



for Energy, for Environment

Photovoltaic Solution

Total Sanitation

Environmental Resources Development

Consolidated Financial Statements

For the First Half ended September 30, 2017



for Energy, for Environment

Photovoltaic Solution
Total Sanitation
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 FY2017 2Q

Consolidated Financial Results for FY2017 2Q

(Millions of yen)

	FY2016 1st. Half	FY2017 1st. Half				
	Results	Results	Y o Y	Difference	Plan	Diff. from Plan
Net Sales	23,651	24,162	102.2%	+ 510	23,656	+ 506
Gross Profit	6,707	6,685	99.7%	- 22	6,328	+ 357
(Gross Profit Margin)	28.4%	27.7%			26.8%	
Operating Income	103	138	133.9%	+ 35	80	+ 58
(Operating Income Margin)	0.4%	0.6%			0.3%	
Ordinary Income	202	(29)	—	- 231	0	- 29
(Ordinary Income Margin)	0.9%	—			0.0%	
Profit attributable to owners of parent	(146)	(155)	—	- 9	(100)	- 55
(Net Income Margin)	—	—			—	

Net sales in the SE Division decreased due to the shrinkage of the market for solar power generation. However, the appropriate distribution of personnel and other management resources as well as the strengthened marketing system, etc. resulted in an increase in the revenue of the HS and ES Divisions. The Environmental Resources Development Division also achieved increased sales based on the expansion of its new electric power business. Consequently, the total net sales of the Group increased 2.2% year on year, to ¥24,162 million.

Profits declined significantly in the Environmental Resources Development Division as a result of statutory inspections and repair works at the Tomakomai Power Plant in the first half under review, but profitability improved in the other three divisions thanks primarily to reduced expenses as a result of management streamlining and the lower cost of materials. As a result, the overall financial results of the Group included operating income of ¥138 million (up 33.9% year on year), an ordinary loss of ¥29 million (ordinary income of ¥202 million in the same period of the previous year) mainly due to the posting of foreign exchange losses of ¥28 million and miscellaneous loss of ¥44 million due to store mergers and closures, and loss attributable to owners of parent of ¥155 million (loss attributable to owners of parent of ¥146 million in the same period of the previous year).

Results of each segment for FY2017 2Q

(Millions of Yen)

	FY2016 1st. Half		FY2017 1st. Half				
	Results	Prop.	Results	Prop.	Y o Y	Diff. from Plan	% for Plan
Net Sales	23,651		24,162		102.2%	+ 506	
SE Division	11,972	50.6%	8,716	36.1%	72.8%	- 445	38.7%
HS Division	3,319	14.0%	4,611	19.1%	138.9%	+ 608	16.9%
ES Division	489	2.1%	685	2.8%	140.0%	+ 110	2.4%
ERD Division	7,870	33.3%	10,149	42.0%	129.0%	+ 233	41.9%
Gross Profit	6,707	28.4%	6,685	27.7%	99.7%	+ 357	26.8%
SG & A	6,604	27.9%	6,546	27.1%	99.1%	+ 298	26.4%
Operating Income	103	0.4%	138	0.6%	133.9%	+ 58	0.3%
SE Division	385	<u>3.2%</u>	937	<u>10.8%</u>	243.3%	- 130	<u>11.7%</u>
HS Division	513	<u>15.5%</u>	749	<u>16.3%</u>	146.1%	+ 184	<u>14.1%</u>
ES Division	30	<u>6.2%</u>	98	<u>14.4%</u>	326.9%	+ 76	<u>3.8%</u>
ERD Division	577	<u>7.3%</u>	(57)	—	—	- 92	<u>0.4%</u>
Group	(1,402)	—	(1,590)	—	—	+ 19	—

•The underlined percentage indicate Operating Margin of each segment.

【Reference】 Segment Information for FY2017

(Millions of Yen)

	FY2016				FY2017			
	3Q		4Q		1Q		2Q	
	Results	Prop.	Results	Prop.	Results	Prop.	Results	Prop.
Net Sales	12,982		14,321		12,098		12,063	
SE Division	6,624	51.0%	7,628	53.3%	4,500	37.2%	4,215	34.9%
HS Division	1,622	12.5%	1,620	11.3%	2,329	19.3%	2,281	18.9%
ES Division	256	2.0%	287	2.0%	310	2.6%	375	3.1%
ERD Division	4,478	34.5%	4,785	33.4%	4,957	41.0%	5,191	43.0%
Gross Profit	3,775	29.1%	3,660	25.6%	3,722	30.8%	2,963	24.6%
SG & A	3,203	24.7%	3,298	23.0%	3,325	27.5%	3,220	26.7%
Operating Income	571	4.4%	361	2.5%	396	3.3%	(257)	—
SE Division	861	<u>13.0%</u>	421	<u>5.5%</u>	442	<u>9.8%</u>	495	<u>11.8%</u>
HS Division	253	<u>15.6%</u>	212	<u>13.1%</u>	402	<u>17.3%</u>	347	<u>15.2%</u>
ES Division	25	<u>9.8%</u>	39	<u>13.7%</u>	40	<u>12.9%</u>	58	<u>15.6%</u>
ERD Division	100	<u>2.2%</u>	351	<u>7.3%</u>	338	<u>6.8%</u>	(395)	—
Group	(670)	—	(662)	—	(826)	—	(763)	—

•The underlined percentage indicate Operating Margin of each segment.

【Reference】 SE/HS/ES Division Status in Personnel (non-consolidated)

Implementation of personnel transfers among the business divisions

Some of the personnel were transferred from the SE Division to the HS and ES Divisions in April to balance the distribution of management resources based on the strategy of restructuring in line with the contraction of the solar energy market and the further strengthening of the HS and ES businesses.

In addition, in the first half under review, the personnel system was gradually developed according to the situation.

