



SANIX INCORPORATED

Consolidated Financial Summary

For the Fiscal Year ended March 31, 2015

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 Fiscal year ended March 31, 2015

SANIX INCORPORATED

Stock Listed: Tokyo Stock Exchange First Section, Osaka Stock Exchange First Section, Fukuoka Stock Exchange

Code No.: 4651

URL: http://sanix.jp/index_e.htm

President and CEO: Shin-ichi MUNEMASA

Contact: Kozo INOUE, Director, Management Corporate Officer,
General Manager of Management and Planning Division**1. Consolidated Financial Highlights for the Year ended March 31, 2014**

(April 1, 2014 to March 31, 2015)

(1) Consolidated Operating Results (Millions of Yen)

	Fiscal Year			
	between April 1 and March 31			
	FY2013	% change	FY2014	% change
Net Sales	84,221	94.2	95,629	94.2
Operating Income	4,508	141.0	(3,142)	141.0
Ordinary Income	4,309	140.9	(3,439)	140.9
Net Income	2,964	88.2	(4,966)	88.2
Net Income per Share(¥)	¥62.13	-	(¥103.98)	-
Net Income per Share, Diluted(¥)	-	-	-	-
Return on Equity	28.8%	-	-52.0%	-
Ratio of Recurring Profit to Net Assets	10.2%	-	-6.6%	-
Ratio of Operating Income to Net Sales	5.4%	-	-3.3%	-
(Reference) Comprehensive income	2,991	-	(4,743)	-

(2) Consolidated Financial Position (Millions of Yen)

	As of March 31	
	FY2013	FY2014
Total Assets	55,316	49,120
Net Assets	11,827	7,331
Shareholders' Equity Ratio (%)	21.3%	14.9%
Net Assets per Share (¥)	247.17	152.74

Note (1) Shareholders' equity Fiscal Year ended March 31, 2015 7,302million yen

Fiscal Year ended March 31, 2014 11,798 million yen

(3) Consolidated Financial Cash Flows (Millions of Yen)

	Fiscal Year	
	from April 1 to March 31	
	FY2013	FY2014
Cash Flows from Operating Activities	4,933	(1,794)
Cash Flows from Investing Activities	(3,271)	(1,181)
Cash Flows from Financing Activities	2,433	647
Balance of Cash and Cash Equivalents at End of Period	7,645	5,329

2. Dividends

	Fiscal Year		
	from April 1 to March 31		
	FY2013	FY2014	FY2015(Forecast)
Dividend per Share at the end of 1st Half (¥) . . .	¥0.00	¥0.00	¥0.00
Dividend per Share at the end of the year (¥) . . .	¥0.00	¥0.00	¥0.00
Annual dividend per Share (¥)	¥0.00	¥0.00	¥0.00
Total dividend	-	-	-
Pay-out ratio (%)	-	-	-
Ratio of dividend to total capital (%)	-	-	-

3. Forecasts for Consolidated Business Results

(For the fiscal year ending March 31, 2016)

(Millions of Yen)

	FY2015			
	First Half	% change	Full Year	% change
Net Sales	35,298	-19.8%	78,000	-18.4%
Operating Income	(280)	-	4,000	-
Ordinary Income	(350)	-	3,820	-
Net Income	(760)	-	2,820	-
Net Income per Share(¥)	(¥15.90)	-	¥58.99	-

4. Others

(1) Changes in significant subsidiaries during FY2014: None

(2) Changes in accounting principles, procedures, and the presentation

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

(3) Number of Shares Issued and Outstanding

(Shares)

	As of March 31	
	FY2013	FY2014
	Number of shares issued and outstanding at period end.	48,919,396
Number of treasury stocks at period end.	1,186,243	1,113,143
Average Number of shares outstanding during the period.	47,714,474	47,763,330

(Reference) Non-consolidated Financial Statement

1.Non-consolidated Highlights for the year ended March 31,2014

(1)Non-consolidated Operating Results

	Fiscal Year			
	between April 1 and March 31			
	FY2013	% change	FY2014	% change
Net Sales	34,356	10.4	81,328	136.7
Operating Income	868	(48.3)	(3,342)	-
Ordinary Income	927	(43.5)	(3,571)	-
Net Income	949	(45.9)	(3,272)	-
Net Income per Share(¥)	¥19.90	-	(¥68.52)	-
Net Income per Share, Diluted(¥)	-	-	-	-

(2) Non-consolidated Financial Position

	As of March 31	
	FY2013	FY2014
Total Assets	43,181	42,327
Net Assets	8,577	5,631
Shareholders' Equity Ratio (%).	19.9%	13.3%
Net Assets per Share (¥).	179.70	117.80

2. Forecasts for Non-consolidated Business Results

	FY2015			
	First Half	% change	Full Year	% change
Net Sales	33,146	2.6%	73,289	-9.9%
Ordinary Income.	(578)	-	3,363	-
Net Income.	(899)	-	2,614	-
Net Income per Share(¥).	(¥18.81)	-	¥54.70	-

Indication of audit procedure implementation status

This earnings report is exempt from audit procedure based upon the Financial Instruments and Exchange Act. It is under the audit procedure process at the time of disclosure of this report.

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 economical conditions.

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I. Business Results

1. Earnings

(1) Current Fiscal Year Overview

In the consolidated fiscal year ended March 31, 2015, the Japanese economy experienced a backlash stemming from the last-minute surge in demand ahead of the consumption tax hike. However, business conditions continued along a modest recovery path, reflecting positive developments such as improved corporate earnings and consumer spending.

