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Consolidated Financial Statements  
For the First Half ended September 30,2018

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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)**

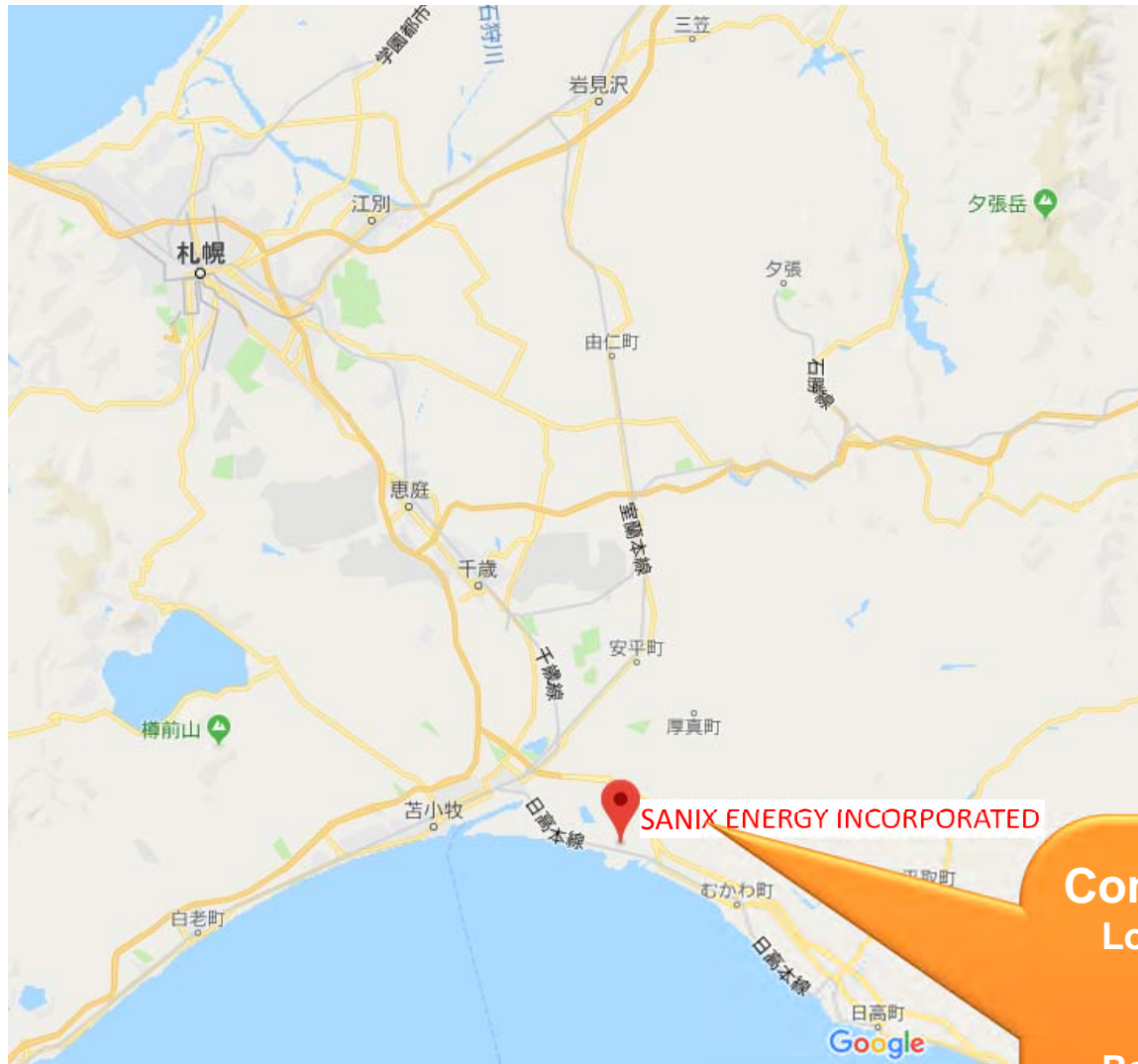
- Numbers are rounded off to the nearest whole number.
- “( )” in operating income, ordinary income and net income indicate operating loss, ordinary loss and net loss respectively.
- In case of negative or above 1,000%, margin is expressed by “-”.



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# **1. Effects of the 2018 Hokkaido Eastern Iburi earthquake**



## Commencement of operation

### Location

4-504, Benten, Tomakomai city, Hokkaido  
(Establishment in April, 2003)

### Power output

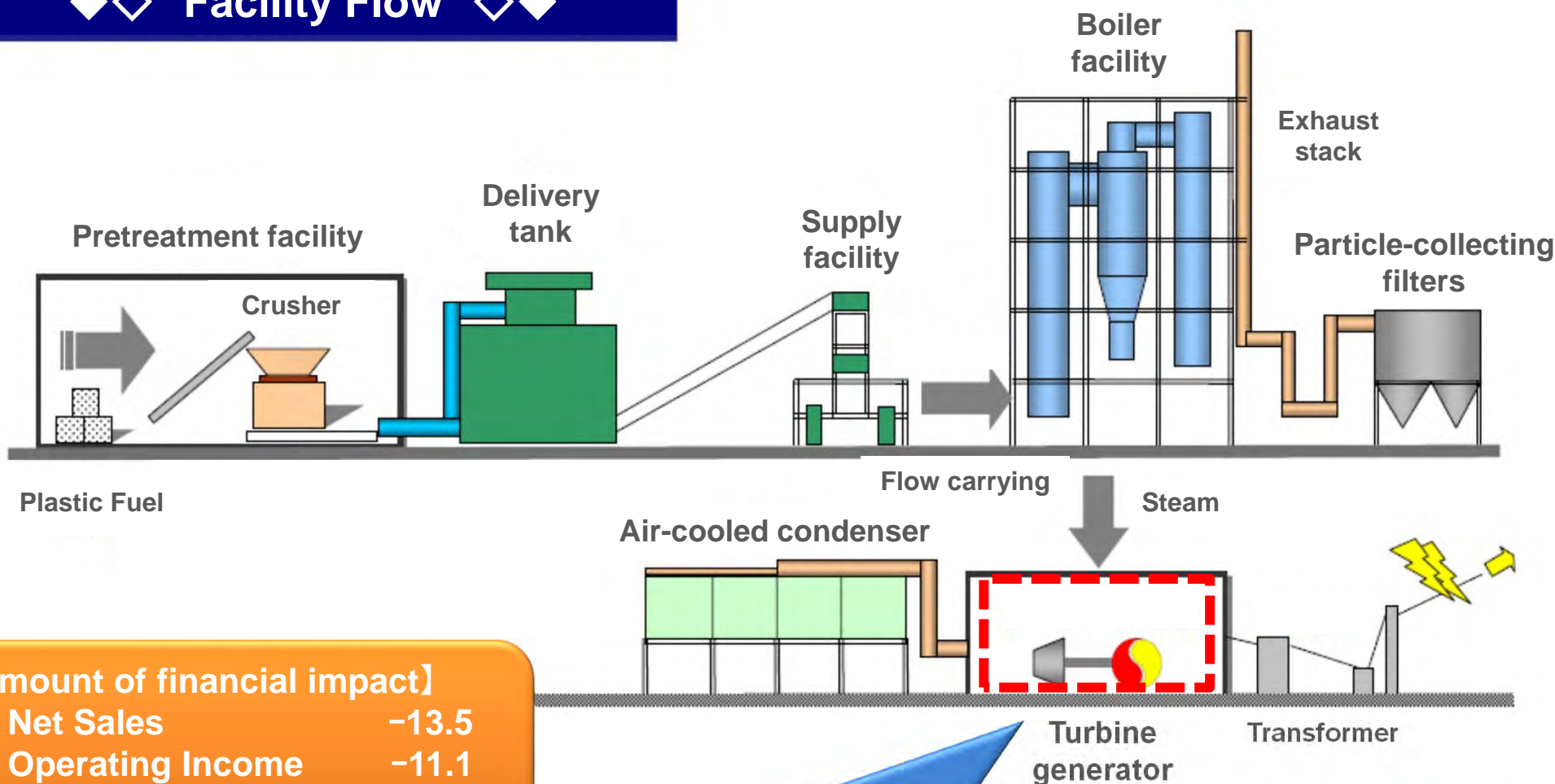
74,000kW (Equivalent to electricity consumed by  
about 23,000 general households)

### Plastic consumption

600~700 t per day

\*Thermal power plant using only plastic fuel

## ◆◆ Facility Flow ◆◆



[amount of financial impact]	
Net Sales	-13.5
Operating Income	-11.1
Extraordinary Loss	3.7
	(Billion Yen)

Repairs and the replacement of parts are necessary in the steam turbines, the generator and the main facilities. Because some parts are made to order, it will take time to resume operation, which is expected to be resumed in early March 2019.



