

SANIX

for Energy, for Environment

Photovoltaic Solution

Total Sanitation

Environmental Resources Development

Consolidated Financial Statements
For the Third Quarter ended December 31, 2016

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Disclaimer

This material contains certain forward-looking statements. Such forward-looking statements are not intended to provide guarantees of our future performance and are based on certain assumptions and management's judgment based on currently available information. Therefore, actual results in future earnings and operating results may materially differ from those contained in the forward-looking statements.

The following items are among the factors that could cause actual results to differ materially from the forward-looking statements in this material:

changes in economic environment in Japan and abroad, business condition in Japanese manufacturing industry, competition with other manufacturers, changing technology, regulatory environment, new legislation and any other factors which are beyond our control.

In addition, this presentation is not intended to solicit investment to securities issued by us. We assume no responsibility for any losses and liabilities that may be incurred because of information contained in this material.

(Note)

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



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1. Financial Results for FY2016 3Q

Consolidated Financial Results for FY2016 3Q

SANIX

FY2016 3Q

(Millions of yen)

	FY2015	FY2016 3Quarters				
	3Quarters	Results	Y on Y	Difference	Plan/10, Nov.	Difference
Net Sales	45,912	36,633	79.8%	Δ 9,278	35,278	+ 1,355
Gross Profit	9,497	10,482	110.4%	+ 985	9,879	+ 603
(Gross Profit Margin)	20.7%	28.6%			28.0%	
Operating Income	Δ 2,857	674	—	+ 3,532	166	+ 508
(Operating Income Margin)	—	1.8%			0.5%	
Ordinary Income	Δ 2,709	452	—	+ 3,161	152	+ 300
(Ordinary Income Margin)	—	1.2%			0.4%	
Profit attributable to owners of parent	Δ 3,492	51	—	+ 3,544	Δ 272	+ 323
(Net Income Margin)	—	0.1%			—	

As for sales in the first three quarters under review, the Solar Engineering (SE) Division was unable to avoid the adverse effect of changes in the environment and the contraction of the market for the solar electric power business, and sales declined sharply. As a consequence, the net sales of the entire Group were ¥36,633 million (decreased 20.2% year on year).

In terms of profitability, although sales declined sharply in the SE Division, cost reductions as a result of management rationalization initiatives and lower materials costs, among other factors, led to an improvement in the gross margin and a significant fall in selling, general and administrative expenses, and income moved into the black at all levels in the first three quarters under review. As a consequence, for the whole Group, operating income was ¥674 million compared to an operating loss of ¥2,857 million in the same period of the previous year, and ordinary income was ¥452 million compared to an ordinary loss of ¥2,709 million in the same period of the previous year. The Group posted expenses related to voluntary retirement of ¥177 million, including special retirement allowances, as extraordinary losses. The Group posted net income belonging to the shareholders of the parent company of ¥51 million, compared to a net loss belonging to the shareholders of the parent company of ¥3,492 million in the same period of the previous year.

