



# **SANIX INCORPORATED**

Consolidated Financial Statements

For the First 3 Quarters

Ended December 31, 2014

The financial figures in this document are based on Japanese Accounting Standards and accompanying laws. Amounts are rounded off to 1 decimal place. This document is an English translation of the Japanese-language original.

## Consolidated Financial Statements for the First 3 Quarters ended December 31, 2014

### SANIX INCORPORATED

Stock Listed: Tokyo Stock Exchange First Section, Fukuoka Stock Exchange  
 Code No: 4651  
 URL: [http://www.sanix.jp/index\\_e.htm](http://www.sanix.jp/index_e.htm)  
 President and CEO: Shin-ichi Munemasa  
 Contact: Kozo Inoue, Director, Management Corporate Officer,  
 General Manager of Management & Planning Division

### 1. Consolidated Financial Highlights for the first 3 Quarters ended December 31, 2014

#### (1) Consolidated Operating Results

(Millions of Yen)

	First 3 Quarters			
	From April 1 to December 31			
	FY2014	%change	FY2013	%change
Net Sales .....	69,627	35.1%	51,532	88.1%
Operating Income .....	(3,779)	-	2,421	-
Ordinary Income .....	(4,049)	-	2,185	-
Net Income .....	(5,244)	-	1,301	-
Net Income per Share (¥) .....	(¥109.83)	-	¥27.27	-
Net Income per Share(, Diluted(¥) .....	-	-	-	-
(Reference) Comprehensive Income .....	(5,057)	-	1,392	-

#### (2) Consolidated Financial Position

(Millions of Yen)

	As of December 31		As of March 31
	FY2014		FY2013
	Total Assets .....	52,949	55,316
Net Assets .....	6,983	11,827	
Shareholders' Equity Ratio (%) .....	13.1%	21.3%	
Net assets per share(¥) .....	¥145.57	¥214.17	
Reference	Shareholders' equity as of December 31, 2014	6,955 million yen	
	Shareholders' equity as of March 31, 2014	11,798 million yen	

### 2. Dividends

	At the end of				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
(Dividends per Share)					
FY2013 ended March 31, 2013. ....	0.00	0.00	0.00	0.00	0.00
FY2014 ending March 31, 2014 .....	0.00	0.00	0.00		
FY2014 ending March 31, 2014(forecast) .....				0.00	0.00

### 3. Forecasts for Consolidated Business Results

(For the fiscal year ending March 31, 2015)

(Millions of Yen)

	FY2014	
	Full Year	%change
Net Sales.....	97,000	15.2%
Operating Income .....	(1,160)	-
Ordinary Income .....	(1,430)	-
Net Income .....	(2,720)	-
Net Income per Share (¥).....	(¥56.93)	-

SANIX INCORPORATED revised projections for annual operational results publicly announced on October 31, 2014

### 4. Others

(1) Changes in significant subsidiaries during the period: None

(2) Adoption of special quarterly accounting methods: None

(3) Changes in accounting principles, accounting estimates and correction of prior errors

i )Changes in accounting principles due to revisions to accounting standards: Yes

ii )Changes other than shown in i ) above: None

iii)Changes in accounting estimates: None

iv)Correction of prior period error: None

(4) Number of Shares Issued and Outstanding

	(Shares)	
	First 3 Quarters	Full Year
	Ended December 31,2014	Ended March 31,2014
Number of shares issued and outstanding at period end.....	48,919,396	48,919,396
Number of treasury stocks at period end.....	1,137,543	1,186,243
Average number of shares issued and outstanding during the fiscal term ....	47,751,728	47,714,474

\*Implementation status about the quarterly review:

This summary of financial statements is exempt from quarterly review procedure required by Financial Instruments and Exchange Act. A part of quarterly review for securities report based on Financial Instruments and Exchange Act have not finished at the time of disclosure of this summary of financial statements.

\*Note to ensure appropriate use of forecasts:

Forecasts in this document are based on assumptions, prospects and plans as of the date of this document. Actual results may differ significantly from these forecasts, due to various factors affecting the Company's business performance, such as change in economic conditions.