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## **2. Financial Results for FY2018 2Q**

# Consolidated Financial Results for FY2018 1<sup>st</sup>. Half

( Millions of Yen )

	FY2017	FY2018 1st. Half				
	Results 1st. Half	Results	Y on Y	Diff. from Pre. Period	Plan	Diff. from Plan
<b>Net Sales</b>	24,162	<b>24,447</b>	101.2%	+ 284	24,315	+ 132
<b>Gross Profit</b>	6,685	<b>7,503</b>	112.2%	+ 818	7,489	+ 14
( Gross Profit Margin )	27.7%	30.7%			30.8%	
<b>Operating Income</b>	138	<b>688</b>	496.6%	+ 549	868	- 179
( Operating Income Margin )	0.6%	2.8%			3.6%	
<b>Ordinary Income</b>	(29)	<b>689</b>	—	+ 718	818	- 128
( Ordinary Income Margin )	—	2.8%			3.4%	
<b>Profit attributable to owners of parent</b>	(155)	<b>194</b>	—	+ 349	643	- 448
( Net Income Margin )	—	0.8%			2.6%	

As for net sales in the first half under review, 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 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 ¥24,447 million (up 1.2% 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 ¥688 million (up 396.6% year on year) and ordinary income was ¥689 million (compared with an ordinary loss of ¥29 million in the same period of the previous year). Net income attributable to the owners of the parent company stood at ¥194 million (compared with a net loss attributable to the owners of the parent company of ¥155 million in the same period of the previous year) as a result of posting ¥377 million, the expected amount of expenses for restoring the facilities at the Tomakomai Power Plant stricken by the Hokkaido Eastern Iburi earthquake, as a loss caused by the disaster under extraordinary losses.

# Results of Net Sales and Income of each segment for FY2018 1<sup>st</sup>. Half



( Millions of Yen )

	FY2017		FY2018 1st. Half				
	Results 1st. Half	Ratio of Results	Results	Ratio of Results	Y on Y	Diff. from Plan	Ratio of Plan
<b>Net Sales</b>	24,162		<b>24,447</b>		101.2%	+ 132	
<b>SE Division</b>	8,716	36.1%	<b>5,947</b>	24.3%	68.2%	- 233	25.4%
<b>HS Division</b>	4,611	19.1%	<b>5,495</b>	22.5%	119.2%	+ 215	21.7%
<b>ES Division</b>	685	2.8%	<b>905</b>	3.7%	132.1%	+ 64	3.5%
<b>ERD Division</b>	10,149	42.0%	<b>12,099</b>	49.5%	119.2%	+ 86	49.4%
<b>Gross Profit</b>	6,685	27.7%	<b>7,503</b>	30.7%	112.2%	+ 14	30.8%
<b>SG &amp; A</b>	6,546	27.1%	<b>6,815</b>	27.9%	104.1%	+ 194	27.2%
<b>Operating Income</b>	138	0.6%	<b>688</b>	2.8%	496.6%	- 179	3.6%
<b>SE Division</b>	937	<u>10.8%</u>	<b>55</b>	<u>0.9%</u>	5.9%	- 375	<u>7.0%</u>
<b>HS Division</b>	749	<u>16.3%</u>	<b>1,238</b>	<u>22.5%</u>	165.2%	+ 204	<u>19.6%</u>
<b>ES Division</b>	98	<u>14.4%</u>	<b>128</b>	<u>14.2%</u>	130.6%	+ 24	<u>12.4%</u>
<b>ERD Division</b>	(57)	—	<b>962</b>	<u>8.0%</u>	—	+ 10	<u>7.9%</u>
<b>Group</b>	(1,590)	—	<b>(1,696)</b>	—	—	- 43	—

\* The underlined percentage indicate Operating Margin of each segment.



# 【Reference】 Quarterly Segment Information for FY2018

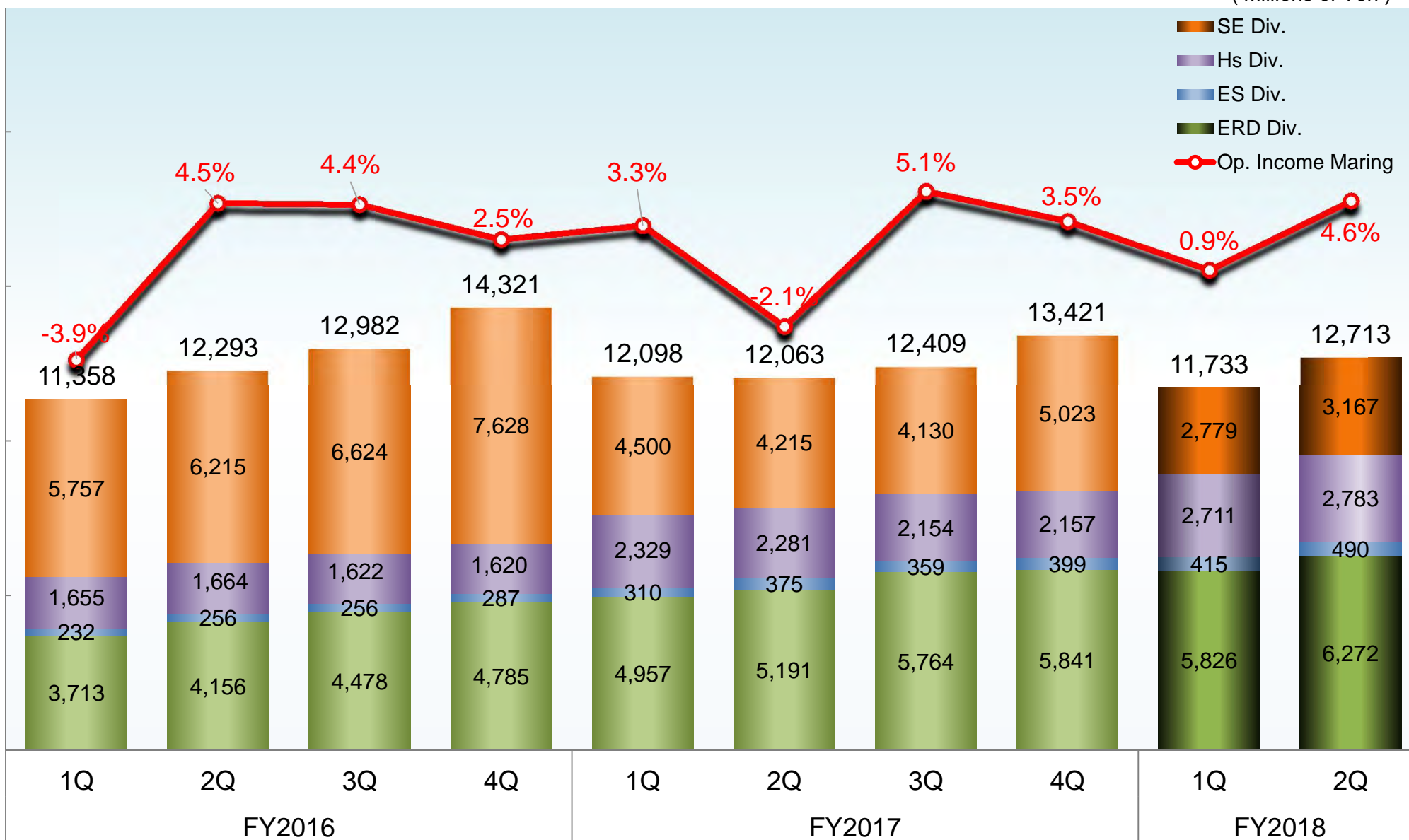
( Millions of Yen )

	FY2017								FY2018			
	1 Q		2 Q		3 Q		4 Q		1 Q		2 Q	
	Results	Ratio	Results	Ratio	Results	Ratio	Results	Ratio	Results	Ratio	Results	Ratio
<b>Net Sales</b>	12,098		12,063		12,409		13,421		11,733		<b>12,713</b>	
SE Division	4,500	37.2%	4,215	34.9%	4,130	33.3%	5,023	37.4%	2,779	23.7%	<b>3,167</b>	24.9%
HS Division	2,329	19.3%	2,281	18.9%	2,154	17.4%	2,157	16.1%	2,711	23.1%	<b>2,783</b>	21.9%
ES Division	310	2.6%	375	3.1%	359	2.9%	399	3.0%	415	3.5%	<b>490</b>	3.9%
ERD Division	4,957	41.0%	5,191	43.0%	5,764	46.5%	5,841	43.5%	5,826	49.7%	<b>6,272</b>	49.3%
<b>Gross Profit</b>	3,722	30.8%	2,963	24.6%	3,735	30.1%	3,624	27.0%	3,540	30.2%	<b>3,963</b>	31.2%
<b>SG &amp; A</b>	3,325	27.5%	3,220	26.7%	3,100	25.0%	3,151	23.5%	3,436	29.3%	<b>3,378</b>	26.6%
<b>Operating Income</b>	396	3.3%	(257)	—	634	5.1%	473	3.5%	103	0.9%	<b>584</b>	4.6%
SE Division	442	<u>9.8%</u>	495	<u>11.8%</u>	409	<u>9.9%</u>	321	<u>6.4%</u>	(88)	—	<b>143</b>	<u>4.5%</u>
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>	<b>658</b>	<u>23.6%</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>	<b>76</b>	<u>15.6%</u>
ERD Division	338	<u>6.8%</u>	(395)	—	559	<u>9.7%</u>	470	<u>8.0%</u>	439	<u>7.5%</u>	<b>522</b>	<u>8.3%</u>
<b>Group</b>	(826)	—	(763)	—	(719)	—	(735)	—	(880)	—	<b>(816)</b>	—

\* The underlined percentage indicate Operating Margin of each segment.

