



Code : 4651

Consolidated Financial Statements For the Third Quarter ended December 31, 2019

February 17, 2020

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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 “-”.

1. Financial Results for FY2019 3Q

Consolidated Financial Results for FY2019 3Q



(Millions of Yen)

	FY2018 3Q	FY2019 3Q				
	Results	Results	Y o Y	Difference	Plan	Diff. from Plan
Net Sales	37,037	37,893	102.3%	+ 855	36,942	+ 950
Gross Profit (Gross Profit Margin)	11,197 30.2%	13,260 35.0%	118.4%	+ 2,062	12,818 34.7%	+ 441
Operating Income (Operating Income Margin)	978 2.6%	2,284 6.0%	233.5%	+ 1,306	1,681 4.6%	+ 602
Ordinary Income (Ordinary Income Margin)	938 2.5%	2,087 5.5%	222.4%	+ 1,149	1,536 4.2%	+ 551
Profit attribute to owner of parents (Net Income Margin)	193 0.5%	1,531 4.0%	792.7%	+ 1,338	1,156 3.1%	+ 375

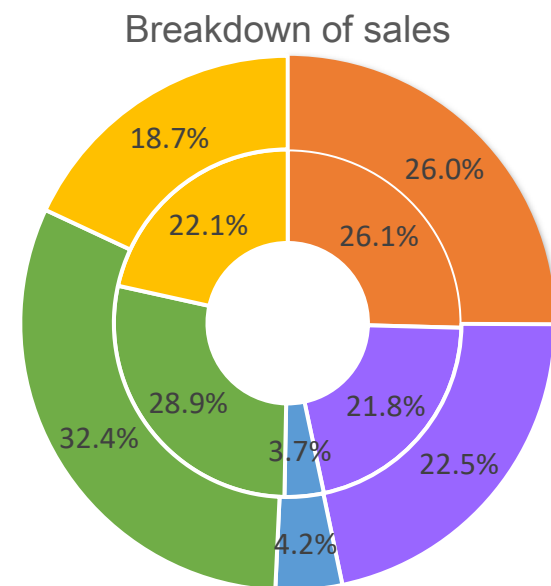
As for net sales in the first three quarters under review, sales rose in the Environmental Resources Development Business Division. However, sales declined in the Energy Business Division. As a result, net sales of the entire Group stood at ¥37,893 million (up 2.3% year on year).

The sales increase in the Environmental Resources Development Business Division contributed to profit. As a result, for the entire Group, operating income came to ¥2,284 million (up 133.5% year on year) and ordinary income was ¥2,087 million (up 122.4% year on year). Net income attributable to the owners of the parent company substantially grew to ¥1,531 million (up 692.7% year on year) as a result of posting ¥427 million, the expected amount of expenses for restoring the facilities stricken by the Hokkaido Eastern Iburi earthquake in September 2018, as a loss caused by the disaster under extraordinary losses in the same period of the previous fiscal year.

Results of Net Sales and Income of each segment for FY2019 3Q

(Millions of Yen)

	FY2018 3Q	FY2019 3Q		
	Results	Results	Y o Y	Plan
Net Sales	37,037	37,893	102.3%	36,942
SE Division	9,664	9,869	102.1%	8,602
HS Division	8,074	8,529	105.6%	8,773
ES Division	1,385	1,584	114.4%	1,697
ERD Division	10,705	12,294	114.8%	11,994
Energy Business Division	8,188	7,103	86.8%	7,436
Adjustment of intersegment sales	(980)	(1,488)	-	(1,561)
Operating Income	978	2,284	233.5%	1,681
SE Division	513	741	144.5%	549
HS Division	1,704	1,633	95.8%	1,730
ES Division	196	155	79.4%	206
ERD Division	751	2,317	308.4%	1,764
Energy Business Division	336	10	3.1%	41
Group	(2,524)	(2,574)	-	(2,611)