Under such a business environment, our Group implemented an organizational reform, effective April 1, 2014, to strengthen the business for commercial photovoltaic (PV) systems in the current consolidated fiscal year. 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 in the East Japan Region. In addition, effective June 1, 2014, the Company took over the commercial PV business from SANIX Engineering Incorporated, its wholly owned subsidiary. As a result of this restructuring, the Company changed the name of this business to the Solar Engineering (SE) Division, to which it transferred operations of the home-oriented PV systems that were originally handled by the Home Sanitation (HS) Division and the Establishment Sanitation (ES) Division.

In the business environment surrounding the PV systems business, the issue of grid connection capacity has been a concern since September last year, which was the time when electric power companies halted their response to applications for connection in conjunction with the Renewable Energy Feed-in Tariff Purchasing Program. Business conditions have been increasingly difficult for the PV system business following an institutional revision undertaken in January this year that included a change in the output rule.

As for sales for the current consolidated fiscal year, the SE Division posted revenue growth for PV systems despite significant changes in the business environment. As a result, the sales of the whole Group stood at ¥95,629 million (up 13.5% year on year).

In regards to profits, the Company registered an operating loss, reflecting the significant impact of electric power companies' decisions to suspend responses to grid connection applications, although the SE Division achieved an increase in revenue. Consequently, in terms of profitability, the Group as a whole posted an operating loss of ¥3,142 million (operating profit of ¥4,508 million in the same period of the previous year) and the ordinary loss of ¥3,439 million (ordinary income of ¥4,309 million in the same period of the previous year). After reviewing the realizability of tax deferred assets, the Company also recorded a net loss of ¥4,966 million (net income of ¥2,964 million in the same period of the previous year), reflecting the recognition of the impairment loss of ¥271 million on the consolidation and closures of stores and vehicle-related cancellations as an extraordinary loss, as well as the reversal of deferred tax assets.

(Millions of yen)

Consolidated Operating Results	FY2013	FY2014	%Change	Difference
Net Sales	84,221	95,629	13.5	11,408
Operating Income	4,508	(3,142)	—	(7,650)
Ordinary Income	4,309	(3,439)	—	(7,748)
Net Income	2,964	(4,966)	—	(7,930)

Consolidated results of individual divisions for the year were as follows:

a. Solar Engineering (SE) Division

The number of PV system installed rose in both the West Japan Region and East Japan Region. In the current consolidated fiscal year, the Company strengthened its operating structure in the East Japan Region by enhancing the network of stores that handle direct sales and direct installations. As a result, sales stood at ¥72,247 million (up 27.6% year on year).

In terms of operating profit, the Company posted an operating loss of ¥2,291 million (operating income of ¥4,782 million in the same period of the previous year), reflecting a significant increase in the ratio of fixed costs, such as personnel expenses, to sales. This operating loss was attributable to a heavy burden of fixed costs. While the Company has been seeking to recruit more employees in order to expand its scale of business, it was unable to offset the rise in fixed cost with the increase in sales of 27.6% year on year. The failure to offset this rise was mainly due to the effect of a drastic change in the business environment for PV systems, such as the connection capacity issue of electric power utilities.

(Changes in the number of staff in the SE Division for reference:

1,048 on average in the period from April 2013 to March 2014, and 2,752 on average in the period from April 2014 to March 2015)

b. Environmental Resources Development (ERD) Division

The sales from plastic fuel, with increased acceptance volume of waste plastic, decreased by 14.5% compared to the same period the previous year. With stable operation of TOMAKOMAI Power Plant, the revenues from electricity sales increased by 11.1% compared to the same period the previous year. The sales from organic waste processing with increased acceptance volume increased by 10.4% compared to the same period the previous year. As a result, the net sales of the division decreased by 8.2% to 14,735 million yen compared to the same period the previous year. The operating income decreased 28.9% to 970 million yen due to decrease in sales.

c. Home Sanitation (HS) Division

The HS Division focused on maintenance-related customer management such as termite control services and floor/ceiling ventilation systems. As a result, net sales were ¥7,605 million (down 20.2% year on year). The operating income increased by 60.0% to ¥1,634 million yen compared to the same period the previous year.

d. Establishment Sanitation (ES) Division

The ES Division concentrated on sanitation maintenance-related customer management such as high-rise building and condominiums. As a result, net sales were ¥1,040 million yen (down 48.0% year on year).

So the division posted an operating loss of ¥48 million yen (compared to the operating loss of ¥62 million yen in the same period of the previous year).

(2) Prospect for Next Year

The outlook for the next fiscal year should factor in the revisions to the Renewable Energy Feed-in Tariff Purchasing Program undertaken by the government in January 2015. These revisions include changes in the output control rules and timing for determining the purchase price. According to the new rules, the output power control for small capacity solar power generation facilities (below 50kW) does not apply to areas covered by Tokyo Electric Power, Chubu Electric Power, and Kansai Electric Power. It is therefore necessary to devise measures adapted to the circumstances of each electric company. The Company will then implement the necessary measures when appropriate, giving every possible consideration to the market conditions of each district.

The SE Division has been reinforcing organizations in areas with a large market, namely the Kanto, Kansai and Chubu districts, while taking into account the proper placement of personnel in the Kyushu and Shikoku districts. It has also been working to reduce its overall fixed costs. The Company believes these initiatives will help it improve its revenue structure in the PV business. We also have decided that it is essential to intensify our efforts and further streamline operations to deal with the business environment surrounding the PV system business on a mid-term basis. The Company announced its offer for voluntary resignation, and consolidated and closed stores. Through these measures, the Company will reduce overall expenses and create a revenue structure capable of addressing changes in the business environment. In terms of sales, the Division as a whole projects a decrease from the same period of the previous year, including a decrease in the West Japan Region, although it forecasts an increase in the East Japan Region. In terms of profits, the Company expects to move back into the black by improving profitability through the curtailment of overall expenses, which include personnel costs.