## Index of the attachment

<b>1. Qualitative Information for the first 3 quarters ended December 31, 2014</b>	<b>2</b>
(1) Qualitative Information of Consolidated Operation Results .....	2
(2) Qualitative Information of Consolidated Financial Position .....	3
(3) Qualitative Information of the Forecast of Consolidated Business Results .....	4
<b>2. Other Information</b>	<b>4</b>
(1) Changes in significant subsidiaries during the period .....	4
(2) Adoption of special quarterly accounting methods.....	4
(3) Changes in accounting principles, procedures and presentation methods.....	4
<b>3. Consolidated Financial Statements for the first 3 quarters ended December 31, 2014</b>	<b>5</b>
(1) Consolidated Quarterly Balance Sheets .....	5
(2) Consolidated Quarterly Statements of Income and Comprehensive Income.....	8
Consolidated Quarterly Statements of Income	
For the First 3 Quarters.....	8
Comprehensive Income	
For the First 3 Quarters For the First Half.....	9
(3) Note regarding assumption of a going concern.....	10
Segment Information.....	10
<b>4. Supplemental Information</b>	
Net Sales by Division .....	11

## 1. Qualitative Information for the first 3 Quarters ended December 31, 2014

### (1) Qualitative Information of Consolidated Operation Results

In the first 3 Quarters of the fiscal year ending March 31, 2015 (April 1, 2014 to December 31, 2014), the Japanese economy was affected by weak demand following the last-minute shopping spree ahead of the consumption tax hike. However, business conditions remained on a modest recovery path, supported by improvement in corporate earnings and employment.

Under such a business environment, our Group concentrated on sales and installation of commercial photovoltaic (PV) systems. In a move to restructure the Group's commercial PV business, the Group established the West Japan SE Business Headquarters in the West Japan region, which is its main area of operation, and the East Japan SE Business Headquarters, with a view to establishing a system for direct sales and direct installation in the East Japan Region, effective April 1, 2014. In addition, the Group's wholly owned subsidiary SANIX Engineering Incorporated, which had been in charge of the commercial PV business, had the business taken over by the Solar Engineering (SE) Division, effective June 1, 2014. As a result of this restructuring, the Group changed the name of the Commercial Photovoltaic Solution (CPS) Division to the Solar Engineering (SE) Division and also transferred the business of PV systems for homes, etc. belonging to the Home Sanitation (HS) Division and the Establishment Sanitation (ES) Division to the SE Division.

Figures for the same period of the previous year have been restated to reflect the new segment classification for year on year comparison.

As for sales in the first quarter under review, the SE Division posted substantial revenue growth in PV systems. In the Environmental Resources Development (ERD) Division, revenue from the electricity sales of TOMAKOMAI Power Plant increased, but plastic fuel revenue declined due to decreases acceptance volumes. The HS and ES Divisions posted sharp revenue declines because they transferred PV business to the SE Division and focused on sanitation-related maintenance for existing customer. As a consequence, the Net Sales of the entire group were ¥69,627 million, or up 35.1% from a year earlier.

In terms of profitability, in the SE Division, PV systems registered increased profit. However, the Company was impacted due to the inability to engage in installation projects, with some exceptions, in the Kyushu and Shikoku district due to Electric Power's decision to suspend its response to applications. As a result, profit growth was not enough to absorb fixed costs and the segment posted an operating loss. The ERD Division reported decreased profit due to a reduction in acceptance volumes. The HS and ES Divisions showed decreased profits due to lower sales as a result of switching to a system of focusing on maintenance for existing customer. As a consequence, for the whole group, the operating loss of ¥3,779 million compared to the operating income of ¥2,421 million in the same period of a prior year, and the ordinary loss was ¥4,049 million (ordinary income of ¥2,185 million in the same period of a prior year). As a result of a review of the realizability of deferred tax assets based on its earnings forecast, the Group reduced deferred tax assets and posted income taxes-deferred of ¥847 million, with the net loss of ¥5,244 million from net income of ¥1,301 million of net income in the year earlier period.

Consolidated results of individual divisions for this first half were as follows:

## **Earnings of Individual Divisions:**

### **Solar Engineering (SE) Division**

In this 3 Quarters, the number of installations of commercial PV systems increased to ¥51,752 million.

The division posted an operating loss of ¥3,075 million (compared with operating income of ¥2,215 million in the same period of the previous year), reflecting a sharp increase in fixed costs such as labor costs as a percentage of sales. This is because the Group expects the number of installations of PV systems to increase steadily through the second half of this fiscal year and continued to actively recruit installation staff necessary to improve and expand the installation system. However, in the 3 Quarters under review, the timing of installations was delayed largely because power companies took a long time investigation for grid connection and sales only increased 69.9% compared with the same period of the previous year.