Results of each segment for FY2016 3Q

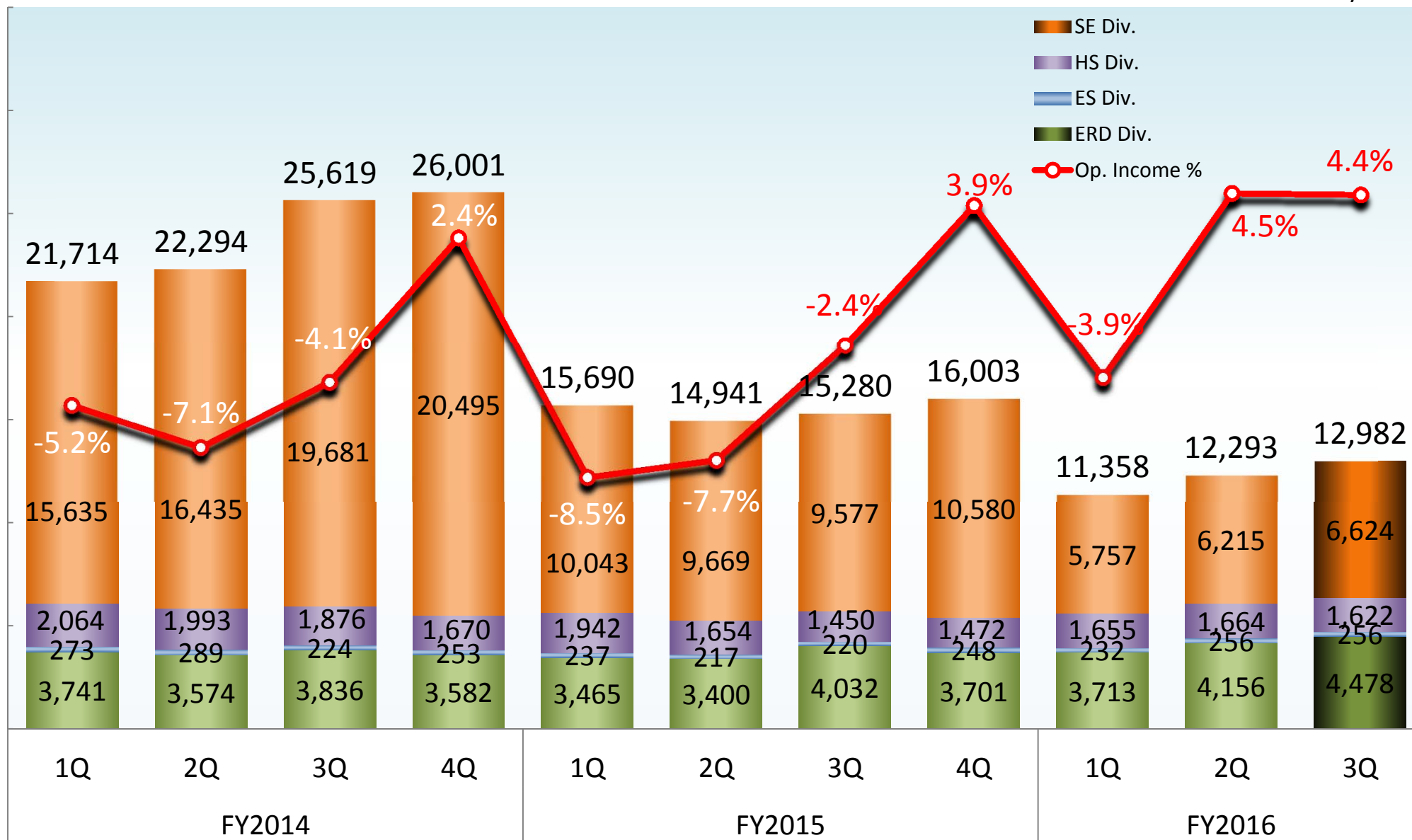
(Millions of yen)

	FY2015 3Quarters		FY2016 3Quarters				
	Results	Prop.	Results	Prop.	Y o Y	Difference	% to Plan
Net Sales	45,912		36,633		79.8%	+ 1,355	
SE Division	29,290	63.8%	18,597	50.8%	63.5%	+ 1,051	49.7%
HS Division	5,047	11.0%	4,941	13.5%	97.9%	+ 87	13.8%
ES Division	675	1.5%	746	2.0%	110.5%	+ 20	2.1%
ERD Division	10,899	23.7%	12,348	33.7%	113.3%	+ 196	34.4%
Gross Profit	9,497	20.7%	10,482	28.6%	110.4%	+ 603	28.0%
SG & A	12,354	26.9%	9,808	26.8%	79.4%	+ 94	27.5%
Operating Income	Δ 2,857	—	674	1.8%	—	+ 508	0.5%
SE Division	Δ 1,349	—	1,247	<u>6.7%</u>	—	+ 387	<u>4.9%</u>
HS Division	547	<u>10.9%</u>	767	<u>15.5%</u>	140.0%	+ 36	<u>15.1%</u>
ES Division	32	<u>4.8%</u>	55	<u>7.4%</u>	170.5%	+ 7	<u>6.6%</u>
ERD Division	191	<u>1.8%</u>	678	<u>5.5%</u>	354.7%	+ 70	<u>5.0%</u>
Group	Δ 2,279	—	Δ 2,073	—	—	+ 6	—

•The underlined percentage indicate Operating Margin of each segment.

Quarterly Segment Information (changes)

(Millions of yen)



Segment Information for FY2016 3Q (SE Division)

(Millions of yen)

	FY2015 3Quarters		FY2016 3Quarters				
	Results	Prop.	Results	Prop.	Y o Y	Differenc	% to
Net Sales	29,290		18,597		63.5%	+ 1,051	
Photovoltaic System							
Direct Sales	24,751	84.5%	17,177	92.4%	69.4%	+ 886	92.8%
Western Div.	15,049	51.4%	10,895	58.6%	72.4%	+ 665	58.3%
Eastern Div.	9,701	33.1%	6,281	33.8%	64.8%	+ 220	34.5%
Wholesales	4,459	15.2%	1,338	7.2%	30.0%	+ 167	6.7%
Others	79	0.3%	81	0.4%	102.7%	△ 1	0.5%
Cost of Sales	24,161	82.5%	13,065	70.3%	54.1%	+ 567	71.2%
Material costs ※	16,696	57.0%	9,064	48.7%	54.3%	+ 371	49.5%
Labor costs	3,740	12.8%	1,759	9.5%	47.0%	+ 32	9.8%
Gross Profit	5,128	17.5%	5,531	29.7%	107.9%	+ 484	28.8%
SG & A	6,478	22.1%	4,284	23.0%	66.1%	+ 96	23.9%
Personnel expenses	2,882	9.8%	1,599	8.6%	55.5%	+ 50	8.8%
Other expenses	3,595	12.3%	2,684	14.4%	74.7%	+ 46	15.0%
Operating Income	△ 1,349	—	1,247	6.7%	—	+ 387	4.9%

※ Material costs includes material costs and supply expenses.

