



for Energy, for Environment

Photovoltaic Solution

Total Sanitation

Environmental Resources Development

Consolidated Financial Statements
For the First Quarter ended June 30,2016



for Energy, for Environment

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Environmental Resources Development

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Disclaimer

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

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

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

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

(Note)

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



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1. Financial Results for FY2016 1Q

Consolidated Financial Results for FY2016 1Q

(Millions of yen)

	FY2015	FY2016				
	1Q Results	1Q Results	Y o Y	Difference	Plan	Difference
Net Sales	15,690	11,358	72.4%	- 4,331	11,528	- 169
Gross Profit	2,977	3,074	103.3%	+ 97	2,884	+ 190
(Gross Profit Margin)	19.0%	27.1%			25.0%	
Operating Income	(1,332)	(446)	—	+ 886	(707)	+ 260
(Operating Income Margin)	—	—			—	
Ordinary Income	(1,368)	(368)	—	+ 999	(737)	+ 368
(Ordinary Income Margin)	—	—			—	
Net Income	(1,754)	(621)	—	+ 1,132	(1,077)	+ 455
(Net Income Margin)	—	—			—	

- 1) Sales The Solar Engineering (SE) Division posted sharp decline in sales, reflecting changes in the market environment for the solar electric power business. As a consequence, the net sales of the entire Group were ¥11,358 million (falling 27.6% year on year).
- 2) Profits Although sales declined sharply, lower costs as a result of management rationalization initiatives and lower materials costs, among other factors, led to improvement in profitability and the operating loss narrowed year on year. As a consequence, for the whole Group, the operating loss was ¥446 million compared to the operating loss of ¥1,332 million in the same period of the previous year, and the ordinary loss was ¥368 million compared to the ordinary loss of ¥1,368 million in the same period of the previous year. The Group posted expenses related to voluntary retirement including special retirement allowances of ¥177 million as extraordinary losses. Reflecting the extraordinary losses, the Group posted a net loss belonging to the shareholders of the parent company of ¥621 million, compared to a net loss belonging to the shareholders of the parent company of ¥1,754 million in the same period of the previous year.

Results of Net Sales and Income of each segment for FY2016 1Q

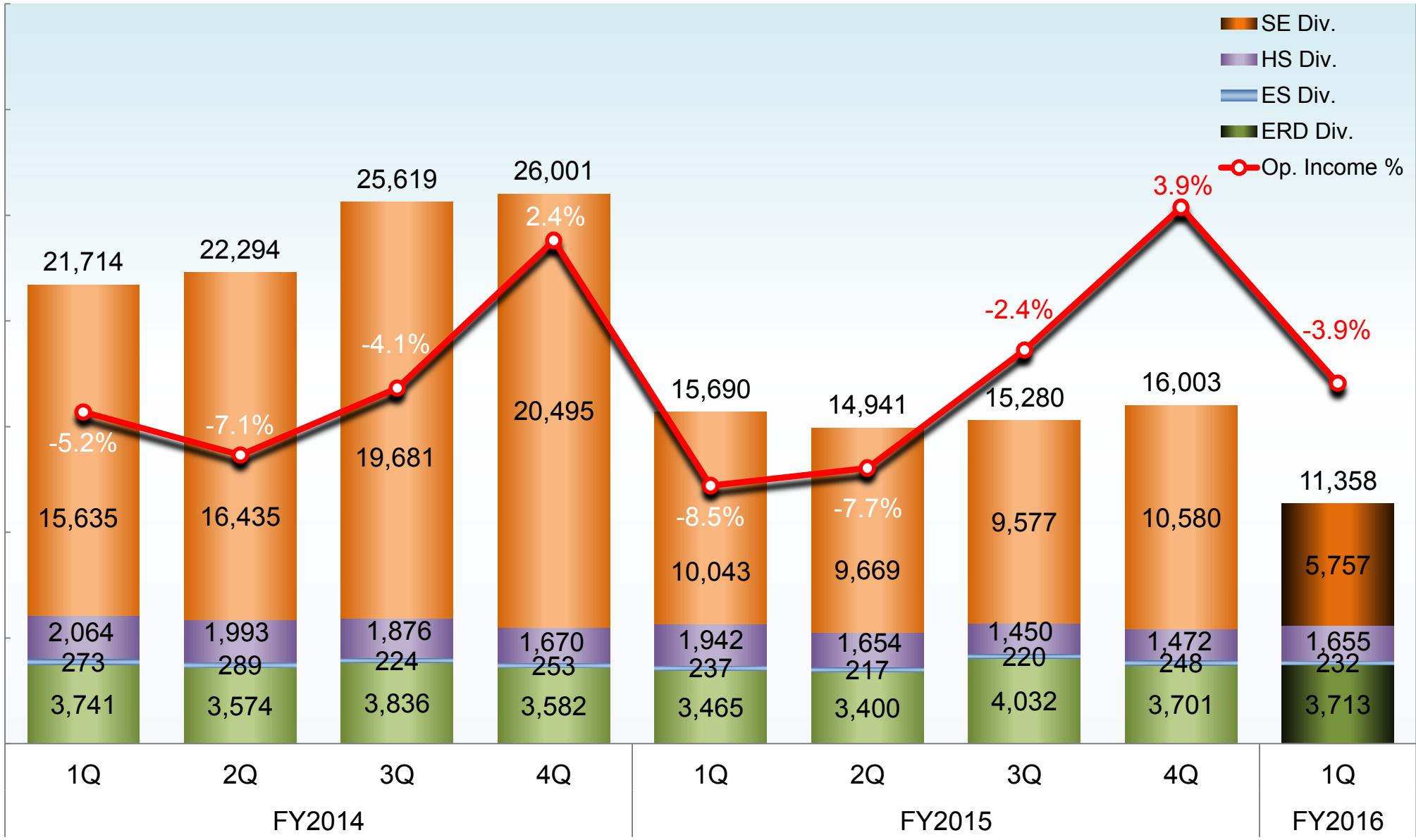
(Millions of yen)

