employees joined the Company in April, and the total number of employees increased from the end of March.



- The number of employees in FY2017 was rearranged between the HS Division and the control divisions (Headquarters) to maintain consistency with the organizational structure in FY2018.

Results of Net Sales and Income of each segment for FY2018 1Q

(Millions of Yen)

	FY2017		FY2018				
	1Q Results	Prop.	1Q Results	Prop.	Y on Y	Difference	% of Plan
Net Sales	12,098		11,733		97.0%	+ 340	
SE Division	4,500	37.2%	2,779	23.7%	61.8%	- 36	24.7%
HS Division	2,329	19.3%	2,711	23.1%	116.4%	+ 114	22.8%
ES Division	310	2.6%	415	3.5%	133.8%	+ 23	3.4%
ERD Division	4,957	41.0%	5,826	49.7%	117.5%	+ 238	49.0%
Gross Profit	3,722	30.8%	3,540	30.2%	95.1%	+ 149	29.8%
SG & A	3,325	27.5%	3,436	29.3%	103.3%	+ 102	29.3%
Operating Income	396	3.3%	103	0.9%	26.2%	+ 46	0.5%
SE Division	442	<u>9.8%</u>	(88)	—	—	- 137	<u>1.7%</u>
HS Division	402	<u>17.3%</u>	580	<u>21.4%</u>	144.2%	+ 58	<u>20.1%</u>
ES Division	40	<u>12.9%</u>	52	<u>12.6%</u>	130.7%	+ 19	<u>8.4%</u>
ERD Division	338	<u>6.8%</u>	439	<u>7.5%</u>	129.9%	+ 101	<u>6.0%</u>
Group	(826)	—	(880)	—	—	+ 4	—

* The underlined percentage indicate Operating Margin of each segment.

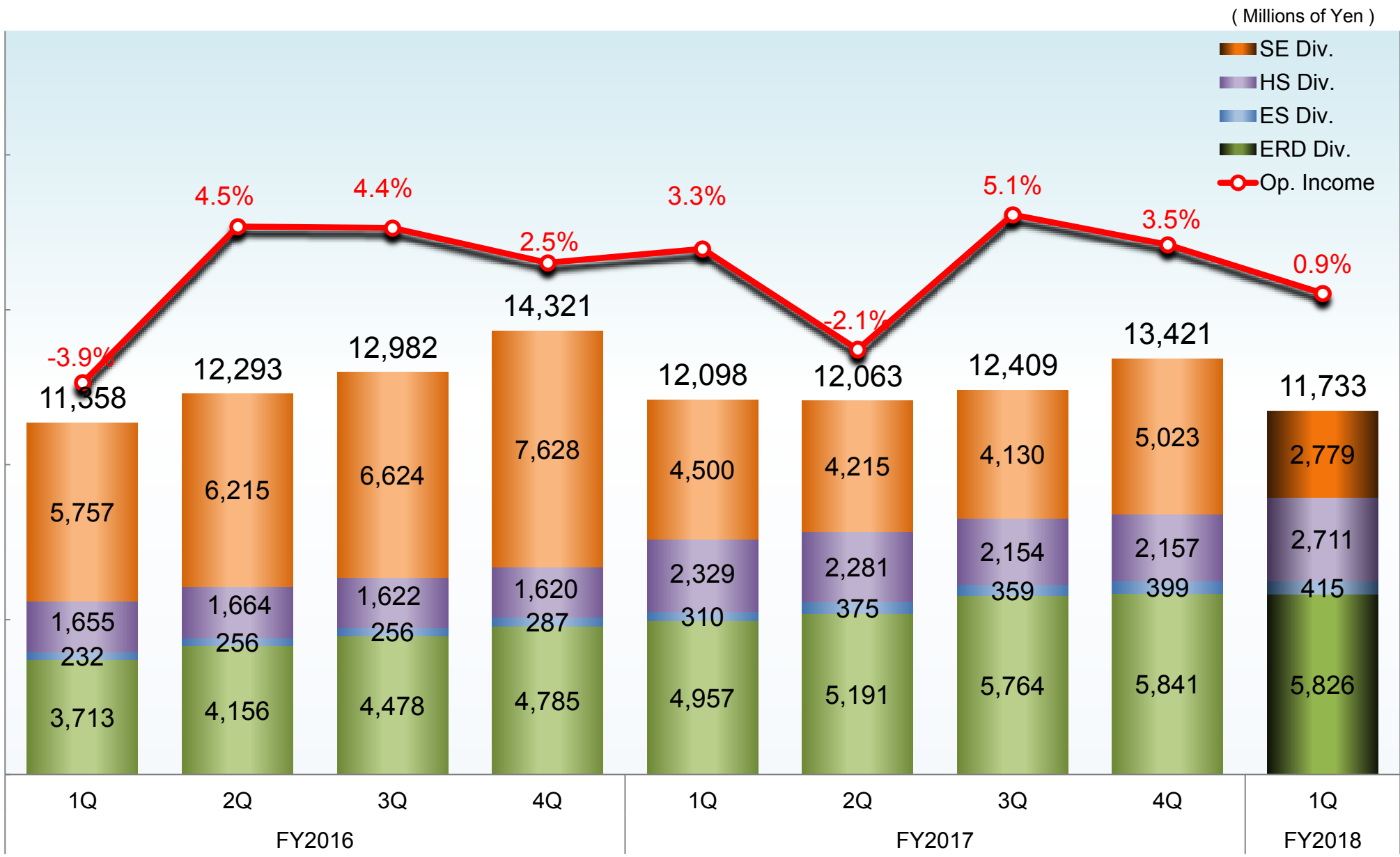
【Reference】 Quarterly Segment Information for FY2018