Sales of PV systems decreased 30.6% year on year, and wholesale sales of PV systems declined 70.0% year on year, reflecting a decline in the number of installations of commercial PV systems due to the contraction of the market environment in the solar electric power business. As a consequence, sales were ¥18,597 million (decreased 36.5% year on year).

Despite the sharp decline in sales, operating income increased significantly to ¥1,247 million, compared to an operating loss of ¥1,349 million in the same period of the previous year, reflecting the reduction of personnel and other expenses mainly due to management rationalization and a focus on cost reductions, including costs of materials such as photovoltaic modules.

【Reference】 Segment Information for FY2016 (SE Div.)

(Millions of yen)

	FY2016							
	1Q		2Q		3Q		3 Quarters	
	Results	Prop.	Results	Prop.	Results	Prop.	Results	Prop.
Net Sales	5,757		6,215		6,624		18,597	
Cost of Sales	4,269	74.2%	4,428	71.3%	4,367	65.9%	13,065	70.3%
Material costs ※	2,916	50.7%	3,152	50.7%	2,995	45.2%	9,064	48.7%
Labor costs	707	12.3%	555	8.9%	496	7.5%	1,759	9.5%
Outsourcing costs	152	2.6%	245	4.0%	340	5.1%	738	4.0%
Other costs	492	8.6%	475	7.7%	534	8.1%	1,503	8.1%
Gross Profit	1,487	25.8%	1,786	28.7%	2,257	34.1%	5,531	29.7%
SG &A	1,556	27.0%	1,332	21.4%	1,395	21.1%	4,284	23.0%
Personnel expenses	584	10.2%	503	8.1%	511	7.7%	1,599	8.6%
Other expenses	971	16.9%	829	13.4%	883	13.3%	2,684	14.4%
Operating Income	△ 68	—	453	7.3%	861	13.0%	1,247	6.7%

※ Material costs includes material costs and supply expenses.

■ Changes in Marginal Profit Ratio & Breakeven Sales Volume of SE Division

A marginal profit ratio is shown as profit ratio which is subtracted variable cost such as material, expendables, outsourcing and transportation fee.

	FY2015 results			FY2016			
	1 st . Half	2 nd . Half	Full Year	1 st . Half Results	3Q Results	3 Quarters Results	3 Quarters Plan
Marginal Profit Ratio (%)	34.7	38.9	36.8	42.8	46.3	44.0	43.6
Average Monthly Fixed Cost (Million Yen per month)	1,368	1,112	1,240	788	734	770	754
Breakeven Sales Volume (Million Yen per month)	3,944	2,858	3,367	1,844	1,586	1,750	1,729

Breakeven Sales Volume...Fixed Cost ÷ Marginal profit ratio

■ Changes in Fixed Cost (Details) and Average number of Personnel

	FY2015 results			FY2016			
	1 st . Half	2 nd . Half	Full Year	1 st . Half Results	3Q Results	3 Quarters Results	3 Quarters Plan
Labor Costs/Personnel Expenses (Million Yen per month)	789	578	684	391	335	373	363
Average Number of Personnel (Person)	1,756	1,213	1,485	820	676	772	803
Other Expenses (Million Yen per month)	578	534	556	396	398	397	390

Segment Information for FY2016 3Q (HS / ES Division)

(Millions of yen)

【HS Division】	FY2015 3Quarters		FY2016 3Quarters				
	Results	Prop.	Results	Prop.	Y o Y	Difference	% to Plan
Net Sales	5,047		4,941		97.9%	+ 87	
Gross Profit	2,543	50.4%	2,501	50.6%	98.3%	+ 49	50.5%
SG & A	1,995	39.5%	1,733	35.1%	86.9%	+ 12	35.5%
Operating Income	547	10.9%	767	15.5%	140.0%	+ 36	15.1%

Sales of basic repair and house reinforcement construction services for ordinary homes rose from a year ago, while sales of termite control services fell from a year earlier. As a result, sales were ¥4,941 million (decreased 2.1% year on year).

Operating income stood at ¥767 million (increased 40.0% year on year) mainly thanks to cost reductions due to a focus on management rationalization, despite the decrease in segment sales.