	FY2015		FY2016				
	1Q Results	Prop.	1Q Results	Prop.	YoY	Difference	% to Plan
Net Sales	15,690		11,358		72.4%	- 169	
SE Div.	10,043	64.0%	5,757	50.7%	57.3%	+2	49.9%
HS Div.	1,942	12.4%	1,655	14.6%	85.2%	- 253	16.6%
ES Div.	237	1.5%	232	2.0%	97.9%	+6	2.0%
ERD Div.	3,465	22.1%	3,713	32.7%	107.1%	+75	31.6%
Gross Profit	2,977	19.0%	3,074	27.1%	103.3%	+190	25.0%
SG & A	4,309	27.5%	3,520	31.0%	81.7%	- 70	31.2%
Operating Income	(1,332)	—	(446)	—	—	+260	—
SE Div.	(1,150)	—	(68)	—	—	+282	—
HS Div.	384	<u>19.8%</u>	253	<u>15.3%</u>	65.8%	- 90	<u>18.0%</u>
ES Div.	11	<u>4.7%</u>	14	<u>6.0%</u>	125.3%	+17	—
ERD Div.	223	<u>6.4%</u>	128	<u>3.5%</u>	57.5%	+105	<u>0.6%</u>
Group	(801)	—	(773)	—	—	- 53	—

· The underlined percentage indicate Operating Margin of each segment.

Quarterly Segment Information (changes)

(Millions of Yen)



Segment Information for FY2016 1Q (SE Division)

(Millions of yen)

	FY2015		FY2016				
	1Q Results	Prop.	1Q Results	Prop.	Y o Y	Plan	% to Plan
Net Sales	10,043		5,757		57.3%	5,755	
Photovoltaic System							
Direct Sales	8,078	80.4%	5,238	91.0%	64.8%	5,420	94.2%
Western Div.	5,328	53.0%	3,305	57.4%	62.0%	3,120	54.2%
Eastern Div.	2,750	27.4%	1,933	33.6%	70.3%	2,300	40.0%
Wholesales	1,935	19.3%	488	8.5%	25.2%	310	5.4%
Others	29	0.3%	30	0.5%	103.6%	25	0.4%
Cost of Sales	8,897	88.6%	4,269	74.2%	48.0%	4,537	78.8%
Material costs ※	5,896	58.7%	2,916	50.7%	49.5%	3,056	53.1%
Labor costs	1,637	16.3%	707	12.3%	43.2%	725	12.6%
Gross Profit	1,146	11.4%	1,487	25.8%	129.8%	1,218	21.2%
SG & A	2,296	22.9%	1,556	27.0%	67.8%	1,569	27.3%
Personnel expenses	1,066	10.6%	584	10.2%	54.8%	656	11.4%
Other expenses	1,229	12.2%	971	16.9%	79.0%	912	15.9%
Operating Income	(1,150)	—	(68)	—	—	(351)	—

※ Material costs includes material costs and supply expenses.