The Environmental Resources Development (ERD) Division plans to invest in facilities to raise the quality and calories of plastic fuel, thereby enhancing the fuel's added value. This investment is expected to improve the operation rate of the Tomakomai Power Plant and boost "electricity sales." The Division predicts that the level of sales will be equal to that one year ago. It also plans to conduct a biannual legal inspection as well as periodic repairs of the Plant in the second quarter of the current fiscal year.

The HS Division performs the maintenance of facilities such as "termite prevention and removal facilities" and "underfloor ventilation systems" for existing customers. Sales are expected to decline slightly from the previous period.

The ES Division, which mainly carries out maintenance of buildings and condominiums, expects sales to decrease.

In regards to the consolidated results for the next fiscal year, the Group forecasts sales of ¥78,000 million (down 18.4% year on year), operating income of ¥4,000 million (operating loss of ¥3,142 million in the same period of the previous year), ordinary income of ¥3,820 million (ordinary loss of ¥3,439 million in the same period of the previous year) and net income of ¥2,820 million (net loss of ¥4,966 million in the same period of the previous year) in light of the aforementioned conditions.

2. Financial Condition

(1) Assets, Liabilities and Net Assets

Total assets as of the end of the current fiscal year increased by 6,196 million yen to 49,120 million yen from the previous fiscal year. The total liabilities decreased by 1,699 million yen to 41,789 million yen from the previous fiscal year. Net assets decreased by 4,469 million yen to 7,331 million yen from the previous fiscal year. As a result, the capital-to-asset ratio was 14.9%.

<Assets>

Current assets decreased by 18.3% to 31,569 million yen from the end of the previous fiscal year, mainly due to the increase in cash and deposits and accounts receivable by 14,848 million yen.

Fixed assets increased by 14.6% to 16,668 million yen from the end of the previous fiscal year, mainly due to the increase in property, plant and equipment by capital expenditure in machines and equipment together with buildings under installation by 1,855 million yen.

<Liabilities>

Current liabilities increased by 146.0% to 36,581 million yen from the end of the previous fiscal year, mainly due to the increased notes payable and accounts payable by 14,654 million yen, short-term loans-payable by 1,662 million yen and income tax payable by 1,357 million yen.

Noncurrent liabilities increased by 25.9% to 6,907 million yen from the end of the previous fiscal year, mainly due to the increased long-term borrowings by 875 million yen and lease obligations by 251 million yen.

<Net Assets>

Net assets increased by 33.8% to 11,827 million yen from the previous fiscal year, mainly due to the current net income of 2,964 million yen.

(2) Cash Flows

Cash and cash equivalents (hereinafter "the funds") increased from the previous fiscal year by 5,656 million yen to 9,204 million yen at the end of the current fiscal year.

The cash flow and the factors in the current fiscal year were as follows:

(Net cash provided by operating activities)

As for net cash provided by operating activities, spending rose by ¥1,794 million (income of ¥4,933 million in the previous year). The key factor was the increase in inventory assets of ¥4,091 million, as well as the recognition of ¥3,710 million as a net loss before income tax, although notes and account receivable-trade decreased by ¥7,405 million.

(Net cash provided by investing activities)

In regards to net cash provided by investing activities, spending increased by ¥1,181 million (spending of ¥3,271 million in the same period of the previous year). This increase was largely a reflection of ¥1,254 million in expenditures for the tangible fixed assets that were acquired.

(Net cash provided by financing activities)

In terms of net cash provided by financing activities, income was ¥647 million (income of ¥2,433 million in the previous year). The key factor was the increase of ¥1,360 million in short-term loans payable, despite ¥1,026 million in expenditures for the repayment of long-term loans.

The Cash Flow Indicators:

	FY2010	FY2011	FY2012	FY2013	FY2014
Shareholders' equity ratio	34.7%	33.4%	30.2%	21.3%	14.9%
Shareholders' equity ratio on a market price basis	55.6%	53.3%	92.0%	99.2%	37.6%
Interest-bearing liabilities ratio to cash flow	136.73	5.34	3.24	1.96	-
Interest coverage ratio	0.29	7.36	13.30	25.71	-

(Note) Shareholder's equity ratio: Shareholder's equity/Total assets

Share ratio on a market price basis: Total market value of stock/Total assets

Interest-bearing liabilities ratio to cash flow: Operating cash flow/Interest payment

Interest coverage ratio: Operating cash flow/Interest payment

1. Each indicator is calculated based on consolidated financial results.
2. Total market value of stock is calculated by: closing price at the year-end x outstanding shares at the year-end.
3. The operating cash flow in this table is cash flow from operating activities reported on the consolidated cash flow statement. Interest-bearing liabilities cover all liabilities reported on the consolidated balance sheet for which interest is paid. Interest payment used in the calculation of the interest coverage ratio is the amount of interest expense reported on the consolidated cash flow statement.

3. Basic Shareholder Return Policy; Cash Dividends

As a basic corporate policy, the Company focuses on returning profit to our shareholders, based on the dividend on the equity ratio, together with the overall consideration of operational expansion and internal reserves. Unfortunately, after considering the negative retained earnings in the net assets section, the Company deeply regrets that it will not pay dividends for the current fiscal year. In addition, no dividends will be paid for the next fiscal year as well. We will work to boost sales and build up internal reserves to generate distributable profits in the net assets section, and then look to begin paying dividends again in the near future.

4. Business and Other Risks

Major risks that may affect the operating results and business of the SANIX Group are described below. Recognizing the possibility of these risks occurring, the SANIX Group endeavors to take proper measures to avert these risks and minimize any impacts in the event of occurrence.