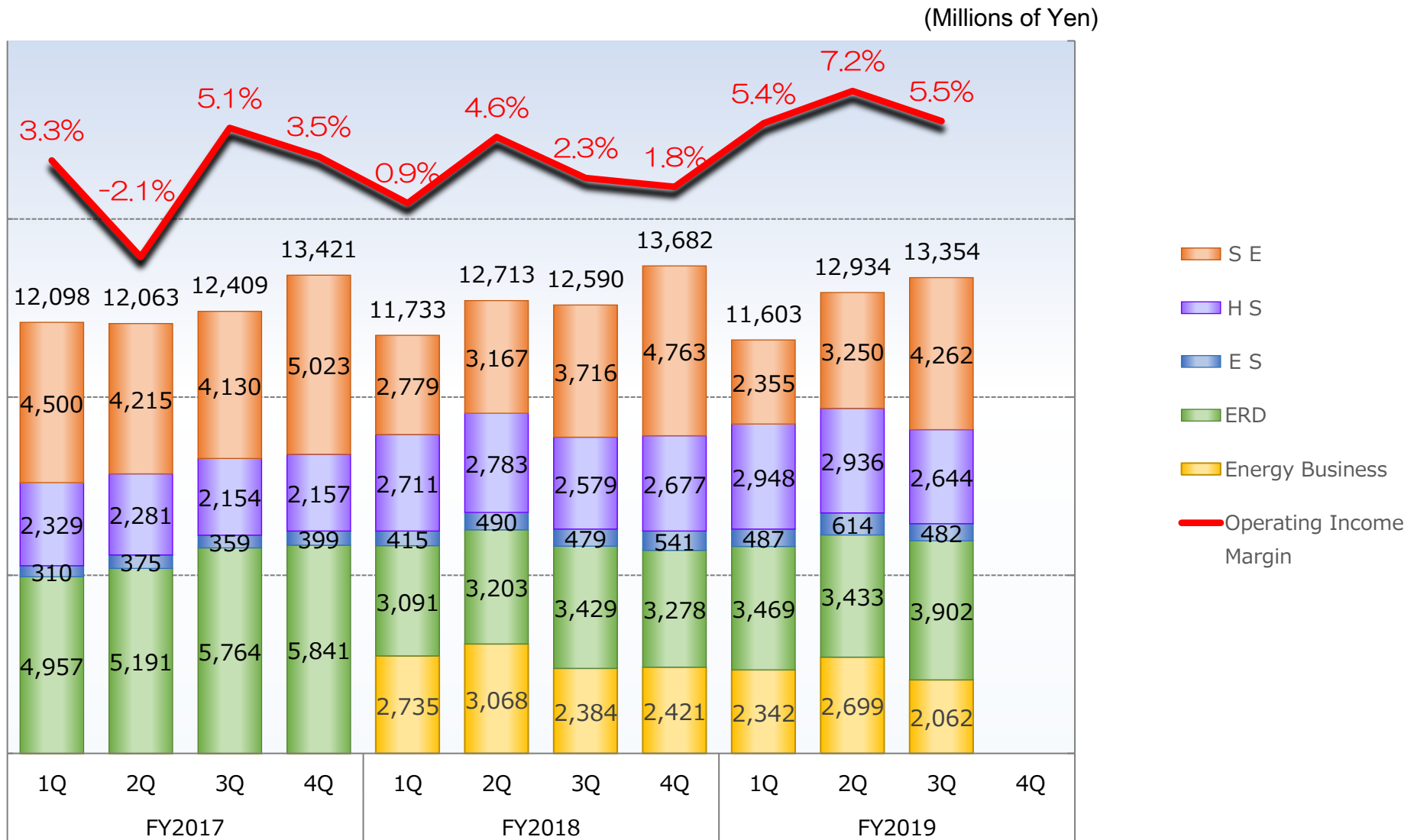


■ SE ■ HS ■ ES ■ ERD ■ Energy Business

Inner chart: FY2018 3Q
Outer chart: FY2019 3Q

The figures in ERD Division, Energy Division, and Intersegment sales adjustment for the fiscal year ended March 2019 are based on the new reportable segments for comparison with the fiscal year ended March 2020.

【Reference】 Quarterly Segment Information (changes)



The intersegment sales adjustment is subtracted from the sales at ERD Div.

Segment Information for FY2019 3Q(SE Division)



(Millions of Yen)

	FY2018		FY2019				
	3Q Results	Prop.	3Q Results	Prop.	Y o Y	Plan	% for Plan
Net Sales	9,664		9,869		102.1%	8,602	
Direct Sales	9,142	94.6%	9,581	97.1%	104.8%	8,337	96.9%
Wholesale	400	4.1%	186	1.9%	46.5%	181	2.1%
Others	121	1.3%	101	1.0%	83.4%	83	1.0%
Cost of Sales	6,557	67.9%	6,603	66.9%	100.7%	5,447	63.3%
Material costs	4,016	41.6%	3,872	39.2%	96.4%	3,290	38.3%
Labor costs	772	8.0%	539	5.5%	69.8%	487	5.7%
Gross Profit	3,106	32.1%	3,265	33.1%	105.1%	3,155	36.7%
SG&A	2,593	26.8%	2,523	25.6%	97.3%	2,605	30.3%
Personnel expenses	1,275	13.2%	1,357	13.8%	106.4%	1,416	16.5%
Operating Income	513	5.3%	741	7.5%	144.5%	549	6.4%

As the contracted size of the solar electric power market is gradually becoming smaller, sales from solar electric power systems increased (up 4.8% year on year), due primarily to the effect of sales of solar electric power systems with land as a new sales approach. As a result, net sales came to ¥9,869 million (up 2.1% year on year).

Operating income increased due to higher sales, cost cutting through the transfer of staff to the HS Division and a decrease in the cost of materials, and the segment posted operating income of ¥741 million (up 44.5% year on year).