Sales of PV systems decreased. This decrease mainly reflected decline in the number of installations of commercial PV systems and decline in wholesale sales of PV modules and other products. As a consequence, the sales were ¥5,757 million (decreased 42.7% year on year).

Despite the sharp decline in sales, operating income increased, reflecting improvement in profitability compared to a year ago, thanks to lower expenses mainly as a result of management rationalization and lower materials costs. Accordingly, an operating loss of ¥68 million yen was posted, compared to an operating loss of ¥1,150 million in the same period of the previous year.

[Reference] Quarterly Segment Information for FY2016 (SE Div.)

(Millions of yen)

	FY2015								FY2016	
	1 Q		2 Q		3 Q		4 Q		1 Q	
	Results	Prop.	Results	Prop.	Results	Prop.	Results	Prop.	Results	Prop.
Net Sales	10,043		9,669		9,577		10,580		5,757	
Cost of Sales	8,897	88.6%	7,718	79.8%	7,545	78.8%	7,691	72.7%	4,269	74.2%
Material costs ※	5,896	58.7%	5,437	56.2%	5,361	56.0%	5,787	54.7%	2,916	50.7%
Labor costs	1,637	16.3%	1,038	10.7%	1,065	11.1%	877	8.3%	707	12.3%
Outsourcing costs	399	4.0%	561	5.8%	345	3.6%	328	3.1%	152	2.6%
Other costs	964	9.6%	681	7.0%	772	8.1%	698	6.6%	492	8.6%
Gross Profit	1,146	11.4%	1,950	20.2%	2,032	21.2%	2,888	27.3%	1,487	25.8%
SG & A	2,296	22.9%	2,172	22.5%	2,009	21.0%	1,741	16.5%	1,556	27.0%
Personnel expenses	1,066	10.6%	997	10.3%	818	8.5%	711	6.7%	584	10.2%
Other expenses	1,229	12.2%	1,175	12.2%	1,190	12.4%	1,030	9.7%	971	16.9%
Operating Income	(1,150)	—	(222)	—	22	0.2%	1,146	10.8%	(68)	—

※ Material costs includes material costs and supply expenses.

State of Expense Status of SE Division

■ 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				FY2016
	1Q	2Q	3Q	4Q	1Q
Marginal Profit Ratio (%)	33.8	35.6	37.9	39.9	43.5
Average Monthly Fixed Cost (Million Yen per month)	1,515	1,221	1,201	1,024	857
Breakeven Sales Volume (Million Yen per month)	4,480	3,430	3,171	2,568	1,971

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

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

The table shows average monthly fixed costs which implies labor costs / personnel expenses and others (rent expenses, vehicle expenses and common expenses) in SE division.

	FY2015				FY2016
	1Q	2Q	3Q	4Q	1Q
Labor Costs/Personnel Expenses (Million Yen per month)	901	678	628	529	430
Average Number of Personnel (Person)	1,946	1,566	1,349	1,077	943
Other Expenses (Million Yen per month)	614	542	573	494	426

Segment Information for FY2016 1Q (HS / ES Division)

(Millions of Yen)

【HS Division】	FY2015		FY2016				
	1Q Results	Prop.	1Q Results	Prop.	Y o Y	Plan	% to Plan
Net Sales	1,942		1,655		85.2%	1,909	
Gross Profit	1,064	54.8%	864	52.2%	81.1%	1,058	55.4%
SG & A	679	35.0%	610	36.9%	89.8%	714	37.4%
Operating Income	384	19.8%	253	15.3%	65.8%	344	18.0%

The HS Division focused on home maintenance-related services with high profit margins such as termite control services, floor/ceiling ventilation systems, and basic repair and house reinforcement construction services. However, sales declined. As a result, the sales were ¥1,655 million (decreased 14.8% year on year).

The operating income were ¥253 million (decreased 34.2% year on year) due to decreases in segment sales.