【SE/HS/ES Division Status in Personnel under the management headquarters (non-consolidated)】

	FY2016 End of Mar.	FY2017		Increase and Decrease	
		End of Jun.	End of Sep.	from Mar.	from Jun.
SE Div.	642	480	448	- 194	- 32
HS Div.	341	437	446	+ 105	+ 9
ES Div.	59	69	74	+ 15	+ 5
Head Q.	—	29	32	+ 32	+ 3
Total	1,042	1,015	1,000	- 42	- 15

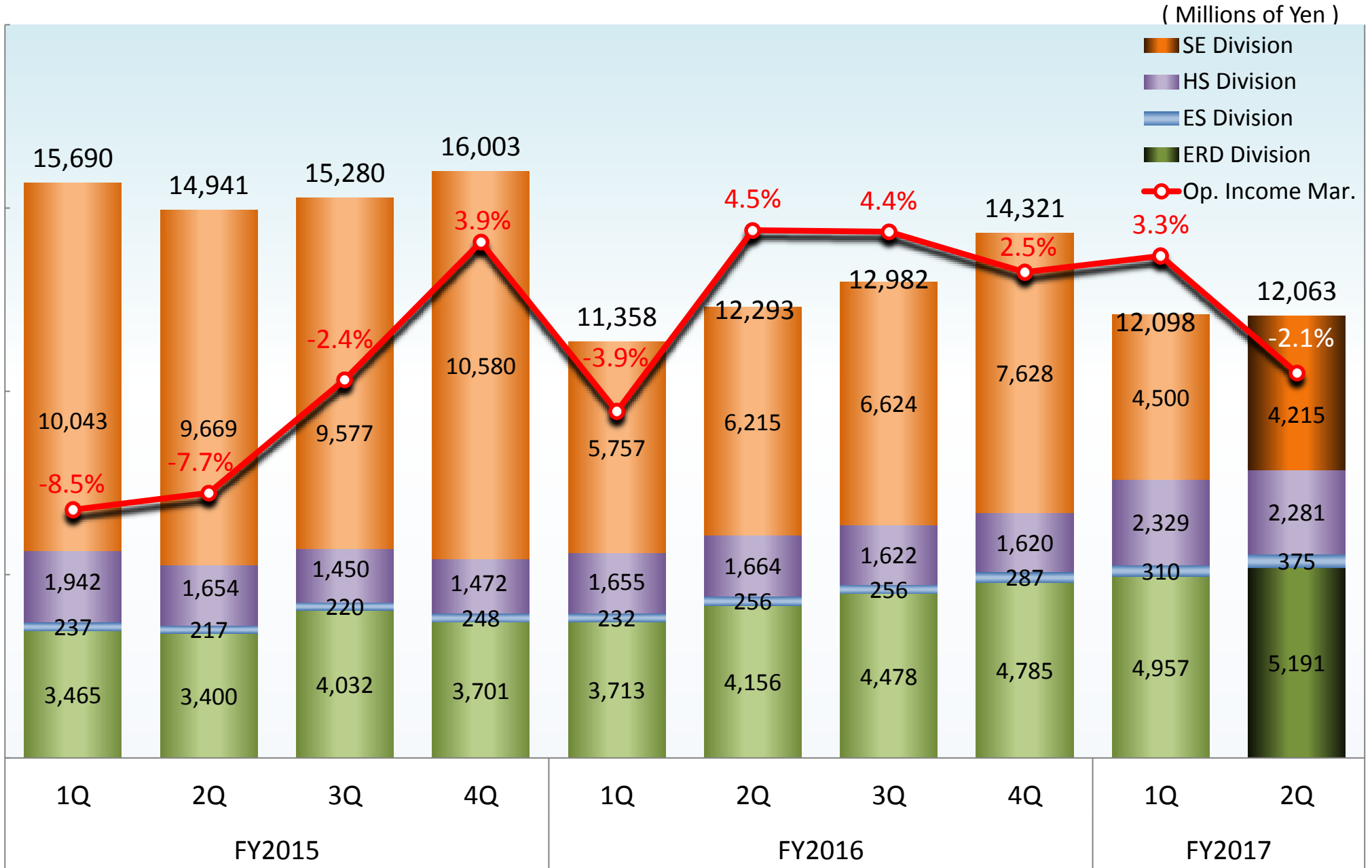
Sales Person	135	100	100	- 35	0
Engineer	350	289	260	- 90	- 29
Office Worker	157	91	88	- 69	- 3
SE Div.	642	480	448	- 194	- 32

Sales Person	103	158	155	+ 52	- 3
Engineer	183	190	203	+ 20	+ 13
Office Worker	55	89	88	+ 33	- 1
HS Div.	341	437	446	+ 105	+ 9

Sales Person	20	21	21	+ 1	0
Engineer	28	32	36	+ 8	+ 4
Office Worker	11	16	17	+ 6	+ 1
ES Div.	59	69	74	+ 15	+ 5

Sales Person	—	8	8	+ 8	0
Engineer	—	—	3	+ 3	+ 3
Office Worker	—	21	21	+ 21	0
Head Q.	—	29	32	+ 32	+ 3

Quarterly Segment Information (Changes)



Segment Information for FY2017 2Q (SE Division)

(Millions of Yen)

	FY2016 1st. Half		FY2017 1st. Half				
	Results	Prop.	Results	Prop.	Y o Y	Plan	% for Plan
Net Sales	11,972		8,716		72.8%	9,162	
Photovoltaic System							
Direct Sales	11,010	92.0%	7,992	91.7%	72.6%	8,750	95.5%
Wholesale	900	7.5%	576	6.6%	64.0%	350	3.8%
Others	61	0.5%	147	1.7%	238.6%	61	0.7%
Cost of Sales	8,698	72.6%	5,737	65.8%	66.0%	6,183	67.5%
Material costs ※	6,068	50.7%	3,659	42.0%	60.3%	4,030	44.0%
Labor costs	1,262	10.5%	773	8.9%	61.3%	926	10.1%
Gross Profit	3,274	27.4%	2,978	34.2%	91.0%	2,979	32.5%
SG & A	2,889	24.1%	2,040	23.4%	70.6%	1,911	20.9%
Personnel expenses	1,087	9.1%	869	10.0%	79.9%	777	8.5%
Other expenses	1,801	15.0%	1,171	13.4%	65.0%	1,133	12.4%
Operating Income	385	3.2%	937	10.8%	243.3%	1,068	11.7%

※ Material costs includes material costs and supply expenses.