(Millions of Yen)

	FY2017								FY2018	
	1Q		2Q		3Q		4Q		1Q	
	Results	Prop.	Results	Prop.	Results	Prop.	Results	Prop.	Results	Prop.
Net Sales	12,098		12,063		12,409		13,421		11,733	
SE Division	4,500	37.2%	4,215	34.9%	4,130	33.3%	5,023	37.4%	2,779	23.7%
HS Division	2,329	19.3%	2,281	18.9%	2,154	17.4%	2,157	16.1%	2,711	23.1%
ES Division	310	2.6%	375	3.1%	359	2.9%	399	3.0%	415	3.5%
ERD Division	4,957	41.0%	5,191	43.0%	5,764	46.5%	5,841	43.5%	5,826	49.7%
Gross Profit	3,722	30.8%	2,963	24.6%	3,735	30.1%	3,624	27.0%	3,540	30.2%
SG & A	3,325	27.5%	3,220	26.7%	3,100	25.0%	3,151	23.5%	3,436	29.3%
Operating Income	396	3.3%	(257)	—	634	5.1%	473	3.5%	103	0.9%
SE Division	442	<u>9.8%</u>	495	<u>11.8%</u>	409	<u>9.9%</u>	321	<u>6.4%</u>	(88)	—
HS Division	402	<u>17.3%</u>	347	<u>15.2%</u>	353	<u>16.4%</u>	367	<u>17.1%</u>	580	<u>21.4%</u>
ES Division	40	<u>12.9%</u>	58	<u>15.6%</u>	31	<u>8.9%</u>	49	<u>12.4%</u>	52	<u>12.6%</u>
ERD Division	338	<u>6.8%</u>	(395)	—	559	<u>9.7%</u>	470	<u>8.0%</u>	439	<u>7.5%</u>
Group	(826)	—	(763)	—	(719)	—	(735)	—	(880)	—

* The underlined percentage indicate Operating Margin of each segment.

Quarterly Segment Information (changes)



Segment Information for FY2018 1Q (SE Division)

(Millions of Yen)

	Fy2017		Fy2018				
	1Q Results	Prop.	1Q Results	Prop.	Y on Y	Plan	% of Plan
Net Sales	4,500		2,779		61.8%	2,816	
Photovoltaic System							
Direct Sales	4,147	92.2%	2,602	93.6%	62.7%	2,696	95.8%
Wholesales	266	5.9%	114	4.1%	43.0%	90	3.2%
Others	86	1.9%	62	2.3%	72.7%	29	1.0%
Cost of Sales	2,998	66.6%	2,018	72.6%	67.3%	1,919	68.1%
Material costs ※	1,901	42.3%	1,246	44.8%	65.5%	1,221	43.4%
Labor costs	403	9.0%	269	9.7%	66.9%	266	9.4%
Gross Profit	1,501	33.4%	761	27.4%	50.7%	897	31.9%
SG & A	1,059	23.5%	849	30.6%	80.2%	848	30.1%
Personnel expenses	439	9.8%	415	14.9%	94.6%	411	14.6%
Other expenses	620	13.8%	434	15.6%	70.0%	436	15.5%
Operating Income	442	9.8%	(88)	—	—	49	1.7%

※ Material costs includes material costs and supply expenses.

Sales declined in solar electric power systems. In addition to the impact of the contracted size of the solar electric power market, there was a longer-than-expected delay in the approval of business plans of Feed-in-Tariffs (FIT) in the first quarter under review, which resulted in a situation of backward shifts overall. As a result, net sales declined significantly to ¥2,779 million (down 38.2% year on year).

Operating income decreased substantially due to lower sales, despite segment efforts to reduce expenses through the transfer of personnel to the HS Division and reduce raw material costs, and the segment posted an operating loss of ¥88 million (compared with operating income of ¥442 million in the same period of the previous fiscal year).