(Millions of yen)

【ES Division】	FY2015 3Quarters		FY2016 3Quarters				
	Results	Prop.	Results	Prop.	Y o Y	Difference	% to Plan
Net Sales	675		746		110.5%	+ 20	
Gross Profit	242	35.8%	290	38.9%	120.0%	+ 9	38.6%
SG & A	209	31.0%	235	31.5%	112.2%	+ 2	32.1%
Operating Income	32	4.8%	55	7.4%	170.5%	+ 7	6.6%

Sales in anti-rust equipment installation and waterproofing of buildings, maintenance-related services for buildings and condominiums, increased from a year ago. As a result, net sales were ¥746 million (increased 10.5% year on year).

Operating income came to ¥55 million (increased 70.5% year on year) mainly due to the increase in segment sales.

Segment Information for FY2016 3Q (ERD Division)

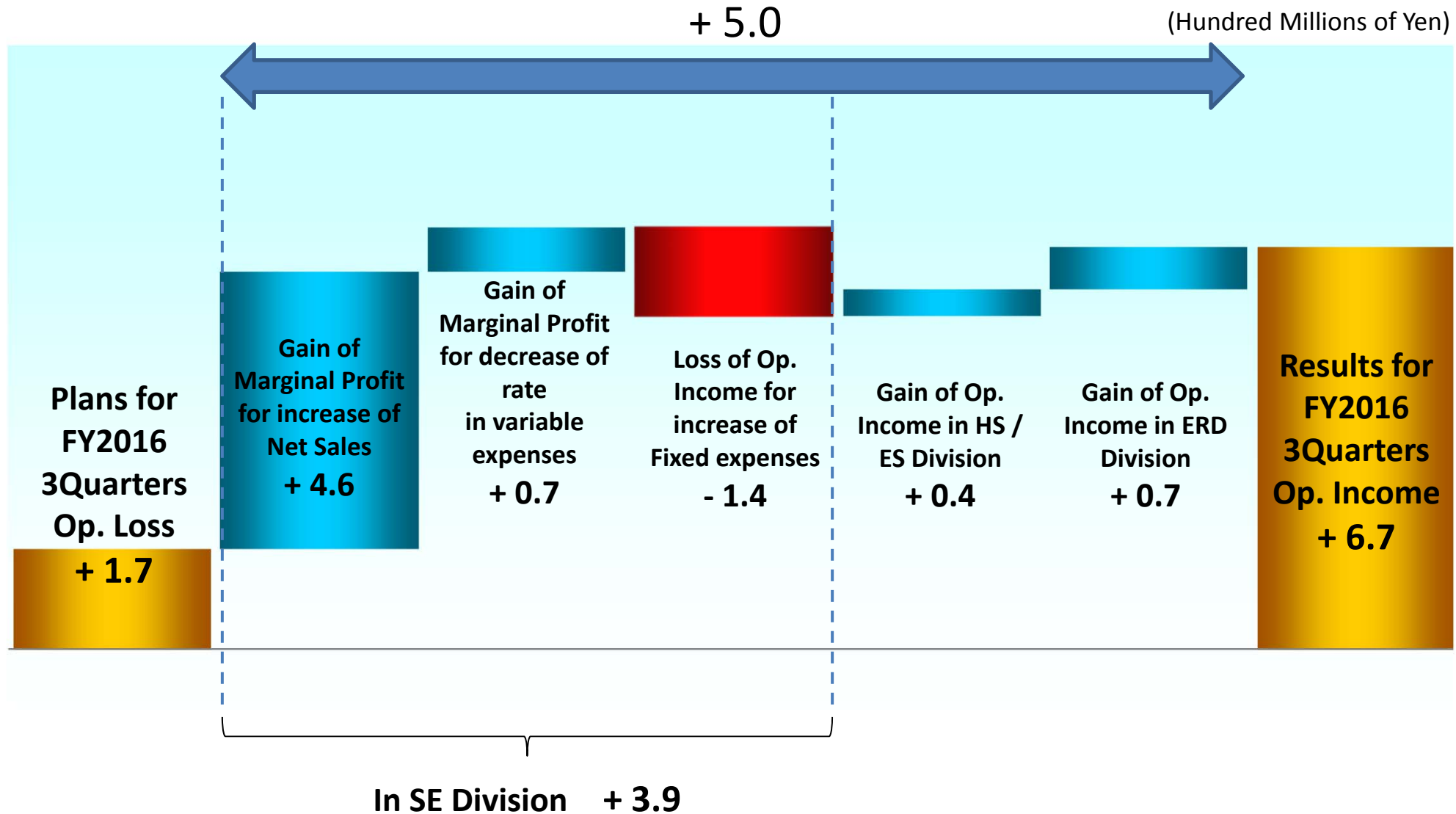
(Millions of yen)

