



for Energy, for Environment

Photovoltaic Solution

Total Sanitation

Environmental Resources Development

Financial Results Briefing For FY2018



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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 FY2018

Consolidated Financial Results for FY2018

*Revised plan announced on November 13, 2018

(Millions of Yen)

	FY2017	FY 2018				
	Results	Results	Y o Y	Difference	Revised Plan*	to Plan
Net Sales	49,993	50,719	101.5%	+ 726	49,434	+ 1,285
Gross Profit	14,044	14,830	105.6%	+ 785	14,735	+ 94
Gross Profit Margin	28.1%	29.2%			29.8%	
Operating Income	1,246	1,224	98.3%	-21	1,338	-113
Operating Income Margin	2.5%	2.4%			2.7%	
Ordinary Income	1,019	1,182	116.0%	+ 163	1,290	-107
Ordinary Income Margin	2.0%	2.3%			2.6%	
Profit attributable to owners of parent	1,180	240	20.4%	-939	534	-294
Net Income Margin	2.4%	0.5%			1.1%	

As for net sales for the fiscal year under review, sales increased in the HS Division and the ES Division as a result of strengthening the sales system due to increase in personnel and store opening. Despite factors that contributed to the decrease in sales due to the suspension of the Tomakomai Power Plant, other businesses remained strong and sales of the Environmental Resources Development Business Division increased. 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 ¥50,719 million (up 1.5% year on year).

Profit increased in the HS Division and the ES Division despite factors contributing to the decrease in sales due to the damages suffered at the Tomakomai Power Plant. Profit decreased in terms of operating income and profit increased in terms of ordinary income. As a result, for the entire Group, operating income came to ¥1,224 million (down 1.7% year on year) and ordinary income was ¥1,182 million (up 16.0% year on year). Net income attributable to the owners of the parent company stood at ¥240 million (down 79.6% year on year) as a result of posting ¥472 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. The rate of decrease in profit was large compared to the previous consolidated fiscal year when the deferred tax asset was posted.

Results of each segment for FY2018

*Revised plan announced on November 13, 2018

(Millions of Yen)

	FY2017		FY2018				
	Results	Prop.	Results	Prop.	Y o Y	to Plan*	% to Plan
Net sales	49,993		50,719		101.5%	+ 1,285	
SE Division	17,870	35.7%	14,427	28.4%	80.7%	+ 1,183	26.8%
HS Division	8,922	17.8%	10,752	21.2%	120.5%	- 185	22.1%
ES Division	1,444	2.9%	1,926	3.8%	133.4%	+ 147	3.6%
ERD Division	21,755	43.5%	23,612	46.6%	108.5%	+ 139	47.5%
Gross Profit	14,044	28.1%	14,830	29.2%	105.6%	+ 94	29.8%
SG & A	12,798	25.6%	13,605	26.8%	106.3%	+ 207	27.1%
Operating Income	1,246	2.5%	1,224	2.4%	98.3%	+ 113	2.7%
SE Division	1,668	<u>9.3%</u>	1,204	<u>8.4%</u>	72.2%	+ 83	<u>8.5%</u>
HS Division	1,471	<u>16.5%</u>	2,231	<u>20.8%</u>	151.7%	- 30	<u>20.7%</u>
ES Division	179	<u>12.5%</u>	287	<u>14.9%</u>	159.6%	+ 46	<u>13.5%</u>
ERD Division	972	<u>4.5%</u>	836	<u>3.5%</u>	86.0%	- 138	<u>4.2%</u>
Group	(3,045)	—	-3,335	—	—	- 72	—

* The underlined percentage indicate Operating Margin of each segment.

【Reference】 Quarterly Results of each Segment for FY2018



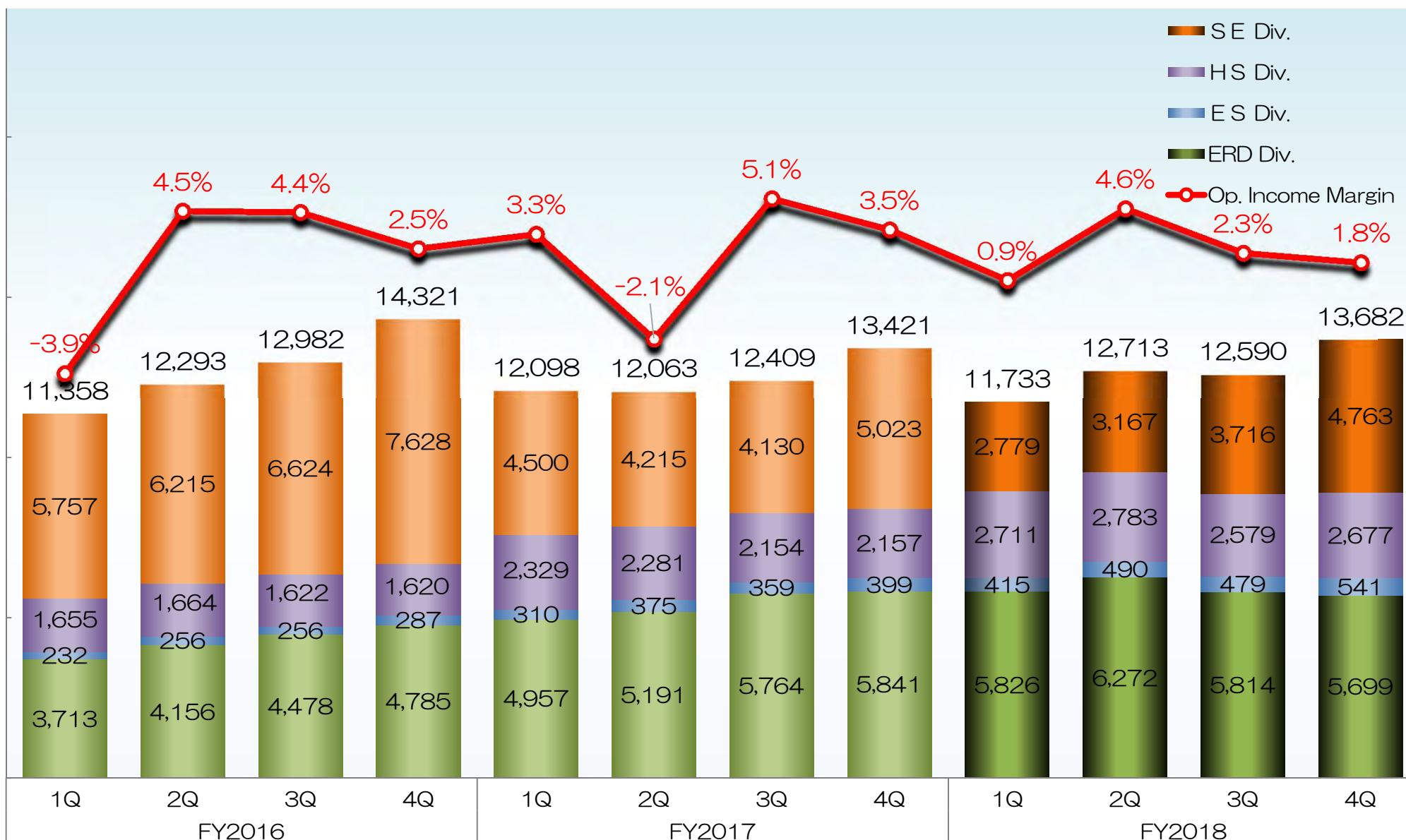
(Millions of Yen)

	FY2018							
	1 Q		2 Q		3 Q		4 Q	
	Results	Prop.	Results	Prop.	Results	Prop.	Results	Prop.
Net Sales	11,733		12,713		12,590		13,682	
SE Division	2,779	23.7%	3,167	24.9%	3,716	29.5%	4,763	34.8%
HS Division	2,711	23.1%	2,783	21.9%	2,579	20.5%	2,677	19.6%
ES Division	415	3.5%	490	3.9%	479	3.8%	541	4.0%
ERD Division	5,826	49.7%	6,272	49.3%	5,814	46.2%	5,699	41.7%
Gross Profit	3,540	30.2%	3,963	31.2%	3,694	29.3%	3,632	26.5%
SG & A	3,436	29.3%	3,378	26.6%	3,404	27.0%	3,385	24.7%
Operating Income	103	0.9%	584	4.6%	289	2.3%	246	1.8%
SE Division	-88	—	143	<u>4.5%</u>	458	<u>12.3%</u>	691	<u>14.5%</u>
HS Division	580	<u>21.4%</u>	658	<u>23.6%</u>	466	<u>18.1%</u>	527	<u>19.7%</u>
ES Division	52	<u>12.6%</u>	76	<u>15.6%</u>	67	<u>14.1%</u>	90	<u>16.8%</u>
ERD Division	439	<u>7.5%</u>	522	<u>8.3%</u>	126	<u>2.2%</u>	-251	—
Group	-880	—	(816)	—	(828)	—	(810)	—

* The underlined percentage indicate Operating Margin of each segment.

Quarterly Segment Information (changes)

(Millions of Yen)



Segment Information for FY2018 (SE Division)

*Revised plan announced on November 13, 2018

(Millions of Yen)

	FY2017		FY2018				
	Results	Prop.	Results	Prop.	Y o Y	Revised Plan*	% to Plan
Net Sales	17,870		14,427		80.7%	13,243	
Photovoltaic System							
Direct Sales	16,647	93.2%	13,661	94.7%	82.1%	12,642	95.5%
Wholesales	1,026	5.7%	578	4.0%	56.3%	472	3.6%
Others	196	1.1%	188	1.3%	95.7%	128	1.0%
Cost of Sales	12,308	68.9%	9,740	67.5%	79.1%	8,723	65.9%
Material costs	8,291	46.4%	5,978	41.4%	72.1%	5,729	43.3%
Labor costs	1,433	8.0%	1,018	7.1%	71.1%	972	7.3%
Gross Profit	5,562	31.1%	4,687	32.5%	84.3%	4,519	34.1%
SG & A	3,893	21.8%	3,482	24.1%	89.4%	3,398	25.7%
Personnel expenses	1,769	9.9%	1,724	12.0%	97.4%	1,704	12.9%
Other expenses	2,124	11.9%	1,758	12.2%	82.8%	1,693	12.8%
Operating Income	1,668	9.3%	1,204	8.4%	72.2%	1,121	8.5%

In addition to the conventional contract construction of solar electric power systems, although maintenance work related to incidental facilities was marketed and sales of solar power systems with land were promoted, the construction of solar electric power systems decreased 17.9% year on year, impacted by lower systems prices. As a result, net sales declined to ¥14,427 million (down 19.3% year on year).

Although the Division proceeded with cost reduction by promoting rationalization, a reduction in materials costs, the segment posted operating income of ¥1,204 million (down 27.8% year on year) due to a sharp decrease in net sales. It should be noted that the Company recorded an inventory valuation loss of ¥152 million associated with the decrease in profitability for power conditioners that had been manufactured in house.