# Quarterly Segment Information (changes)

( Millions of Yen )



# Segment Information for FY2018 1<sup>st</sup>. Half (SE Division)

(Millions of Yen)

	FY2017		FY2018 1st. Half				
	Results 1st. Half	Ratio of Results	Results	Ratio of Results	Y on Y	Plan	Ratio of Plan
<b>Net Sales</b>	8,716		<b>5,947</b>		68.2%	6,181	
<b>Photovoltaic System</b>							
<b>Direct Sales</b>	7,992	91.7%	<b>5,564</b>	93.6%	69.6%	5,945	96.2%
<b>Wholesales</b>	576	6.6%	<b>288</b>	4.9%	50.1%	180	2.9%
<b>Others</b>	147	1.7%	<b>94</b>	1.6%	63.9%	55	0.9%
<b>Cost of Sales</b>	5,737	65.8%	<b>4,174</b>	70.2%	72.8%	4,043	65.4%
<b>Material costs</b> ※	3,659	42.0%	<b>2,581</b>	43.4%	70.5%	2,677	43.3%
<b>Labor costs</b>	773	8.9%	<b>523</b>	8.8%	67.7%	485	7.8%
<b>Gross Profit</b>	2,978	34.2%	<b>1,772</b>	29.8%	59.5%	2,138	34.6%
<b>SG &amp; A</b>	2,040	23.4%	<b>1,717</b>	28.9%	84.2%	1,707	27.6%
<b>Personnel expenses</b>	869	10.0%	<b>846</b>	14.2%	97.4%	840	13.6%
<b>Other expenses</b>	1,171	13.4%	<b>870</b>	14.6%	74.3%	866	14.0%
<b>Operating Income</b>	937	10.8%	<b>55</b>	0.9%	5.9%	431	7.0%

※ 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 half under review, which resulted in a situation of backward shifts overall. As a result, net sales declined significantly to ¥5,947 million (down 31.8% 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 operating income of ¥55 million (down 94.1% year on year).

# [Reference] Quarterly Segment Information for FY2018 (SE Division)



(Millions of Yen)

	FY2017								FY2018			
	1 Q		2 Q		3 Q		4 Q		1 Q		2 Q	
	Results	Ratio	Results	Ratio	Results	Ratio	Results	Ratio	Results	Ratio	Results	Ratio
<b>Net Sales</b>	4,500		4,215		4,130		5,023		2,779		<b>3,167</b>	
<b>Cost of Sales</b>	2,998	66.6%	2,738	65.0%	2,813	68.1%	3,756	74.8%	2,018	72.6%	<b>2,155</b>	68.1%
<b>Material costs</b> ※	1,901	42.3%	1,757	41.7%	1,873	45.4%	2,758	① 54.9%	1,246	44.8%	<b>1,335</b>	42.2%
<b>Labor costs</b>	403	9.0%	370	8.8%	351	8.5%	308	6.1%	269	9.7%	<b>253</b>	8.0%
<b>Outsourcing costs</b>	227	5.1%	196	4.7%	174	4.2%	301	6.0%	111	4.0%	<b>187</b>	5.9%
<b>Other costs</b>	465	10.4%	414	9.8%	414	10.0%	387	7.7%	391	14.1%	<b>378</b>	11.9%
<b>Gross Profit</b>	1,501	33.4%	1,476	35.0%	1,316	31.9%	1,267	25.2%	761	27.4%	<b>1,011</b>	31.9%
<b>SG &amp; A</b>	1,059	23.5%	980	23.3%	906	22.0%	946	18.8%	849	30.6%	<b>868</b>	27.4%
<b>Personnel expenses</b>	439	9.8%	430	10.2%	424	10.3%	475	9.5%	415	14.9%	<b>431</b>	13.6%
<b>Other expenses</b>	620	13.8%	550	13.1%	481	11.7%	471	9.4%	434	15.6%	<b>436</b>	13.8%
<b>Operating Income</b>	442	9.8%	495	11.8%	409	9.9%	321	6.4%	(88)	—	<b>143</b>	4.5%

※ 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 1<sup>st</sup>. Half (HS Division)

( Millions of Yen )

	FY2017		FY2018 1st. Half				
	Results 1st. Half	Ratio of Results	Results	Ratio of Results	Y on Y	Plan	Ratio of Plan
<b>Net Sales</b>	4,611		<b>5,495</b>		119.2%	5,280	
Termite Eradication Service	1,364	29.6%	<b>1,831</b>	33.3%	134.2%	1,693	32.1%
Under-Roof/Roof Ventilation System	635	13.8%	<b>870</b>	15.8%	136.9%	750	14.2%
Foundation Repairing/ Home Reinforcement System	911	19.8%	<b>1,110</b>	20.2%	121.8%	1,078	20.4%
Others	1,699	36.9%	<b>1,681</b>	30.6%	99.0%	1,756	33.3%
<b>Costs of Sales</b>	2,087	45.3%	<b>2,167</b>	39.4%	103.8%	2,293	43.4%
Labor costs	606	13.2%	<b>665</b>	12.1%	109.8%	658	12.5%
<b>Gross Profit</b>	2,523	54.7%	<b>3,327</b>	60.6%	131.8%	2,987	56.6%
<b>SG &amp; A</b>	1,774	38.5%	<b>2,089</b>	38.0%	117.8%	1,953	37.0%
Personnel expenses	1,131	24.5%	<b>1,286</b>	23.4%	113.7%	1,206	22.8%
<b>Operating Income</b>	749	16.3%	<b>1,238</b>	22.5%	165.2%	1,034	19.6%

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 34.2% year on year, and underfloor/ceiling ventilation systems rose 36.9% year on year. Base repair/roof reinforcement construction increased 21.8%. As a result, the division's sales rose to ¥5,495 million (up 19.2% year on year).

Operating income stood at ¥1,238 million (up 65.2% 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.

## ■ Changes of SE Division

	FY 2017				FY 2018	
	1 Q	2Q	3Q	4Q	1Q	2Q
Marginal Profit Ratio (%)	48.4	49.2	46.3	43.7	44.1	45.7
Average Monthly Fixed Cost (Million Yen per month)	578	525	499	488	437	434
Breakeven Sales Volume (Million Yen per month)	1,193	1,067	1,078	1,118	985	934

\* The results of Marginal profit ratio for the 4<sup>Q</sup> 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

	FY2017				FY2018	
	1 Q	2Q	3Q	4Q	1Q	2Q
Marginal Profit Ratio (%)	71.2	70.5	73.2	74.5	75.6	76.0
Average Monthly Fixed Cost (Million Yen per month)	399	412	403	407	489	485
Breakeven Sales Volume (Million Yen per month)	561	584	551	547	620	628

\* 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

( Millions of Yen )

	FY2017		FY2018 1st. Half				
	Results 1st. Half	Ratio of Results	Results	Ratio of Results	Y on Y	Plan	Ratio of Plan
<b>Net Sales</b>	685		<b>905</b>		132.1%	841	
<b>Costs of Sales</b>	354	51.7%	<b>433</b>	47.9%	122.3%	440	52.3%
Labor costs	87	12.7%	<b>105</b>	11.7%	121.6%	103	12.2%
<b>Gross Profit</b>	331	48.3%	<b>472</b>	52.1%	142.6%	401	47.7%
<b>SG &amp; A</b>	232	33.9%	<b>343</b>	37.9%	147.7%	297	35.3%
Personnel expenses	143	21.0%	<b>204</b>	22.6%	142.4%	188	22.4%
<b>Operating Income</b>	98	14.4%	<b>128</b>	14.2%	130.6%	104	12.4%

Sales of anti-rust equipment installation (brand name: Daelman Shock), our main product, increased 79.8% 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 ¥905 million (up 32.1% year on year).

Operating income rose to ¥128 million (up 30.6% 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.