【Reference】 Quarterly Segment Information for FY2018 (SE Division)

(Millions of Yen)

	FY2017								FY2018	
	1Q		2Q		3Q		4Q		1Q	
	Results	Prop.	Results	Prop.	Results	Prop.	Results	Prop.	Results	Prop.
Net Sales	4,500		4,215		4,130		5,023		2,779	
Cost of Sales	2,998	66.6%	2,738	65.0%	2,813	68.1%	3,756	74.8%	2,018	72.6%
Material costs ※	1,901	42.3%	1,757	41.7%	1,873	45.4%	2,758	① 54.9%	1,246	44.8%
Labor costs	403	9.0%	370	8.8%	351	8.5%	308	6.1%	269	9.7%
Outsourcing costs	227	5.1%	196	4.7%	174	4.2%	301	6.0%	111	4.0%
Other costs	465	10.4%	414	9.8%	414	10.0%	387	7.7%	391	14.1%
Gross Profit	1,501	33.4%	1,476	35.0%	1,316	31.9%	1,267	25.2%	761	27.4%
SG & A	1,059	23.5%	980	23.3%	906	22.0%	946	18.8%	849	30.6%
Personnel expenses	439	9.8%	430	10.2%	424	10.3%	475	9.5%	415	14.9%
Other expenses	620	13.8%	550	13.1%	481	11.7%	471	9.4%	434	15.6%
Operating Income	442	9.8%	495	11.8%	409	9.9%	321	6.4%	(88)	—

※ Material costs includes material costs and supply expenses.

- ① In material costs in 4Q of FY2017, a ¥401 million loss on valuation of inventories was posted as a result of reviewing the valuation of inventories of in-house manufactured power conditioners. Excluding the effect of this valuation loss, the proportion of sales was 46.9%.

Segment Information for FY2018 1Q (HS Division)

(Millions of Yen)

	FY2017		FY2018				
	1Q Results	Prop.	1Q Results	Prop.	Y on Y	Plan	% of Plan
Net Sales	2,329		2,711		116.4%	2,597	
Termite Eradication Service	728	31.3%	925	34.1%	127.0%	875	33.7%
Under-Roof/Roof Ventilation System	315	13.5%	411	15.2%	130.6%	366	14.1%
Foundation Repairing/ Home Reinforcement	460	19.8%	571	21.1%	124.1%	537	20.7%
Others	825	35.4%	803	29.6%	97.3%	816	31.4%
Cost of Sales	1,037	44.5%	1,074	39.6%	103.6%	1,119	43.1%
Labor costs	301	12.9%	325	12.0%	107.8%	326	12.6%
Gross Profit	1,292	55.5%	1,637	60.4%	126.7%	1,478	56.9%
SG & A	890	38.2%	1,057	39.0%	118.8%	956	36.8%
Personnel expenses	583	25.0%	647	23.9%	111.0%	578	22.3%
Operating Income	402	17.3%	580	21.4%	144.2%	522	20.1%

The HS Division strengthened the sales and construction systems so that the Division would be able to make carefully crafted proposals for the maintenance of ordinary houses by increasing personnel through transfers for the purpose of expanding its business size. As a result, termite extermination increased 27.0% year on year, and underfloor/ceiling ventilation systems rose 30.6% year on year. Base repair/roof reinforcement construction increased 24.1%. As a result, the division's sales rose to ¥2,711 million (up 16.4% year on year).

Operating income stood at ¥580 million (up 44.2% year on year) mainly thanks to the significant increase in sales, an improvement in construction efficiency and a fall in subcontract expenses, despite a rise in costs such as personnel expenses due to the increase in personnel.

[Reference] Changes of Profitability of SE / HS Division

■ Changes of SE Division

	FY 2017				FY 2018
	1Q	2Q	3Q	4Q	1Q
Marginal Profit Ratio (%)	48.4	49.2	46.3	43.7	44.1
Average Monthly Fixed Cost (Million Yen per month)	578	525	499	488	437
Breakeven Sales Volume (Million Yen per month)	1,193	1,067	1,078	1,118	985

* The results of Marginal profit ratio for the 4^Q ended March 31, 2018 does not include the loss from inventory revaluation of ¥401 million that is included in material costs.

■ Changes of HS Division

	FY 2017				FY 2018
	1Q	2Q	3Q	4Q	1Q
Marginal Profit Ratio (%)	71.2	70.5	73.2	74.5	75.6
Average Monthly Fixed Cost (Million Yen per month)	399	412	403	407	489
Breakeven Sales Volume (Million Yen per month)	561	584	551	547	620

* 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 FY2018 1Q (ES Division)

(Millions of Yen)

	FY2017		FY2018				
	1Q Results	Prop.	1Q Results	Prop.	Y on Y	Plan	% of Plan
Net Sales	310		415		133.8%	392	
Costs of Sales	160	51.8%	199	48.1%	124.3%	212	54.1%
Labor costs	41	13.5%	51	12.4%	122.9%	52	13.3%
Gross Profit	149	48.2%	215	51.9%	144.0%	180	45.9%
SG & A	109	35.3%	162	39.2%	148.9%	147	37.5%
Personnel expenses	67	21.7%	100	24.1%	148.4%	93	23.9%
Operating Income	40	12.9%	52	12.6%	130.7%	33	8.4%

Sales of anti-rust equipment installation (brand name: Daelman Shock), our main product, increased 104.2% year on year as a result of increasing personnel through transfers for the purpose of expanding the business size of the Division, strengthening sales activities to the owners of buildings and condominiums and enhancing relationships with partner companies, including management companies. As a consequence, the division's net sales rose to ¥415 million (up 33.8% year on year).