(Millions of Yen)

	FY2018									
	1 Q		2Q		3Q		4Q		Whole Year	
	Results	Prop.	Results	Prop.	Results	Prop.	Results	Prop.	Results	Prop.
Net Sales	2,779		3,167		3,716		4,763		14,227	
Cost of Sales	2,018	72.6%	2,155	68.1%	2,383	64.1%	3,182	66.8%	9,740	67.5%
Material costs*	1,246	44.8%	1,335	42.2%	1,434	38.6%	1,961	41.2%	5,978	41.4%
Labor costs	269	9.7%	253	8.0%	249	6.7%	246	5.2%	1,018	7.1%
Outsourcing costs	111	4.0%	187	5.9%	284	7.7%	440	9.2%	1,024	7.1%
Other costs	391	14.1%	378	11.9%	414	11.1%	534	11.2%	1,718	11.9%
Gross Profit	761	27.4%	1,011	31.9%	1,333	35.9%	1,580	33.2%	4,687	32.5%
SG & A	849	30.6%	868	27.4%	875	23.6%	889	18.7%	3,482	24.1%
Personnel expenses	415	14.9%	431	13.6%	428	11.5%	449	9.4%	1,724	12.0%
Other expenses	434	15.6%	436	13.8%	447	12.0%	440	9.2%	1,758	12.2%
Operating Income	-88	—	143	4.5%	458	12.3%	691	14.5%	1,204	8.4%

【Recording of loss from inventory revaluation】

Because it was acknowledged that profitability declined for some inventories related to the solar power generation system (power conditioners, stands), an inventory write-down of ¥152 million was recorded as the cost of sales (materials cost) in Q4.

Segment Information for FY2018 (HS Division)

*Revised plan announced on November 13, 2018

(Millions of Yen)

	FY2017		FY2018				
	Results	Prop.	Results	Prop.	Y o Y	Revised Plan	% to Plan
Net Sales	8,922		10,752		120.5%	10,938	
Termite Eradication Service	2,628	29.5%	3,441	32.0%	130.9%	3,309	30.3%
Under-Roof/Roof Ventilation System	1,254	14.1%	1,799	16.7%	143.4%	1,691	15.5%
Foundation Repairing/Home Reinforcement System	1,957	21.9%	2,126	19.8%	108.6%	2,391	21.9%
Others	3,081	34.5%	3,384	31.5%	109.8%	3,545	32.4%
Cost of Sales	3,975	44.6%	4,380	40.7%	110.2%	4,480	41.0%
Labor costs	1,213	13.6%	1,373	12.8%	113.1%	1,345	12.3%
Gross Profit	4,947	55.4%	6,371	59.3%	128.8%	6,458	59.0%
SG & A	3,475	39.0%	4,139	38.5%	119.1%	4,195	38.4%
Personnel expenses	2,204	24.7%	2,540	23.6%	115.2%	2,656	24.3%
Operating Income	1,471	16.5%	2,231	20.8%	151.7%	2,262	20.7%

HS Division strengthened the sales, customer management 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 and recruitment for the purpose of expanding its business size. As a result, termite extermination increased 30.9% year on year, and underfloor/ceiling ventilation systems rose 43.4% year on year. As a result, the division's sales rose to ¥10,752 million (up 20.5% year on year).

Operating income stood at ¥2,231 million (up 51.7% 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.

■ Changes of SE Division

	FY2017	FY2018				
	Whole Year	1Q	2Q	3Q	4Q	Whole Year
Marginal Profit Ratio (%)	46.8	44.1	45.7	48.6	48.1	46.9
Average Monthly Fixed Cost (Million Yen per month)	522	437	434	449	482	446
Breakeven Sales Volume (Million Yen per month)	1,117	985	934	916	997	951

Inventory write-downs of ¥401 million and ¥152 million were recorded as the materials cost in the fiscal year ended March 2018 and 2019, respectively. The effect was excluded from the above calculations.

■ Changes of HS Division

	FY2017	FY2018				
	Whole Year	1Q	2Q	3Q	4Q	Whole Year
Marginal Profit Ratio (%)	72.3	75.6	76.0	74.3	76.0	75.5
Average Monthly Fixed Cost (Million Yen per month)	405	489	485	483	502	490
Breakeven Sales Volume (Million Yen per month)	561	620	628	638	651	634

* 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 (ES Division)

*Revised plan announced on November 13, 2018
(Millions of Yen)

	FY2017		FY2018				
	Results	Prop.	Results	Prop.	Y o Y	Revised Plan	% to Plan
Net Sales	1,444		1,926		133.4%	1,778	
Cost of Sales	755	52.3%	933	48.4%	123.6%	884	49.7%
Labor costs	180	12.5%	215	11.2%	119.5%	209	11.8%
Gross Profit	689	47.7%	993	51.6%	144.1%	894	50.3%
SG & A	509	35.3%	706	36.6%	138.6%	653	36.7%
Personnel expenses	313	21.7%	418	21.7%	133.4%	398	22.4%
Operating Income	179	12.5%	287	14.9%	159.6%	240	13.5%

Sales of anti-rust equipment installation (brand name: Daelman Shock), our main product, increased 77.4% year on year as a result of increasing personnel through transfers and recruitment 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 ¥1,926 million (up 33.4% year on year).

Operating income rose to ¥287 million (up 59.6% year on year), as with HS Division, 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.

Segment Information for FY2018 (ERD Division)

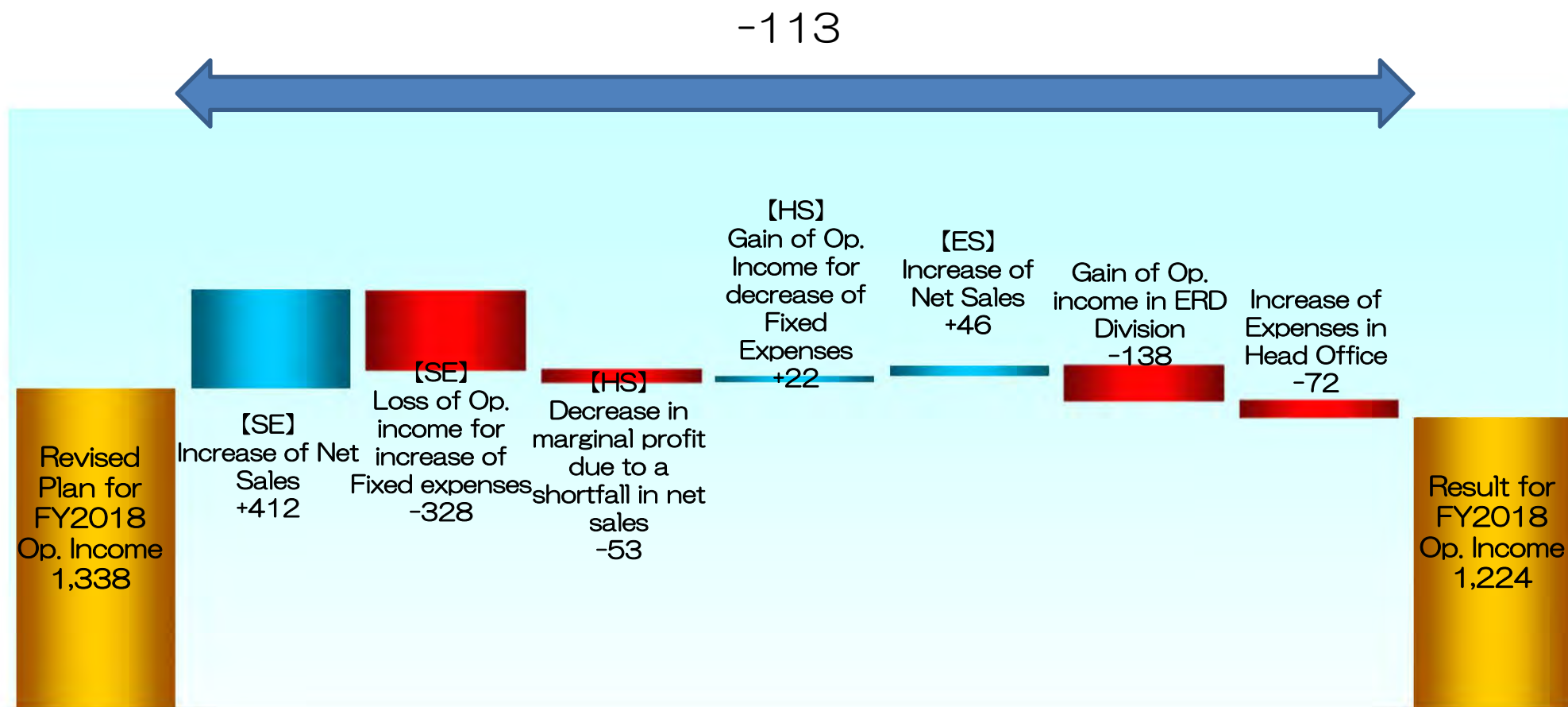
*Revised plan announced on November 13, 2018

(Millions of Yen)

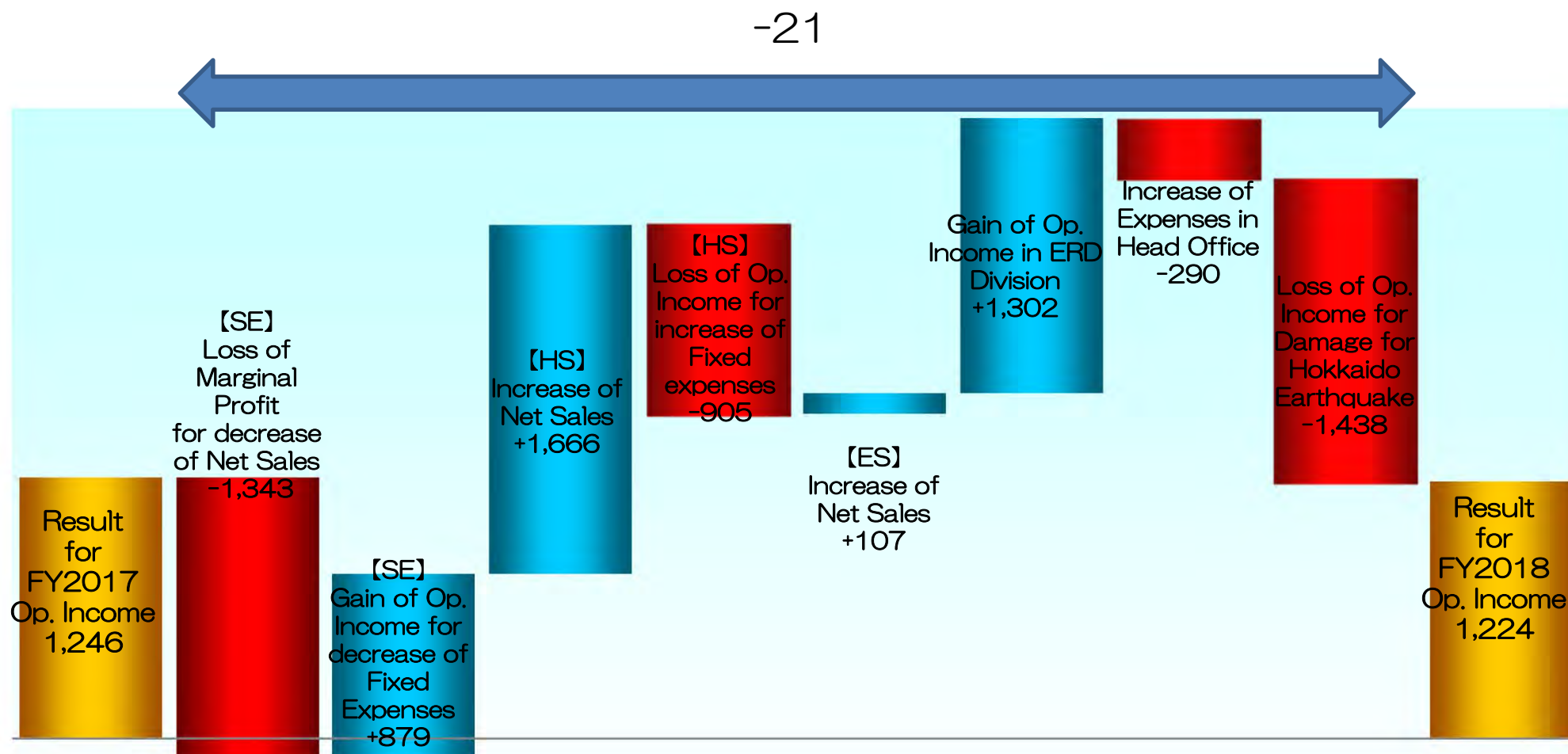
	FY2017		FY2018				
	Results	Prop.	Results	Prop.	Y o Y	Revised Plan	% to Plan
Net Sales	21,755		23,612		108.5%	23,473	
Plastic Fuels	7,556	34.7%	8,615	36.5%	114.0%	8,122	34.6%
Power Generation	11,095	51.0%	11,603	49.1%	104.6%	12,096	51.5%
Organic Waste Water	1,748	8.0%	1,958	8.3%	112.0%	1,920	8.2%
Final Disposal	654	3.0%	788	3.3%	120.6%	657	2.8%
Others	701	3.2%	646	2.7%	92.2%	676	2.9%
Gross Profit	2,846	13.1%	2,777	11.8%	97.6%	2,863	12.2%
SG & A	1,873	8.6%	1,941	8.2%	103.6%	1,887	8.0%
Operating Income	972	4.5%	836	3.5%	86.0%	975	4.2%