	FY2015 3Quarters		FY2016 3Quarters				
	Results	Prop.	Results	Prop.	Y o Y	Difference	% to Plan
Net Sales	10,899		12,348		113.3%	+ 196	
Plastic Fuels	5,440	49.9%	5,403	43.8%	99.3%	+ 84	43.8%
Power Generation	2,750	25.2%	4,489	36.4%	163.2%	+ 34	36.7%
Power Producer & Supplier	68	0.6%	1,708	13.8%	—	+ 40	13.7%
Organic Waste Water	1,252	11.5%	1,345	10.9%	107.4%	+ 27	10.9%
Final Disposal	607	5.6%	534	4.3%	87.9%	+ 2	4.4%
Others	847	7.8%	576	4.7%	68.0%	+ 47	4.4%
Gross Profit	1,583	14.5%	2,159	17.5%	136.4%	+ 60	17.3%
SG & A	1,391	12.8%	1,481	12.0%	106.4%	Δ 10	12.3%
Operating Income	191	1.8%	678	5.5%	354.7%	+ 70	5.0%

Plastic fuel sales secured the level of a year earlier, despite the lower collection volume of waste plastic due to a rise in unit prices primarily for regular properties. Electricity sales rose 63.2% year on year due to a sharp rise in the number of sales to high-voltage consumers in the PPS (power producer and supplier) business. As a consequence, sales were ¥12,348 million (increased 13.3% year on year).

Operating income stood at ¥678 million (increased 254.7% year on year), reflecting an improvement in the gross margin mainly attributable to the revision of unit prices for the collection of waste plastic, a fall in costs such as inspection and repair costs at Tomakomai Power Plant, and an increase in the collection volume of organic waste water recycling.

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





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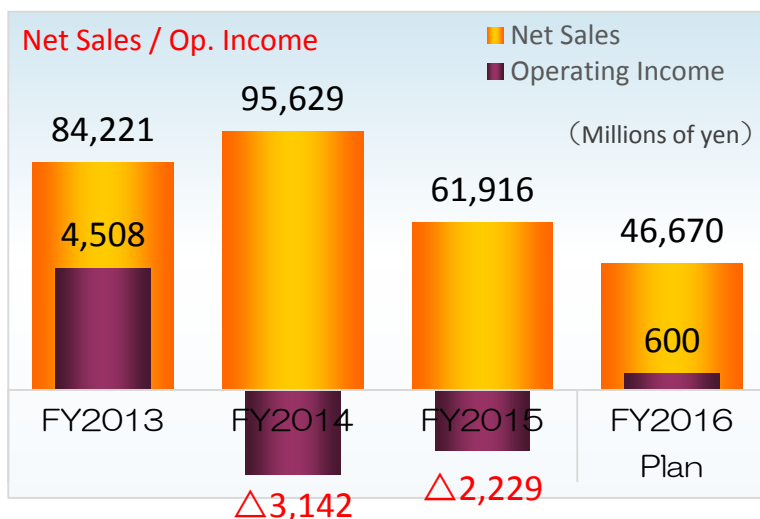
2. Forecast for FY2016

Consolidated Financial Forecast for FY2016

There is no change from the forecast announced on November 10, 2016

(Million of yen)

	FY2015	FY2016		
	Results	Plan	Y on Y	Difference
Net Sales	61,916	46,670	75.4%	Δ 15,246
Gross Profit	13,783	13,355	96.9%	Δ 428
(Gross Profit Margin)	22.3%	28.6%		
Operating Income	Δ2,229	600	—	+ 2,829
(Operating Income Margin)	—	1.3%		
Ordinary Income	Δ1,949	480	—	+ 2,429
(Ordinary Income Margin)	—	1.0%		
Profit attributable to owners of parent	Δ4,604	Δ60	—	+ 4,544
(Net Income Margin)	—	—		



[Unchanged full-year results forecasts]

The Company is still in the process of undertaking structural reforms under the medium-term business plan announced in April 2016 and steadily pressing forward with various initiatives launched at the beginning of the current fiscal year.

Although operating income exceeds the full-year forecast in the first three quarters under review, we will leave our full-year results forecasts unchanged until we are able to estimate the numbers reasonably by discerning the implementation status of these reforms.