Segment Information for FY2019 3Q(HS Division)



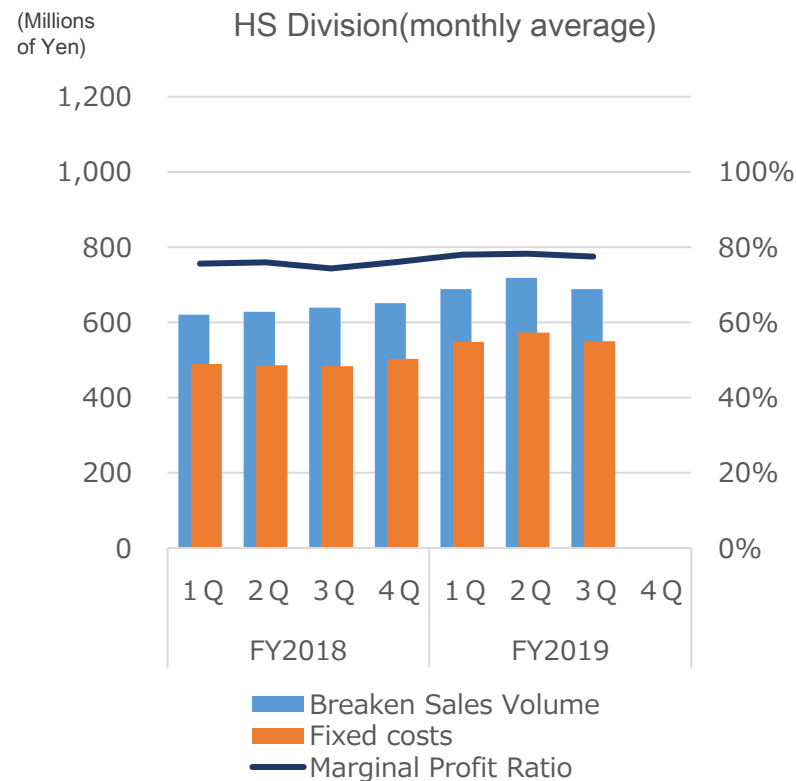
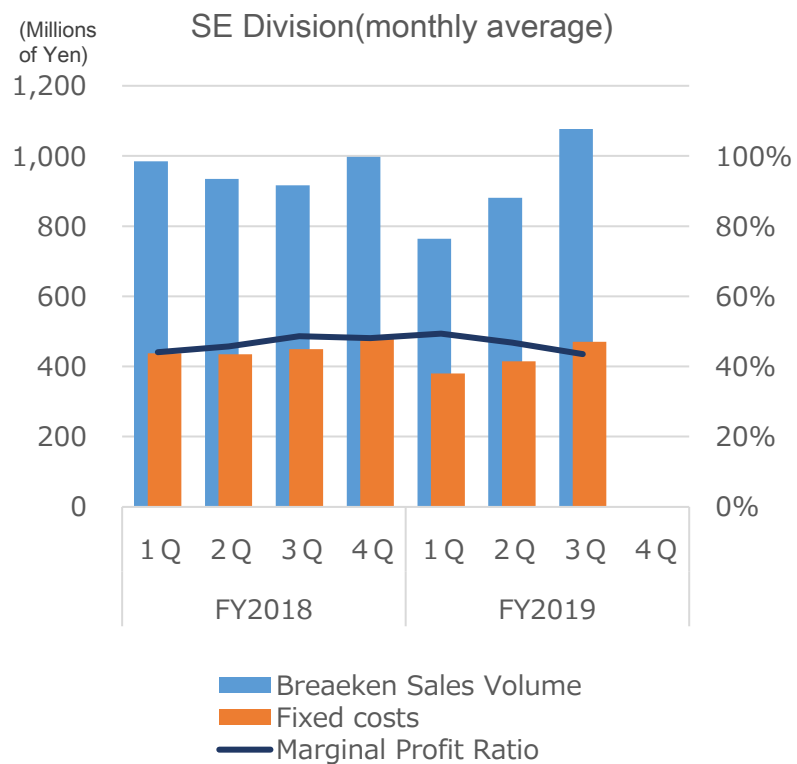
(Millions of Yen)

	FY2018		FY2019				
	3Q Results	Prop.	3Q Results	Prop.	Y o Y	Plan	% for Plan
Net Sales	8,074		8,529		105.6%	8,773	
Termite Eradication Service	2,623	32.5%	2,762	32.4%	105.3%	2,866	32.7%
Under-Floor/Roof Home Reinforcement System	1,328	16.5%	1,843	21.6%	138.7%	1,738	19.8%
Foundation Repairing Home Reinforcement System	1,600	19.8%	1,388	16.3%	86.8%	1,559	17.8%
Others	2,521	31.2%	2,535	29.7%	100.5%	2,609	29.7%
Costs of Sales	3,248	40.2%	3,373	39.6%	103.9%	3,483	39.7%
Labor costs	996	12.3%	1,194	14.0%	119.8%	1,211	13.8%
Gross Profit	4,826	59.8%	5,155	60.4%	106.8%	5,290	60.3%
SG&A	3,121	38.7%	3,522	41.3%	112.8%	3,559	40.6%
Personnel expenses	1,918	23.8%	2,169	25.4%	113.1%	2,218	25.3%
Operating Income	1,704	21.1%	1,633	19.2%	95.8%	1,730	19.7%

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 and recruitment. Termite extermination increased 5.3% year on year, and underfloor/ceiling ventilation systems rose 38.7% year on year. As a result, the division's sales rose to ¥8,529 million (up 5.6% year on year).