Certain future-related statements included in this document are estimates made by the Company based on the information available at the end of the current fiscal year.

(1) Risk of societal and institutional changes

In regards to the PV System business, going forward the Group expects the popularity of photovoltaic power generation to continue to grow as a result of the implementation of the "Act on Special Measures Concerning New Energy Use by Operators of Electric Utilities." That said, the Company's performance and financial situation may be affected if customers become less willing to make investments. There are various factors that may discourage investment, such as purchase prices that are subject to annual review under the "Renewable Energy Feed-in Tariff Purchasing Program" and output controls imposed due to the state of grid connection capacity at electric power companies.

(2) Foreign exchange rate fluctuations

In the PV System business, the Group sources PV systems mostly from Chinese manufactures that have a competitive advantage in terms of price. Modules are the materials that account for a major part of costs in the business. Therefore, the Group's performance and financial situation may be affected, depending on fluctuations in purchase prices stemming from the impact of exchange rates.

(3) Industrial accidents and natural disasters

Although we take all possible measures, if any unexpected, material accident during PV system installation, or waste disposal operations, or unexpected disasters, such as climatic events, may impact the group's performance and financial state.

(4) Resource recycling power generation system

One of the factors for stable operation of the ERD Division is the maintenance or improvement in plastic fuel quality at SANIX Energy's TOMAKOMAI Power Plant. However, since plastic fuel originates from waste, any inconsistency in the quality or properties that may affect the stable operation of the power plant may be disadvantageous to the performance or financial state of the group.

(5) Power demand trend

The ERD Division may experience fluctuations in the electric power unit price at the electricity sales business of SANIX Energy's TOMAKOMAI Power Plant due to demand-supply fluctuations for seasonal demand and the supply of electricity and the resumption of nuclear power plant operations. Decline of the electric power unit price above projections may have an unprofitable impact on the group's performance and financial status.

(6) Statutory regulations

Main business lines of the Group, including the sale and installation of PV systems, the maintenance of residential houses, buildings and condominiums, the disposal of industrial wastes, and power generation and electricity sales are subject to statutory restrictions, such as the "Construction Business Act," "Act on Special Measures Concerning Procurement of Renewable Electric Energy by Operators of Electric Utilities," "Act on Specified Commercial Transactions," "Waste Disposal and Cleaning Act and relevant laws" and the "Electricity Business Act." Any unintended infringement of the respective laws or regulations by the Group, the revision or abolition of laws or regulations, or the enforcement of new laws or regulations may affect the Group's performance and financial situation.

(7) Outline of events and conditions that cast significant doubt on going concern assumptions

In the current consolidate fiscal year, the Group increased the number of employees significantly to expand the scale of the PV system business. However, with the increase in sales disappointingly small due to a major change in the business environment, the PV system was burdened with high fixed costs, such as personnel costs, along with other costs. As a result, it posted an operating loss of ¥3,142 million and a net loss of ¥4,966 million.

Given these circumstances, the Company is affected by events and conditions that cast significant doubt on going concern assumptions. It is moving forward with the following initiatives to overcome the challenges it now faces.

In order to properly respond to rapid changes in the business environment in a timely fashion, the SE Division has been reinforcing organizations in areas with a large market, namely the Kanto, Kansai and Chubu districts, while taking into account the proper placement of personnel in the Kyushu and Shikoku districts. It has also been working to improve its revenue structure through the reduction of overall fixed costs. For this reason, the Division reduced the number of employees at the end of March 2015 by 795 from the end of September 2014. We have also concluded that it is essential to intensify our efforts to further streamline operations to further streamline operations to deal with the business environment surrounding the PV system business on a mid-term basis, and therefore decided to solicit the voluntary resignation of 600 persons and consolidate and close stores.

We believe these countermeasures will enable us to eliminate material uncertainties related to going concern assumptions

II. Group Outline

The Group consists of the Company and 10 other consolidated subsidiaries. Its major business fields are sales/installation of PV systems, environmental sanitary services for general households, environmental sanitary services for corporations and recycling-based power generation.

The structure of each company in relation to the Group's business fields is as follows:

1) SE Division

The Company engages in the sale and installation of the PV system for commercial use and residential use, as well as in the wholesale of PV system equipment. In addition, effective June 1, 2014, it transferred the PV systems business belonging to the Commercial PV Division from SANIX Engineering Incorporated to the West Japan SE Business Headquarters and the East Japan SE Business Headquarters of the Company, and established a new segment named the SE Business Sector.

2) ERD Division

The Company sells plastic fuel to its consolidated subsidiary SANIX Energy Incorporated. SANIX Energy generates and sells electricity by using plastic fuel, purchased from SANIX and Hokkaido SANIX Environment Incorporated, SANIX's consolidated subsidiary. K.K. C&R, SANIX's consolidated subsidiary, disposes of incinerator ash from SANIX Energy. K.K. HOKUHAI, SANIX's consolidated subsidiary, leases facilities to K.K. C&R.