( Millions of Yen )

	FY2017		FY2018 1st. Half				
	Results 1st. Half	Ratio of Results	Results	Ratio of Results	Y on Y	Plan	Ratio of Plan
<b>Net Sales</b>	10,149		<b>12,099</b>		119.2%	12,013	
<b>Plastic Fuels</b>	3,672	36.2%	<b>4,105</b>	33.9%	111.8%	3,929	32.7%
<b>Power Generation</b>	4,878	48.1%	<b>6,342</b>	52.4%	130.0%	6,520	54.3%
<b>Organic Waste Water</b>	889	8.8%	<b>925</b>	7.6%	104.0%	919	7.7%
<b>Final Disposal</b>	359	3.5%	<b>377</b>	3.1%	104.9%	310	2.6%
<b>Others</b>	349	3.4%	<b>349</b>	2.9%	99.9%	334	2.8%
<b>Gross Profit</b>	851	8.4%	<b>1,930</b>	16.0%	226.7%	1,963	16.3%
<b>SG &amp; A</b>	908	9.0%	<b>968</b>	8.0%	106.6%	1,011	8.4%
<b>Operating Income</b>	(57)	—	<b>962</b>	8.0%	—	952	7.9%

Due to a rise in the collection volume of waste plastic for fuels, plastic fuel sales increased 11.8% year on year and electricity sales rose 30.0% year on year due to the expansion of the Power Producer and Supplier (PPS) business. As a result, net sales amounted to ¥12,099 million (up 19.2% year on year).

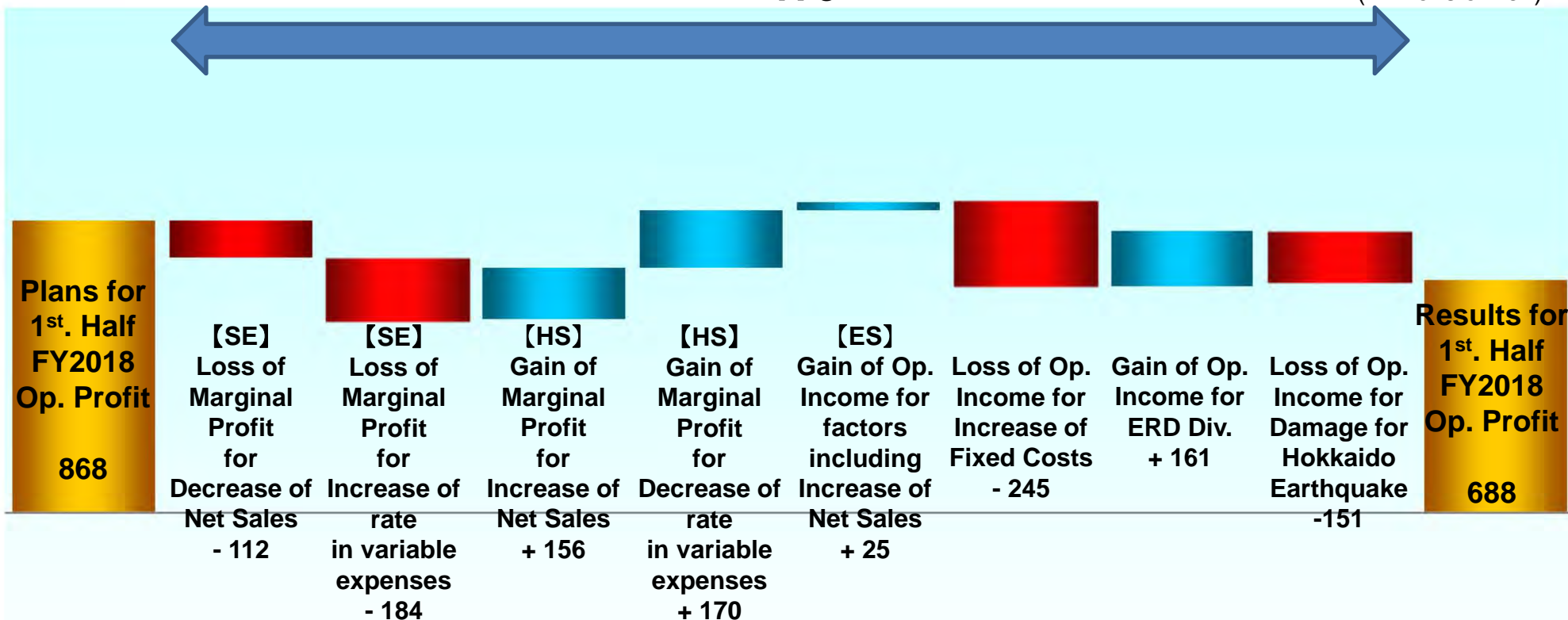
Operating income increased to ¥962 million (compared with an operating loss of ¥57 million in the same period of the previous year) due to an increase in unit prices for the collection of waste plastic, an improvement in fuel quality and the reduction of costs reflecting the improved efficiency of plastic fuels, as well as higher sales in the PPS business and the contribution of the stabilized costs of power procurement.



( 1<sup>st</sup>. Half Results from 1<sup>st</sup>. Half Plans for FY2018 )

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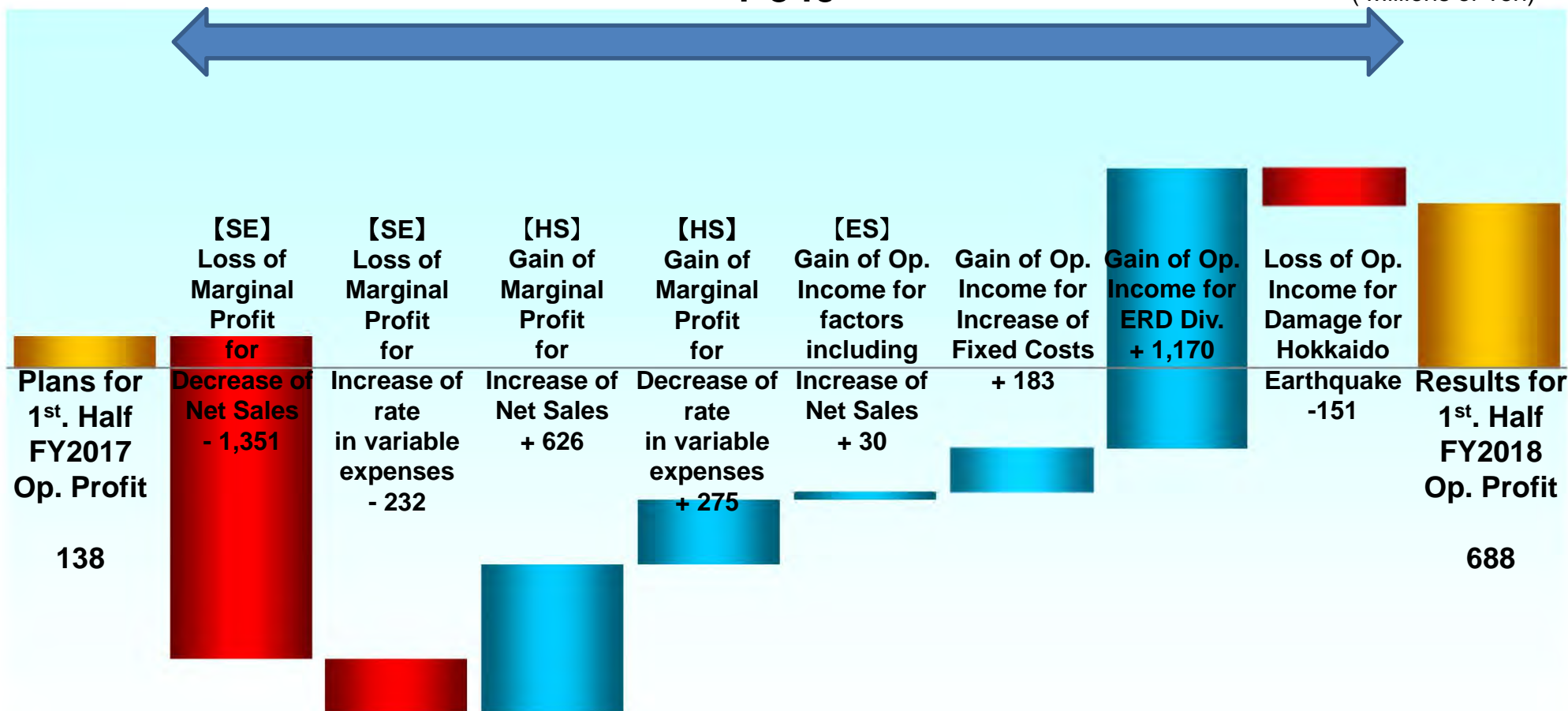
( Millions of Yen )



( 1<sup>st</sup>. Half Results for FY2018 from 1<sup>st</sup>. Half Results for FY2017 )

+ 549

( Millions of Yen )