Operating income stood at ¥1,633 million (down 4.2% year on year) after an increase in expenses such as labor caused by the addition of personnel to expand our operations despite higher sales.

【Reference】 Changes of Profitability of SE/HS Division



A revaluation loss on inventory of ¥152 million is posted as materials cost in SE Division in 4Q of the fiscal period ended March 2019. In the chart above, the effect of the revaluation loss is excluded.

In the SE Business Division, a ratio of subcontract expenses to net sales is rising due to an increase in sales of solar electric power systems with land and the marginal profit ratio is falling. In addition, administration expenses for land transactions is increasing, making fixed costs rise.

The HS Division will add personnel based on a high marginal profit ratio and aim for further growth.

Segment Information for FY2019 3Q(ES Division)



(Millions of Yen)

	FY2018		FY2019				
	3Q Results	Prop.	3Q Results	Prop.	Y o Y	Plan	% for Plan
Net Sales	1,385		1,584		114.4%	1,697	
Costs of Sales	666	48.1%	772	48.7%	115.9%	817	48.2%
Labor costs	160	11.6%	190	12.0%	118.4%	190	11.2%
Gross Profit	718	51.9%	812	51.3%	113.0%	879	51.8%
SG&A	522	37.7%	656	41.4%	125.7%	672	39.6%
Personnel expenses	312	22.5%	394	24.9%	126.5%	426	25.1%
Operating Income	196	14.2%	155	9.8%	79.4%	206	12.2%

Sales of anti-rust equipment installation (brand name: Daelman Shock), our main product, increased 14.5% year on year, and sales of and building waterproof paint repair rose 86.1% year on year as a result of increasing personnel through transfers and recruitment, strengthening sales activities with 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 ¥1,584 million (up 14.4% year on year). Operating income declined to ¥155 million (down 20.6% year on year) due to an increase in expenses such as labor caused by the addition of personnel to expand the business size of the Division despite higher sales.

Segment Information for FY2019 3Q(ERD Division)



(Millions of Yen)

	FY2018 3Q		FY2019				
	3Q Results	Prop.	3Q Results	Prop.	Y o Y	Plan	% for Plan
Net Sales	10,705		12,294		114.8%	11,994	
Plastic Fuels	6,451	60.3%	7,484	60.9%	116.0%	7,153	59.6%
Power Stations	1,731	16.2%	2,211	18.0%	127.7%	2,367	19.7%
Organic Waste Water	1,413	13.2%	1,473	12.0%	104.2%	1,461	12.2%
Final Disposal	595	5.6%	722	5.9%	121.2%	604	5.0%
Others	512	4.8%	402	3.3%	78.6%	407	3.4%
Costs of Sales	8,641	80.7%	8,569	69.7%	99.2%	8,833	73.6%
Labor costs	1,218	11.4%	1,338	10.9%	109.9%	1,348	11.2%
Gross Profit	2,063	19.3%	3,724	30.3%	180.5%	3,161	26.4%
SG&A	1,312	12.3%	1,407	11.4%	107.2%	1,396	11.6%
Personnel expenses	668	6.2%	784	6.4%	117.3%	768	6.4%
Operating Income	751	7.0%	2,317	18.8%	308.4%	1,764	14.7%

Plastic fuel sales increased 16.0% year on year because the Division emphasized the profitability and the quality of plastic fuels and proceeded with careful examination of accepted articles, although the acceptance volume of waste plastics decreased. Moreover, power plant sales increased 27.7% year on year due to the impact of the suspension of the Tomakomai Power Plant caused by the earthquake in the previous third quarter. As a result, net sales amounted to ¥12,294 million (up 14.8% year on year).

Operating income increased to ¥2,317 million (up 208.4% year on year) due to the operation of the Tomakomai Power Plant as well as the careful examination of waste plastics and accepted articles in the organic wastewater recycling.

Segment Information for FY2019 3Q (Energy Business Division)

(Millions of Yen)