(For reference: Changes in SE Division staff: Average number of staff increased from 683 in Apr-Dec 2013 to 2,706 in Apr-Dec 2014)

### **Environmental Resources Development (ERD) Division**

Revenue from plastic fuel decreased 13.1% year on year, reflecting a reduction in the acceptance volume of waste plastic. Revenue from electricity sales rose 13.3% compared to the same period of the previous year due to stable operation of the TOMAKOMAI Power Plant. Revenue from organic waste processing fell 14.8% year on year, due to decreased acceptance volume. As a result, the net sales decreased 7.5% to ¥11,152 million compared to the year earlier period. The operating income decreased 34.9% to ¥708 million due to decrease in sales.

### **Home Sanitation (HS) Division**

The HS Division transferred house-use PV system business, which was included in its results for the first half of the previous fiscal year, to the SE Division and focused on sanitation management-related maintenance for existing customer including “termite control” and “sub-floor/roof ventilation system”. As a result, the net sales decreased 19.6% to ¥5,934 million compared to the year earlier period. The operating income decreased 31.7% to ¥1,274 million due to decrease in sales.

### **Establishment Sanitation (ES) Division**

The ES Division transferred house-use PV system business, which was included in its results for the first half of the previous fiscal year, to the SE Division and focused on sanitation management-related maintenance for existing customer of buildings, condominiums, etc. As a result, the net sales decreased 52.1% to ¥787 million compared to the year earlier period. The operating loss of ¥57 million due to decrease in sales (operating loss of ¥20 million in the same period of a prior year).

## **(2) Qualitative Information of Consolidated Financial Position**

Total assets amounted to 52,949 million yen at the end of the first 3 Quarters of this consolidated fiscal year, decrease of ¥2,367 million from the end of the previous consolidated fiscal year. This was mainly due to an increase in raw materials and supplies and the other hand a decrease in cash and deposits. Liabilities amounted to ¥45,966 million, an increase of ¥2,477 million from the end of the previous consolidated fiscal year. This was mainly due to an increase

in Short-term loans payable. Net assets totaled ¥6,983 million, a decrease of 4,844 million from the end of the previous consolidated fiscal year. This was primarily due to the net loss of ¥5,244 million incurred during this first half. Consequently, the ratio of owners' equity was 13.1% compared to 21.3% in the same period of a year earlier.

### **(3) Qualitative Information on the Forecast of Consolidated Business Results**

The Company revised the consolidated earnings forecast for the fiscal year ending March 31, 2015 announced on October 31, 2014, based on the results for the first 3 quarters and a review of expected results for the fourth quarter. For further information, please refer to the "Revision of earnings forecast for the fiscal year ending March 31, 2015, Reduction in Deferred Tax Assets, Review of Mid-term Business Plan, and Decrease on Officer's Remuneration" announced on February 12, 2015.

Actual results may differ from the forecast depending on a range of factors.

The government reviewed the Renewable Energy Feed-in Tariff Purchasing Program and in January 2015 changed the output control rules and the timing for determining the purchase price. Meanwhile, in the areas covered by Tokyo Electric Power, Chubu Electric Power, and Kansai Electric Power, which have large grid capacities, small solar power generation facilities (those with a low voltage connection of 50kW or less), which are the main products that the Company sells, are out of the scope of output control, and these areas are expected to be the Company's main operating areas. The Company needs to develop marketing and structures appropriate for these areas.

The Company will respond to changes in the solar power generation market appropriately and in a timely fashion primarily by transferring personnel from Kyushu and Shikoku to Kanto, Kansai, and Chubu, taking into account the appropriate personnel numbers for Kyushu and Shikoku. Meanwhile, to improve profitability, the Company will strive to lower the break-even point by cutting costs, including costs for materials for solar power generation and logistics costs, and thoroughly reviewing fixed costs. The Company will complete these initiatives in the fourth quarter.

## **2. Other Information**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in consolidation scope): None
- (2) Adoption of special quarterly accounting methods : None
- (3) Changes in accounting principles, procedures and presentation methods: None

### **ADDITIONAL INFORMATION**

#### **(Stock Benefit Trust)**

SANIX resolved to introduce "Stock Benefit Trust (Employee Stockholding Association Purchase-type)" (hereinafter the "Plan" and the "Trust"). The purpose of the Plan is to improve employees' welfare and to increase their motivations for work and awareness of the Company's stock performance through its steady provision of the stock to the employee stockholding association and distribution of the profit created by trust property management in order to increase our corporate value.