(Millions of Yen)

【ES Division】	FY2015		FY2016				
	1Q Results	Prop.	1Q Results	Prop.	Y o Y	Plan	% to Plan
Net Sales	237		232		97.9%	226	
Gross Profit	84	35.4%	88	38.1%	105.5%	74	32.7%
SG & A	72	30.6%	74	32.1%	102.5%	77	34.1%
Operating Income	11	4.7%	14	6.0%	125.3%	(3)	—

The ES Division concentrated on maintenance-related services for buildings and condominiums and sanitation management-related services such as pest control for offices. As a result, net sales were ¥232 million (decreased 2.1% year on year).

Cost reduction measured results in an operating profit of ¥14 million in spite of decreases in segment sales (increased 25.3% year on year).a

Segment Information for FY2016 1Q (ERD Division)

(Millions of yen)

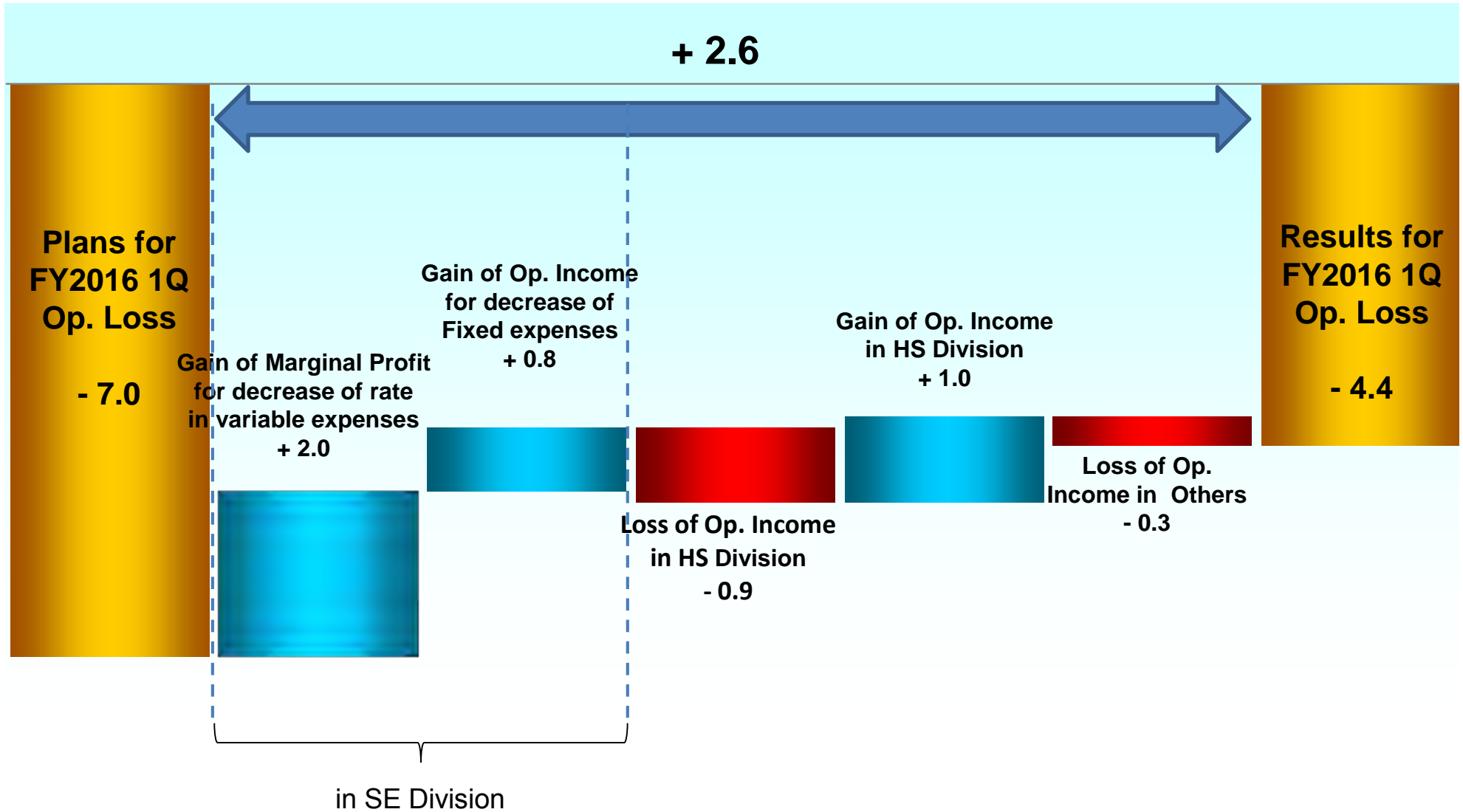
	FY2015		FY2016				
	1Q Results	Prop.	1Q Results	Prop.	Y o Y	Plan	% to Plan
Net Sales	3,465		3,713		107.1%	3,638	
Plastic Fuels	1,717	49.6%	1,698	45.7%	98.9%	1,725	47.4%
Power Generation	864	24.9%	1,224	33.0%	141.6%	1,205	33.1%
Power Producer and Supplier	—	—	317	8.5%	—	324	8.9%
Organic Waste Water	419	12.1%	410	11.0%	97.7%	412	11.3%
Final Disposal	182	5.3%	172	4.7%	94.4%	171	4.7%
Others	280	8.1%	207	5.6%	73.8%	125	3.4%
Gross Profit	681	19.7%	633	17.1%	92.9%	534	14.7%
SG & A	458	13.2%	505	13.6%	110.1%	511	14.0%
Operating Income	223	6.4%	128	3.5%	57.5%	23	0.6%