Plastic fuel sales increased 14.0% year on year because the Division proceeded with careful examinations of accepted articles to enhance the quality of plastic fuels, and the acceptance volume also remained stable. Although the suspension of the Tomakomai Power Plant was the factor for a decrease in net sales, electricity sales rose 4.6% year on year due to higher volume in the Power Producer and Supplier (PPS) business. As a result, net sales amounted to ¥23,612 million (up 8.5% year on year). Profitability improvement of plastic fuels advanced and profitability was enhanced because of measures to stabilize power procurement costs in the PPS business, although a decrease in profit was substantial, associated with the Tomakomai Power Plant. As a result, operating income of ¥836 million was secured (down 14.0% year on year).

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



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





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2. Medium-Term Management Plan(FY2019-FY2021)

- The previous Medium-Term (FY2016-FY2018) Management Policy

Change Over to Sustainable and Stable Management

Sudden changes in the external environment which includes revision of FIT prices and Shock of Kyushu Electric Power Co.,Inc. , and so on. Increase of fixed costs based on expansion policy in SE Division.

Realization of stable profit in 4 business divisions

Concentration of management resources on SE Division

Management Reform

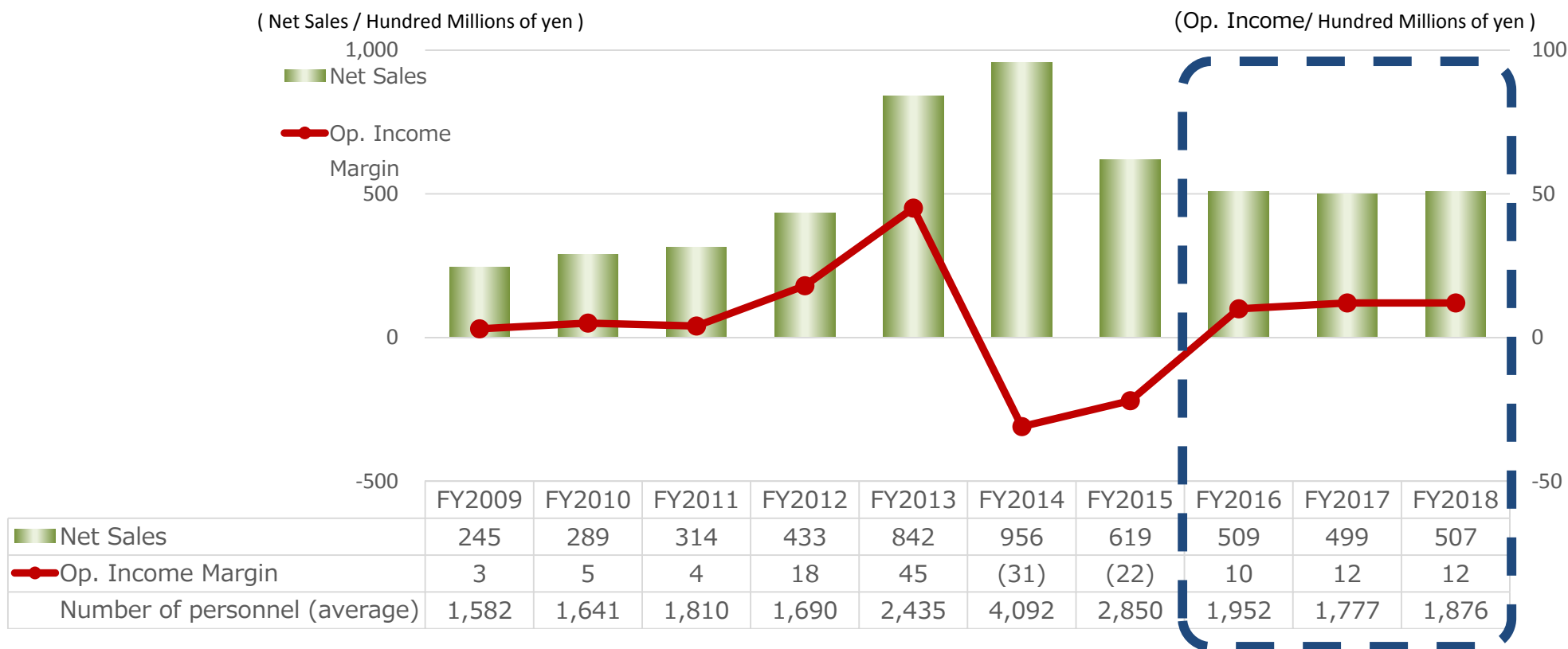
- Formulation of plans which the possibility of realizing is high, and
- Establishment of the business execution system.
- A well - balanced allocation of management resources to business divisions
- Strengthening the business base through thorough streamlining
- Enhancement of the governance system

FY2014-FY2015

FY2016

FY2017-FY2018

- Status of results



The previous Medium-Term (FY2015-FY2017)

- Results were in line with the plan (FY2018 estimate)
- The number of personnel sharply declined due to the implementation of the voluntary retirement program. In addition, the revenue base was stabilized by executing the reduction of assets held by the Company and reviewing expenses.

- Status of initiatives to tackle management issues

Issues	Status of initiatives	Future tasks
<ul style="list-style-type: none"> ■ Formulation of plans which the possibility of realizing is high, and Establishment of the business execution system. 	<ul style="list-style-type: none"> • Divergence from the announced plan was small and there was no downward revision except for the effects of the earthquake that occurred in July 2018 in Hokkaido. 	<ul style="list-style-type: none"> • As with the previous Medium-Term Management Plan, we maintain a deviation from the actual results contained and further enhance the level of reliability by steadily executing the plan.
<ul style="list-style-type: none"> ■ A well-balanced allocation of management resources to business divisions 	<ul style="list-style-type: none"> • Considering the market environment of each division, we have been flexibly and appropriately allocating personnel. • By transferring personnel from SE to HS/ES, we have been making a profit in each division. 	<ul style="list-style-type: none"> • We secure necessary personnel for future growth.
<ul style="list-style-type: none"> ■ Strengthening the business base through thorough streamlining 	<ul style="list-style-type: none"> • Three hundred ninety-one employees volunteered for retirement from July through August in 2016. • We implemented a variety of streamlining measures, such as consolidation of stores, compression of assets and cost reduction. 	<ul style="list-style-type: none"> • For future growth and greater efficiency, we look at new initiatives including investments. • While increasing employees' satisfaction, we review how to work to improve productivity. •
<ul style="list-style-type: none"> ■ Enhancement of the governance system 	<ul style="list-style-type: none"> • There are three outside directors on the Board of Directors for the governance structure. 	<ul style="list-style-type: none"> • There is a market trend to call for further corporate governance, therefore we respond appropriately.

Regarding management issues, things are almost progressing in line with the plan.

The business environment is changing substantially, which will continue going forward.

<Energy>

FIT projects for residential solar power generation end in large quantities (from 11/2019)
Declining FIT prices, expansion of the scope of bidding
Accelerate alliances among companies, including power companies
Interest in renewable energy has risen, including RE100.

<Housing environment >

- Progress of environmental enhancement for long-term use of housing

Rising resilience needs caused by serious natural disasters
Activate the house distribution market to reduce excessive housing stock

<Recycling resources >

Domestic accumulation of waste plastics due to restrictions on acceptance overseas
Thorough and appropriate disposal of waste triggered by issues, including dumping plastics into the ocean
Increase in the value of fuels derived from waste plastics as CO₂-free fuel
Penetration of the values of a circular economy and post-carbon society

<Overall management >

- Serious labor shortage associated with the aging society with a declining birthrate, mounting momentum to review the working environment

Worries about a variety of rising costs including personnel costs and distribution costs
The mounting international role of Japan as an Issue-Solving Advanced Nation



The biggest underlying change is the values.

Sharing sustainable values

A change in global value takes shape.



SDGs were adopted at the U.N. Summit in September 2015, and 17 sustainable development goals were established.
The Paris Agreement was unanimously adopted at **COP21** in December 2015, and 196 countries and regions agreed on it.

A wave of change also reaches Japan.

The “Basic Plan” in the Environment and Energy field closely related to everyone in Japan was updated at the same time in 2018.

Cabinet decision on **the Fifth Environment Basic Plan** in April

Cabinet decision on **the Fourth Plan for Establishing/Promoting a Recycling-based Society** in June

Cabinet decision on **the Fifth Energy Basic Plan** in July

Updating of a variety of policies under the jurisdiction of each ministry

Moreover, in March 2016, the Cabinet decided on a **new housing life basic plan** that stipulated the facilitation of the distribution of existing houses, the utilization of vacant houses and the acceleration of a transition to a housing stock utilization-type market.

Social values are changing to emphasize the importance of attachment to the business area developed by the Company.