While the Division focused on the maintenance business including the installation of incidental equipment following the legislative revisions for the Feed-In Tariffs (FIT), sales from installation of PV systems declined 27.4% year on year due to a fall in the number of constructions and installations of PV systems, strongly affected by the contraction of the market size for commercial PV systems. As a consequence, the sales were ¥8,716 million (decreased 27.2% year on year).

Despite the significant fall in sales, operating income increased to ¥937 million (up 143.3% year on year) thanks to improved profitability as a result of the in expenses through management streamlining, in cost of materials and in labor expenses due to employee reductions, etc.

【Reference】 Quarterly Segment Information (SE Division)

(Millions of Yen)

	FY2016				FY2017			
	3Q		4Q		1Q		2Q	
	Results	Prop.	Results	Prop.	Results	Prop.	Results	Prop.
Net Sales	6,624		7,628		4,500		4,215	
Cost of Sales	4,367	65.9%	5,736	75.2%	2,998	66.6%	2,738	65.0%
Material costs ※	2,995	45.2%	4,256	55.8%	1,901	42.3%	1,757	41.7%
Labor costs	496	7.5%	494	6.5%	403	9.0%	370	8.8%
Outsourcing costs	340	5.1%	445	5.8%	227	5.1%	196	4.7%
Other costs	534	8.1%	540	7.1%	465	10.4%	414	9.8%
Gross Profit	2,257	34.1%	1,891	24.8%	1,501	33.4%	1,476	35.0%
SG & A	1,395	21.1%	1,469	19.3%	1,059	23.5%	980	23.3%
Personnel expenses	511	7.7%	594	7.8%	439	9.8%	430	10.2%
Other expenses	883	13.3%	874	11.5%	620	13.8%	550	13.1%
Operating Income	861	13.0%	421	5.5%	442	9.8%	495	11.8%

※ Material costs includes material costs and supply expenses.

Segment Information for FY2017 2Q (HS Division)

(Millions of Yen)

	FY2016 1st. Half		FY2017 1st. Half				
	Results	Prop.	Results	Prop.	Y o Y	Plan	% for Plan
Net Sales	3,319		4,611		138.9%	4,003	
Termite Eradication Service	1,211	36.5%	1,364	29.6%	112.6%	1,449	36.2%
Under-Floor/Roof Ventilation System	486	14.7%	635	13.8%	130.6%	510	12.7%
Foundation Repairing Home Reinforcement System	287	8.7%	911	19.8%	317.2%	525	13.1%
Others	1,333	40.2%	1,699	36.9%	127.4%	1,517	37.9%
Costs of Sales	1,631	49.1%	2,087	45.3%	128.0%	1,900	47.5%
Labor costs	474	14.3%	606	13.2%	127.7%	468	11.7%
Gross Profit	1,688	50.9%	2,523	54.7%	149.5%	2,103	52.5%
SG & A	1,175	35.4%	1,774	38.5%	151.0%	1,538	38.4%
Personnel expenses	834	25.1%	1,131	24.5%	135.5%	1,053	26.3%
Operating Income	513	15.5%	749	16.3%	146.1%	565	14.1%

As a result of focusing on the strengthening and enhancement of the marketing and customer management systems by increasing the number of employees through personnel transfers among the business divisions for the purpose of growing the business size of the HS Division, sales of termite eradication services increased 12.6% year on year, and sales of under-roof and roof ventilation systems were up 30.6% year on year. Sales of foundation repair and home reinforcement services rose 217.2% year on year. As a result, the sales were ¥4,611 million (increased 38.9% year on year). Operating income rose 46.1% year on year, to ¥749 million, thanks to the significant rise in segment sales, which offset an increase in fixed costs mainly due to the additional employees.

【Reference】 Changes of Profitability of SE / HS Division

■ Changes of SE Division

	FY2016		FY2017			
	Results		Results			Plan
	1 st . Half	2 nd . Half	1Q	2Q	1 st . Half	1 st . Half
Marginal Profit Ratio (%)	42.8	45.9	48.4	49.2	48.8	48.2
Average Monthly Fixed Cost (Million Yen per month)	788	746	578	525	551	558
Breakeven Sales Volume (Million Yen per month)	1,844	1,625	1,193	1,067	1,130	1,158

* The results for the 2nd. Half of FY2016 does not include the loss from inventory revaluation of ¥777 million that is included in material costs.

■ Changes of HS Division

	FY2016		FY2017			
	Results		Results			Plan
	1 st . Half	2 nd . Half	1Q	2Q	1 st . Half	1 st . Half
Marginal Profit Ratio (%)	68.3	67.6	71.2	70.5	70.8	67.6
Average Monthly Fixed Cost (Million Yen per month)	290	287	399	412	405	349
Breakeven Sales Volume (Million Yen per month)	425	425	561	584	573	517

* 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 FY2017 2Q (ES Division)

(Millions of Yen)

	FY2016 1st. Half		FY2017 1st. Half				
	Results	Prop.	Results	Prop.	Y o Y	Plan	% for Plan
Net Sales	489		685		140.0%	575	
Cost of Sales	305	62.5%	354	51.7%	115.8%	364	63.3%
Labor costs	79	16.2%	87	12.7%	109.9%	88	15.3%
Gross Profit	183	37.5%	331	48.3%	180.3%	211	36.7%
SG & A	153	31.3%	232	33.9%	151.5%	189	32.9%
Personnel expenses	93	19.1%	143	21.0%	153.8%	118	20.6%
Operating Income	30	6.2%	98	14.4%	326.9%	22	3.8%

Sales of anti-rust equipment installation, the key product and service, increased 571.3% year on year, and sales of repairs of building water-works rose 22.9% year on year as a result of focusing on products for the maintenance of buildings and condominiums and strengthening the marketing system by increasing the number of employees through personnel transfers among the business divisions for the purpose of expanding the size of the ES Division. As a result, net sales were ¥685 million (increased 40.0% year on year).