Plastic fuel sales fell slightly, down 1.1% from a year earlier, reflecting efforts to raise unit prices for regular properties despite lower collection volume of waste plastic. Electricity sales rose 41.6% year on year due to expansion of the electric power retail area to high-voltage consumers and an increase in new supply destinations. As a consequence, the sales were ¥3,713 million (increased 7.1% year on year).

Despite increased sales, operating income declined 42.5% year on year to ¥128 million, mainly due to higher repair costs as a result of the regular repairs carried out at Tomakomai Power Plant in the first quarter under review.

【Reference】 Factors in increase or decrease of Operating Income

(Hundred Millions of Yen)



■ Implementation status of Measures for Management Rationalization

Measures	Implementation status
Revision of the salary level with all employees as a target	Having carried out in April and October, 2016, in two steps
Voluntary retirement program	Results for voluntary retirement program is 391
Elimination and consolidation of stores	Having closed 7 stores in SE Division and 1 store in HS Division at the end of June, 2016
Scaling down in Purchasing and distribution Division	Having closed of the logistics center in Osaka at the end of June, 2016
Scaling down of production of power conditioners	Having scaled down production scale of an existing model in our plants, and not to produce a new model
Scaling down of Technology Development Division for Energy	Plan to consolidate to the development center in Keihanna (Kyoto) in August, 2016

■ Changes in the number of person by division

(Person)

The number at the end of period	FY2015				FY2016
	1Q	2Q	3Q	4Q	1Q
SE Division	1,619	1,531	1,248	1,011	869
HS Division	382	367	408	382	415
ES Division	50	50	49	49	59
ERD Division	396	387	409	408	419
Head Office	542	545	482	481	379
Total	2,989	2,880	2,596	2,331	2,141



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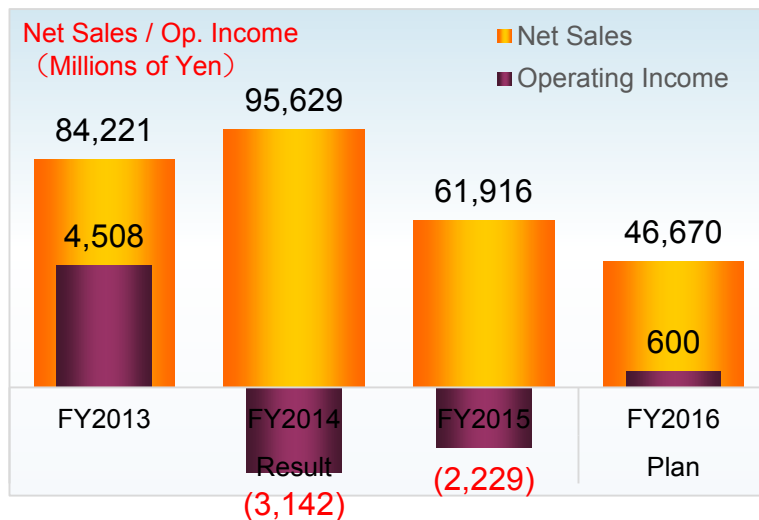
2. Forecast for FY2016

Consolidated Financial Forecast for FY2016

There is no change from the forecast announced on May 12, 2016

(Millions of Yen)