The Trust's assets and liabilities, and income and expenses were included in the Group's consolidated financial statements. Since the Company's stock held by the Trust was accounted for as treasury stock in the consolidated financial statements. And as this first 3 quarters, the book price of treasury stock is ¥33 million (number of treasury stock is 24 thousands), and carrying value of debt payable is ¥77 million.

### 3. Consolidated Financial Statements for the first 3 quarters ended December 31, 2014

#### (1) Consolidated Quarterly Balance Sheets

	(millions of Yen)	
	As of March 31 FY2013	As of December 31 FY2014
<b>Assets:</b>		
Current Assets:		
Cash and deposits	9,237	8,715
Notes and accounts receivable-trade	22,205	16,291
Merchandise and finished goods	113	666
Work in process-construction	584	1,694
Raw materials and supplies	5,447	9,176
Other	1,686	696
Allowance for doubtful accounts	(624)	(1,338)
Total Current Assets:	38,648	35,901
Fixed Assets:		
Property, Plant and Equipment		
Buildings and structures, net	1,890	2,456
Machinery, equipment and vehicles, net	1,270	1,326
Land	9,179	9,399
Other, net	1,840	1,511
Total Property, Plant and Equipment	14,181	14,694
Intangible fixed assets		
Goodwill	513	429
Other, net	59	74
Total Intangible fixed Assets	572	503
Investments and Other Assets	1,914	1,850
Total Fixed Assets:	16,668	17,048
<b>Total Assets:</b>	<b>55,316</b>	<b>52,949</b>



	(millions of Yen)	
	As of March 31 FY2013	As of December 31 FY2014
<b>Liabilities:</b>		
Current Liabilities:		
Notes and accounts payable-trade	20,114	18,742
Short-term loans payable	5,000	8,534
Accounts payable-other	4,836	5,162
Lease obligations	1,720	193
Provision	236	44
Other	4,673	6,788
Total Current Liabilities:	36,581	39,467
Non-Current Liabilities:		
Bonds payable	30	20
Long-term loans payable	3,695	3,303
Provision for director's retirement benefits	181	170
Provision for disposal site closing expenses	429	450
Provision for retirement benefits	1,534	1,467
Other	1,036	1,086
Total Non-Current Liabilities:	6,907	6,499
<b>Total Liabilities:</b>	43,489	45,966
<b>Net Assets:</b>		
Shareholders' Equity:		
Capital stock	14,041	14,041
Capital surplus	4	4
Retained earning	(768)	(5,867)
Treasury stock	(1,581)	(1,514)
Total Shareholder's Equity:	11,695	6,664
Valuation and translation adjustments:		
Valuation difference on available-for-sales securities	91	155
Foreign currency translation adjustment	44	152
Total Valuation on Retirement benefit	(33)	(16)
Total Valuation and translation adjustments:	102	291
Minority Interests:	29	28
<b>Total Net Assets:</b>	11,827	6,983
<b>Total Liabilities and Net Assets:</b>	55,316	52,949

**(2) Consolidated Quarterly Statement of Income**

(millions of Yen)

	First 3 Quarters	
	From April 1 to December 31	
	FY2013	FY2014
Net Sales	51,532	<b>69,627</b>
Cost of Sales	37,464	<b>55,885</b>
Gross profit	14,068	<b>13,741</b>
Selling, general and administrative expenses	11,647	<b>17,520</b>
Operating income(loss)	2,421	<b>(3,779)</b>
Non-operating income:		
Interest income	7	<b>36</b>
Dividends income	7	<b>8</b>
Land and house rent revenue	56	<b>54</b>
Subsidy income	3	<b>45</b>
Other	52	<b>75</b>
Total Non-operating income	127	<b>220</b>
Non-operating expenses:		
Interest expenses	139	<b>168</b>
Commision paid	35	<b>22</b>
Foreign exchange losses	172	<b>257</b>
Other	14	<b>42</b>
Total Non-operating expenses	362	<b>490</b>
Ordinary income(loss)	2,185	<b>(4,049)</b>
Income(loss)before income taxes and minority interests	2,185	<b>(4,049)</b>
Income taxes-current	979	<b>349</b>
Income taxes-deferred	(96)	<b>847</b>
Total income taxes	883	<b>1,196</b>
Income before minority interests	1,302	<b>(5,246)</b>
Minority interests in income	0	<b>(1)</b>
Net income(loss)	1,301	<b>(5,244)</b>