Corporate principles
 Comfortable environment for the next generation

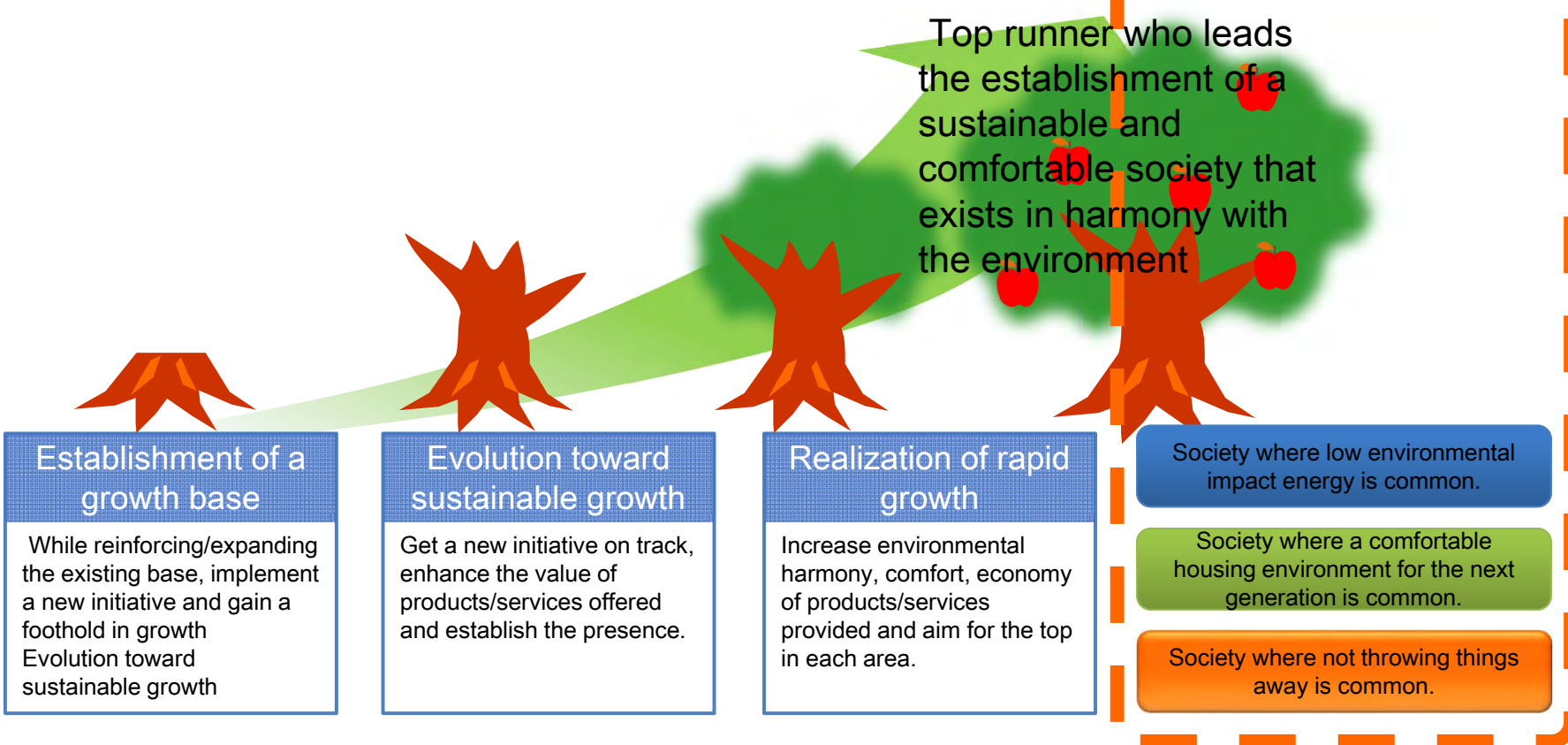
Vision
 Top player in the environment and energy

FY2019-FY2021

FY2022-FY2024

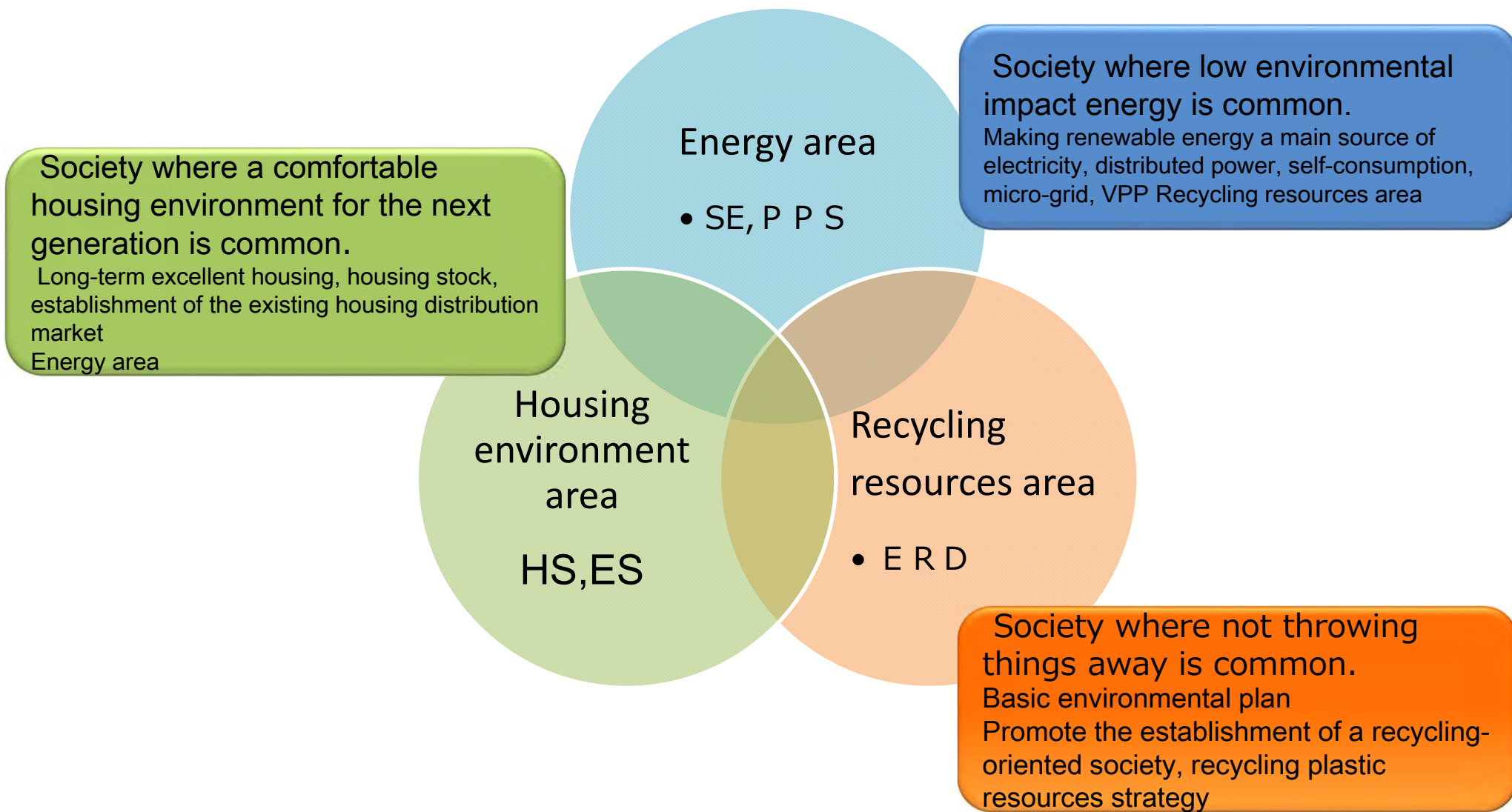
FY2025 and Beyond

How we should be in 2030



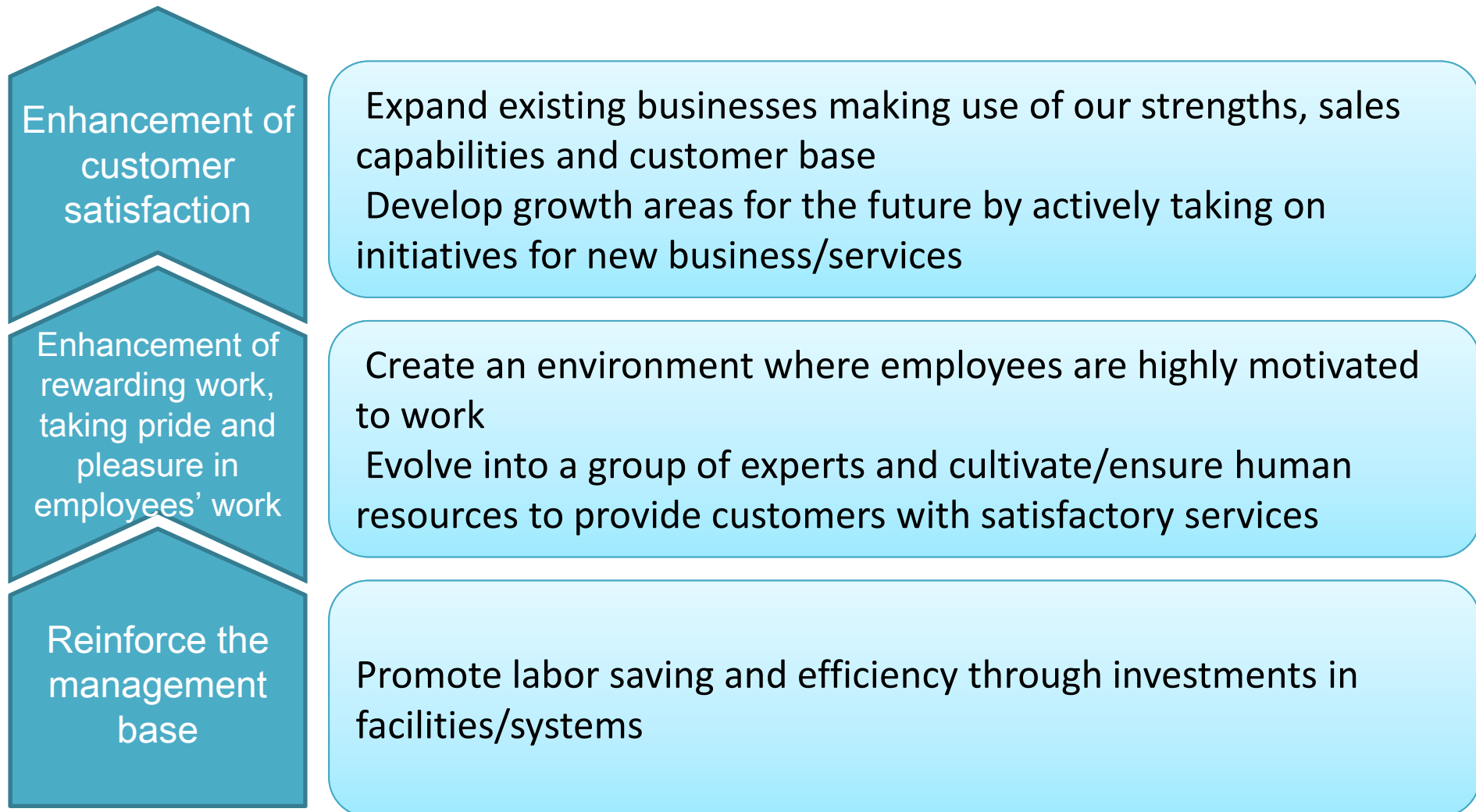
The role of a top player is to frontload how we should be in the future and actualize it through experiences and new challenges.