	FY2015	FY2016		
	Result	Plan	Y o Y	Difference
Net Sales	61,916	46,670	75.4%	- 15,246
Gross Profit	13,783	13,753	99.8%	- 30
(Gross Profit Margin)	22.3%	29.5%		
Operating Income	(2,229)	600	—	+ 2,829
(Operating Income Margin)	—	1.3%		
Ordinary Income	(1,949)	480	—	+ 2,429
(Ordinary Income Margin)	—	1.0%		
Net Income	(4,604)	(60)	—	+ 4,544
(Net Income Margin)	—	—		



Regarding the consolidated financial forecasts for FY2016, there is no change from the forecast announced on May 12, 2016.

The Company forecasts decline in net sales, reflecting the challenging environment in the solar electric power business. However, with further reduction in the cost of materials and the effects of reduction in overall expenses including personnel expenses due to progress with rationalization, the Company expects that its profitability will improve and it will remain firmly in the black from the second quarter of the fiscal year ending March 31, 2017.

Segment Forecasts for FY2016

There is no change from the forecast announced on May 12, 2016

(Millions of Yen)

	FY2016								
	First-Half			Second-Half			Full-Year		
	Plan	Prop.	Difference	Plan	Prop.	Difference	Plan	Prop.	Difference
Net Sales	22,870		- 7,761	23,800		- 7,484	46,670		- 15,246
SE Div.	10,790	47.2%	- 8,923	11,120	46.7%	- 9,038	21,910	46.9%	- 17,961
HS Div.	3,875	16.9%	+ 278	3,855	16.2%	+ 932	7,730	16.6%	+ 1,210
ES Div.	515	2.3%	+ 59	685	2.9%	+ 215	1,200	2.6%	+ 275
ERD Div.	7,690	33.6%	+ 823	8,140	34.2%	+ 405	15,830	33.9%	+ 1,228
Gross Profit	6,368	27.8%	+ 504	7,385	31.0%	- 534	13,753	29.5%	- 30
SG & A	6,888	30.1%	- 1,459	6,265	26.3%	- 1,400	13,153	28.2%	- 2,860
Operating Income	(520)	—	+ 1,963	1,120	4.7%	+ 866	600	1.3%	+ 2,829
SE Div.	(160)	—	+ 1,212	1,330	<u>12.0%</u>	+ 160	1,170	<u>5.3%</u>	+ 1,372
HS Div.	575	<u>14.8%</u>	- 13	505	<u>13.1%</u>	+ 478	1,080	<u>14.0%</u>	+ 465
ES Div.	0	<u>0.0%</u>	- 25	60	<u>8.8%</u>	+ 31	60	<u>5.0%</u>	+ 6
ERD Div.	405	<u>5.3%</u>	+ 583	505	<u>6.2%</u>	+ 44	910	<u>5.7%</u>	+ 627
Group	(1,340)	—	+ 206	(1,280)	—	+ 151	(2,620)	—	+ 357
Ordinary Income	(580)	—	+ 1,784	1,060	4.5%	+ 644	480	1.0%	+ 2,429
Net Income	(1,000)	—	+ 1,940	940	3.9%	+ 2,603	(60)	—	+ 4,544

The underlined percentage indicate Operating Margin of each segment.

Segment Forecasts for FY2016 (SE Division)

There is no change from the forecast announced on May 12, 2016

(Millions of Yen)

	FY2016								
	First-Half			Second-Half			Full-Year		
	Plan	Prop.	Difference	Plan	Prop.	Difference	Plan	Prop.	Difference
Net Sales	10,790		- 8,923	11,120		- 9,038	21,910		- 17,961
Photovoltaic System									
Direct Sales	10,280	95.3%	- 5,968	10,770	96.9%	- 7,401	21,050	96.1%	- 13,369
Western	5,710	52.9%	- 4,445	5,450	49.0%	- 5,085	11,160	50.9%	- 9,531
Eastern	4,570	42.4%	- 1,522	5,320	47.8%	- 2,315	9,890	45.1%	- 3,838
Wholesale	460	4.3%	- 2,947	300	2.7%	- 1,644	760	3.5%	- 4,591
Others	50	0.5%	- 7	50	0.4%	+ 8	100	0.5%	+ 0
Cost of Sales	8,171	75.7%	- 8,445	7,666	68.9%	- 7,571	15,837	72.3%	- 16,016
Material Costs ※	5,643	52.3%	- 5,690	5,662	50.9%	- 5,486	11,306	51.6%	- 11,177
Labor Costs	1,147	10.6%	- 1,528	632	5.7%	- 1,310	1,779	8.1%	- 2,839
Gross Profit	2,619	24.3%	- 477	3,454	31.1%	- 1,466	6,073	27.7%	- 1,944
SG & A	2,779	25.8%	- 1,690	2,124	19.1%	- 1,627	4,903	22.4%	- 3,317
Personnel expenses	1,156	10.7%	- 907	879	7.9%	- 650	2,036	9.3%	- 1,557
Other expenses	1,622	15.0%	- 782	1,244	11.2%	- 976	2,866	13.1%	- 1,759
Operating Income	(160)	—	+ 1,212	1,330	12.0%	+ 160	1,170	5.3%	+ 1,372