Operating income climbed to ¥98 million (an increase of 226.9% year on year) based on the strong growth of segment sales, which offset an increase in fixed costs mainly due to the additional employees.

Segment Information for FY2017 2Q (ERD Division)

(Millions of Yen)

	FY2016 1st. Half		FY2017 1st. Half				
	Results	Prop.	Results	Prop.	Y o Y	Plan	% for Plan
Net Sales	7,870		10,149		129.0%	9,916	
Plastic Fuels	3,449	43.8%	3,672	36.2%	106.4%	3,618	36.5%
Power Generation	2,789	35.4%	4,878	48.1%	174.9%	4,773	48.1%
Power Producer and Supplier	886	11.3%	3,391	33.4%	382.7%	3,026	30.5%
Organic Waste Water	858	10.9%	889	8.8%	103.7%	850	8.6%
Final Disposal	382	4.9%	359	3.5%	93.9%	311	3.1%
Others	389	4.9%	349	3.4%	89.8%	363	3.7%
Cost of Sales	6,309	80.2%	9,297	91.6%	147.4%	8,881	89.6%
Gross Profit	1,561	19.8%	851	8.4%	54.6%	1,035	10.4%
SG & A	983	12.5%	908	9.0%	92.4%	1,000	10.1%
Operating Income	577	7.3%	(57)	—	—	35	0.4%

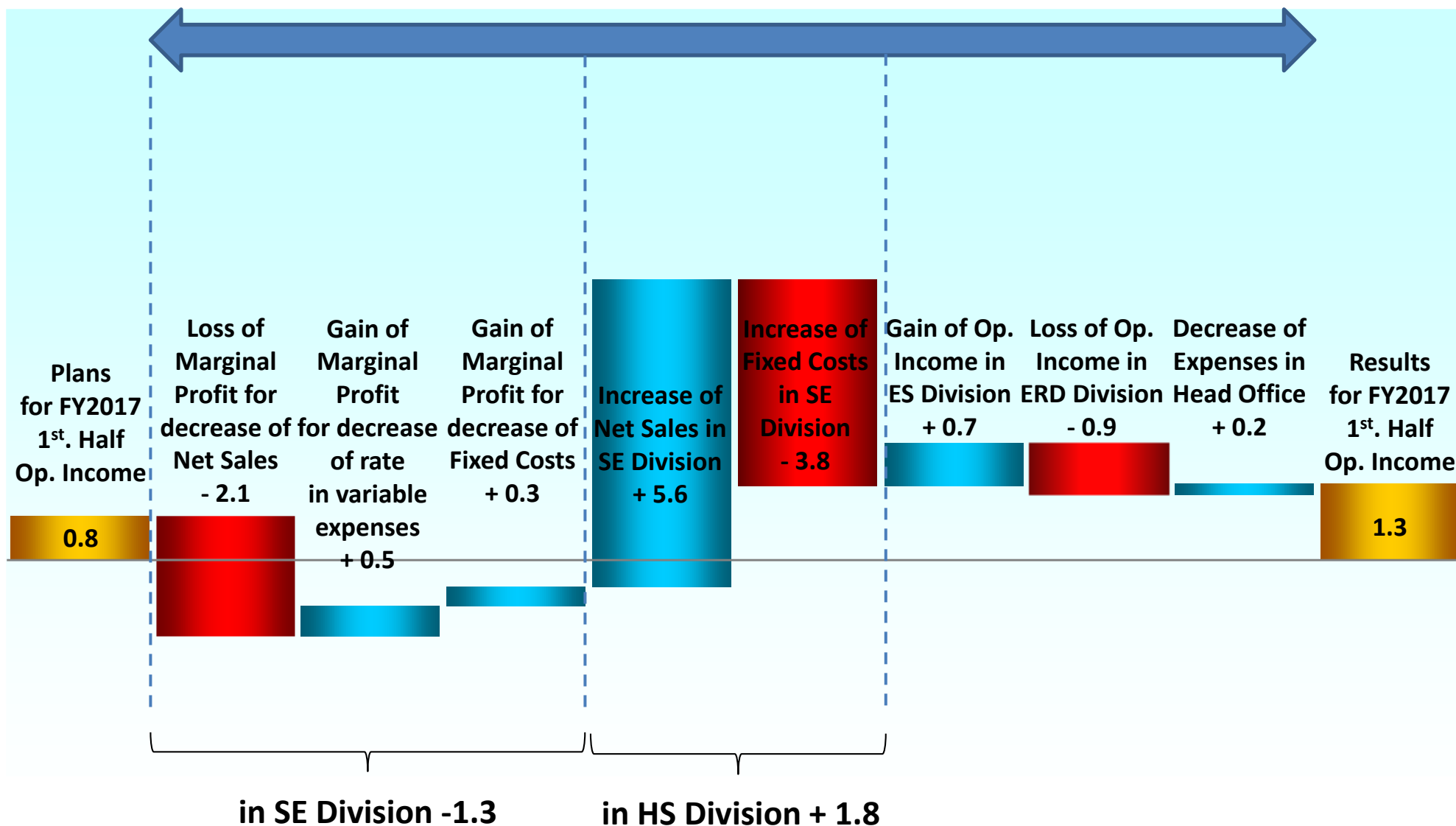
Sales of plastic fuel increased 6.4% year on year and organic wastewater recycling rose 3.7% year on year. Electricity sales grew 74.9% year on year, due primarily to an increase in electric energy suppliers in the new electric power business. As a consequence, the sales were ¥10,149 million (increased 29.0% year on year).