Operating income rose to ¥52 million (up 30.7% year on year) mainly due to the significant increase in sales, an improvement in construction efficiency and a fall in subcontract expenses, despite a rise in costs such as personnel expenses due to the increase in personnel.

Segment Information for FY2018 1Q (ERD Division)

(Millions of Yen)

	FY2017		FY2018				
	1Q Results	Prop.	1Q Results	Prop.	Y on Y	Plan	% of Plan
Net Sales	4,957		5,826		117.5%	5,588	
Plastic Fuels	1,835	37.0%	2,052	35.2%	111.9%	1,976	35.4%
Power Generation	2,318	46.8%	2,996	51.4%	129.3%	2,832	50.7%
Organic Waste Water	460	9.3%	409	7.0%	89.0%	451	8.1%
Final Disposal	164	3.3%	203	3.5%	123.8%	157	2.8%
Others	179	3.6%	164	2.8%	91.3%	171	3.1%
Gross Profit	778	15.7%	926	15.9%	119.1%	836	15.0%
SG & A	439	8.9%	486	8.4%	110.7%	498	8.9%
Operating Income	338	6.8%	439	7.5%	129.9%	338	6.0%

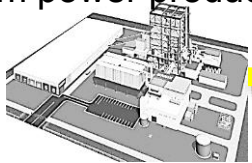
Due to a rise in the collection volume of waste plastic for fuels, plastic fuel sales increased 11.9% year on year and electricity sales rose 29.3% year on year due to the expansion of the Power Producer and Supplier business. As a result, net sales amounted to ¥5,826 million (up 17.5% year on year).

Operating income increased to ¥439 million (up 29.9% year on year) due to an increase in unit prices for the collection of waste plastic, an improvement in fuel quality and the reduction of costs reflecting the improved efficiency of plastic fuels, as well as higher sales in the PPS business and the contribution of the stabilized costs of power procurement.

【Reference】 The power business model of the Company

The Company optimizes procurement and supply in the electricity transactions of the Group through the Power Producer and Supplier Business Division. As a result of increasing procurement from power producers, procurement from the electricity transaction market declined, which helped achieve the stability of procurement costs.

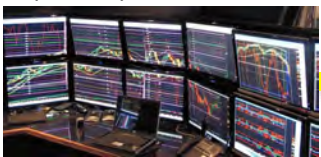
* Bilateral purchases from power producers



* Existing industrial solar electric power stations



* Electricity transaction market (JEPX)



Group of Sanix

Sanix Power Producer and Supplier Business Division

Power Procurement

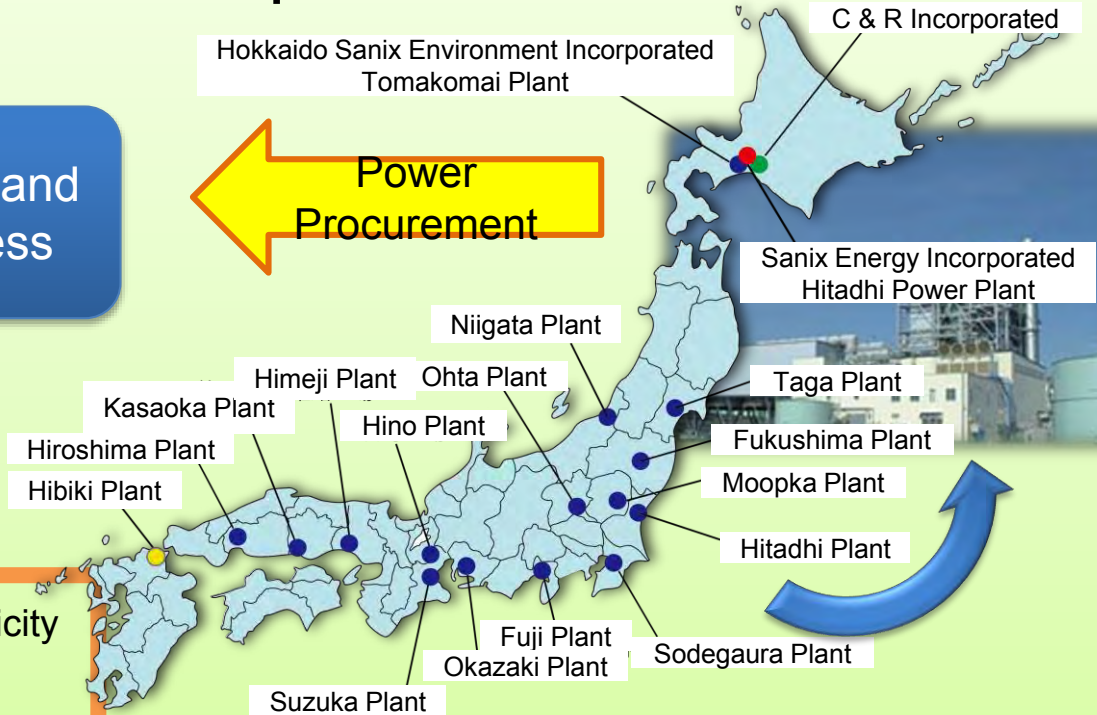
* Expansion of electricity sales

(Retail)