Realize nothing special of the future into nothing special of today



“Medium-Term Management Plan, Management Policy”

While reinforcing/expanding the existing base, implement a new initiative and gain a foothold in growth



While prioritizing the establishment of a stable earnings structure based on the existing businesses, aim for a further growth by rolling out new businesses/services.

(Millions of Yen)

	Medium-Term Management Plan					
	FY2018	FY2019	FY2020	FY2021	Increase/decrease from the fiscal period ending March 2019	
	Results	Plan	Plan	Plan	Differences	Average annual rate of increase/decrease
Net Sales	50,719	50,900	53,660	59,410	+ 8,690	+5.4%
Gross Profit	14,830	17,210	18,020	19,500	+ 4,669	+9.6%
Gross Profit Margin	29.2%	33.8%	33.6%	32.8%		
Operating Income	1,224	1,910	1,940	2,360	+ 1,135	+24.4%
Operating Income Margin	2.4%	3.8%	3.6%	4.0%		
Ordinary Income	1,182	1,810	1,840	2,260	+ 1,077	+24.1%
Ordinary Income Margin	2.3%	3.6%	3.4%	3.8%		
Profit attributable to owners of parent	240	1,370	1,330	1,710	+ 1,469	+92.4%
Net Income Margin	0.5%	2.7%	2.5%	2.9%		

The SE Division saw lower revenue due to the contraction of the market, but other Business Divisions remain in line with the previous Medium-Term Management Plan for sustainable growth.

(Millions of Yen)

	Medium-Term Management Plan						
	FY2018	FY2019		FY2020		FY2021	
	Results	Plan	Y on Y	Plan	Y on Y	Plan	Y on Y
Net Sales	50,719	50,900	100.4%	53,660	105.4%	59,410	110.7%
SE Division	14,427	11,584	80.3%	10,513	90.8%	10,194	97.0%
HS Division	10,752	11,660	108.4%	13,000	111.5%	14,444	111.1%
ES Division	1,926	2,350	122.0%	2,700	114.9%	3,000	111.1%
ERD Division	14,116	15,775	111.8%	16,160	102.4%	16,688	103.3%
Energy Division	10,609	11,957	74.8%	13,645	125.7%	17,600	140.8%
Adjustment of inter-segment sales	-1,113	-2,426	—	-2,358	—	-2,516	—
Operating Income	1,224	1,910	155.9%	1,940	101.6%	2,360	121.6%
SE Division	1,204	785	65.2%	610	77.7%	460	75.4%
HS Division	2,231	2,189	98.1%	2,413	110.2%	2,619	108.5%
ES Division	287	263	91.6%	316	120.2%	326	103.2%
ERD Division	423	1,791	422.5%	1,637	91.4%	1,742	106.4%
Energy Division	412	462	112.0%	550	119.0%	846	153.8%
Group	-3,335	-3,580	—	-3,586	—	-3,633	—

Based on the reorganization dated April 1, 2019, segments have been changed as follows:

【Reclassification of the fiscal period ended March 2019】

Before reclassification	(Millions of Yen)
	Net Sales
Net Sales	50,719
SE division	14,427
HS Division	10,752
ES Division	1,926
ERD Division	23,612
Plastic fuels	8,615
Power Generation	11,603
Organic Waste Water	1,958
Final Disposal	788
Others	646

Of net sales of
the Tomakomai Power Plant,
inter-segment net sales to the
Power Producer and Supplier
Business

2,107

-1,113

Net sales of new power business

10,609

After reclassification	(Millions of Yen)
	Net Sales
Net Sales	50,719
SE division	14,427
HS Division	10,752
ES Division	1,926
ERD Division	14,116
Plastic fuels	8,615
Net sales of power stations	2,107
Organic Waste Water	1,958
Final Disposal	788
Others	646
Energy Division	10,609
Adjustment of inter-segment sales	-1,113

- Main investments include the construction of disposal sites in the landfill business (C&R) and newly acquiring sites
- Legal inspection of the power station is to be implemented in the second year of the Medium-Term Management Plan (fiscal period ending March 2021)

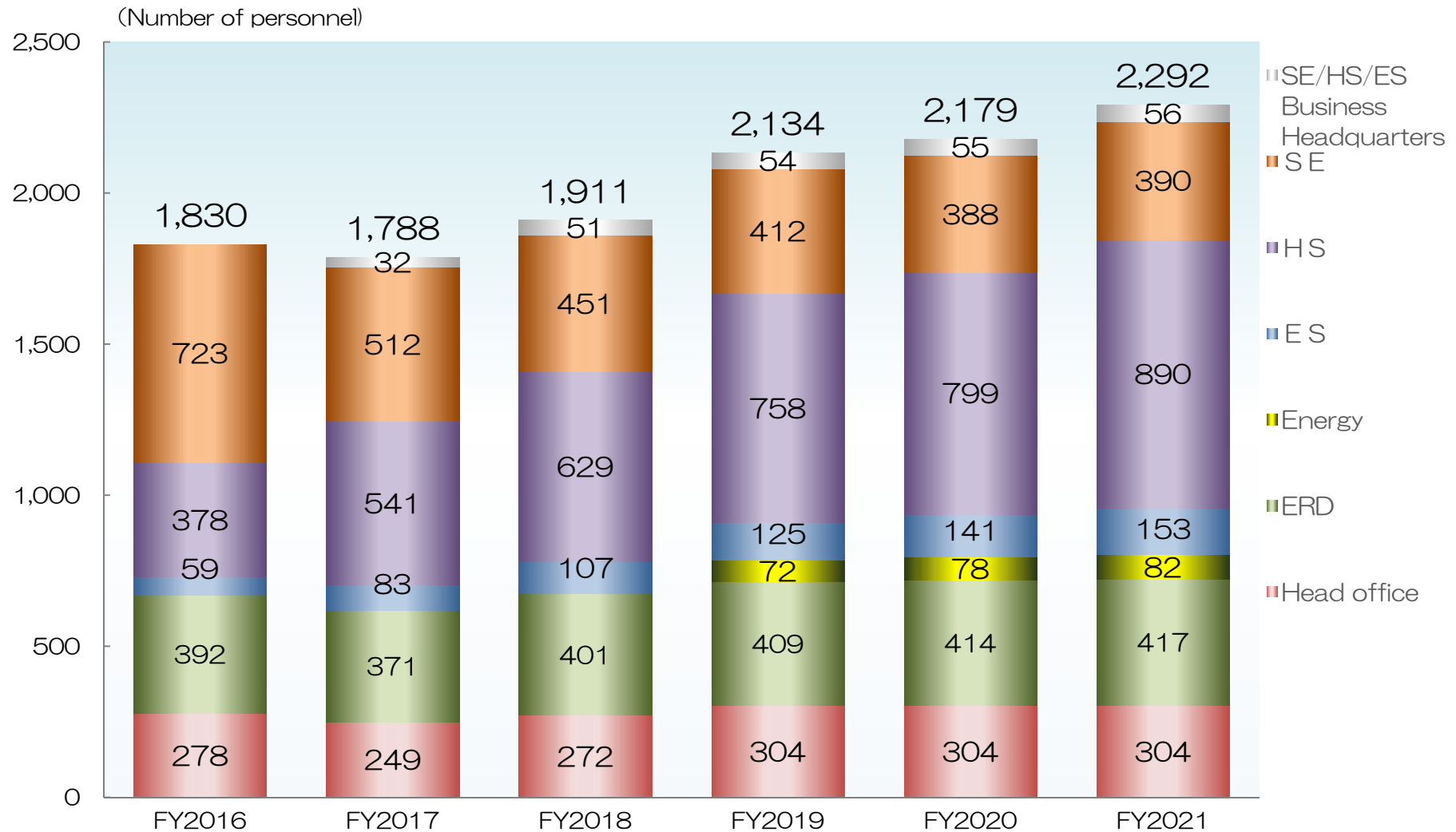
■ Investment Plan (Millions of Yen)

	FY2019	FY2020	FY2021
ERD Division			
Landfill business	Acquire land for disposal sites	Construct new disposal sites	
Plastic fuels	Renew facilities		
Organic Waste Water	Renew facilities		
Common			
Enhance internal infrastructure	Update systems		
Total sum of investments	2,500	2,500	1,000

■ Repairs (power business) (Millions of Yen)

	FY2019	FY2020	FY2021
Contents of legal inspection	–	Boiler	–
Scheduled suspension period	1.5 months	2 months	1.5 months

- Strive to increase net sales by increasing personnel mainly in the HS/ES Divisions



(Millions of Yen)

	Medium - term Business Business plan						
	FY2017	FY2018	FY2019	FY2020	FY2021	Increase/decrease from the fiscal period ending March 2019	
	Results	Results	Plan	Plan	Plan	Differences	Average annual rate of increase/decrease
Net Sales	17,870	14,427	11,584	10,513	10,194	-4,234	-10.9%
Gross Profit	5,562	4,687	4,499	4,203	4,083	-605	-4.5%
(Gross Profit Margin)	31.1%	32.5%	38.8%	40.0%	40.1%		
Operating Income	1,668	1,204	785	610	460	-745	-27.5%
(Operating Income Margin)	9.3%	8.4%	6.8%	5.8%	4.5%		

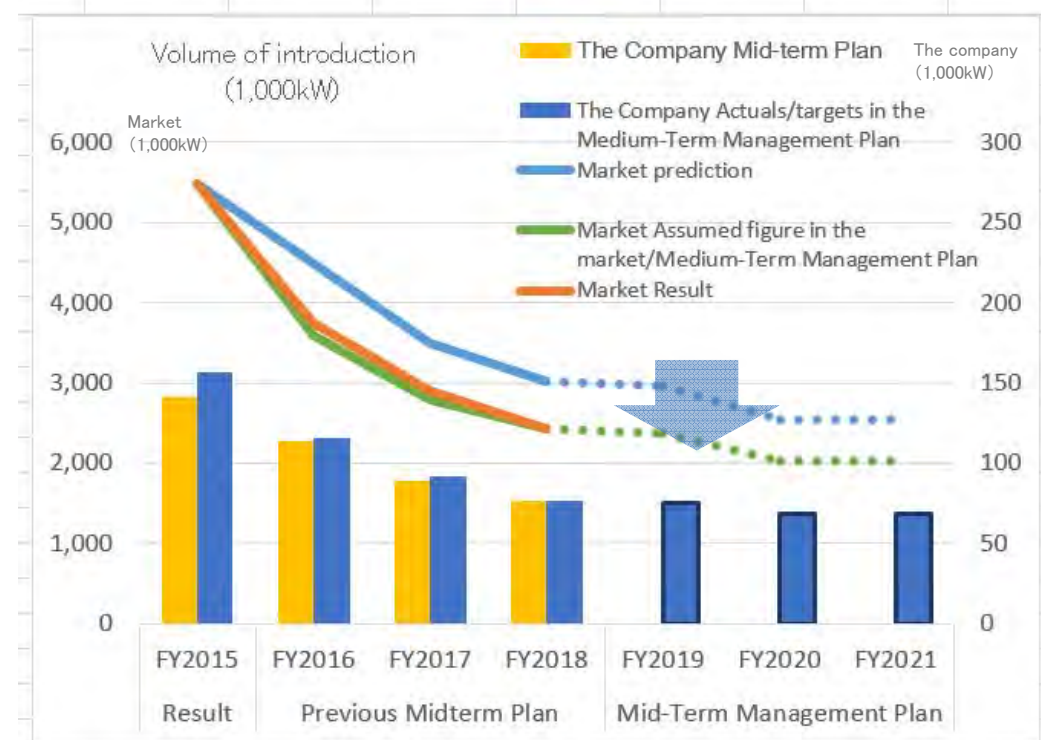
■ Strategy

- Preparing for the end of FIT, evolve our business from only the sales of solar power systems into the provision of complex products/services to meet customer needs.