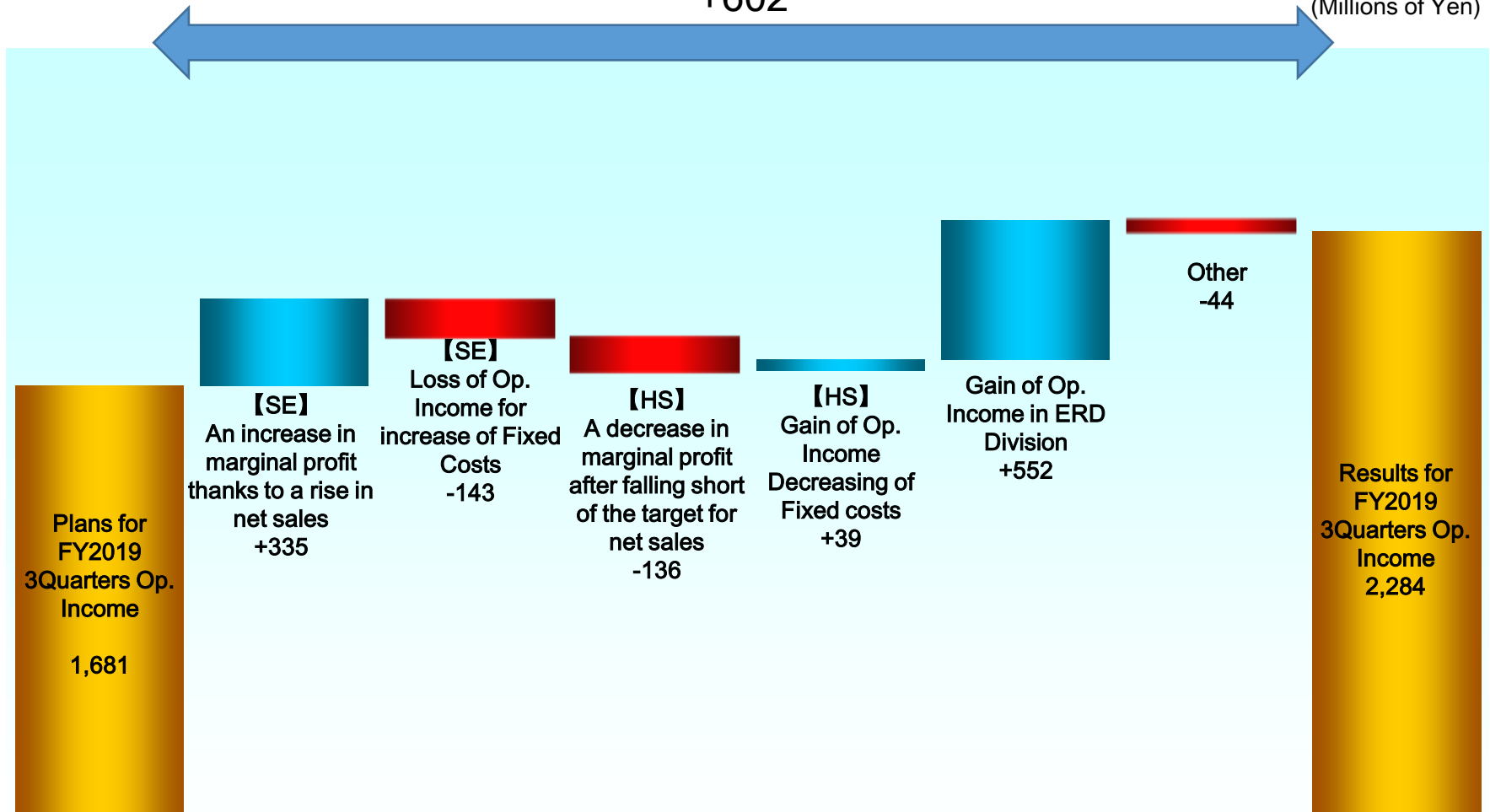
	FY2018 3Q		FY2019				
	3Q Results	Prop.	3Q Results	Prop.	Y o Y	Plan	% for Plan
Net Sales	8,188		7,103		86.8%	7,436	
Costs of Sales	7,706	94.1%	6,801	95.7%	88.3%	7,103	95.5%
Material costs	7,173	87.6%	6,508	91.6%	90.7%	6,800	91.4%
Gross Profit	482	5.9%	302	4.3%	62.7%	332	4.5%
SG&A	145	1.8%	291	4.1%	201.2%	290	3.9%
Personal expense	76	0.9%	159	2.2%	208.2%	159	2.1%
Operating Income	336	4.1%	10	0.1%	3.1%	41	0.6%

Retail net sales declined chiefly due to a fall in the number of high pressure contracts and a reduction in transaction prices in the wholesale market. As a result, net sales stood at ¥7,103 million (down 13.2% year on year). Operating income decreased to ¥10 million (down 96.9% year on year) due to lower net sales and the reduction in profit ratio resulting from the rising wholesale ratio.