Operating loss was ¥57 million (operating income of ¥577 million in the same period of the previous year) due mainly to a fall in electricity sales and an increase in expenses for statutory inspections and repair works at the Tomakomai Power Plant, affected by the implementation of statutory inspections once every two years and regular repairs at the Plant in the first half under review.

【Reference】 Factors in increase or decrease of Operating Income

+ 0.5

(Hundred Millions of Yen)





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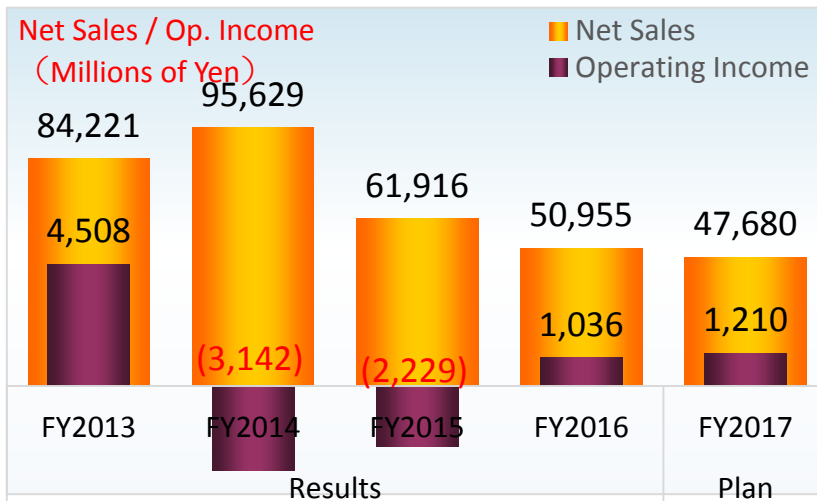
2. Forecast for FY2017

Consolidated Financial Forecast for FY2017

There is no change from the forecast announced on May 11, 2017

(Millions of Yen)

	FY2016	FY2017		
	Results	Plan	Y o Y	Difference
Net Sales	50,955	47,680	93.6%	- 3,275
Gross Profit	14,142	13,440	95.0%	- 702
(Gross Profit Margin)	27.8%	28.2%		
Operating Income	1,036	1,210	116.7%	+ 173
(Operating Income Margin)	2.0%	2.5%		
Ordinary Income	907	1,090	120.2%	+ 182
(Ordinary Income Margin)	1.8%	2.3%		
Profit attributable to owners of parent	416	810	194.7%	+ 393
(Net Income Margin)	0.8%	1.7%		



There is no change in the forecast of consolidated business results for the current fiscal year ending March 31, 2018, from the forecasts announced on May 11, 2017.

During the fiscal year under review, which constitutes the second year of the medium-term business plan, the Group will work to stabilize revenue from the four businesses by implementing appropriate reorganization and inter-divisional personnel transfers and maintaining a sustainable surplus and continuous growth in order to further strengthen the business structure by responding to the business environment in the solar power business.

Segment Forecasts for FY2017

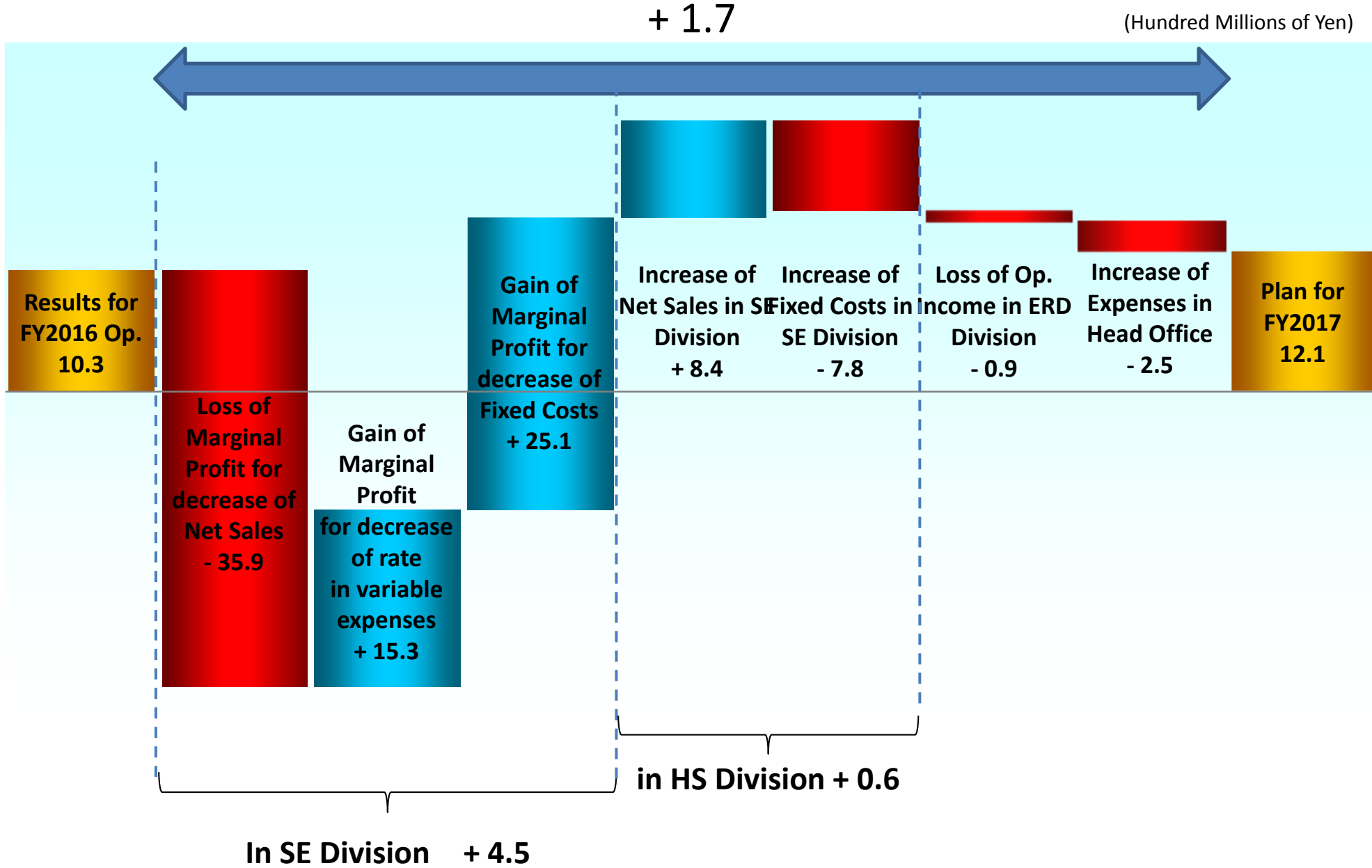
There is no change from the forecast announced on May 11, 2017