※ Material costs includes material costs and supply expenses.

The Company expects that the commercial PV business will continue to face a challenging business environment and that sales in the SE Division will decline. However, the Company expects that the SE Division will move into the black due to an improvement in profitability resulting from a fall in the costs of components and the reduction of expenses, including personnel expenses.

Segment Forecasts for FY2016 (HS & ES Division)

There is no change from the forecast announced on May 12, 2016

(Millions of Yen)

【HS Division】

	FY2016								
	First-Half			Second-Half			Full-Year		
	Plan	Prop.	Difference	Plan	Prop.	Difference	Plan	Prop.	Difference
Net Sales	3,875		+ 278	3,855		+ 932	7,730		+ 1,210
Gross Profit	2,133	55.0%	+ 253	2,107	54.7%	+ 731	4,240	54.9%	+ 984
SG & A	1,558	40.2%	+ 266	1,602	41.6%	+ 252	3,160	40.9%	+ 519
Operating Income	575	14.8%	- 13	505	13.1%	+ 478	1,080	14.0%	+ 465

The HS Division performs the maintenance of facilities such as “termite prevention and removal facilities” and “underfloor ventilation systems” for existing customers.

The Group will allocate more of its management resources, which have been concentrated in the SE Division, to the HS Division and will seek to gain new customers in the divisions. Both divisions expect sales to rise as they enhance their customer management system and promote follow-up services for the existing customers.

(Millions of Yen)

【ES Division】

	FY2016								
	First-Half			Second-Half			Full-Year		
	Plan	Prop.	Difference	Plan	Prop.	Difference	Plan	Prop.	Difference
Net Sales	515		+ 59	685		+ 215	1,200		+ 275
Gross Profit	177	34.4%	+ 12	263	38.4%	+ 95	440	36.7%	+ 107
SG & A	177	34.4%	+ 38	203	29.6%	+ 63	380	31.7%	+ 101
Operating Income	0	0.0%	- 25	60	8.8%	+ 31	60	5.0%	+ 6

The ES Division performs the maintenance of buildings and condominiums.

The Group will allocate more of its management resources, which have been concentrated in the SE Division, to the ES Division and will seek to gain new customers in the divisions. Both divisions expect sales to rise as they enhance their customer management system and promote follow-up services for the existing customers.

Segment Forecasts for FY2016 (ERD Division)

There is no change from the forecast announced on May 12, 2016

(Millions of Yen)