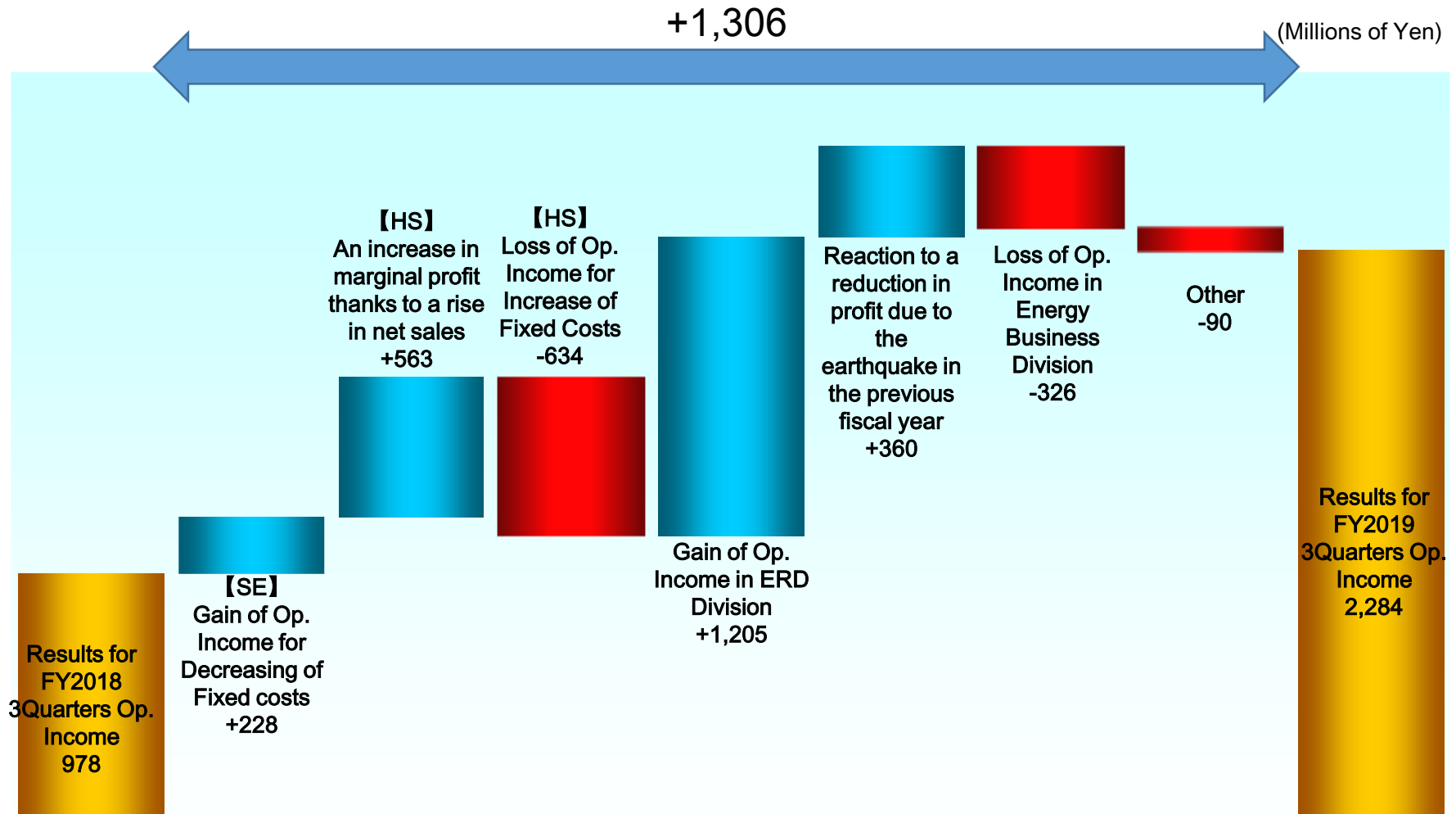
Factors in increase or decrease from the plan of Operating Income

+602

(Millions of Yen)



Factors in increase or decrease from Previous the Pre. Period of Operating Income



2. Forecast for FY2019

Consolidated Financial Forecast for FY2019



(Millions of Yen)

	FY2018		FY2019			
	Results	Difference	February 13 Revised Plan	Diff. from Pre Period	November 13 Revised Plan	Diff. from November 13 Revised Plan
Net Sales	50,719	+ 726	51,082	+ 362	50,131	+ 950
Gross Profit (Gross Profit Margin)	14,830 29.2%	+ 785	17,556 34.4%	+ 2,726	17,305 34.5%	+ 251
Operating Income (Operating Income Margin)	1,224 2.4%	-21	2,550 5.0%	+ 1,325	2,248 4.5%	+ 302
Ordinary Income (Ordinary Income Margin)	1,182 2.3%	+ 163	2,330 4.6%	+ 1,147	2,079 4.1%	+ 251
Profit attributable to owners of parents (Net Income Margin)	240 0.5%	-939	1,808 3.5%	+ 1,568	1,579 3.2%	+ 229

The Group revised the plan for the forecasts of the consolidated business results for the current fiscal year ending March 31, 2020, announced on November 13, 2019, taking into account the results for the first three quarters of the fiscal year ending March 31, 2020.

Net sales have not changed from the plan in the fourth quarter announced on November 13, 2019.

As for profit, risks are incorporated similarly into the revised plan of the fourth quarter. The risks include (1) cost increase due to an increase in sales of solar electric power systems with land in the SE Business Division, and (2) cost increase in personnel costs of the Head Office.

【 Reference 】 Segment Forecasts for FY2019



(Millions of Yen)

	FY2018	FY2019			
	Results	February 13 revised plan	Diff.from Pre Period	November 13 revised plan	Diff.from November 13 revised plan
Net Sales	50,719	51,082	+ 362	50,131	+ 950
SE Division	14,427	13,177	-1,250	11,910	+ 1,266
HS Division	10,752	11,348	+ 595	11,592	-244
ES Division	1,926	2,194	+ 268	2,307	-112
ERD Division	14,116	16,290	+ 2,174	15,990	+ 299
Energy Business Division	10,609	10,251	-357	10,584	-332
Adjustment of intersegment sales	(1,113)	(2,180)	-1,067	(2,253)	+ 73
Operating Income	1,224	2,550	+ 1,325	2,248	+ 302
SE Division	1,204	894	-310	892	+ 2
HS Division	2,231	2,032	-199	2,129	-97
ES Division	287	228	-58	279	-50
ERD Division	423	2,874	+ 2,450	2,322	+ 552
Energy Business Division	412	102	-310	133	-31
Group	(3,335)	(3,581)	-246	(3,508)	-72

The figures in ERD Division, Energy Division, and Intersegment sales adjustment for the fiscal year ended March 2019 are based on the new reportable segments for comparison with the fiscal year ended March 2020.