Segment Forecasts for FY2016

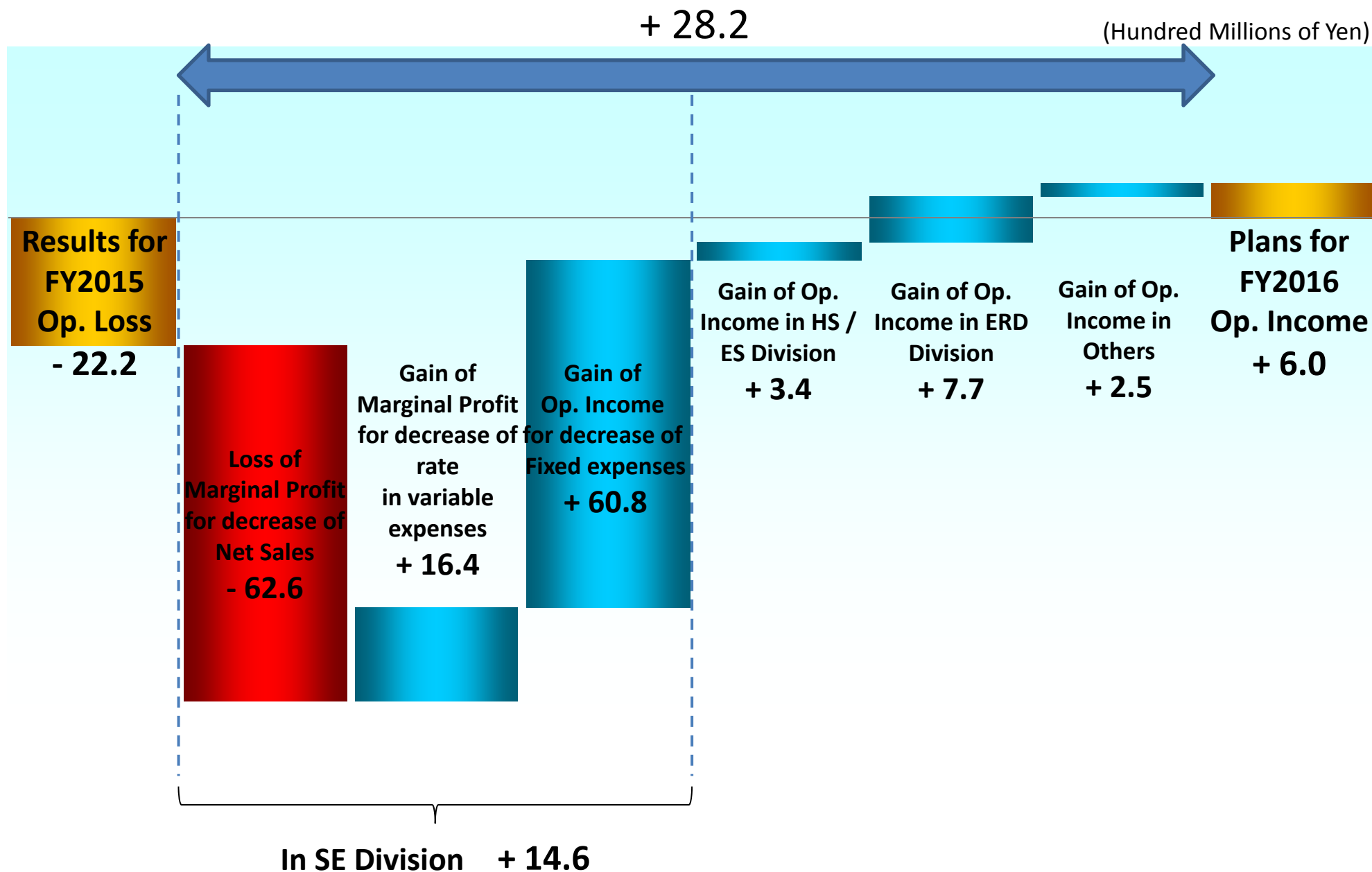
There is no change from the forecast announced on November 10, 2016

(Millions of yen)

	FY2015		FY2016			
	Results	Prop.	Plan	Prop.	Y on Y	Difference
Net Sales	61,916		46,670			Δ 15,246
SE Division	39,871	64.4%	22,880	49.0%	57.4%	Δ 16,991
HS Division	6,519	10.5%	6,400	13.7%	98.2%	Δ 119
ES Division	924	1.5%	966	2.1%	104.5%	+ 41
ERD Division	14,601	23.6%	16,424	35.2%	112.5%	+ 1,822
Gross Profit	13,783	22.3%	13,355	28.6%	96.9%	Δ 428
SG & A	16,013	25.9%	12,755	27.3%	79.7%	Δ 3,258
Operating Income	Δ2,229	—	600	1.3%	—	+ 2,829
SE Division	Δ202	—	1,258	(5.5%)	—	+ 1,460
HS Division	614	(9.4%)	954	(14.9%)	155.2%	+ 339
ES Division	53	(5.8%)	62	(6.4%)	114.9%	+ 8
ERD Division	282	(1.9%)	1,051	(6.4%)	372.4%	+ 768
Group	Δ2,977	—	Δ2,725	—	—	+ 252
Ordinary Income	Δ1,949	—	480	1.0%	—	+ 2,429
Profit attributable to owners of parent	Δ4,604	—	Δ60	—	—	+ 4,544

The underlined percentage indicate Operating Margin of each segment.