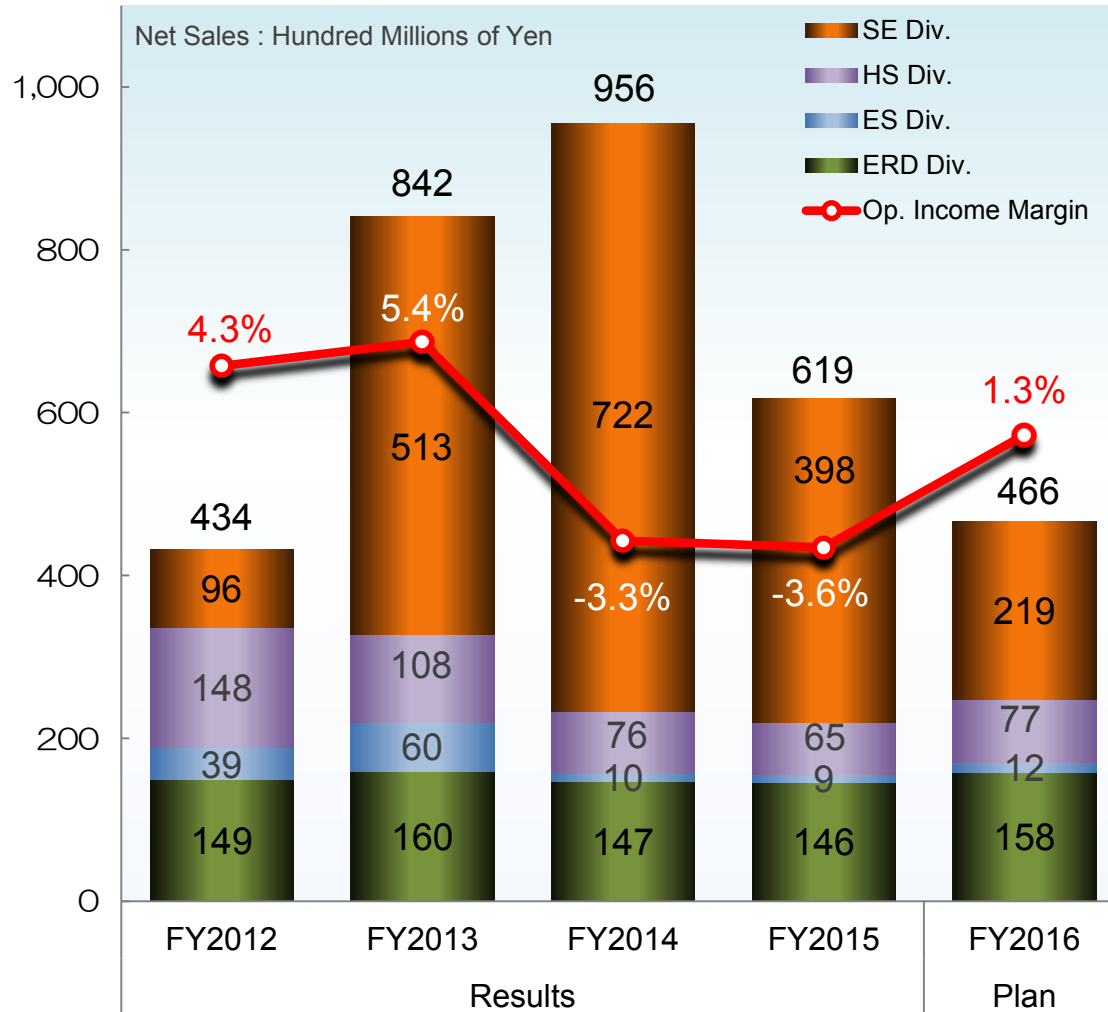
	FY2016								
	First-Half			Second-Half			Full-Year		
	Plan	Prop.	Difference	Plan	Prop.	Difference	Plan	Prop.	Difference
Net Sales	7,690		+ 823	8,140		+ 405	15,830		+ 1,228
Plastic Fuels	3,572	46.4%	+ 116	3,822	47.0%	+ 50	7,394	46.7%	+ 166
Power Generation	2,664	34.6%	+ 1,050	2,948	36.2%	+ 575	5,612	35.5%	+ 1,625
Power Producer and Suppl	716	9.3%	—	961	11.8%	—	1,677	10.6%	—
Organic Waste Water	835	10.9%	- 8	808	9.9%	+ 47	1,643	10.4%	+ 38
Final Disposal	364	4.7%	- 22	296	3.6%	- 20	660	4.2%	- 42
Others	255	3.3%	- 312	266	3.3%	- 247	521	3.3%	- 559
Gross Profit	1,439	18.7%	+ 716	1,561	19.2%	+ 106	3,000	19.0%	+ 822
SG & A	1,034	13.4%	+ 132	1,056	13.0%	+ 61	2,090	13.2%	+ 194
Operating Income	405	5.3%	+ 583	505	6.2%	+ 44	910	5.7%	+ 627

The Environmental Resources Development (ERD) Division will work to improve efficiency and profitability by changing the unit prices of waste plastic to be collected and improve the quality of waste plastic to be collected. The division expects an increase in electricity sales at TOMAKOMAI Power Plant and a rise in sales from the Power Producer and Supplier (PPS) business.

Segment Forecasts for FY2016 (changes)

There is no change from the forecast announced on May 12, 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.