Segment Forecast for FY2019(SE Division)



(Millions of Yen)

	FY2018		FY2019 Revised Plan(11/13)		FY2019 Revised Plan(2/13)		
	Results	Prop.	Plan	Prop.	Plan	Prop.	Diff. from Pre period
Net Sales	14,427		11,910		13,177		-1,250
Direct Sales	13,661	94.7%	11,567	97.1%	12,812	97.2%	-848
Wholesales	578	4.0%	241	2.0%	246	1.9%	-332
Others	188	1.3%	101	0.8%	118	0.9%	-69
Costs of Sales	9,740	67.5%	7,449	62.6%	8,796	66.8%	-943
Material costs	5,978	41.4%	4,608	38.7%	5,290	40.1%	-688
Labor costs	1,018	7.1%	635	5.3%	687	5.2%	-331
Gross Profit	4,687	32.5%	4,460	37.4%	4,380	33.2%	-306
SG&A	3,482	24.1%	3,567	30.0%	3,486	26.5%	+ 3
Personnel expenses	1,724	12.0%	1,955	16.4%	1,896	14.4%	+ 171
Operating Income	1,204	8.4%	892	7.5%	894	6.8%	-310

Segment Forecast for FY2019(HS Division)



(Millions of Yen)

	FY2018		FY2019 Revised Plan(11/13)		FY2019 Revised Plan(2/13)		
	Results	Prop.	Plan	Prop.	Plan	Prop.	Diff. from Pre period
Net Sales	10,752		11,592		11,348		+ 595
Terminate Eradication Service	3,441	32.0%	3,707	32.0%	3,603	31.8%	+ 161
Under-Floor/RoofVentilation System	1,799	16.7%	2,223	19.2%	2,328	20.5%	+ 528
Foundation Repairing/Home Reinforcement System	2,126	19.8%	2,195	18.9%	2,024	17.8%	-102
Others	3,384	31.5%	3,466	29.9%	3,393	29.9%	+ 8
Costs of Sales	4,380	40.7%	4,700	40.5%	4,590	40.4%	+ 209
Labor costs	1,373	12.8%	1,645	14.2%	1,628	14.3%	+ 255
Gross Profit	6,371	59.3%	6,892	59.5%	6,758	59.6%	+ 386
SG&A	4,139	38.5%	4,763	41.1%	4,725	41.6%	+ 585
Personnel expenses	2,540	23.6%	2,998	25.9%	2,949	26.0%	+ 409
Operating Income	2,231	20.8%	2,129	18.4%	2,032	17.9%	-199

Segment Forecast for FY2019(ES Division)



(Millions of Yen)

	FY2018		FY2019 Revised Plan(11/13)		FY2019 Revised Plan(2/13)		
	Results	Prop.	Plan	Prop.	Plan	Prop.	Diff. from Pre period
Net Sales	1,926		2,307		2,194		+ 268
Costs of Sales	933	48.4%	1,110	48.1%	1,064	48.5%	+ 131
Labor costs	215	11.2%	254	11.0%	254	11.6%	+ 38
Gross Profit	993	51.6%	1,196	51.9%	1,130	51.5%	+ 136
SG&A	706	36.6%	917	39.8%	901	41.1%	+ 195
Personnel expenses	418	21.7%	593	25.7%	561	25.6%	+ 142
Operating Income	287	14.9%	279	12.1%	228	10.4%	-58

Segment Forecasts for FY2019(ERD Division)



(Millions of Yen)

	FY2018		FY2019 Revised Plan(11/13)		FY2019 Revised Plan(2/13)		
	Results	Prop.	Plan	Prop.	Plan	Prop.	Diff. from Pre period
Net Sales	14,116		15,990		16,290		+ 2,174
Plastic Fuels	8,615	61.0%	9,389	58.7%	9,719	59.7%	+ 1,104
Power Stations	2,107	14.9%	3,396	21.2%	3,240	19.9%	+ 1,133
Organic Waste Water	1,958	13.9%	1,939	12.1%	1,951	12.0%	-7
Final Disposal	788	5.6%	725	4.5%	843	5.2%	+ 54
Others	646	4.6%	539	3.4%	535	3.3%	-111
Costs of Sales	11,955	84.7%	11,793	73.7%	11,530	70.8%	-425
Labor costs	1,630	11.6%	1,832	11.5%	1,821	11.2%	+ 190
Gross Profit	2,160	15.3%	4,197	26.3%	4,760	29.2%	+ 2,599
SG&A	1,736	12.3%	1,875	11.7%	1,885	11.6%	+ 149
Personnel expenses	898	6.4%	1,030	6.4%	1,045	6.4%	+ 147
Operating Income	423	3.0%	2,322	14.5%	2,874	17.6%	+ 2,450