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



Segment Forecasts for FY2016 (SE Division)

There is no change from the forecast announced on November 10, 2016

(Millions of yen)

	FY2015		FY2016			
	Results	Prop.	Plan	Prop.	Y on Y	Difference
Net Sales	39,871		22,880		57.4%	Δ 16,991
Photovoltaic System						
Direct Sales	34,419	86.3%	21,349	93.3%	62.0%	Δ 13,070
Western Div.	20,691	51.9%	13,240	57.9%	64.0%	Δ 7,451
Eastern Div.	13,728	34.4%	8,109	35.4%	59.1%	Δ 5,619
Wholesales	5,351	13.4%	1,426	6.2%	26.7%	Δ 3,925
Others	99	0.2%	104	0.5%	104.6%	+ 4
Cost of Sales	31,853	79.9%	16,176	70.7%	50.8%	Δ 15,677
Material costs ※	22,483	56.4%	11,234	49.1%	50.0%	Δ 11,249
Labor costs	4,618	11.6%	2,191	9.6%	47.4%	Δ 2,427
Gross Profit	8,017	20.1%	6,704	29.3%	83.6%	Δ 1,313
SG & A	8,220	20.6%	5,446	23.8%	66.2%	Δ 2,774
Personnel expenses	3,594	9.0%	2,009	8.8%	55.9%	Δ 1,584
Other expenses	4,626	11.6%	3,436	15.0%	74.3%	Δ 1,189
Operating Income	Δ202	—	1,258	5.5%	—	+ 1,460

※ Material costs includes material costs and supply expenses.

In the SE Division, sales are expected to decline significantly from the previous year due to a challenging market environment for the PV business.

Full-year operating income is expected to improve significantly from the previous fiscal year and move into the black, reflecting a reduction in total expenses as a result of the progress of rationalization and continued efforts to cut the costs of components of PV systems.

Segment Forecasts for FY2016 (HS & ES Division)

SANIX

FY2016 3Q

There is no change from the forecast announced on November 10, 2016

(Millions of yen)

【HS Division】	FY2015		FY2016			
	Results	Prop.	Plan	Prop.	Y on Y	Difference
Net Sales	6,519		6,400		98.2%	Δ 119
Gross Profit	3,255	49.9%	3,222	50.3%	99.0%	Δ 33
SG & A	2,640	40.5%	2,268	35.4%	85.9%	Δ 372
Operating Income	614	9.4%	954	14.9%	155.2%	+ 339

In the HS Division, the Company has been bolstering maintenance services, including termite control services and basic repair services for ordinary homes, amid enhanced customer management. Because the Company has also launched new services, including the pressure washing of drain pipes, in which the Company has cultivated expertise in the ES business, the Company expects sales to be on a par with the level in the previous fiscal year.

Full-year operating income is projected to rise from the previous fiscal year, reflecting a reduction in selling, general and administrative expenses due to progress in rationalization.

(Millions of yen)

【ES Division】	FY2015		FY2016			
	Results	Prop.	Plan	Prop.	Y on Y	Difference
Net Sales	924		966		104.5%	+ 41
Gross Profit	332	35.9%	374	38.7%	112.6%	+ 41
SG & A	278	30.1%	312	32.3%	112.1%	+ 33
Operating Income	53	5.8%	62	6.4%	114.9%	+ 8

In the ES Division, the Company will provide follow-up services for existing customers in anti-rust equipment installation services for buildings and condominiums and pest control services for business premises. Meanwhile, the Company will boost the number of new customers primarily through business alliances. As a result, the Company expects an increase in sales from the previous year.

The Company forecasts that full-year operating income will increase from the previous fiscal year, thanks mainly to increased sales.

Segment Forecasts for FY2016 (ERD Division)

There is no change from the forecast announced on November 10, 2016

(Millions of yen)

	FY2015		FY2016			
	Results	Prop.	Plan	Prop.	Y on Y	Difference
Net Sales	14,601		16,424		112.5%	+ 1,822
Plastic Fuels	7,227	49.5%	7,095	43.2%	98.2%	Δ 131
Power Generation	3,986	27.3%	6,335	38.6%	158.9%	+ 2,348
Power Producer & Supplier	247	1.7%	2,443	14.9%	987.7%	+ 2,195
Organic Waste Water	1,604	11.0%	1,717	10.5%	107.0%	+ 112
Final Disposal	702	4.8%	621	3.8%	88.4%	Δ 81
Others	1,080	7.4%	655	4.0%	60.6%	Δ 425
Gross Profit	2,177	14.9%	3,055	18.6%	140.3%	+ 877
SG & A	1,895	13.0%	2,004	12.2%	105.7%	+ 108
Operating Income	282	1.9%	1,051	6.4%	372.4%	+ 768