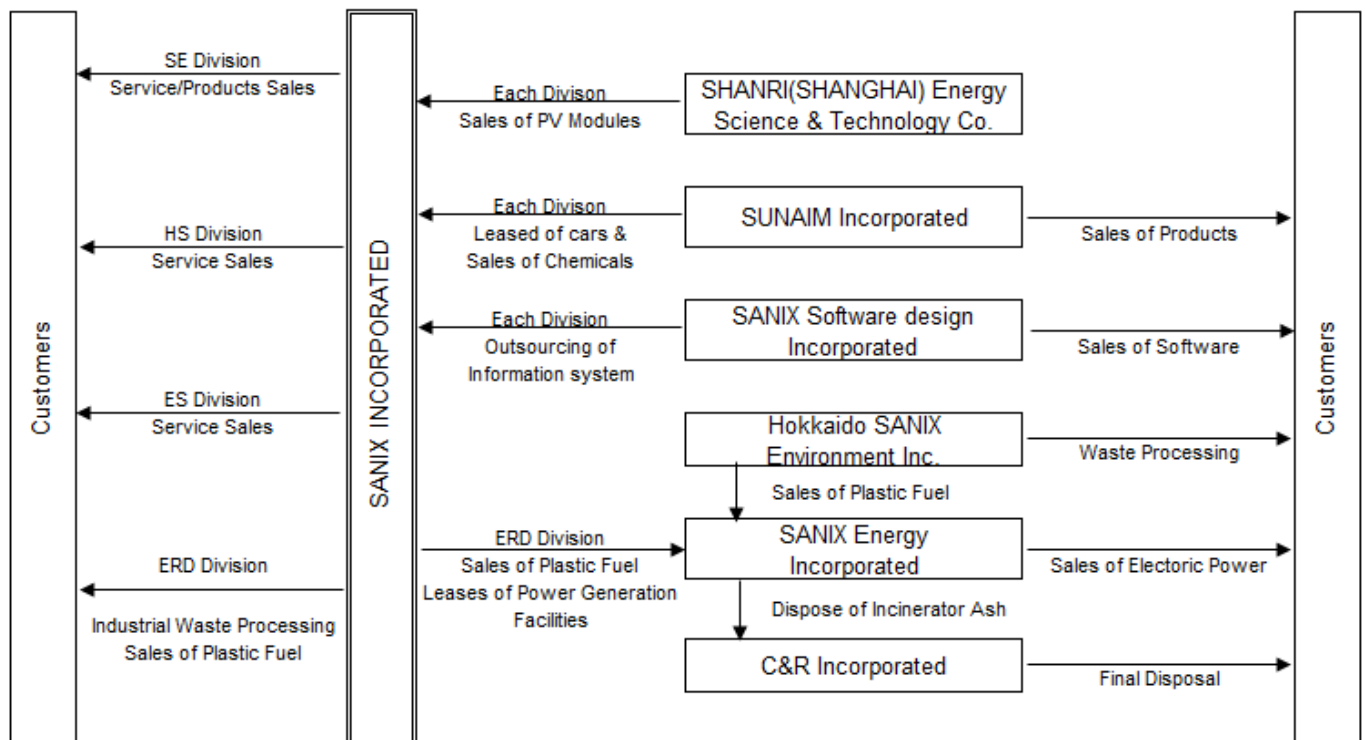
3) HS Division

The Company engages in environmental sanitation work for general households, specifically termite control, repairing foundations, under-roof/floor ventilation systems.

4) ES Division

The Company offers corporate environmental sanitation services, specifically buildings and condominiums plumbing installation and maintenance, and PV system installation for multi-dwelling business operators. From March 2015, the division's PV operations are scheduled to shift to the SE-East section.

PV modules sold and used for installation by our group have been partially sourced to our consolidated subsidiary SHANRI (Shanghai) Energy Science and Technology Co., Ltd. Chemicals and business vehicles used by our group have been sourced and leased from our consolidated subsidiary SUNAIM Incorporated. Information system operation of our divisions has been outsourced to our consolidated subsidiary SANIX Software Design Incorporated. Information system operation of our divisions has been outsourced to our consolidated subsidiary SANIX Software Design Incorporated.



III. Management Policies

1. Fundamental Business Management Policies

Since its foundation, we have been engaged in overall environmental sanitation management operations, conducting the environmental sanitation business for households, environmental sanitation for business offices, and the building maintenance business for buildings and condominiums facilities. In addition, positioning it as the core business, we decided to concentrate our management resources on the commercial PV business, in which rapid penetration can be expected along with the enforcement of the “Renewable Energy Feed in Tariff Purchasing Program,” which started in July 2012. Therefore, the Company will enhance its corporate value, and accelerate the shift to the power generation business through industrial waste recycling and energy-related companies.

2. Target Management Indices

As our group’s mid- and long-term management strategy, the Group will drive the PV business to establish its position in the green energy field, while enhancing the business base together with the resource recycling power generation business. The targeted management benchmark will be the operating income ratio that precisely captures the state of productivity in balance with costs. In the medium term, we will target an operating margin of 10%.

3. Medium- and Long-Term Business Strategies and Issues to Be Addressed

(1) SE Division

While the Division fundamentally relies on the Government’s renewable energy promotion policy, it needs to respond to changes in the business environment, such as changes in systems and revisions to purchase prices. As for the PV business, it will move forward with structural enhancements and expand its market share in areas with a large market, namely the Kanto, Kansai and Chubu districts. It will also raise the in-house manufacturing ratio of PV-related equipment such as modules and power conditioners, thereby facilitating the lowering of costs.

(2) ERD Division

The division conducts the electricity sales business at TOMAKOMAI Power Plant, using plastic fuel accepted, processed and produced at 14 plastic resource development plants across the country and Hokkaido SANIX Environment. From 2016, when retail electricity is liberalized, TOMAKOMAI Power Plant will become a useful power supply base. Addressing the coming opportunity to incorporate the new power demand brought by the retail electricity liberalization, we will be engaging in the power retail business with mid- and long-term prospects.

(3) HS Division

The division will conduct detailed maintenance for existing customers, including termite control and under-roof/floor ventilation systems. In addition, from the standpoint of consumer protection, compliance will be thoroughly ensured.

(4) ES Division

The division will maintain existing customers of building facility maintenance and protection, including plumbing installation and maintenance for buildings and condominiums.