## (Comprehensive Income)

(millions of Yen)

	First 3 Quarters	
	From April 1 to December 31	
	FY2013	FY2014
Income before minority interests	1,302	(5,246)
Other comprehensive income		
Valuation difference on available-for-sales securities	19	63
Foreign currency translation adjustment	70	108
Remeasurements of defined benefit plans	—	16
Total other comprehensive income	90	188
Comprehensive income	1,392	(5,057)
Comprehensive income attributable to		
Comprehensive income attributable to parent company	1,391	(5,055)
Comprehensive income attributable to minority interests	0	(1)

**(3) Notes for this Consolidated Financial Statements**

(Notes to going concern) None

(Notes to remarkable changes in Shareholders' Equity) None

**(Segment Information)**

## I. Prior First 3 Quarters (From April 1, 2013 to December 31, 2013)

Segments	SE	HS	ES	ERD	Total	(millions of Yen)	
						Adjustment (note 1)	Consolidated (note 2)
Sales:							
Sales to customers	30,454	7,381	1,642	12,053	51,532	—	51,532
Internal sales among segments and transfer accounts	—	—	—	—	—	—	—
<b>Total</b>	<b>30,454</b>	<b>7,381</b>	<b>1,642</b>	<b>12,053</b>	<b>51,532</b>	<b>—</b>	<b>51,532</b>
Operating income(loss)	2,215	967	(20)	1,087	4,249	(1,828)	2,421

(note 1) Negative ¥1,828 million for adjustments of Operating income(loss) represents corporate expenses not allocated to reportable segments. Corporate expenses are mainly general and administrative expenses not attributable to reportable segments.

(note 2) Operating income(loss) is adjusted to operating loss of Consolidated quarterly statements of income.

## II. This First 3 Quarters (From April 1, 2014 to December 31, 2014)

Segments	SE	HS	ES	ERD	Total	(millions of Yen)	
						Adjustment (note 1)	Consolidated (note 2)
Sales:							
Sales to customers	51,752	5,934	787	11,152	69,627	—	69,627
Internal sales among segments and transfer accounts	—	—	—	—	—	—	—
<b>Total</b>	<b>51,752</b>	<b>5,934</b>	<b>787</b>	<b>11,152</b>	<b>69,627</b>	<b>—</b>	<b>69,627</b>
Operating income(loss)	(3,075)	1,274	(57)	708	(1,150)	(2,628)	(3,779)

(note 1) Negative ¥2,628 million for adjustments of Operating income (loss) represents corporate expenses not allocated to reportable segments. Corporate expenses are mainly general and administrative expenses not attributable to reportable segments.

(note 2) Operating income (loss) is adjusted to operating income of Consolidated quarterly statements of income.

## 4. Supplemental Information

### Consolidated Net Sales by Segment

	(millions of Yen)		
	First 3 Quarters		Changes
	from April 1 to December 31		
	FY2013	FY2014	
Commercial photovoltaic power generation system	25,596	<b>48,636</b>	23,040
Wholesale of photovoltaic system components	4,809	<b>3,039</b>	(1,769)
Other	48	<b>76</b>	27
<b>Commercial photovoltaic Solution Total:</b>	30,454	<b>51,752</b>	21,298
Termite Eradication Service	2,524	<b>2,136</b>	(388)
Under-Roof/Floor Ventilation System	1,311	<b>854</b>	(457)
Foundation Repairing/Home Reinforcement System	747	<b>427</b>	(320)
Oter	2,796	<b>2,516</b>	(280)
<b>Home Sanitation Division Total</b>	7,381	<b>5,934</b>	(1,446)
Anti-rust equipment installation	395	<b>90</b>	(305)
Repair of building water-works	662	<b>340</b>	(321)
Waterproofing of building	168	<b>59</b>	(108)
Other	416	<b>296</b>	(120)
<b>Establishment Sanitation Division Total:</b>	1,642	<b>787</b>	(855)
Plastic fuel	6,963	<b>5,862</b>	(1,101)
Industrial waste (Organic Waste Water Recycle)	2,478	<b>2,808</b>	329
Generation of electricity	1,360	<b>1,158</b>	(201)
Final disposal	515	<b>491</b>	(23)
Other	736	<b>832</b>	95
<b>Environmental Resources Development Division Total:</b>	12,053	<b>11,152</b>	(901)
<b>Total Net Sales:</b>	51,532	<b>69,627</b>	18,094