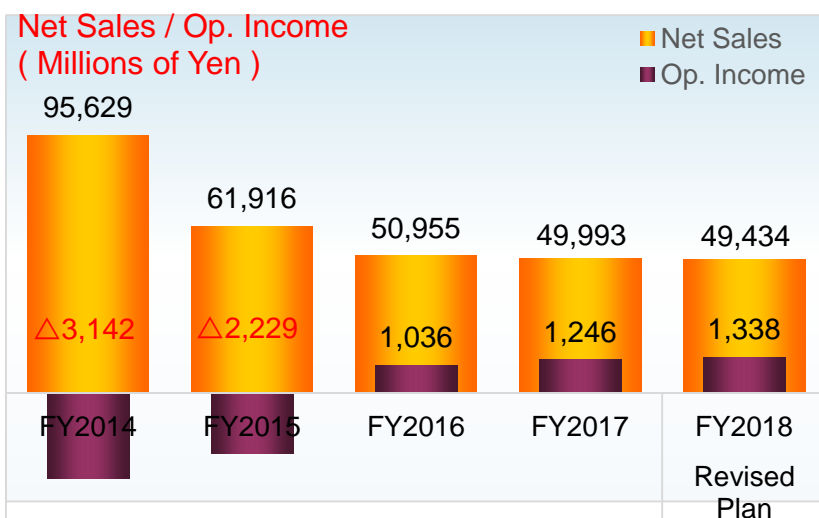
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## **3. Forecast for FY2018**

(Millions of Yen)

	FY2017	FY2018			
	Results	Revised Plan	Y on Y	announced on May 14, 2018	
				Plan	Diff. from Plan
<b>Net Sales</b>	49,993	<b>49,434</b>	98.9%	50,000	-565
<b>Gross Profit</b>	14,044	<b>14,735</b>	104.9%	15,440	-704
(Gross Profit Margin)	28.1%	<b>29.8%</b>			
<b>Operating Income</b>	1,246	<b>1,338</b>	107.3%	2,190	-851
(Operating Income Margin)	2.5%	<b>2.7%</b>			
<b>Ordinary Income</b>	1,019	<b>1,290</b>	126.6%	2,100	-809
(Ordinary Income Margin)	2.0%	<b>2.6%</b>			
<b>Profit attributable to owners of parent</b>	1,180	<b>534</b>	45.3%	1,610	-1,075
(Net Income Margin)	2.4%	<b>1.1%</b>			



We have revised the full-year results forecasts downward, given that operation of the Tomakomai Power Plant is expected to resume in early March 2019 and there is no prospect for electricity sales during the suspension period of the Plant.

In terms of profit, both operating income and ordinary income are likely to fall below the previous forecasts, given that net sales will be below the previous forecast and that there is the burden of fixed costs. In addition, because expenses for restoring the original state of the Tomakomai Power Plant will be posted as a loss caused by the disaster under extraordinary losses, net income attributable to the owners of the parent company is expected to be below the previous forecast.

# Segment Forecasts for FY2018 ( Comparison to Previous Period )

( Millions of Yen )

	FY2018								
	First Half			Second Half			Full Year		
	Results	Ratio to Net Sales	Diff. from Pre. Period	Revised Plan	Ratio to Net Sales	Diff. from Pre. Period	Revised Plan	Ratio to Net Sales	Diff. from Pre. Period
<b>Net Sales</b>	<b>24,447</b>		+ 284	<b>24,987</b>		- 843	<b>49,434</b>		- 558
SE Division	<b>5,947</b>	24.3%	- 2,768	<b>7,296</b>	29.2%	- 1,857	<b>13,243</b>	26.8%	- 4,626
HS Division	<b>5,495</b>	22.5%	+ 883	<b>5,443</b>	21.8%	+ 1,132	<b>10,938</b>	22.1%	+ 2,015
ES Division	<b>905</b>	3.7%	+ 220	<b>873</b>	3.5%	+ 114	<b>1,778</b>	3.6%	+ 334
ERD Division	<b>12,099</b>	49.5%	+ 1,949	<b>11,374</b>	45.5%	- 232	<b>23,473</b>	47.5%	+ 1,717
<b>Gross Profit</b>	<b>7,503</b>	30.7%	+ 818	<b>7,231</b>	28.9%	- 127	<b>14,735</b>	29.8%	+ 690
<b>SG &amp; A</b>	<b>6,815</b>	27.9%	+ 268	<b>6,582</b>	26.3%	+ 330	<b>13,397</b>	27.1%	+ 599
<b>Operating Income</b>	<b>688</b>	2.8%	+ 549	<b>649</b>	2.6%	- 458	<b>1,338</b>	2.7%	+ 91
SE Division	<b>55</b>	<u>0.9%</u>	- 882	<b>1,066</b>	<u>14.6%</u>	+ 335	<b>1,121</b>	<u>8.5%</u>	- 546
HS Division	<b>1,238</b>	<u>22.5%</u>	+ 488	<b>1,024</b>	<u>18.8%</u>	+ 302	<b>2,262</b>	<u>20.7%</u>	+ 791
ES Division	<b>128</b>	<u>14.2%</u>	+ 30	<b>111</b>	<u>12.8%</u>	+ 30	<b>240</b>	<u>13.5%</u>	+ 60
ERD Division	<b>962</b>	<u>8.0%</u>	+ 1,019	<b>13</b>	<u>0.1%</u>	- 1,016	<b>975</b>	<u>4.2%</u>	+ 3
Group	<b>(1,696)</b>	—	- 106	<b>(1,565)</b>	—	- 110	<b>(3,262)</b>	—	- 217
<b>Ordinary Income</b>	<b>689</b>	2.8%	+ 718	<b>601</b>	2.4%	- 447	<b>1,290</b>	2.6%	+ 270
<b>Profit attributable to owners of parent</b>	<b>194</b>	0.8%	+ 349	<b>340</b>	1.4%	- 994	<b>534</b>	1.1%	- 645

\* The underlined percentage indicate Operating Margin of each segment.

# Segment Forecasts for FY2018 ( Comparison to Original Plan )

( Millions of Yen )

	FY2018								
	First Half			Second Half			Full Year		
	Results	Ratio to Net Sales	Diff. from Original Plan	Revised Plan	Ratio to Net Sales	Diff. from Original Plan	Revised Plan	Ratio to Net Sales	Diff. from Original Plan
<b>Net Sales</b>	<b>24,447</b>		+ 132	<b>24,987</b>		- 697	<b>49,434</b>		- 565
SE Division	<b>5,947</b>	24.3%	- 233	<b>7,296</b>	29.2%	- 87	<b>13,243</b>	26.8%	- 321
HS Division	<b>5,495</b>	22.5%	+ 215	<b>5,443</b>	21.8%	+ 303	<b>10,938</b>	22.1%	+ 518
ES Division	<b>905</b>	3.7%	+ 64	<b>873</b>	3.5%	+ 30	<b>1,778</b>	3.6%	+ 94
ERD Division	<b>12,099</b>	49.5%	+ 86	<b>11,374</b>	45.5%	- 943	<b>23,473</b>	47.5%	- 857
<b>Gross Profit</b>	<b>7,503</b>	30.7%	+ 14	<b>7,231</b>	28.9%	- 719	<b>14,735</b>	29.8%	- 704
<b>SG &amp; A</b>	<b>6,815</b>	27.9%	+ 194	<b>6,582</b>	26.3%	- 46	<b>13,397</b>	27.1%	+ 147
<b>Operating Income</b>	<b>688</b>	2.8%	- 179	<b>649</b>	2.6%	- 672	<b>1,338</b>	2.7%	- 851
SE Division	<b>55</b>	<u>0.9%</u>	- 375	<b>1,066</b>	<u>14.6%</u>	- 10	<b>1,121</b>	<u>8.5%</u>	- 386
HS Division	<b>1,238</b>	<u>22.5%</u>	+ 204	<b>1,024</b>	<u>18.8%</u>	+ 252	<b>2,262</b>	<u>20.7%</u>	+ 456
ES Division	<b>128</b>	<u>14.2%</u>	+ 24	<b>111</b>	<u>12.8%</u>	+ 3	<b>240</b>	<u>13.5%</u>	+ 28
ERD Division	<b>962</b>	<u>8.0%</u>	+ 10	<b>13</b>	<u>0.1%</u>	- 890	<b>975</b>	<u>4.2%</u>	- 880
Group	<b>(1,696)</b>	—	- 43	<b>(1,565)</b>	—	- 26	<b>(3,262)</b>	—	- 70
<b>Ordinary Income</b>	<b>689</b>	2.8%	- 128	<b>601</b>	2.4%	- 680	<b>1,290</b>	2.6%	- 809
<b>Profit attributable to owners of parent</b>	<b>194</b>	0.8%	- 448	<b>340</b>	1.4%	- 626	<b>534</b>	1.1%	- 1,075

\* The underlined percentage indicate Operating Margin of each segment.