4. Challenges the Company faces

In regards to future outlook, the Company expects to continue to navigating through a business environment made difficult by the review of the Renewable Energy Feed-in Tariff Purchasing Program and the application of new output control rules for solar power generation. That being said, we believe that it is important socially, as well as from the perspective of protecting the environment, to facilitate the use of renewable energy and promote resource recycling energy. In light of these circumstances, we are working to address the following matters we have set out as management challenges:

(1) Cost reduction of PV system components

Going forward, we anticipate that it will become increasingly important to have a cost advantage in the PV business market. The manner in which we continue to adapt to the market trend is another important challenge the Group must tackle.

The Group will seek to enhance its cost competitiveness by strengthening its ability to reduce the cost of such materials, as modules and power conditioner components, and raising the ratio of manufacturing conducted in-house.

(2) Liberalization of retail electricity and the stable operation of the Tomakomai Power Plant

With the liberalization of retail electricity scheduled to be implemented in 2016, companies are working to uncover business opportunities in the retail sales of electricity. The Group also considers the stable operation of the Tomakomai Power Plant, which operates as a base load power plant, to be an important challenge in ensuring that we can respond to the new electricity demand generated by this liberalization. We will seek to expand the retail electricity business by improving the quality of plastic fuel and maintaining stable operation.

(3) Promotion of compliance

SANIX Group businesses are subject to statutory regulations, such as the "Installation Industry Act," "Act on Special Measures Concerning New Energy Use by Operators of Electric Utilities," "Act on Specified Commercial Transactions," "Waste Disposal and Public Cleaning Law and related laws," and the "Electricity Business Act." In addition, in terms of consumer protection, it is important to enhance compliance. We will regularly conduct training, while enhancing the moral and legal knowledge of employees to provide customers with excellent services.

(4) Enhancement of safety and disaster-prevention measures

The creation of an accident- and disaster-free environment when working at height for PV system installation, and the operation of equipment and heavy machines at environmental resources development business plants are important management challenges. While ensuring safe installation work and eliminating unsafe environments and behavior in operations, we will strive to enhance the disaster prevention systems and take every possible measure to ensure safety management.

IV. Basic position regarding the choice of accounting standards.

The Group will use the Japanese standards for the time being. Our policy is to take proper steps toward the adoption of the International Financial Reporting Standards, while giving due consideration to the circumstances in Japan and other countries.

V. Consolidated financial Statements

1. Consolidated Balance Sheet

(Millions of Yen)

	As of March 31	
	FY2013	FY2014
Assets:		
Current Assets:		
Cash and deposits	9,237	7,026
Notes and accounts receivable-trade	22,205	14,800
Merchandise and finished goods	113	504
Work in process-construction	584	1,738
Raw materials and supplies	5,447	8,043
Deferred tax assets	597	17
Other	1,089	677
Allowance for doubtful accounts	(624)	(1,237)
Total Current Assets:	38,648	31,569
Fixed Assets:		
Property, Plant and Equipment:		
Buildings and structures, net	9,601	9,712
Less: Accumulated Depreciation	(7,710)	(7,179)
Buildings and Structures (net of depreciation)	1,890	2,533
Machinery, equipment and vehicles, net	12,316	12,710
Less: Accumulated Depreciation	(11,046)	(11,069)
Machinery, Equipment and Vehicles (net of depreciation)	1,270	1,640
Land	9,179	9,399
Lease assets, net	1,061	1,236
Less: Accumulated Depreciation	(345)	(551)
Leased Assets (net)	716	685
Construction in progress	905	609
Other	1,018	1,075
Less: Accumulated Depreciation	(799)	(844)
Other, net	218	231
Total Property, Plant and Equipment:	14,181	15,099
Intangible Fixed Assets:		
Goodwill	513	401
Other, net	59	143
Total Property, Plant and Equipment:	572	545
Investments and Other Assets:		
Investment securities	339	450
Lease and guarantee deposits	722	742
Deferred tax assets	312	66
Other	998	1,110
Allowance for doubtful accounts	(458)	(462)
Total Investments and Other Assets:	1,914	1,906
Total Fixed Assets:	16,668	17,551
Total Assets:	55,316	49,120

(Millions of Yen)

	As of March 31	
	FY2013	FY2014
Liabilities:		
Current Liabilities:		
Notes and accounts payable-trade	20,114	18,537
Short-term loans payable	5,000	6,360
Current portion of long-term loans payable	948	1,056
Accounts payable-other	4,836	4,408
Accrued expenses	1,813	2,000
Accrued income taxes	1,720	208
Lease obligations	198	231
Accrued consumption taxes	719	1,245
Allowance for resource-recycling expenses	32	31
Other	1,198	1,479
Total Current Liabilities:	36,581	35,560
Non-Current Liabilities:		
Bonds payable	30	10
Long-term loans payable	3,695	3,045
Lease obligations	523	481
Deferred tax liabilities	—	80
Long-term lease deposited	49	46
Provision for directors' retirement benefits	181	170
Liability Related to Retirement Benefits	1,534	1,490
Provision for disposal site closing expenses	429	477
Other	463	425
Total Non-Current Liabilities:	6,907	6,229
Total Liabilities:	43,489	41,789
Net Assets:		
Shareholders' Equity:		
Capital stock	14,041	14,041
Capital surplus	4	4
Retained earnings	(768)	(5,588)
Treasury stock	(1,581)	(1,481)
Total Shareholders' Equity:	11,695	6,976
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	91	171
Foreign currency translation adjustment	44	184
Adjustment for Retirement Benefits (Cumulative)	(33)	(30)
Total Valuation and translation adjustments:	102	325
Minority Interests:	29	29
Total Net Assets:	11,827	7,331
Total Liabilities and Net Assets:	55,316	49,120