(Millions of Yen)

	FY2016		FY2017					
	Full Year		1st. Half			Full Year		
	Results	Prop.	Results	Prop.	Difference	Plan	Prop.	Difference
Net Sales	50,955		24,162		+ 510	47,680		- 3,275
SE Division	26,225	51.5%	8,716	36.1%	- 3,256	18,153	38.1%	- 8,072
HS Division	6,562	12.9%	4,611	19.1%	+ 1,292	7,857	16.5%	+ 1,294
ES Division	1,033	2.0%	685	2.8%	+ 195	1,269	2.7%	+ 235
ERD Division	17,133	33.6%	10,149	42.0%	+ 2,279	20,401	42.8%	+ 3,267
Gross Profit	14,142	27.8%	6,685	27.7%	- 22	13,440	28.2%	- 702
SG & A	13,106	25.7%	6,546	27.1%	- 57	12,230	25.7%	- 876
Operating Income	1,036	2.0%	138	0.6%	+ 35	1,210	2.5%	+ 173
SE Division	1,669	<u>6.4%</u>	937	<u>10.8%</u>	+ 552	2,127	<u>11.7%</u>	+ 457
HS Division	979	<u>14.9%</u>	749	<u>16.3%</u>	+ 236	1,038	<u>13.2%</u>	+ 58
ES Division	94	<u>9.2%</u>	98	<u>14.4%</u>	+ 68	99	<u>7.8%</u>	+ 4
ERD Division	1,029	<u>6.0%</u>	(57)	—	- 634	940	<u>4.6%</u>	- 89
Group	(2,735)	—	(1,590)	—	- 187	(2,994)	—	- 258
Ordinary Income	907	1.8%	(29)	—	- 231	1,090	2.3%	+ 182
Profit attributable to owners of parent	416	0.8%	(155)	—	- 9	810	1.7%	+ 393

•The underlined percentage indicate Operating Margin of each segment.

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



Challenges and Progress for FY2017

Challenges

SE Division

- Establishment of an appropriate system for the market contraction
- Response to changes in the market environment upon the revision of laws and regulations

HS Division

- Establishment of the management system for controlling the decrease of existing customers
- Increase of menus for proposals to customers by introducing new products

ES Division

- Expansion and strengthening of alliances to increase transactions through introduction
- Strengthening of the sales activity of Rustproof instrument

ERD Division

- Recovery of a portion of the decreased collection volume due to a rise in unit prices for collection
- Efficient operation of power plants
- Improvement of profitability of PPS business

Head Office

- Strengthening of cooperation among departments
- Strengthening and improvement of the department in charge of planning for future growth

Progress

- After legislative revisions, the period from the application to the approval of business plans has been prolonged for several months, and the commencement of projects that were newly applied in the current fiscal year, in particular, is behind schedule.
- The reduction of costs, particularly material costs, is making steady progress, and this will help secure profits in the current fiscal year and address a decline in the electricity sales price in the future.

- Some positive results were achieved in the recovery of existing customers as a result of improving customer management, and going forward, we will focus on efforts to acquire new customers.
- New products and services will be developed in a timely manner with the aim of further increasing net sales.

- Improved customer management through additional employees resulted in increased sales of anti-rust equipment during the first half under review.
- The Group has been establishing alliances mostly with building and condominium management companies, and will increase these business ties as the foundation for future sales.

- The unit prices of waste plastic collected have been improving, but the volume has yet to reach the level before the rise of unit prices.
- The statutory inspections of power plants were completed as planned in the second quarter of the fiscal year under review.
- For the new electric power business, the Group will review the ratio of procurement to reduce the procurement cost.

- Implement cost reduction measures for both the short term and the medium to long term by launching a cross-organizational cost reduction project.



Segment Forecasts for FY2017 (SE Division)

There is no change from the forecast announced on May 11, 2017
(Millions of Yen)

	FY2016		FY2017					
	Full Year		1st. Half			Full Year		
	Results	Prop.	Results	Prop.	Difference	Plan	Prop.	Difference
Net Sales	26,225		8,716		- 3,256	18,153		- 8,072
Photovoltaic System								
Direct sales	24,228	92.4%	7,992	91.7%	- 3,018	17,400	95.9%	- 6,828
Wholesales	1,889	7.2%	576	6.6%	- 324	650	3.6%	- 1,239
Others	107	0.4%	147	1.7%	+ 85	102	0.6%	- 5
Cost of Sales	18,802	71.7%	5,737	65.8%	- 2,960	12,207	67.2%	- 6,595
Material costs ※	13,320	50.8%	3,659	42.0%	- 2,409	7,954	43.8%	- 5,366
Labor costs	2,253	8.6%	773	8.9%	- 489	1,854	10.2%	- 399
Gross Profit	7,423	28.3%	2,978	34.2%	- 296	5,946	32.8%	- 1,477
SG & A	5,754	21.9%	2,040	23.4%	- 848	3,819	21.0%	- 1,935
Personnel expenses	2,194	8.4%	869	10.0%	- 218	1,579	8.7%	- 614
Other expenses	3,559	13.6%	1,171	13.4%	- 630	2,239	12.3%	- 1,320
Operating Income	1,669	6.4%	937	10.8%	+ 552	2,127	11.7%	+ 457

※ Material costs includes material costs and supply expenses.