# 【 Reference 】 Segment Forecasts for FY2018

( Millions of Yen )

	FY2017		FY2018					
	Full Year		First Half			Full Year		
	Results	Ratio to Net Sales	Results	Ratio to Net Sales	Progress	Revised Plan	Ratio to Net Sales	Diff. from Pre. Period
<b>Net Sales</b>	49,993		24,447		49.5%	<b>49,434</b>		- 558
SE Division	17,870	35.7%	5,947	24.3%	44.9%	<b>13,243</b>	26.8%	- 4,626
HS Division	8,922	17.8%	5,495	22.5%	50.2%	<b>10,938</b>	22.1%	+ 2,015
ES Division	1,444	2.9%	905	3.7%	50.9%	<b>1,778</b>	3.6%	+ 334
ERD Division	21,755	43.5%	12,099	49.5%	51.5%	<b>23,473</b>	47.5%	+ 1,717
<b>Gross Profit</b>	14,044	28.1%	7,503	30.7%	50.9%	<b>14,735</b>	29.8%	+ 690
<b>SG &amp; A</b>	12,798	25.6%	6,815	27.9%	50.9%	<b>13,397</b>	27.1%	+ 599
<b>Operating Income</b>	1,246	2.5%	688	2.8%	51.5%	<b>1,338</b>	2.7%	+ 91
SE Division	1,668	<u>9.3%</u>	55	<u>0.9%</u>	4.9%	<b>1,121</b>	<u>8.5%</u>	- 546
HS Division	1,471	<u>16.5%</u>	1,238	<u>22.5%</u>	54.7%	<b>2,262</b>	<u>20.7%</u>	+ 791
ES Division	179	<u>12.5%</u>	128	<u>14.2%</u>	53.5%	<b>240</b>	<u>13.5%</u>	+ 60
ERD Division	972	<u>4.5%</u>	962	<u>8.0%</u>	98.7%	<b>975</b>	<u>4.2%</u>	+ 3
Group	(3,045)	—	(1,696)	—	52.0%	<b>(3,262)</b>	—	- 217
<b>Ordinary Income</b>	1,019	2.0%	689	2.8%	53.4%	<b>1,290</b>	2.6%	+ 270
<b>Profit attributable to owners of parent</b>	1,180	2.4%	194	0.8%	36.3%	<b>534</b>	1.1%	- 645

\* The underlined percentage indicate Operating Margin of each segment.

## 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

- Increase in staff numbers and the number of business sites
- Acquisition of new customers

### 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 Suppliers (PPS) business

### Head Office

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

## Progress

- Cost reduction measures makes progress through the reduction of raw materials and the review of organizational structure and the personnel system to respond to the falling purchase prices of FIT.
- Because many companies set the deadline for application to electric power companies at November to be in time for the FIT application for the current fiscal year, we are strengthening our sales activities.

- Because mainstay products are achieving better performance than planned, the level has been raised.
- Kurashiki Sales Office commenced operation in December, which was the fourth new business site in the current fiscal year.

- 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 have been strengthened, and the number of alliance partners approximately quadrupled from two years ago, 1.3 times the number in the previous fiscal year.

- The Tomakomai Power Plant experienced damage from the earthquake, and its operation is expected to resume in March 2019. We have decided to conduct the statutory inspection of turbines, which was to be conducted in the next fiscal year, ahead of schedule, in addition to the restoration of the original state.
- In the collection of waste plastic, both unit prices and the volume are increasing.

- The digitization of documents and the introduction of new systems to reduce costs, save labor and improve productivity in sales activities are expanding.



# Segment Forecasts for FY2018 (SE Division)

(Millions of Yen)

	FY2018								
	First Half			Second Half			Full Year		
	Results	Ratio to Net Sales	Diff. from Pre. Period	Revised Plan	Ratio to Net Sales	Diff. from Pre. Period	Revised Plan	Ratio to Net Sales	Diff. from Pre. Period
<b>Net Sales</b>	<b>5,947</b>		- 2,768	<b>7,296</b>		- 1,857	<b>13,243</b>		- 4,626
<b>Photovoltaic System</b>									
Direct Sales	<b>5,564</b>	93.6%	- 2,427	<b>7,078</b>	97.0%	- 1,576	<b>12,642</b>	95.5%	- 4,004
Wholesales	<b>288</b>	4.9%	- 287	<b>183</b>	2.5%	- 266	<b>472</b>	3.6%	- 554
<b>Others</b>	<b>94</b>	1.6%	- 53	<b>33</b>	0.5%	- 15	<b>128</b>	1.0%	- 68
<b>Cost of Sales</b>	<b>4,174</b>	70.2%	- 1,563	<b>4,549</b>	62.4%	- 2,020	<b>8,723</b>	65.9%	- 3,584
Material costs ※	<b>2,581</b>	43.4%	- 1,077	<b>3,147</b>	43.1%	- 1,484	<b>5,729</b>	43.3%	- 2,562
Labor costs	<b>523</b>	8.8%	- 250	<b>449</b>	6.2%	- 210	<b>972</b>	7.3%	- 460
<b>Gross Profit</b>	<b>1,772</b>	29.8%	- 1,205	<b>2,746</b>	37.6%	+ 162	<b>4,519</b>	34.1%	- 1,042
<b>SG &amp; A</b>	<b>1,717</b>	28.9%	- 323	<b>1,680</b>	23.0%	- 172	<b>3,398</b>	25.7%	- 495
Personnel expenses	<b>846</b>	14.2%	- 22	<b>857</b>	11.8%	- 42	<b>1,704</b>	12.9%	- 65
Other expenses	<b>870</b>	14.6%	- 300	<b>822</b>	11.3%	- 129	<b>1,693</b>	12.8%	- 430
<b>Operating Income</b>	<b>55</b>	0.9%	- 882	<b>1,066</b>	14.6%	+ 335	<b>1,121</b>	8.5%	- 546

※ Material costs includes material costs and supply expenses.

The SE Division expects sales to decrease significantly from the previous fiscal year, reflecting the difficult market environment for the solar electric power business. In addition, there were backward shifts in the commencement of construction due to a delay in the approval of business plans of Feed-in-Tariff (FIT). However, the Division has left the initial plan unchanged because delay in net sales in second half has been resolved. In the full-year, the Division has revised the initial plan downward.

In terms of profit, the Division has not revised the initial plan for the second half because the reduction of materials and other costs is making progress almost as planned, in addition to the reduction of personnel expenses through the review of personnel replacements and other fixed costs.

# Segment Forecasts for FY2018 (HS Division)

(Millions of Yen)

	FY2018								
	First Half			Second Half			Full Year		
	Results	Ratio to Net Sales	Diff. from Pre. Period	Revised Plan	Ratio to Net Sales	Diff. from Pre. Period	Revised Plan	Ratio to Net Sales	Diff. from Pre. Period
<b>Net Sales</b>	<b>5,495</b>		+ 883	<b>5,443</b>		+ 1,132	<b>10,938</b>		+ 2,015
Termite Eradication Service	<b>1,831</b>	33.3%	+ 467	<b>1,478</b>	27.2%	+ 213	<b>3,309</b>	30.3%	+ 680
Under-Roof/Roof Ventilation System	<b>870</b>	15.8%	+ 234	<b>820</b>	15.1%	+ 201	<b>1,691</b>	15.5%	+ 436
Foundation Repairing/Home Reinforcement	<b>1,110</b>	20.2%	+ 199	<b>1,281</b>	23.5%	+ 235	<b>2,391</b>	21.9%	+ 434
Others	<b>1,681</b>	30.6%	- 17	<b>1,863</b>	34.2%	+ 481	<b>3,545</b>	32.4%	+ 463
<b>Costs of Sales</b>	<b>2,167</b>	39.4%	+ 79	<b>2,312</b>	42.5%	+ 424	<b>4,480</b>	41.0%	+ 504
Labor costs	<b>665</b>	12.1%	+ 59	<b>680</b>	12.5%	+ 73	<b>1,345</b>	12.3%	+ 132
<b>Gross Profit</b>	<b>3,327</b>	60.6%	+ 803	<b>3,130</b>	57.5%	+ 707	<b>6,458</b>	59.0%	+ 1,511
<b>SG &amp; A</b>	<b>2,089</b>	38.0%	+ 315	<b>2,106</b>	38.7%	+ 404	<b>4,195</b>	38.4%	+ 719
Personnel expenses	<b>1,286</b>	23.4%	+ 154	<b>1,370</b>	25.2%	+ 297	<b>2,656</b>	24.3%	+ 452
<b>Operating Income</b>	<b>1,238</b>	22.5%	+ 488	<b>1,024</b>	18.8%	+ 302	<b>2,262</b>	20.7%	+ 791

In the HS Division, sales in the first half remained stronger than planned due to an improvement in the management of existing customers through the transfer of personnel from the SE Division. The Division has revised the initial sales plan for both the second half and the full year upward as a result of strengthening the acquisition of new customers, while continuing its current efforts in the second half.