2. Consolidated Statement of Income and Comprehensive Income (Consolidated Statement of Income)

(Millions of Yen)

	from April 1 to March 31	
	FY2013	FY2014
Net sales	84,221	95,629
Cost of sales	62,800	76,721
Gross profit	21,421	18,907
Selling, general and administrative expenses		
Sales commission	947	533
Advertising expenses	1,967	1,353
Provision of allowance for doubtful accounts	497	618
Salaries and Bonuses	6,969	10,341
Retirement benefit expenses	146	200
Provision for directors' retirement benefits	1	-
Legal welfare expenses	837	1,259
Rent expenses	914	1,296
Depreciation	194	252
Others	4,435	6,194
Total selling, general and administrative expenses	16,912	22,049
Operating income (loss)	4,508	(3,142)
Non-operating income:		
Interest income	13	54
Dividends income	7	8
Land and house rent revenue	74	68
Subsidy income	30	55
Other	82	92
Total non-operating income	208	278
Non-operating expenses:		
Interest expenses	188	225
Rent expenses	2	2
Foreign exchange losses	104	272
Other	111	74
Total non-operating expenses	406	575
Ordinary income (loss)	4,309	(3,439)
Extraordinary loss:		
Loss on cancellation of lease contracts	-	-
Impairment loss	-	271
Total extraordinary loss	-	271
Income (loss) before income taxes and minority interests	4,309	3,710
Income taxes-current	1,891	399
Income taxes-deferred	(546)	857
Total income taxes	1,344	1,256
Income before minority interests	2,965	(4,967)
Minority interests in income	0	(0)
Net income (loss)	2,964	(4,966)

(Comprehensive Income)

(Millions of Yen)

	from April 1 to March 31	
	FY2013	FY2014
Income before minority interests	2,965	(4,967)
Other comprehensive income		
Share of other comprehensive income of associates accounted for using equity method	13	80
Foreign currency translation adjustment	12	139
Retirement benefit adjustment	-	3
Total other comprehensive income	25	223
Comprehensive income	2,991	(4,743)
Comprehensive income attributable to		
Comprehensive income attributable to parent company	2,990	(4,743)
Comprehensive income attributable to minority interests	0	(0)

3. Consolidated Statements of Changes in Net Assets

(Millions of Yen)

	from April 1 to March 31	
	FY2013	FY2014
Shareholders' Equity		
Capital stock:		
Balance at the end of previous period	14,041	14,041
after changes in accounting principles	14,041	14,041
Changes of items during the period	—	—
Total changes of items during the period	—	—
Balance at the end of current period	14,041	14,041
Capital surplus:		
Balance at the end of previous period	—	4
after changes in accounting principles	—	4
Disposal of treasury stock	4	—
Changes of items during the period	—	—
Total changes of items during the period	4	—
Balance at the end of current period	4	4
Retained earnings:		
Balance at the end of previous period	(3,733)	(768)
after changes in accounting principles	(3,733)	(662)
Changes of items during the period	—	—
Net income	2,964	(4,966)
Total changes of items during the period	2,964	(4,966)
Balance at the end of current period	(768)	(5,588)
Treasury Stock:		
Balance at the end of previous period	(1,610)	(1,581)
after changes in accounting principles	(1,610)	(1,581)
Changes of items during the period	—	—
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	29	100
Total changes of items during the period	28	100
Balance at the end of current period	(1,581)	(1,481)
Total Shareholders' Equity:		
Balance at the end of previous period	8,697	11,695
after changes in accounting principles	8,697	11,841
Changes of items during the period	—	—
Net income	2,964	(4,996)
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	34	100
Total changes of items during the period	2,998	(4,865)
Balance at the end of current period	11,695	6,976

(Millions of Yen)

	from April 1 to March 31	
	FY2013	FY2014
Valuation and Translation Adjustments:		
Valuation difference on available- for-sale securities		
Balance at the end of previous period	78	91
after changes in accounting principles	78	91
Changes of items during the period		
Net changes of items other than shareholders' equity	13	80
Total changes of items during the period	13	80
Balance at the end of current period	91	171
Foreign currency translation adjustment		
Balance at the end of previous period	32	44
after changes in accounting principles	32	44
Changes of items during the period		
Net changes of items other than shareholders' equity	12	139
Total changes of items during the period	12	139
Balance at the end of current period	44	184
Retirement benefits adjustment		
Balance at the end of previous period	—	(33)
after changes in accounting principles	—	(33)
Changes of items during the period		
Net changes of items other than shareholders' equity	(33)	3
Total changes of items during the period	(33)	3
Balance at the end of current period	(33)	(30)
Total Valuation and Translation Adjustments:		
Balance at the end of previous period	110	102
after changes in accounting principles	110	102
Changes of items during the period		
Net changes of items other than shareholders' equity	(8)	223
Total changes of items during the period	(8)	223
Balance at the end of current period	102	325
Minority Interests:		
Balance at the end of previous period	29	29
after changes in accounting principles	29	29
Changes of items during the period		
Net changes of items other than shareholders' equity	0	(0)
Total changes of items during the period	0	(0)
Balance at the end of current period	29	29
Total Net Assets:		
Balance at the end of previous period	8,837	11,827
after changes in accounting principles	8,837	11,973
Changes of items during the period		
Net income	2,964	(4,996)
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	34	100
Net changes of items other than owners' equity	(7)	223
Total changes of items during the period	2,990	(4,642)
Balance at the end of current period	11,827	7,331

4. Consolidated Cash Flow Statement

(Millions of Yen)