Buy renewable energy-based power
Self-consumption, including storage batteries

■ Challenges

- Provide packaged products/services that meet the needs of individual customers
- Enhance expertise/skills of sale personnel, construction/design personnel



※As for the market prediction, the Company makes calculations based on the lower limits of forecasts for several companies.

(Millions of Yen)

	Medium - term Business Business plan						
	FY2017	FY2018	FY2019	FY2020	FY2021	Increase/decrease from the fiscal period ending March 2019	
	Results	Results	Plan	Plan	Plan	Differences	Average annual rate of increase/decrease
Net Sales	8,922	10,752	11,659	13,000	14,444	+ 3,692	+ 10.3%
Gross Profit	4,947	6,371	6,865	7,659	8,459	+ 2,088	+ 9.9%
(Gross Profit Margin)	55.4%	59.3%	58.9%	58.9%	58.6%		
Operating Income	1,471	2,231	2,188	2,412	2,619	+ 387	+ 5.5%
(Operating Income Margin)	16.5%	20.8%	18.8%	18.6%	18.1%		

■Strategy

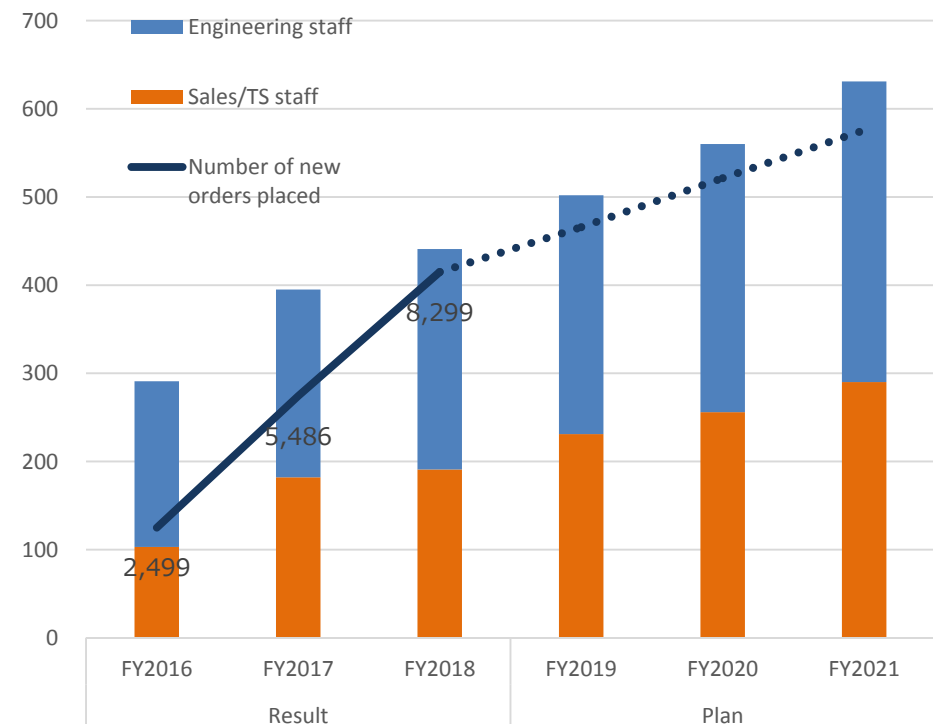
- Increase customers while cementing the base of existing businesses, including termite eradication service, and enhance the structure toward entry into a promising market in the future

■Challenges

- Reinforce sales capabilities through the active hiring and cultivation of personnel
- Enhance our store network by opening stores and enhancing customer satisfaction
- Increase partner companies/organizations to expand the point of contact with/diversification of customers
- Establish a mechanism that can be provided as a point of contact for services associated with the housing related market, and establish a structure for collaboration.

Number of personnel

Number of personnel and new orders placed



(Millions of Yen)

	Medium - term Business Business plan						
	FY2017	FY2018	FY2019	FY2020	FY2021	Increase/decrease from the fiscal period ending March 2019	
	Results	Results	Plan	Plan	Plan	Differences	Average annual rate of increase/decrease
Net Sales	1,444	1,926	2,350	2,700	3,000	+ 1,074	+ 15.9%
Gross Profit	689	993	1,218	1,414	1,567	+ 574	+ 16.4%
(Gross Profit Margin)	47.7%	51.6%	51.9%	52.4%	52.2%		
Operating Income	179	287	263	316	326	+ 39	+ 4.3%
(Operating Income Margin)	12.5%	14.9%	11.2%	11.7%	10.9%		

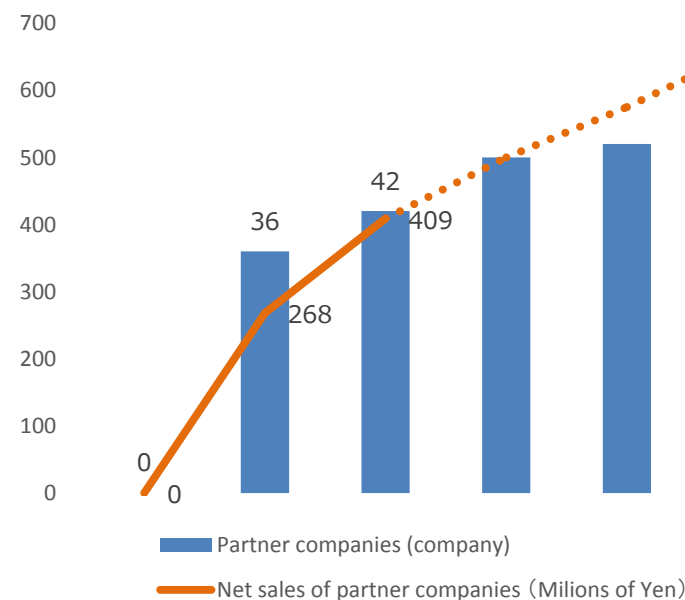
■Strategy

Increase customers while cementing the base of existing businesses, mainly for anti-rust equipment (Daelman Shock).

■Challenges

- Reinforce sales capabilities through the active hiring and cultivation of personnel
- Seek business partner companies with whom a win-win relationship can be established to increase points of contact with customers.

Net Sales of Daleman shock



(Millions of Yen)

	Medium - term Business Business plan						
	FY2017	FY2018	FY2019	FY2020	FY2021	Increase/decrease from the fiscal period ending March 2019	
	Results	Results	Plan	Plan	Plan	Differences	Average annual rate of increase/decrease
Net Sales	14,134	14,116	15,775	16,160	16,688	+ 2,572	+ 5.7%
Gross Profit	2,637	2,160	3,644	3,504	3,671	+ 1,510	+ 19.3%
(Gross Profit Margin)	18.7%	15.3%	23.1%	21.7%	22.0%		
Operating Income	940	423	1,791	1,637	1,742	+ 1,318	+ 60.2%
(Operating Income Margin)	6.7%	3.0%	11.4%	10.1%	10.4%		

■Strategy

Establish the basis for expanding acceptance volume by expanding/diversifying the exit (plastic fuel, etc.)

■Challenges

- Adjust the balance of the acceptance volume and price with a focus on profitability.
- Further enhance the quality of/stabilize plastic fuels.
- Enhance productivity through the planned updating of facilities
- Study and implement a new initiative
- Verify the expansion of the application into things other than plastic fuels
- Facilitate and implement research on sludge fuel for the organic waste liquids business
- Research on the solar panel recycling business

(Millions of Yen)

	Medium-term Business Business				
	FY2017	FY2018	FY2019	FY2020	FY2021
	Results	Results	Plan	Plan	Plan
Plastic Fuels	7,556	8,615	9,089	9,508	9,727
Net sales of pow	3,474	2,107	3,655	3,588	3,781
Organic Waste Water	1,748	1,958	1,906	1,986	2,045
Final Disposal	654	788	558	498	531
Others	701	646	566	579	603

(Millions of Yen)

	Medium - term Business Business plan						
	FY2017	FY2018	FY2019	FY2020	FY2021	Increase/decrease from the fiscal period ending March 2019	
	Results	Results	Plan	Plan	Plan	Differences	Average annual rate of increase/decrease
Net Sales	7,621	10,609	11,957	13,645	17,600	+ 5,587	+ 16.7%
Gross Profit	208	616	984	1,240	1,720	+ 1,103	+ 40.7%
(Gross Profit Margin)	2.7%	6.5%	8.2%	9.1%	9.8%		
Operating Income	32	412	462	550	846	+ 433	+ 27.0%
(Operating Income Margin)	0.4%	4.3%	3.9%	4.0%	4.8%		

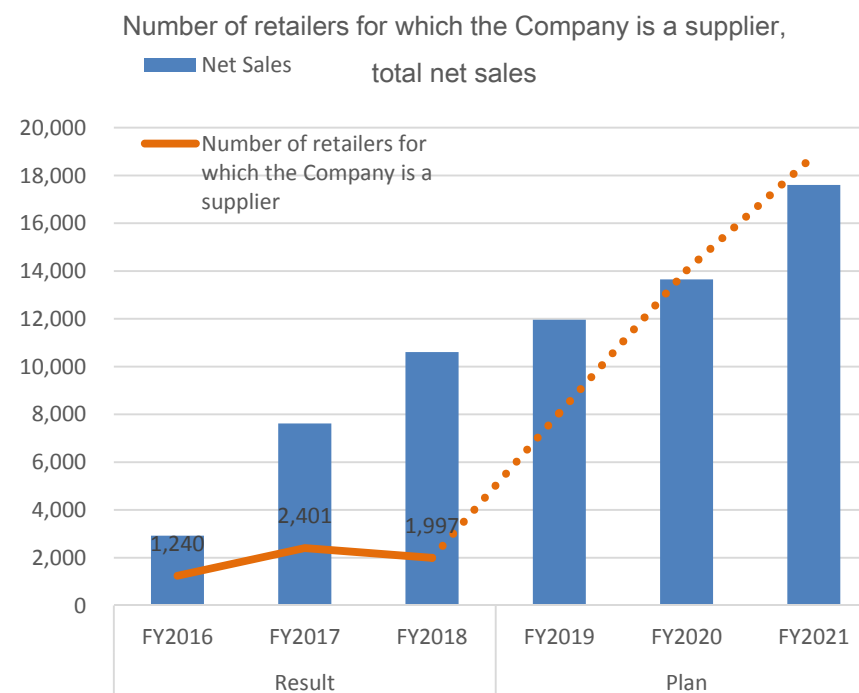
■Strategy

Based on stable power, actively expand the scale and strive to develop/generate business for the next generation energy system represented by the distributed energy system

■Challenges

- Reinforce an organizational structure toward the expansion of the scale.
- Develop a new business mode by joining hands with other companies and other business divisions.