(Wholesales)

General users (low voltage/ high voltage)

Power procurement

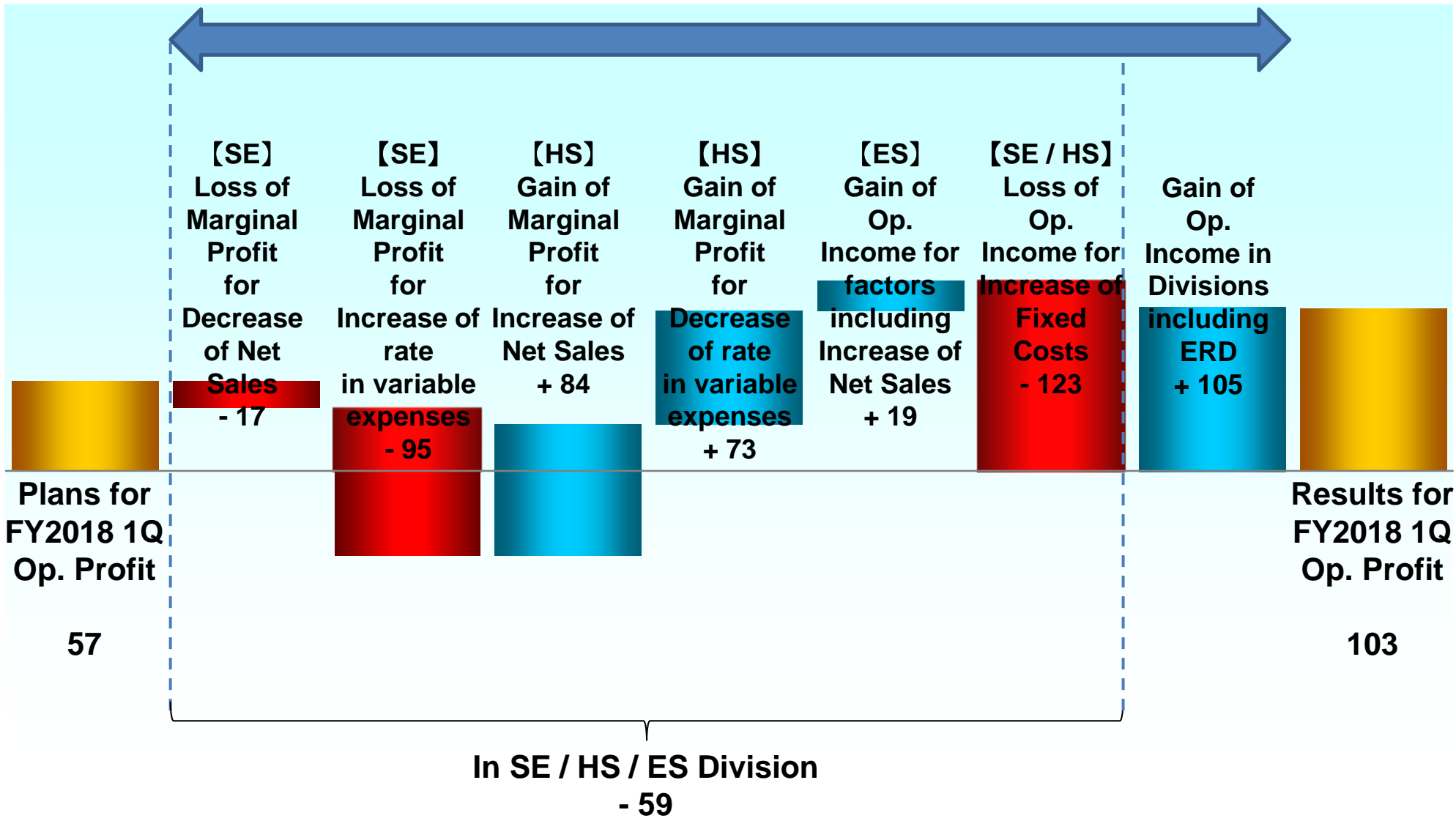


* Supply of plastic fuels to Tomakomai and consumption
 * Sales to paper manufacturing companies in western Japan