	From April 1 to March 31	
	FY2013	FY2014
Net Cash Provided by (Used in) Operating Activities:		
Income before income taxes and minority interests	4,309	(3,710)
Depreciation and amortization	547	887
Amortization of goodwill	112	112
Impairment loss	—	271
Increase/ Decrease in reserve for retirement benefits	(1,419)	—
Increase/ Decrease in reserve for directors' retirement benef	1	(10)
Increase/ Decrease in provision for bonuses	135	(184)
Increase in allowance for resource-recycling expenses	20	(1)
Increase/decrease in allowance for doubtful accounts	500	616
Increase/Decrease in liabilities in retirement	1,482	125
Interest and dividends income	(21)	(62)
Interest expenses	188	225
Increase/ Decrease in notes and accounts receivable-trade	(14,848)	7,405
Increase/ Decrease in inventories	(3,229)	(4,091)
Increase/ Decrease in other current assets	(537)	647
Decrease in notes and accounts payable-trade	14,665	(1,922)
Increase/ Decrease in consumption tax refund receivable	469	526
Increase/ Decrease in other current liabilities	2,915	(241)
Other	348	(303)
Subtotal	5,639	289
Interest and dividends income received	20	69
Interest expenses paid	(191)	(230)
Income taxes paid	(536)	(1,929)
Income taxes refund	1	6
Net cash provided by operating activities:	4,933	(1,794)
Net Cash Provided by (Used in) Investment Activities:		
Payments into time deposits	(2,477)	(3,058)
Proceeds from withdrawal of time deposits	913	3,200
Purchase of property, plant and equipment	(1,686)	(1,254)
Proceeds from sales of property, plant and equipment	18	0
Purchase of intangible assets	—	(32)
Purchase of investment securities	(1)	—
Proceeds from sales of investment securities	—	—
Payments for lease and guarantee deposits	(83)	(111)
Collection of lease and guarantee deposits	43	60
Other	1	13
Net cash provided by investing activities:	(3,271)	(1,181)

(Millions of Yen)

	From April 1 to March 31	
	FY2013	FY2014
Net Cash Provided by (Used in) Financing Activities:		
Increase (decrease) in short-term loans payable	1,662	1,360
Proceeds from long-term loans payable	1,870	485
Repayment of long-term loans payable	(894)	(1,026)
Redemption of bonds	(20)	(20)
Repayments of finance lease obligations	(186)	(221)
Other	2	68
Net cash provided by financing activities:	2,433	647
Effect of exchange rate changes on cash and cash equivalents	2	13
Net increase (decrease) in cash and cash equivalents	4,097	2,315
Cash and cash equivalents at beginning of period	3,547	9,204
Cash and cash equivalents at the end of period	7,645	5,329

5. Note regarding assumption of a going concern

There is no events or situations that arouse serious doubt regarding the assumption of a going concern.

6. Segment Information

Segment Information by Type of Business

Prior consolidated fiscal year (From April 1, 2013 to March 31, 2014)

(Millions of Yen)

Segments	SE	HS	ES	ERD	Total	Elimination or Group	Consolidated
Sales:							
Sales to customers	56,637	9,534	1,999	16,051	84,221	—	84,221
Internal sales among segments and transfer accounts.	—	—	—	—	—	—	—
Total	56,637	9,534	1,999	16,051	84,221	—	84,221
Operating income(loss)	4,782	1,021	(62)	1,364	7,106	(2,598)	4,508
Assets	28,823	1,377	1,482	11,969	43,653	11,663	55,316
Others:							
Depreciation expenses	89	37	8	251	387	159	547
Amortization of goodwill	—	—	—	112	112	—	112
Capital expenditures.	680	181	21	972	1,856	158	2,014

Consolidated fiscal year (From April 1, 2014 to March 31, 2015)

(Millions of Yen)

Segments	SE	HS	ES	ERD	Total	Elimination or Group	Consolidated
Sales:							
Sales to customers	72,247	7,605	1,040	14,735	95,629	—	95,629
Internal sales among segments and transfer accounts.	—	—	—	—	—	—	—
Total	72,247	7,605	1,040	14,735	95,629	—	95,629
Operating income(loss)	(2,291)	1,634	(48)	970	264	(3,406)	(3,412)
Assets	26,901	974	716	12,180	40,772	8,347	49,120
Others:							
Depreciation expenses	290	19	9	489	808	78	887
Amortization of goodwill	—	—	—	112	112	—	112
Capital expenditures.	1,139	34	5	656	1,836	351	2,188

Supplemental information

Net Sales by Division

(Millions of Yen)

	from April 1 to March 31		Changes
	FY2013	FY2014	
Commercial PV system	47,396	67,697	20,300
wholesale of PV components	9,172	4,451	(4,720)
others	68	98	30
Solar Engineering Total:	56,637	72,247	15,610
Termite Eradication Service	3,264	2,783	(481)
Under-Roof/Floor Ventilation System	1,641	1,078	(562)
Foundation Repairing/Home Reinforcement System	930	549	(381)
Other	3,696	3,193	(503)
Home Sanitation Division Total:	9,534	7,605	(1,929)
Anti-rust equipment installation	476	104	(347)
Repair of building water-works	807	459	(109)
Waterproofing of building	195	85	(128)
Other	519	390	(958)
Establishment Sanitation Division Total:	1,999	1,040	(1,568)
Plastic fuel	9,103	7,534	(1,568)
Industrial waste (Organic Waste Water Recycle)	3,416	3,795	379
Generation of electricity	1,847	1,635	(211)
Final disposal	628	619	(9)
Other	1,056	1,150	94
Environmental Resources Development Division Total:	16,051	14,735	(1,315)
Total Net Sales:	84,221	95,629	11,407