Net Sales (Millions of Yen)

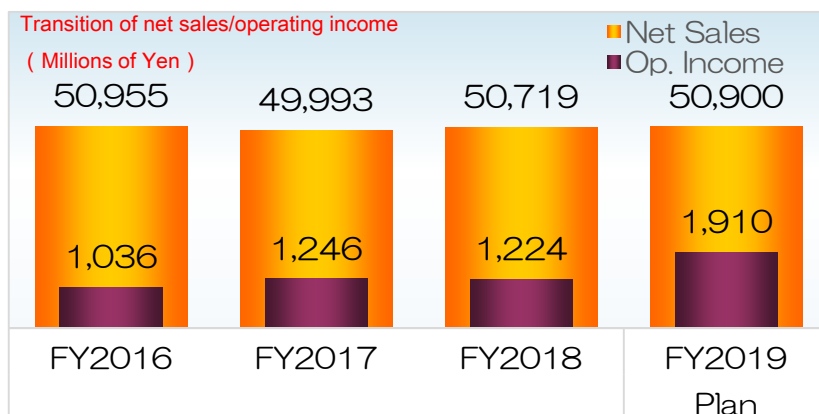




for Energy, for Environment
Photovoltaic Solution
Total Sanitation
Environmental Resources Development

3. Forecast for FY2019

	FY2018	FY2019		
	Results	Plan	Y o Y	Difference
Net Sales	50,719	50,900	100.4%	+ 180
Gross Profit	14,830	17,210	116.0%	+ 2,379
Gross Profit Margin	29.2%	33.8%		
Operating Income	1,224	1,910	155.9%	+ 685
Operating Income Margin	2.4%	3.8%		
Ordinary Income	1,182	1,810	153.0%	+ 627
Ordinary Income Margin	2.3%	3.6%		
Profit attributable to owners of parent	240	1,370	570.5%	+ 1,129
Net Income Margin	0.5%	2.7%		



The Group prepared the new “Medium-Term Management Plan (FY2019 – FY2021).” While maintaining sustainable and stable management, it is determined to further reinforce/expand the existing bases for sustainable growth by getting the new initiative on track.

For the consolidated fiscal year ending March 31, 2019, the SANIX Group aims to achieve sales of ¥50,900 million (up 0.4% year on year) with operating income of ¥1,910 million (up 55.9%), ordinary income of ¥1,810 million (up 53.0%) and net income attributable to owners of the parent of ¥1,370 million (up 470.5%).

Segment Forecasts for FY2019

(Millions of Yen)

	FY2019								
	First Half			Second Half			Whole Year		
	Plan	Prop.	to Pre. Period	Plan	Prop.	to Pre. Period	Plan	Prop.	to Pre. Period
Net Sales	24,464		+ 16	26,436		+ 163	50,900		+ 180
SE Division	5,280	21.6%	- 667	6,304	23.8%	- 2,176	11,584	22.8%	- 2,843
HS Division	5,952	24.3%	+ 456	5,708	21.6%	+ 450	11,660	22.9%	+ 907
ES Division	1,145	4.7%	+ 239	1,205	4.6%	+ 183	2,350	4.6%	+ 423
ERD Division	7,956	32.5%	+ 680	7,819	29.6%	+ 978	15,775	31.0%	+ 1,658
Energy Division	5,465	22.3%	- 339	6,492	24.6%	+ 1,686	11,957	23.5%	+ 1,347
Adjustment of inter-segment sales	-1334	-	-353	-1092	-	-960	-2426	-	-1313
Gross Profit	8,559	35.0%	+ 1,055	8,651	32.7%	+ 1,324	17,210	33.8%	+ 2,379
SG & A	7,571	30.9%	+ 755	7,729	29.2%	+ 938	15,300	30.1%	+ 1,694
Operating Income	988	4.0%	+ 299	922	3.5%	+ 385	1,910	3.8%	+ 685
SE Division	171	<u>3.2%</u>	+ 115	614	<u>9.7%</u>	- 535	785	<u>6.8%</u>	- 419
HS Division	1,260	<u>21.2%</u>	+ 21	929	<u>16.3%</u>	- 64	2,189	<u>18.8%</u>	- 42
ES Division	115	<u>10.0%</u>	- 13	148	<u>12.3%</u>	- 10	263	<u>11.2%</u>	- 24
ERD Division	1,128	<u>14.2%</u>	+ 419	663	<u>8.5%</u>	+ 947	1,791	<u>11.4%</u>	+ 1,367
Energy Division	142	<u>2.6%</u>	- 111	320	<u>4.9%</u>	+ 160	462	<u>3.9%</u>	+ 49
Group	-1828	-	-131	-1752	-	-113	-3580	-	-244
Ordinary Income	935	3.8%	+ 245	875	3.3%	+ 381	1,810	3.6%	+ 627
Profit attributable to owners of parent	745	3.0%	+ 550	625	2.4%	+ 579	1,370	2.7%	+ 1,129

* The underlined percentage indicate Operating Margin of each segment.

SE Division

- Make customers pay attention to the advantage of the 14 yen purchase price (including 10-year purchase service after the end of the FIT period).
- Strengthen sales of complex products/services, including solar power generation with land and maintenance.

HS Division

- Strengthen sales capabilities by increasing the number of personnel including mid-career hiring and thorough education
- Enhance customer satisfaction by substantiating services through an increase in business sites

ES Division

- Newly develop partner companies and reinforce relationships with them
- Continue focusing on sales of the anti-rust equipment (Daelman Shock)

ERD Division

- Price/cost management with a focus on profitability/efficiency
- Operate the power station stably and further enhance the quality of fuels

Energy Division

- Increase retailers for which the Company is a supplier, making use of the stable power procured
- Establish a new, efficient sales style
- Sales promotion of the solar power generation model established by a third-party (PPA)

Head Office

- Establish a system toward company-wide operational improvement
- Continue cross-functional initiatives including cost reduction.

Segment Forecasts for FY2019 (SE Division)

(Millions of Yen)

	FY2019								
	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		-667	6,304		-2,176	11,584		-2,843
Photovoltaic System									
Direct Sales	5,100	96.6%	-463	6,150	97.6%	-1,946	11,250	97.1%	-2,410
Wholesales	120	2.3%	-168	120	1.9%	-169	240	2.1%	-338
Others	59	1.1%	-34	33	0.5%	-59	93	0.8%	-94
Cost of Sales	3,926	62.4%	-878	3,789	60.1%	-1,776	7,085	61.2%	-2,655
Material costs *	1,963	37.2%	-618	2,480	39.4%	-915	4,444	38.4%	-1,534
Labor costs	327	6.2%	-196	292	4.6%	-203	619	5.3%	-399
Gross Profit	1,984	37.6%	211	2,515	39.9%	-399	4,499	38.8%	-188
SG & A	1,813	34.3%	95	1,901	30.2%	135	3,714	32.1%	231
Personnel expenses	972	18.4%	125	1,054	16.7%	177	2,027	17.5%	303
Other expenses	840	15.9%	-30	846	13.4%	-41	1,686	14.6%	-71
Operating Income	171	3.2%	115	614	9.7%	-535	785	6.8%	-419

Although the SE Division expects lower revenue due to changes in the market environment, including declining FIT prices (14 yen/kWh for FY2019), a focus will be placed on maintenance work associated with incidental facilities, sales of solar power with land.

As for profit, cost reduction of materials will be advanced in addition to the reduction in personnel costs and other fixed expenses by reviewing personnel allocation. However, that will be insufficient to compensate for the impact of lower revenue and a sharp decline in net income is expected.

Segment Forecasts for FY2019 (HS Division)

(Millions of Yen)

	FY2019								
	First Half			Second Half			Whole Year		
	Plan	Prop.	to Pre. Period	Plan	Prop.	to Pre. Period	Plan	Prop.	to Pre. Period
Net Sales	5,952		+ 456	5,708		+ 450	11,660		+ 907
Termite Eradication Serv	2,080	34.9%	+ 248	1,716	30.1%	+ 105	3,796	32.6%	+ 354
Under-Roof/Roof Ventilation System	922	15.5%	+ 51	1,035	18.1%	+ 107	1,958	16.8%	+ 159
Foundation Repairing/Home Reinforcement System	1,178	19.8%	+ 68	1,225	21.5%	+ 209	2,404	20.6%	+ 277
Others	1,770	29.7%	+ 88	1,730	30.3%	+ 27	3,500	30.0%	+ 115
Cost of Sales	2,387	40.1%	+ 219	2,408	42.2%	+ 194	4,795	41.1%	+ 414
Labor costs	780	13.1%	+ 114	845	14.8%	+ 137	1,625	13.9%	+ 251
Gross Profit	3,565	59.9%	+ 237	3,300	57.8%	+ 255	6,865	58.9%	+ 493
SG & A	2,305	38.7%	+ 215	2,371	41.5%	+ 320	4,676	40.1%	+ 536
Personnel expenses	1,365	22.9%	+ 79	1,521	26.7%	+ 267	2,887	24.8%	+ 347
Operating Income	1,260	21.2%	+ 21	929	16.3%	-64	2,189	18.8%	-42

The business base of the HS Division will be reinforced by further developing new customers and expanding the after-sales structure for existing customers. In addition, the Division will strive to increase new customers and the number of customers through an increase in personnel by hiring and opening stores.

As for profit, expenses are on the rise due to increases in personnel and net sales. However, the Division expects a profit similar to the previous year by managing expenses in the range of increased net sales.

■ Changes of SE Division

	Results for FY2018			Plan for FY2019		
	1st. Half	2nd. Half	Whole Year	1st. Half	2nd. Half	Whole Year
Marginal Profit Ratio (%)	44.9%	48.3%	46.9%	50.1%	49.4%	49.7%
Average Monthly Fixed Cost (Million Yen per month)	430	462	446	406	411	408
Breakeven Sales Volume (Million Yen per month)	958	957	951	811	832	821

Regarding the marginal profit ratio for 4Q of the fiscal period ended March 2019, the loss from inventory revaluation of ¥152 million, which is included in materials cost, is excluded.

■ Changes of HS Division

	Results for FY2018			Plan for FY2019		
	1st. Half	2nd. Half	Whole Year	1st. Half	2nd. Half	Whole Year
Marginal Profit Ratio (%)	75.8%	75.2%	75.5%	76.1%	75.8%	75.9%
Average Monthly Fixed Cost (Million Yen per month)	487	493	490	527	556	541
Breakeven Sales Volume (Million Yen per month)	624	644	634	692	734	713

* 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 FY2019 (ES Division)

(Millions of Yen)

	FY2019								
	First Half			Second Half			Whole Year		
	Plan	Prop.	to Pre. Period	Plan	Prop.	to Pre. Period	Plan	Prop.	to Pre. Period
Net Sales	1,145		+ 239	1,205		+ 183	2,350		+ 423
Cost of Sales	556	48.6%	+ 122	576	47.8%	+ 75	1,132	48.2%	+ 198
Labor costs	122	10.7%	+ 16	126	10.5%	+ 15	248	10.6%	+ 32
Gross Profit	589	51.4%	+ 116	629	52.2%	+ 108	1,218	51.8%	+ 224
SG & A	474	41.4%	+ 130	481	39.9%	+ 118	955	40.6%	+ 248
Personnel expenses	299	26.1%	+ 94	326	27.1%	+ 112	625	26.6%	+ 206
Operating Income	115	10.0%	-13	148	12.3%	-10	263	11.2%	-23

The ES Division will increase opportunities for developing partner companies, including the management company, referral through a close follow-up on partner companies, direct negotiations with property owners, and expand sales channels of the mainstay product anti-rust equipment installation (Daelman Shock).