Factors in increase or decrease from the plan of Operating Income

+ 46

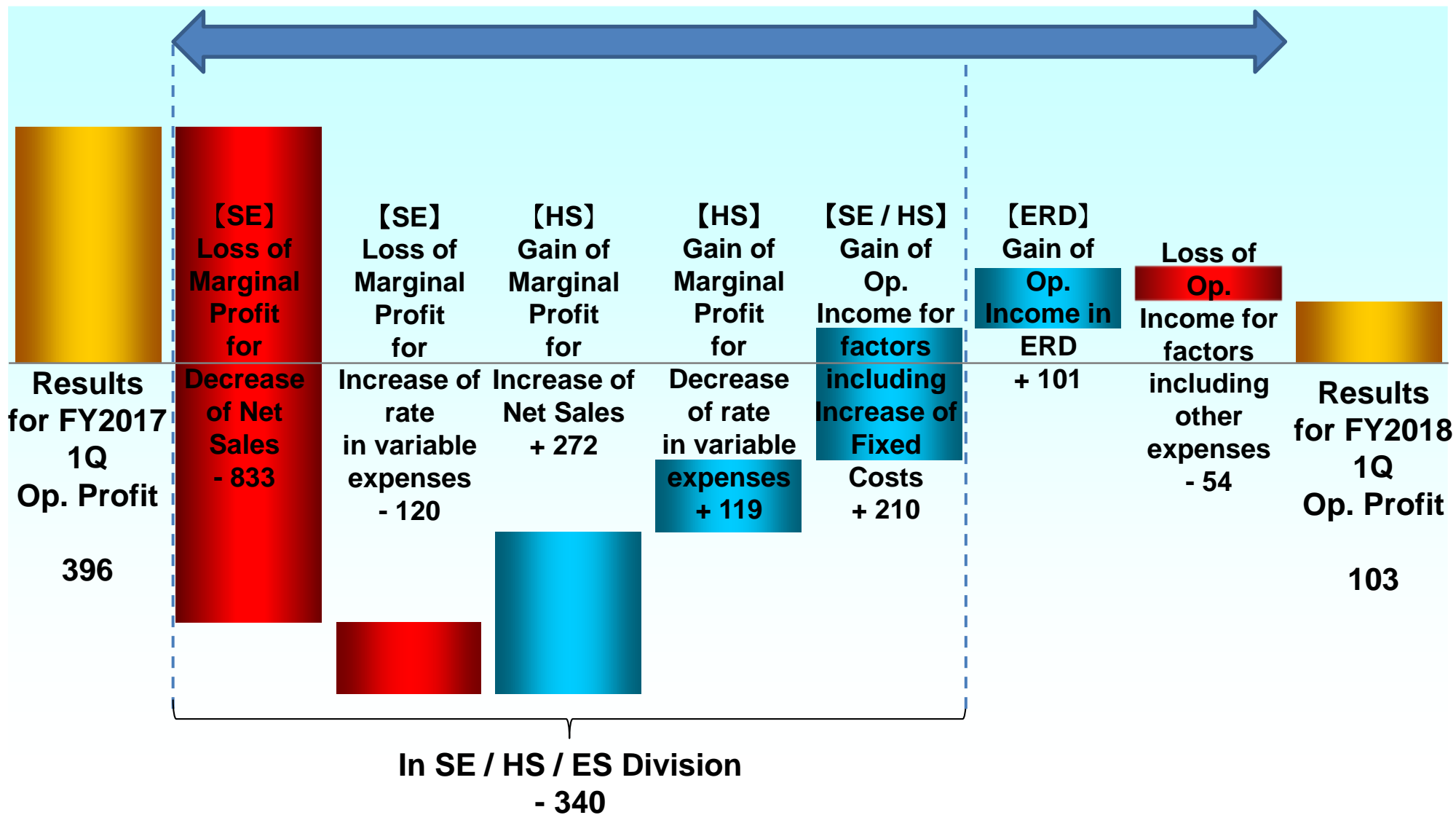
(Millions of Yen)



Factors in increase or decrease from the pre. period of Operating Income

- 292

(Millions of Yen)





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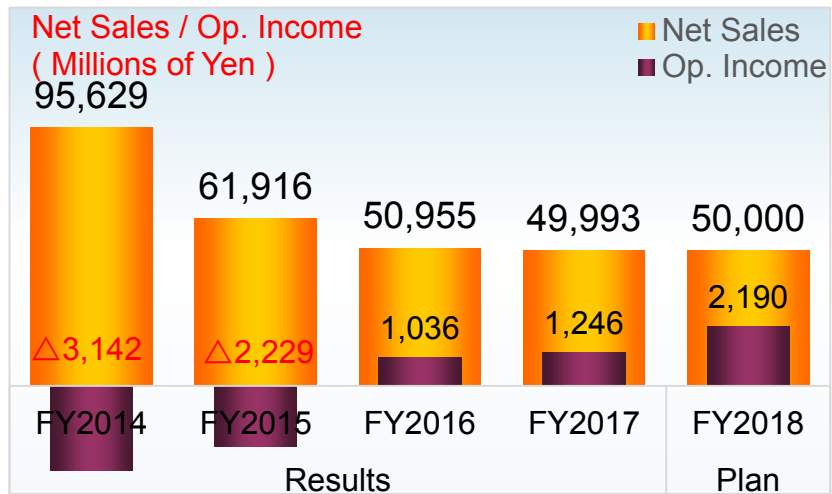
2. Forecast for FY2018

Consolidated Financial Forecast for FY2018

There is no change from the forecast announced on May 14, 2018

(Millions of Yen)

	FY2017	FY2018		
	Results	Plan	Y on 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%		



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 14, 2018.

In the current fiscal year, the third year of the medium-term business plan, the Group will achieve stable revenues from the four businesses by continuing to work on lasting profitability and continuous growth through the continued transfer of personnel among the business segments.