In terms of profit, while fixed costs are increasing due to a rise in personnel and higher sales, the Division has revised the initial plan upward for both the second half and the full year because the solid trend of higher sales is expected to continue in the second half.

## ■ Changes of SE Division

	FY 2017			FY 2018		
	1st. Half	2nd. Half	Full Year	1st. Half Results	2nd. Half Rev. Plan	Full Year Rev. Plan
Marginal Profit Ratio(%)	48.8	44.9	46.8	44.9	48.4	46.9
Average Monthly Fixed Cost (Million Yen per month)	551	494	522	430	408	419
Breakeven Sales Volume (Million Yen per month)	1,130	1,101	1,117	958	844	901

\* The results of Marginal profit ratio for the 4<sup>Q</sup> 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

	FY2017			FY2018		
	1st. Half	2nd. Half	Full Year	1st. Half Results	2nd. Half Rev. Plan	Full Year Rev. Plan
Marginal Profit Ratio(%)	70.8	73.8	72.3	75.8	73.6	74.7
Average Monthly Fixed Cost (Million Yen per month)	405	405	405	473	489	481
Breakeven Sales Volume (Million Yen per month)	573	549	561	624	665	644

\* 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

( Millions of Yen )

	FY2018								
	First Half			Second Half			Full Year		
	Results	Ratio to Net Sales	Diff. from Pre. Period	Revised Plan	Ratio to Net Sales	Diff. from Pre. Period	Revised Plan	Ratio to Net Sales	Diff. from Pre. Period
<b>Net Sales</b>	<b>905</b>		+ 220	<b>873</b>		+ 114	<b>1,778</b>		+ 334
<b>Costs of Sales</b>	<b>433</b>	47.9%	+ 79	<b>451</b>	51.7%	+ 50	<b>884</b>	49.7%	+ 129
Labor costs	<b>105</b>	11.7%	+ 18	<b>103</b>	11.8%	+ 9	<b>209</b>	11.8%	+ 28
<b>Gross Profit</b>	<b>472</b>	52.1%	+ 141	<b>421</b>	48.3%	+ 63	<b>894</b>	50.3%	+ 204
<b>SG &amp; A</b>	<b>343</b>	37.9%	+ 110	<b>309</b>	35.5%	+ 33	<b>653</b>	36.7%	+ 143
Personnel expenses	<b>204</b>	22.6%	+ 61	<b>193</b>	22.2%	+ 23	<b>398</b>	22.4%	+ 84
<b>Operating Income</b>	<b>128</b>	14.2%	+ 30	<b>111</b>	12.8%	+ 30	<b>240</b>	13.5%	+ 60

In the ES Division, sales in the first half remained stronger than planned, particularly in anti-rust equipment installation (brand name: Daelman Shock), due to the increase in staff numbers through the transfer from the SE Division, strengthening alliance activities with management companies for buildings and condominiums, acquiring new customers and improving post-sale service system for existing customers. While the Division will not revise the initial plan for the second half because it will continue its current efforts, the Division has revised the initial plan for the full year upward.

In terms of profit, the Division will maintain the initial plan because a solid increase in sales is expected in the second half, but has revised the initial plan for the full year upward.

(Millions of Yen)

	FY2018								
	First Half			Second Half			Full Year		
	Results	Ratio to Net Sales	Diff. from Pre. Period	Revised Plan	Ratio to Net Sales	Diff. from Pre. Period	Revised Plan	Ratio to Net Sales	Diff. from Pre. Period
<b>Net Sales</b>	<b>12,099</b>		+ 1,949	<b>11,374</b>		- 232	<b>23,473</b>		+ 1,717
<b>Plastic Fuels</b>	<b>4,105</b>	33.9%	+ 432	<b>4,017</b>	35.3%	+ 133	<b>8,122</b>	34.6%	+ 566
<b>Power Generation</b>	<b>6,342</b>	52.4%	+ 1,464	<b>5,753</b>	50.6%	- 463	<b>12,096</b>	51.5%	+ 1,001
<b>Organic Waste Wate</b>	<b>925</b>	7.6%	+ 35	<b>995</b>	8.8%	+ 136	<b>1,920</b>	8.2%	+ 172
<b>Final Disposal</b>	<b>377</b>	3.1%	+ 17	<b>280</b>	2.5%	- 14	<b>657</b>	2.8%	+ 2
<b>Others</b>	<b>349</b>	2.9%	- 0	<b>327</b>	2.9%	- 24	<b>676</b>	2.9%	- 24
<b>Gross Profit</b>	<b>1,930</b>	16.0%	+ 1,078	<b>932</b>	8.2%	- 1,061	<b>2,863</b>	12.2%	+ 17
<b>SG &amp; A</b>	<b>968</b>	8.0%	+ 59	<b>919</b>	8.1%	- 45	<b>1,887</b>	8.0%	+ 14
<b>Operating Income</b>	<b>962</b>	8.0%	+ 1,019	<b>13</b>	0.1%	- 1,016	<b>975</b>	4.2%	+ 3

In the Environmental Resources Development Division, sales remained as planned in the first half, but electricity sales are expected to decline because of the prospect that the operation of the Tomakomai Power Plant will resume in early March 2019 due to the effects of the earthquake. As a result, the Division has revised the initial plan downward for both the second half and the full year.

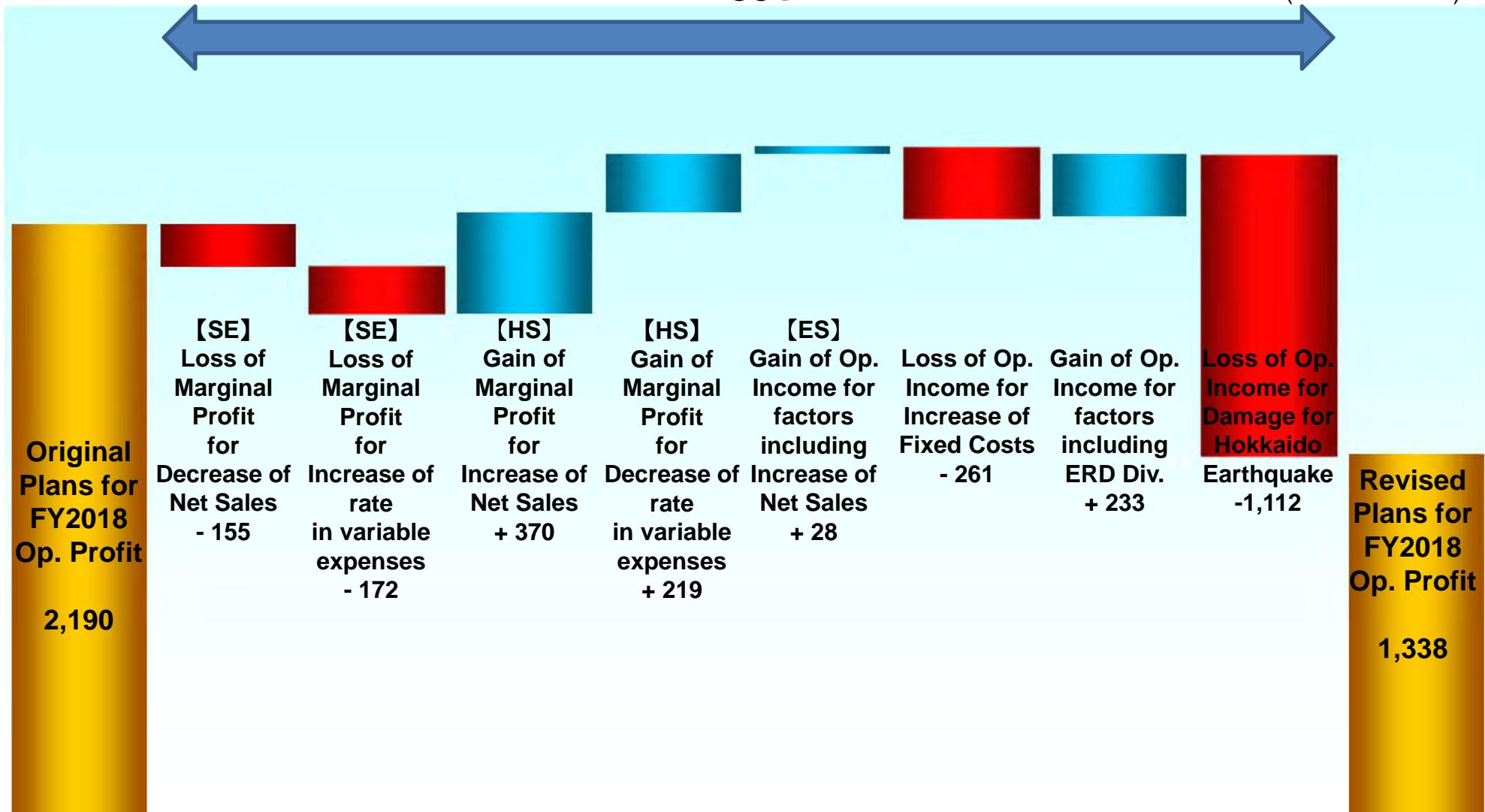
In terms of profit, the Division has revised the initial plan downward for both the second half and the full year, given that electricity sales will decline and that the burden of fixed costs, etc. is heavy.