The market situation of the solar power business remains difficult, and a decline in sales from the SE Division is expected. The commencement of construction has been prolonged due to unexpected delays in the approval procedures for new business plans applied because of the FIT legislative revisions. However, given that the new project has been making progress in terms of concluding a contract, the full-year plan will remain unchanged.

In terms of profit, fixed expenses such as labor expenses have been reduced through the review of personnel placements, and the reduction of materials and other costs is making progress almost as planned. As a result, the Group will not change the full-year plan.

Segment Forecasts for FY2017 (HS Division)

There is no change from the forecast announced on May 11, 2017
(Millions of Yen)

	FY2016		FY2017					
	Full Year		1st. Half			Full Year		
	Results	Prop.	Results	Prop.	difference	Plan	Prop.	Difference
Net Sales	6,562		4,611		+ 1,292	7,857		+ 1,294
Termite Eradication Service	2,159	32.9%	1,364	29.6%	+ 152	2,652	33.8%	+ 492
Under-Floor/Roof Ventilation System	854	13.0%	635	13.8%	+ 149	1,001	12.8%	+ 147
Foundation Repairing/Home Reinforcement System	582	8.9%	911	19.8%	+ 624	1,119	14.3%	+ 537
Others	2,965	45.2%	1,699	36.9%	+ 365	3,083	39.2%	+ 117
Cost of Sales	3,276	49.9%	2,087	45.3%	+ 456	3,790	48.2%	+ 513
Labor costs	950	14.5%	606	13.2%	+ 131	947	12.1%	- 3
Gross Profit	3,285	50.1%	2,523	54.7%	+ 835	4,067	51.8%	+ 781
SG & A	2,306	35.1%	1,774	38.5%	+ 599	3,029	38.6%	+ 722
Personnel expenses	1,603	24.4%	1,131	24.5%	+ 296	2,101	26.7%	+ 497
Operating Income	979	14.9%	749	16.3%	+ 236	1,038	13.2%	+ 58

In the HS Division, sales in the first half remained stronger than in the same period of the previous fiscal year, reflecting an improvement in the management of existing customers using the additional employees transferred from the SE Division. In the second half, the Division also aims to achieve the full-year target early or exceed it by strengthening the acquisition of new customers, while continuing its current efforts.

In terms of profit, while fixed expenses are increasing due to the additional employees and higher sales, the Division aims to achieve the full-year target early or exceed it by widening the year-on-year increase in sales to offset the increased expenses such as labor expenses in the second half.

【Reference】 Changes of Profitability of SE / HS Division

■ Changes of SE Division

	FY2016			FY2017	
	Results			Results	Plan
	1 st . Half	2 nd . Half	Full Year	1 st . Half	Full Year
Marginal Profit Ratio (%)	42.8	45.9	44.5	48.8	48.6
Average Monthly Fixed Cost (Million Yen per month)	788	746	767	551	558
Breakeven Sales Volume (Million Yen per month)	1,844	1,625	1,726	1,130	1,148

* The results for the 2nd. Half and Full Year of FY2016 does not include the loss from inventory revaluation of ¥777 million that is included in material costs.

■ Changes of HS Division

	FY2016			FY2017	
	Results			Results	Plan
	1 st . Half	2 nd . Half	Full Year	1 st . Half	Full Year
Marginal Profit Ratio (%)	68.3	67.6	67.9	70.8	67.4
Average Monthly Fixed Cost (Million Yen per month)	290	287	288	405	350
Breakeven Sales Volume (Million Yen per month)	425	425	425	573	520

* 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 FY2017 (ES Division)

There is no change from the forecast announced on May 11, 2017

(Millions of Yen)

	FY2016		FY2017					
	Full Year		1st. Half			Full year		
	Results	Prop.	Results	Prop.	Difference	Plan	Prop.	Difference
Net Sales	1,033		685		+ 195	1,269		+ 235
Cost of Sales	623	60.3%	354	51.7%	+ 48	784	61.8%	+ 160
Labor costs	156	15.1%	87	12.7%	+ 7	178	14.0%	+ 21
Gross Profit	410	39.7%	331	48.3%	+ 147	485	38.2%	+ 74
SG & A	315	30.6%	232	33.9%	+ 78	386	30.4%	+ 70
Personnel expenses	195	18.9%	143	21.0%	+ 50	239	18.9%	+ 43
Operating Income	94	9.2%	98	14.4%	+ 68	99	7.8%	+ 4

In the ES Division, sales in the first half remained stronger than in the same period of the previous fiscal year as a result of increasing its personnel by receiving employees transferred from the SE Division, strengthening alliances, etc. with management companies for buildings and condominiums, etc., acquiring new customers and improving the post-sale service system for existing customers. In the second half, the Division is seeking to achieve the full-year target early or exceed it by continuing and enhancing the current efforts.

In terms of profit, while fixed expenses are increasing due to the additional employees and higher sales, the Division aims to achieve the full-year target early or exceed it by widening the year-on-year increase in sales to offset the increased expenses such as labor expenses in the second half.