Segment Forecasts for FY2018

There is no change from the forecast announced on May 14, 2018

(Millions of Yen)

	FY2018								
	First Half			Second Half			Full 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 】 Segment Forecasts for FY2018

There is no change from the forecast announced on May 14, 2018

(Millions of Yen)

	FY2017		FY2018					
	Full Year		1Q			Full Year		
	Results	Prop.	Results	Prop.	Progress	Plan	Prop.	Difference
Net Sales	49,993		11,733		23.5%	50,000		+ 6
SE Division	17,870	35.7%	2,779	23.7%	20.5%	13,565	27.1%	- 4,305
HS Division	8,922	17.8%	2,711	23.1%	26.0%	10,420	20.8%	+ 1,497
ES Division	1,444	2.9%	415	3.5%	24.7%	1,684	3.4%	+ 239
ERD Division	21,755	43.5%	5,826	49.7%	23.9%	24,331	48.7%	+ 2,575
Gross Profit	14,044	28.1%	3,540	30.2%	22.9%	15,440	30.9%	+ 1,395
SG & A	12,798	25.6%	3,436	29.3%	25.9%	13,250	26.5%	+ 451
Operating Income	1,246	2.5%	103	0.9%	4.7%	2,190	4.4%	+ 943
SE Division	1,668	<u>9.3%</u>	(88)	—	—	1,508	<u>11.1%</u>	- 160
HS Division	1,471	<u>16.5%</u>	580	<u>21.4%</u>	32.1%	1,806	<u>17.3%</u>	+ 334
ES Division	179	<u>12.5%</u>	52	<u>12.6%</u>	24.7%	212	<u>12.6%</u>	+ 32
ERD Division	972	<u>4.5%</u>	439	<u>7.5%</u>	23.7%	1,856	<u>7.6%</u>	+ 883
Group	(3,045)	—	(880)	—	27.6%	(3,192)	—	- 146
Ordinary Income	1,019	2.0%	154	1.3%	7.4%	2,100	4.2%	+ 1,080
Profit attributable to owners of	1,180	2.4%	111	0.9%	6.9%	1,610	3.2%	+ 429

* The underlined percentage indicate Operating Margin of each segment.

Tasks and Progress for FY2017

Tasks

SE Division

- Establishment of an appropriate system for the market contraction
- Development of new sales methods (solar electric power with land and storage batteries, etc.)

HS Division

- Increases in staff numbers and the number of business sites
- Acquisition of new customer

ES Division

- Expansion and strengthening of alliances to increase referrals
- Enhancement of pest control

ERD Division

- Continuation of negotiations on unit prices for the collection of waste plastic
- Efficient operation of power stations and an improvement in fuel quality
- Expansion of users in the Power Producer and Supplier business

Head Office

- Building of systems for business improvements
- Cross-divisional cost reduction

Progress

- The response to costs has made progress through the reduction of raw materials and the review of the organizational and personnel structures to respond to falling purchase prices.
- Given that the approval of delayed business plans has begun progressing in the second quarter, construction projects are expected to move forward in series.

- Because mainstay products are achieving better performance than planned, the level has been raised.
- The number of new customers is increasing more rapidly than in the previous fiscal year.
- Two business sites began operating in August (in Kyushu).

- A significant result was produced in the sales expansion of anti-rust equipment, as in the previous fiscal year, as a result of strengthening customer management by increasing staff numbers.
- Alliances with management companies have been strengthened.

- The collection volume of waste plastic exceeded the level in the previous fiscal year while promoting the revision of unit prices, suggesting that it has returned to an upward trend.
- The Power Producer and Supplier business promotes the review of contracts with high-voltage users, and profitability is improving thanks to the progress of a new framework.

- The Head Office is promoting the computerization of documents and the introduction of new systems to reduce costs, save labor and improve productivity in sales activities.
- The Company has established the Corporate Planning Division to formulate future management and business strategies and strengthen PR communication capabilities.

Segment Forecasts for FY2018 (SE Division)

There is no change from the forecast announced on May 14, 2018
(Millions of Yen)

	FY2018								
	First Half			Second Half			Full 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 against the backdrop of declining construction volume and sales unit prices based on the market trends, including a decline in FIT prices (¥18/kWh).

The SE Division will strengthen proposals for residential solar electric power and storage batteries, in addition to the mainstay industrial solar electric power, and develop new sales methods including the proposal of solar electric power with land.

Concerning the delay in the approval of FIT equipment in the SE Division, the Division expects that the situation of backward shifts will be gradually resolved in and after the current second quarter.

Segment Forecasts for FY2018 (HS Division)

There is no change from the forecast announced on May 14, 2018

(Millions of Yen)

	FY2018								
	First Half			Second Half			Full 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	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 will reinforce the discovery of customers by increasing staff numbers through the transfer of personnel from the SE Division and further expand the after-sales structure for existing customers. In addition, the Division will step up termite extermination work backed by the increase in staff numbers and expects sales of housing-related products to rise as well.

In terms of profit, the HS Division will absorb expected higher fixed expenses due to the increase in staff numbers to address business expansion through sales growth and seek an increase in income.