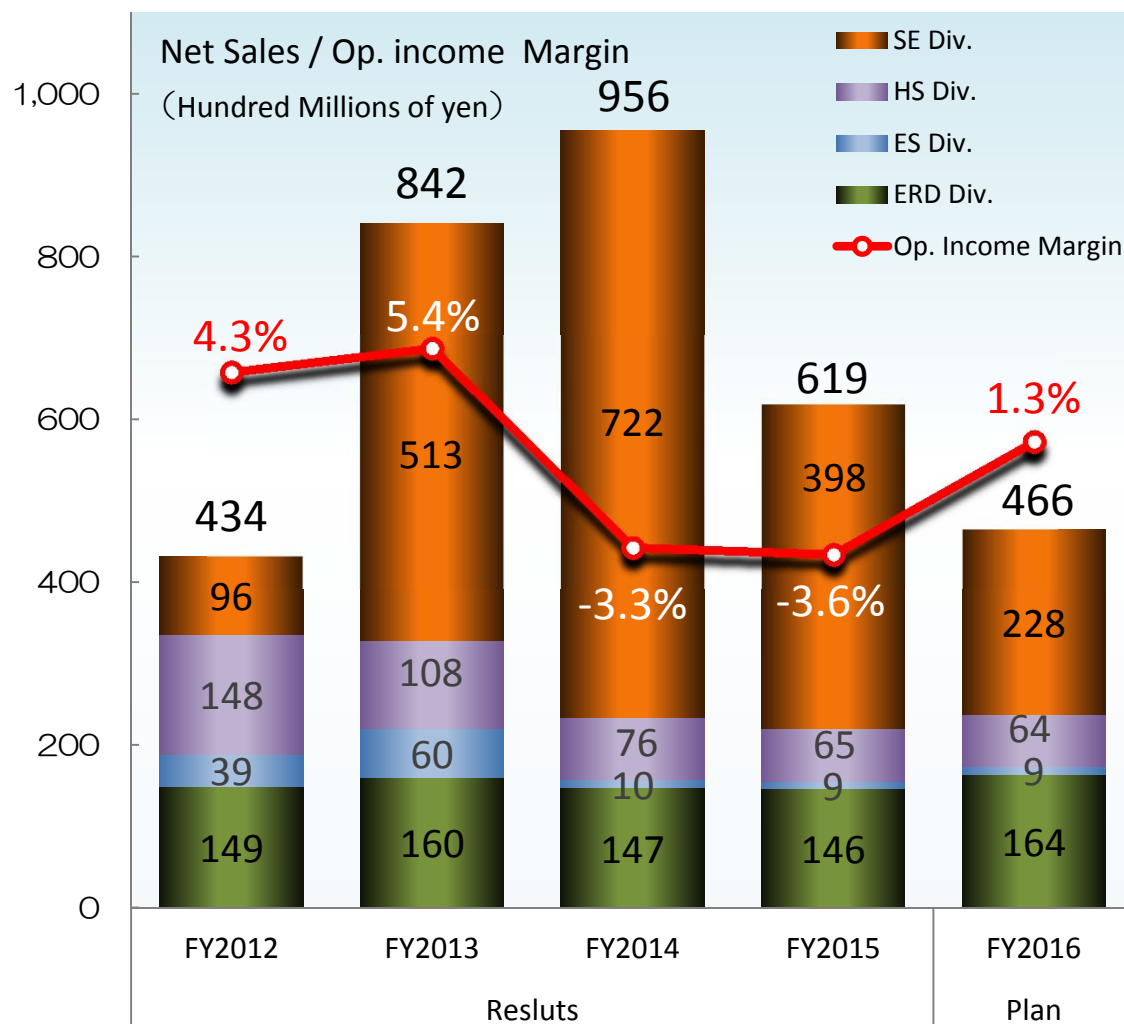
In the Environmental Resources Development Division, the Company expects sales to increase from the previous year, given that electricity sales are set to rise significantly with the contribution of increased sales at Tomakomai Power Plant and in the PPS (power producer and supplier) business, which started in October 2015, and that organic waste water recycling is likely to increase due to a rise in the collection volume.

As for profitability, the Company forecasts that the gross margin will improve mainly due to an increase in profits at Tomakomai Power Plant, reflecting an improvement in the utilization rate and a fall in repair expenses for periodic repairs, etc., as well as an increase in the collection volume in organic waste water recycling.

As a result, the Company expects that full-year operating income will rise significantly from a year earlier, despite an increase in selling, general and administrative expenses in the PPS business.

There is no change from the forecast announced on November 10, 2016

■ Forecasts of Net Sales and Operating Income Margin of each segment for FY2016



Forecasts for FY2016

Net Sales : ¥46,670million

Op. Income : ¥600million

Op. Income Mar. : 1.3%

• Figures for FY2013 and before, SE Div. indicates the results of former CPS division, and HS ad ES include the Sales of PV system.