As for profit, expenses are on the rise due to increases in personnel and net sales. However, the Division expects profit similar to the previous year by managing expenses in the range of increased net sales.

Segment Information for FY2019 (ERD Division)

(Millions of Yen)

	FY2019								
	First Half			Second Half			Whole Year		
	Plan	Prop.	to Pre. Period	Plan	Prop.	to Pre. Period	Plan	Prop.	to Pre. Period
Net Sales	7,956		+ 680	7,819		+ 978	15,775		+ 1,658
Plastic Fuels	4,510	56.7%	+ 405	4,578	58.6%	+ 69	9,089	57.6%	+ 474
Power stations	1,922	24.2%	+ 403	1,733	22.2%	+ 1,144	3,655	23.2%	+ 1,547
Organic Waste Water	929	11.7%	+ 3	977	12.5%	-56	1,906	12.1%	-52
Final Disposal	303	3.8%	-74	255	3.3%	-156	558	3.5%	-230
Others	291	3.7%	-57	275	3.5%	-22	566	3.6%	-80
Cost of Sales	5,904	74.2%	+ 215	6,227	79.6%	-40	12,130	76.9%	+ 175
Labor costs	898	11.3%	+ 10	902	11.5%	+ 68	1,800	11.4%	+ 169
Gross Profit	2,052	25.8%	+ 464	1,592	20.4%	+ 1,018	3,644	23.1%	+ 1,483
SG & A	924	11.6%	+ 45	929	11.9%	+ 70	1,853	11.7%	+ 116
Personnel expenses	499	6.3%	+ 60	495	6.3%	+ 36	994	6.3%	+ 96
Operating Income	1,128	14.2%	+ 419	663	8.5%	+ 947	1,791	11.4%	+ 1,367

The Environmental Resources Development Business will proceed with the careful examination of accepted articles to enhance the quality of plastic fuels and improve its profit margin and efficiency. As the appropriate disposal of waste plastics is required globally due to the related marine pollution, the Division will achieve stable operation of the Tomakomai Power Plant so that the recycling resources-type business of the Company will play a part.

The Division expects to see a sharp increase in profit compared to the previous year due to the stable operation of power plants and operation with a focus on profitability.

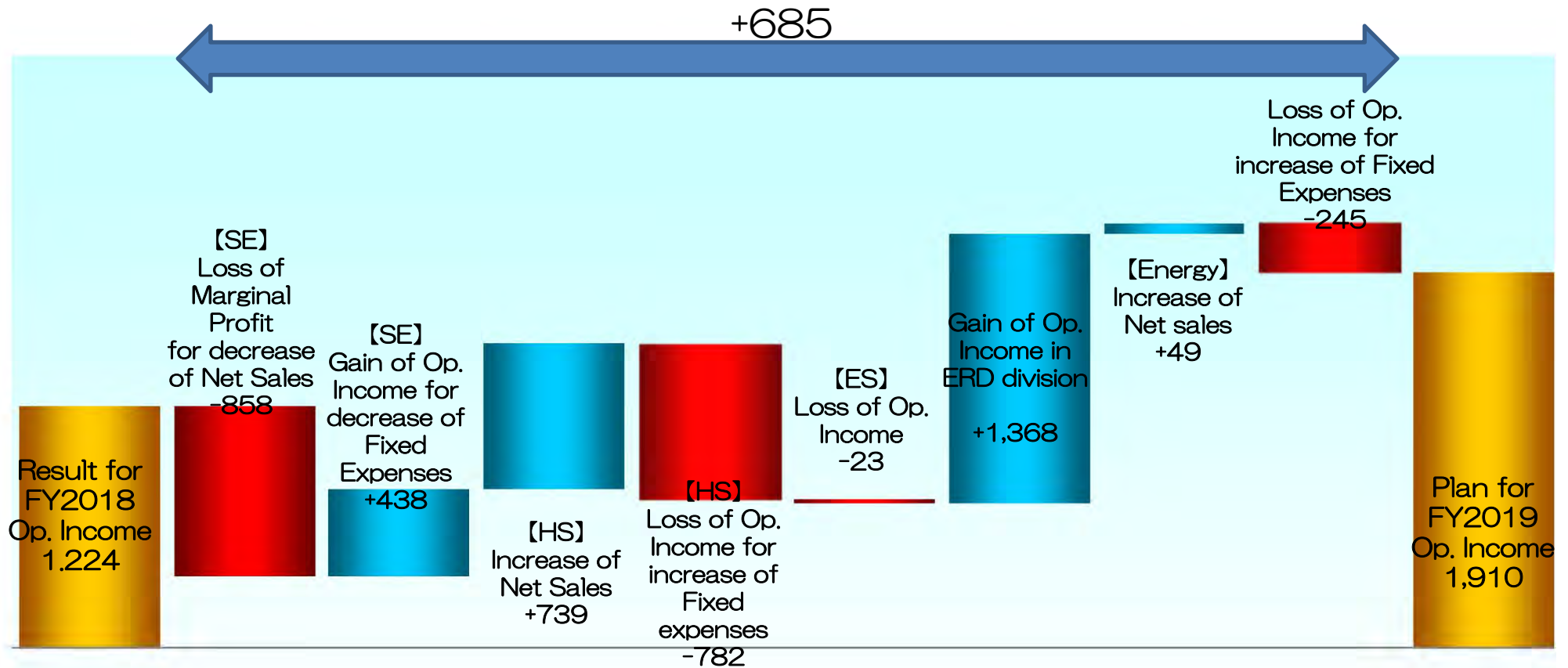
Segment Forecasts for FY2019 【Energy Division】

(Millions of Yen)

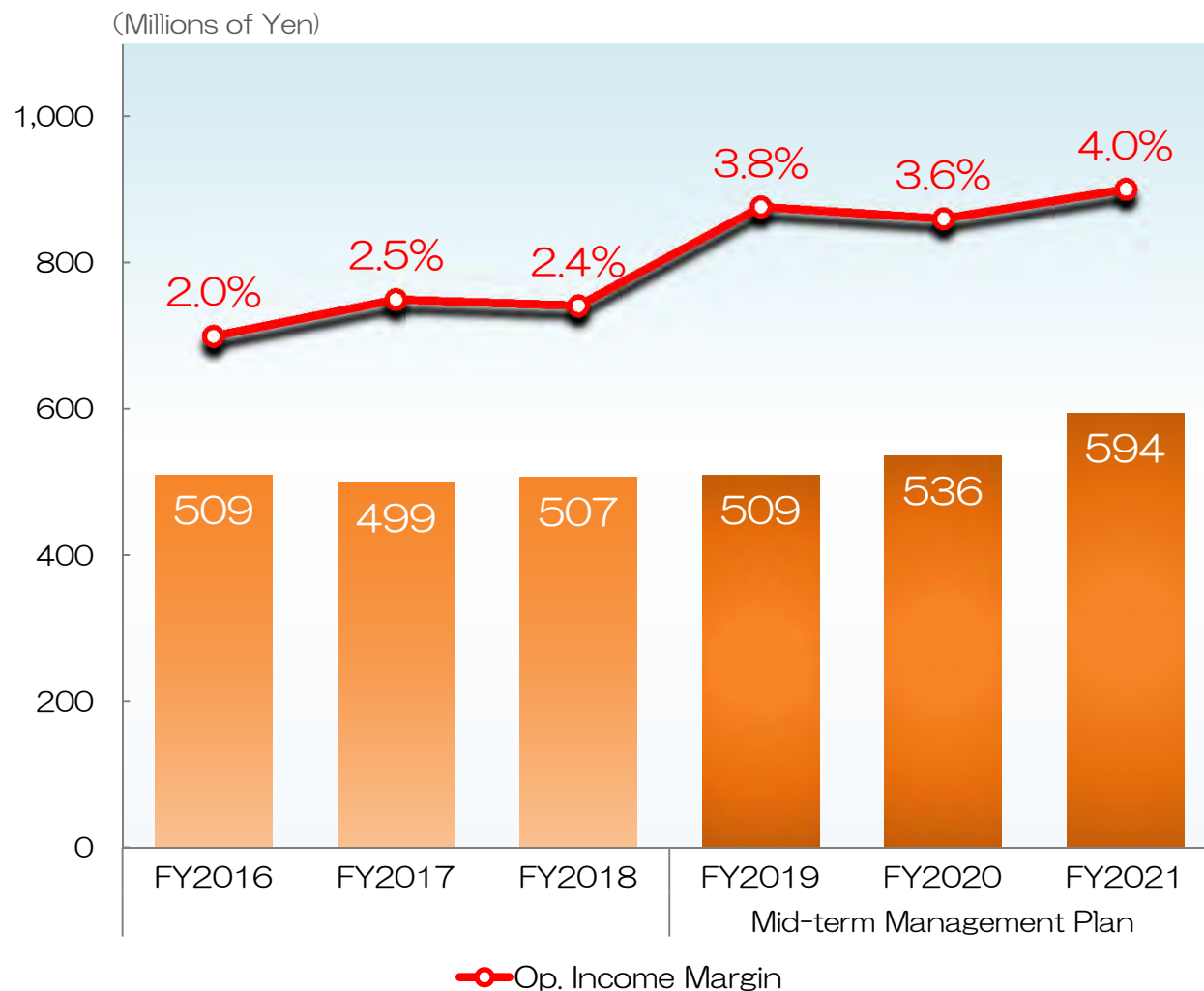
	FY2019								
	First Half			Second Half			Whole Year		
	Plan	Prop.	to Pre. Period	Plan	Prop.	to Pre. Period	Plan	Prop.	to Pre. Period
Net Sales	5,465		-339	6,492		+ 1,686	11,957		+ 1,347
Cost of Sales	5,096	93.2%	-365	5,877	90.5%	+ 1,345	10,973	91.8%	+ 980
Labor costs	25	0.5%	+ 25	68	1.0%	+ 68	93	0.8%	+ 93
Gross Profit	369	6.8%	+ 26	615	9.5%	+ 341	984	8.2%	+ 367
SG & A	227	4.2%	+ 137	295	4.5%	+ 180	522	4.4%	+ 317
Personnel expenses	128	2.4%	+ 79	182	2.8%	+ 123	311	2.6%	+ 203
Operating Income	142	2.6%	-111	320	4.9%	+ 160	462	3.9%	+ 49

The Energy Business will strive to increase the number of retailing contracts for Power Producer and Supplier business through business alliances. Also, it will focus on the development of a solar power generation model established by a third-party (PPA) working with other companies.

As for profit, the Division expects to see an increase in profit due to higher net sales, although expenses are on the rise because of the reinforcement of the structure of Power Producer and Supplier business and the personnel increase to develop PPA.



■ Forecasts of Net Sales and Operating Income Margin of each segment for F2019



Forecasts for Fy2019

Net Sales : ¥ 50,900 million
Op. Income : ¥1,910 million
Op. Income Mar : 3.8%