Regular repairs at the Tomakomai Power Plant, which were originally scheduled to be conducted in early November, were implemented as planned during the period when the operation was suspended.

## ( Revised Plans from Original Plans for FY2018 )

- 851

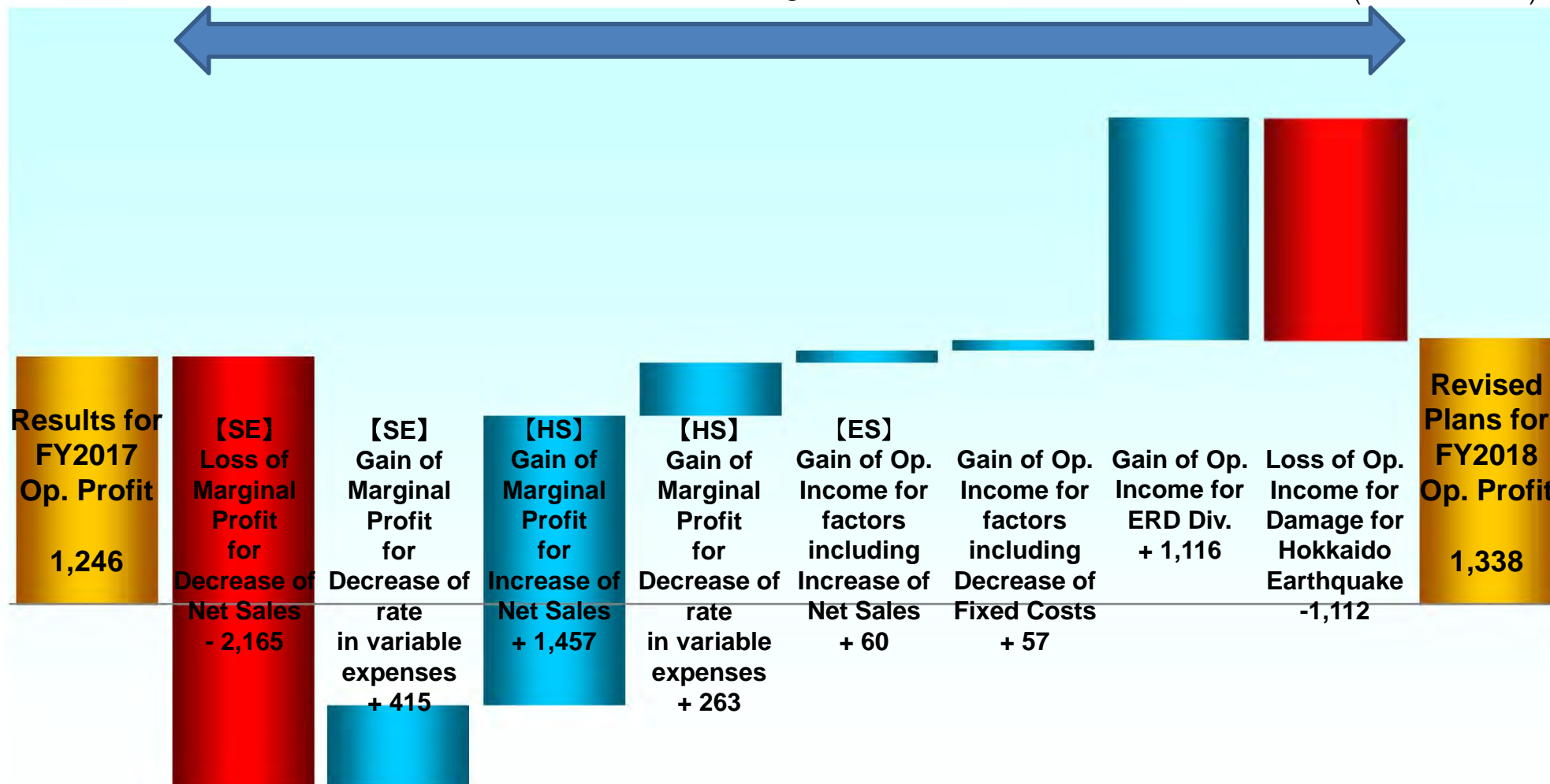
( Millions of Yen )



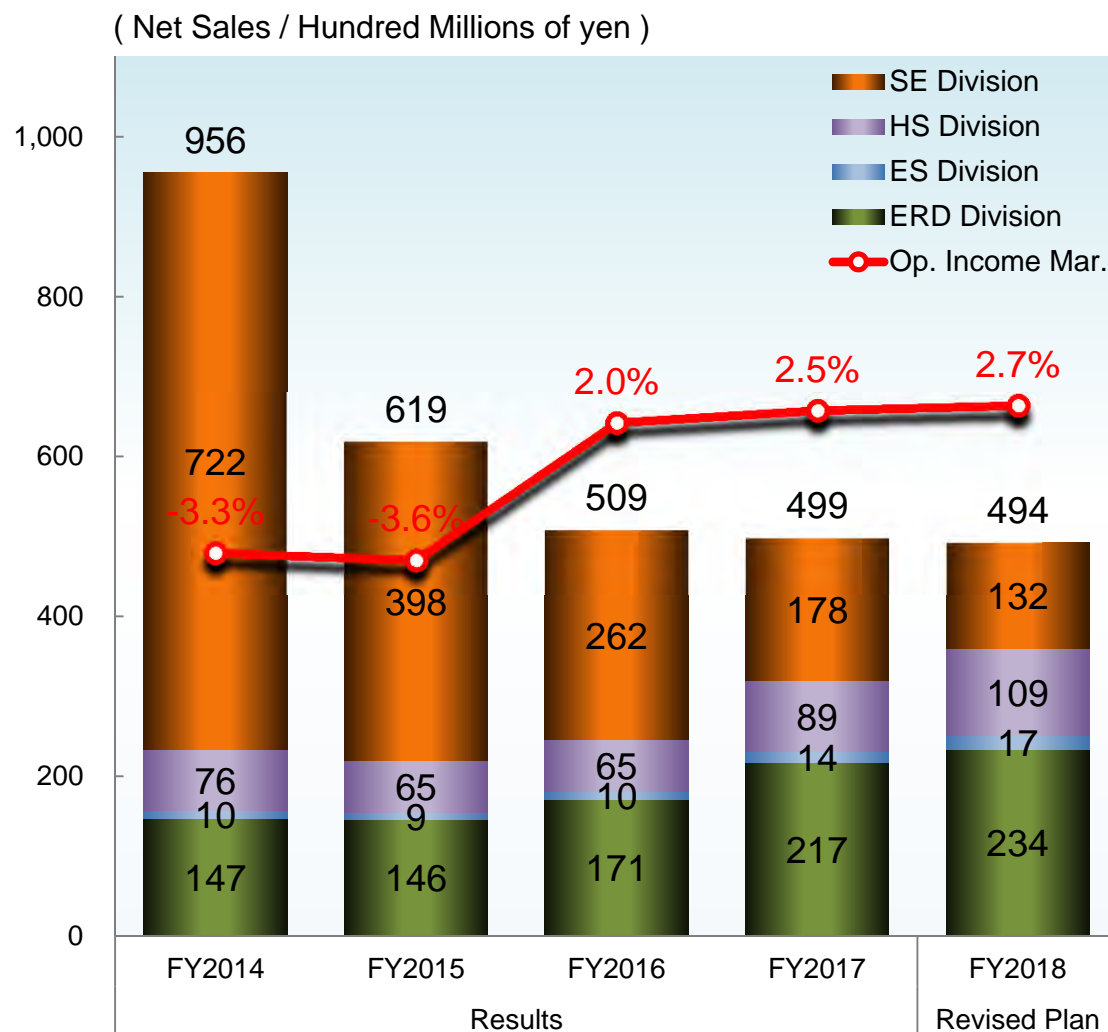
( Revised Plans for FY2018 from Results for FY2017 )

+ 91

( Millions of Yen )



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



### Forecasts for FY2018

**Net Sales : ¥49,434million**

**Op. Income : ¥1,338million**

**Op. Income Mar. : 2.7%**