Segment Forecasts for FY2019(Energy Business Division)



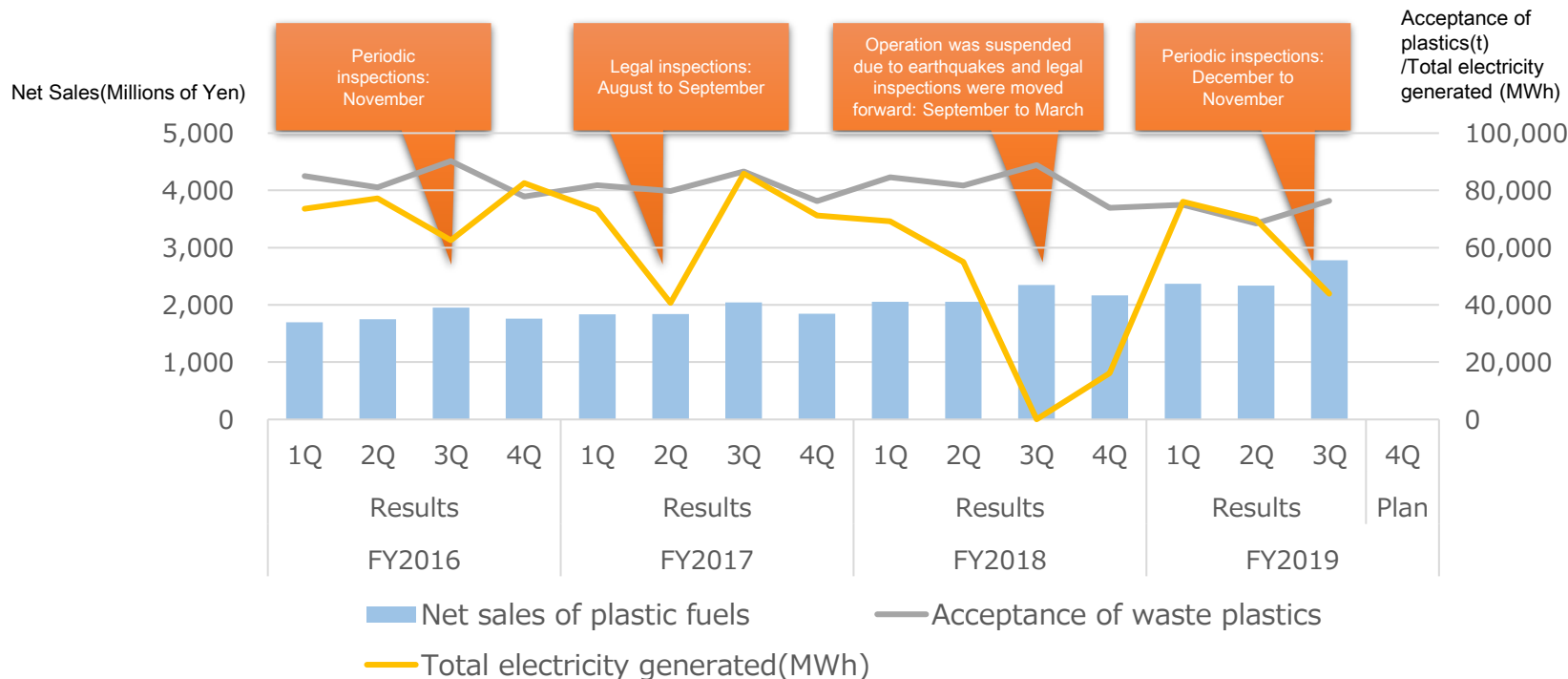
(Millions of Yen)

	FY2018		FY2019 Revised Plan(11/13)		FY2019 Revised Plan(2/13)		
	Results	Prop.	Plan	Prop.	Plan	Prop.	Diff. from Pre period
Net Sales	10,609		10,584		10,251		-357
Cost of Sales	9,992	94.2%	10,026	94.7%	9,724	94.9%	-268
Material cost	9,325	87.9%	9,557	90.3%	9,265	90.4%	-60
Gross Profit	616	5.8%	557	5.3%	527	5.1%	-89
SG&A	204	1.9%	423	4.0%	425	4.1%	+ 221
Personnel expenses	107	1.0%	224	2.1%	224	2.2%	+ 117
Operating Income	412	3.9%	133	1.3%	102	1.0%	-310

【Reference】 The situation of the Environmental Resources Development Business



- In the current period under review, a regular inspection was conducted from November to December, reflecting a ¥300 million impact on net sales and a ¥500 million impact on operating income.



Effects from the earthquake in the previous fiscal year

Net Sales	¥1450 million
Operating Income	¥1480 million
Posting of extraordinary loss	¥ 470 million



Forecasts for FY2019

Net Sales :¥51,082 million

Op. Income: ¥2,550 million

Op. Income Margin :5.0%