Segment Forecasts for FY2018 (ES Division)

There is no change from the forecast announced on May 14, 2018

(Millions of Yen)

	FY2018								
	First Half			Second Half			Full 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 will reinforce the development of business partners for sales channel expansion and strengthen its proposal ability to owners of condominiums, etc. The Division will also focus on anti-rust equipment installation (brand name: Daelman Shock) and expects sales to increase.

While the ES Division expects that fixed expenses will increase due to the increase in staff numbers to address the business expansion, the Division will absorb it through the growth in sales and seek to achieve an increase in income.

Segment Forecasts for FY2018 (ERD Division)

There is no change from the forecast announced on May 14, 2018

(Millions of Yen)

	FY2018								
	First Half			Second Half			Full 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
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

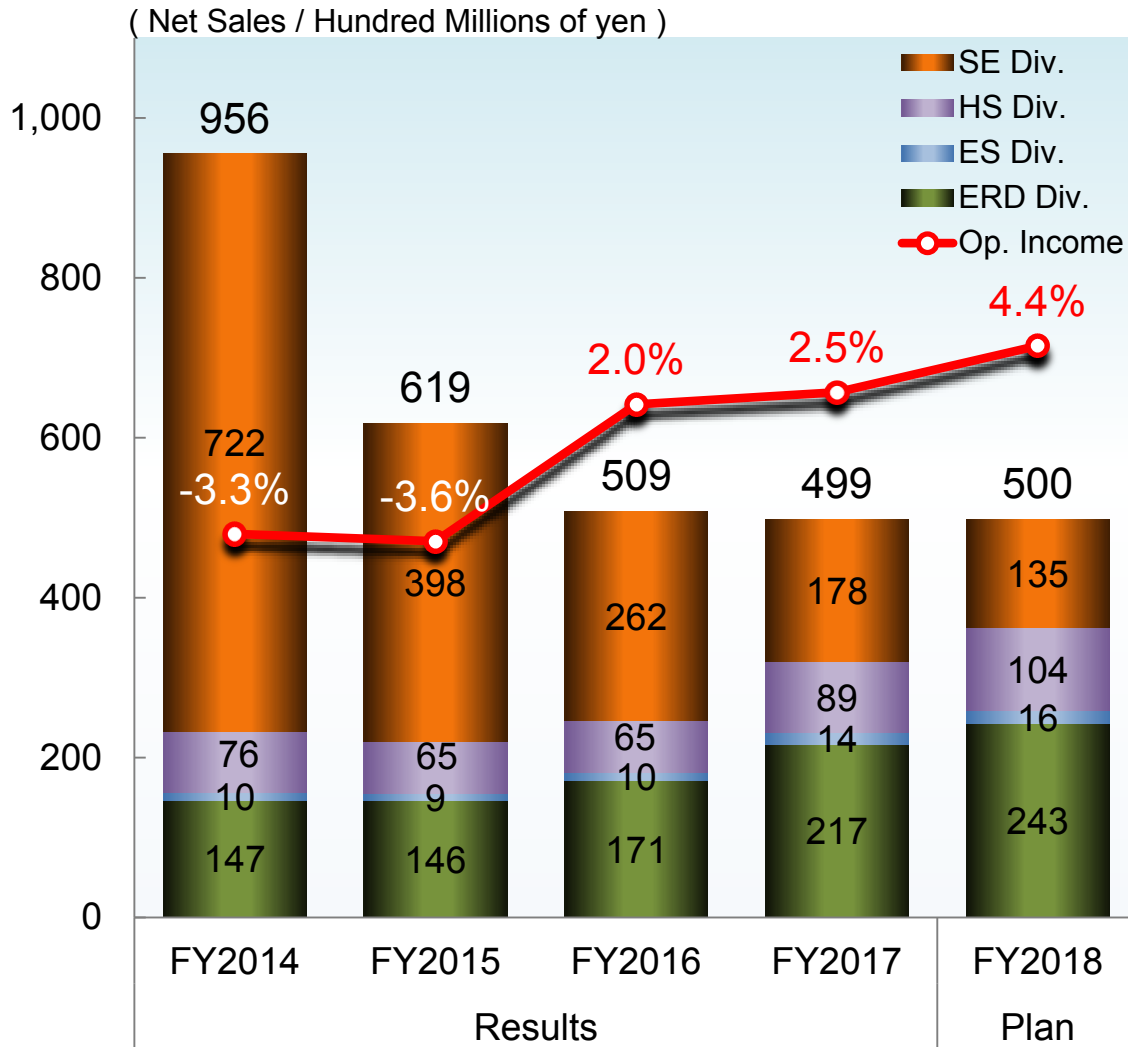
The Division will continue to revise unit prices for the collection of plastic fuels and strive to increase sales by working to recover the collection volume. In addition, the Division has a policy of reinforcing the collaboration of the power business in Hokkaido and the Power Producer and Supplier business in Honshu under a new framework, and will work to expand the size of the entire power business and reduce 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 (changes)

There is no change from the forecast announced on May 14, 2018

■ 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%