Segment Forecasts for FY2017 (ERD Division)

There is no change from the forecast announced on May 11, 2017

(Millions of Yen)

	FY2016		FY2017					
	Full Year		1st. Half			Full Year		
	Results	Prop.	Results	Prop.	Difference	Plan	Prop.	Difference
Net Sales	17,133		10,149		+ 2,279	20,401		+ 3,267
Plastic Fuels	7,139	41.7%	3,672	36.2%	+ 222	7,361	36.1%	+ 222
Power Generation	6,806	39.7%	4,878	48.1%	+ 2,088	10,045	49.2%	+ 3,238
Power Producer and Supplier	2,925	17.1%	3,391	33.4%	+ 2,505	6,223	30.5%	+ 3,297
Organic Waste Water	1,768	10.3%	889	8.8%	+ 31	1,743	8.5%	- 25
Final Disposal	648	3.8%	359	3.5%	- 23	547	2.7%	- 101
Others	770	4.5%	349	3.4%	- 39	704	3.5%	- 66
Cost of Sales	14,110	82.4%	9,297	91.6%	+ 2,988	17,459	85.6%	+ 3,348
Gross Profit	3,023	17.6%	851	8.4%	- 709	2,942	14.4%	- 81
SG & A	1,994	11.6%	908	9.0%	- 74	2,002	9.8%	+ 7
Operating Income	1,029	6.0%	(57)	—	- 634	940	4.6%	- 89

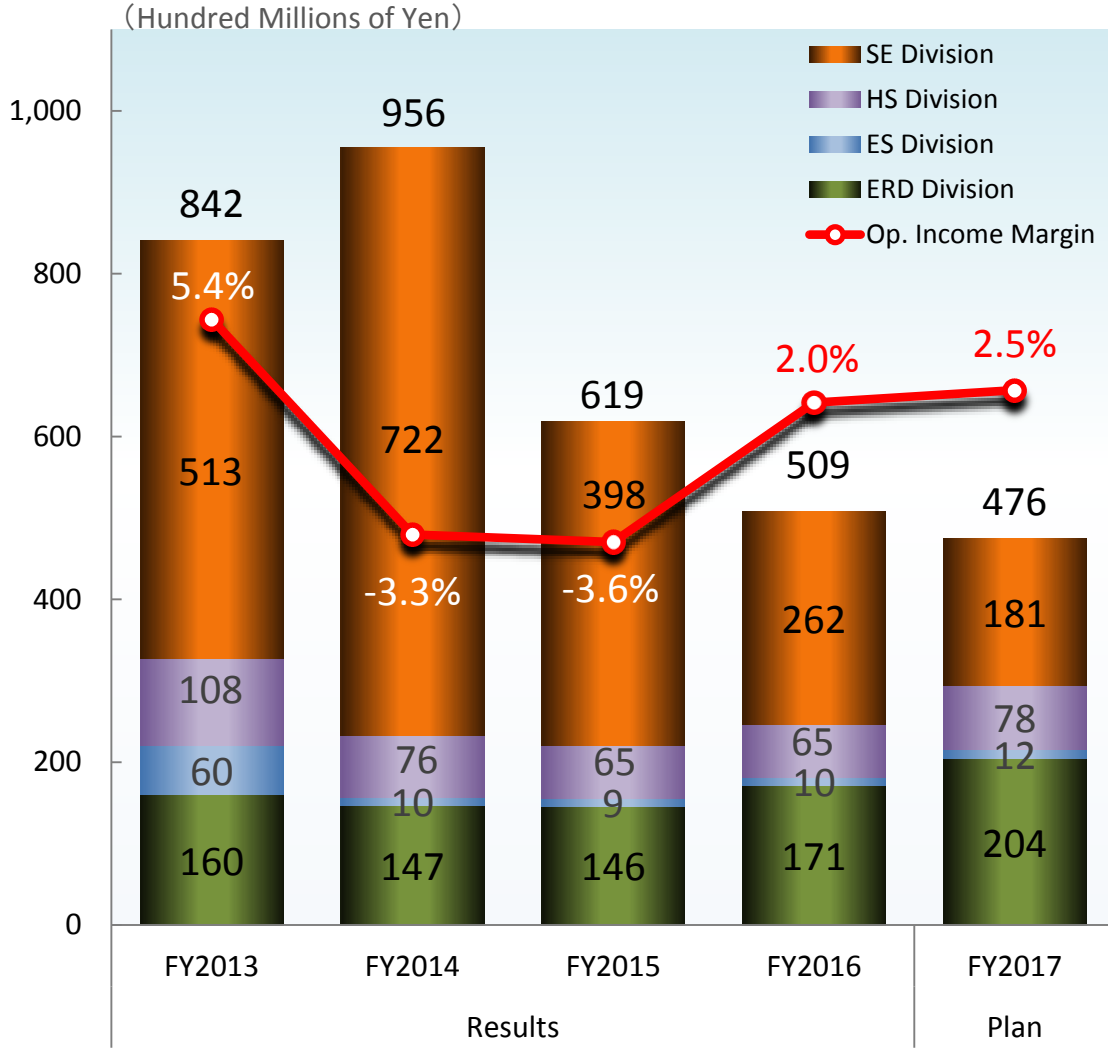
In the Environmental Resources Development Division, sales remained almost as planned in the first half, and electricity sales are expected to recover from the third quarter, given that the Tomakomai Power Plant will return to normal operation. Accordingly, the Division will not change the full-year plan.

In terms of profit, the Division recorded an operating loss mainly due to the implementation of statutory inspections at the Tomakomai Power Plant in the first half, but income is expected to improve in the second half due to an increase in electricity sales and a significant decline in repair expenses, given that the Plant will operate normally. In addition, because an improvement in income due to the revised unit prices of waste plastic collected and the reduction of costs such as disposal expenses are expected to make progress, the Division will not change the full-year plan.

Segment Forecasts for FY2017 (Changes)

There is no change from the forecast announced on May 11, 2017

Forecasts of Net Sales and Operating Income Margin of each segment for FY2017



Forecasts for FY2017

Net Sales : ¥47,680million

Op. Income : ¥1,210million

Op. Income Mar. : 2.5%

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