



# **SANIX INCORPORATED**

Consolidated Financial Statements

For the third quarter

Ended December 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 Third Quarter ended December 31, 2015

### SANIX INCORPORATED

Stock Listed: Tokyo Stock Exchange First Section, Fukuoka Stock Exchange  
 Code No: 4651  
 URL: [http://www.sanix.jp/lang\\_en/](http://www.sanix.jp/lang_en/)  
 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 Third Quarter ended December 31, 2015

### (1) Consolidated Operating Results

(Millions of Yen)

	Third Quarters			
	From April 1 to December 31			
	FY2015	%change	FY2014	%change
Net Sales .....	45,912	(34.1%)	69,627	35.1%
Operating Income .....	(2,857)	-	(3,779)	-
Ordinary Income .....	(2,709)	-	(4,049)	-
Net Income .....	(3,492)	-	(5,244)	-
Net Income per Share (¥) .....	(¥73.06)	-	(¥109.83)	-
Net Income per Share(, Diluted(¥) .....	-	-	-	-
(Reference) Comprehensive Income .....	(3,523)	-	(5,057)	-

### (2) Consolidated Financial Position

(Millions of Yen)

	As of December 31		As of March 31	
	FY2015		FY2014	
Total Assets .....	37,976		49,120	
Net Assets .....	3,804		7,331	
Shareholders' Equity Ratio (%) .....	9.9%		14.9%	
Net assets per share(¥) .....	¥78.93		¥152.74	
Reference)	Shareholders' equity as of December 31, 2015		3,773 million yen	
	Shareholders' equity as of March 31, 2015		7,302 million yen	

## 2. Dividends

	At the end of				
	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	Annual
	Quarter	Quarter	Quarter	Quarter	
(Dividends per Share)					
FY2014 ended March 31, 2015 .....	0.00	0.00	0.00	0.00	0.00
FY2015 ending March 31 ,2016 .....	0.00	0.00	0.00		
FY2015 ending March 31 ,2016(forecast) .....				0.00	0.00

### 3. Forecasts for Consolidated Business Results

(For the fiscal year ending March 31, 2016)

	(millions of yen)	
	FY2015	
	FY	%change
Net Sales .....	62,410	(34.7%)
Operating Income.....	(1,720)	-
Ordinary Income .....	(1,620)	-
Net Income.....	(2,480)	-
Net Income per Share (¥) .....	(¥51.88)	-

### 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)	
	The third quarter	Full Year
	Ended December 31, 2015	Ended March 31, 2015
Number of shares issued and outstanding at period end.....	<b>48,919,396</b>	48,919,396
Number of treasury stocks at period end.....	<b>1,113,393</b>	1,113,143
Average number of shares issued and outstanding during the fiscal term ....	<b>47,806,148</b>	47,751,728

\*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.

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## 1. Qualitative Information for the third quarter ended December 31, 2015

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

In the third quarter of the fiscal year ending March 31, 2016 (April 1, 2015 to December 31, 2015), the Japanese economy continued to follow a modest recovery path, with improved corporate earnings and an upturn in employment conditions. However, the outlook remained uncertain due to concerns about decelerating economy.

Under such a business environment, our Group concentrated on the integrated business ranging from the development and procurement of members for photovoltaic (PV) systems to the sales, construction and maintenance of PV systems. The operation of the “Renewable Energy Feed in Tariff Purchasing Program” was revised in January 2015, and the output control rules were changed, so the market environment surrounding the PV system had drastically changed.

To respond to changes in the business environment and achieve sustainable growth, the Group took steps to strengthen its sales and construction systems in accordance with the market environment and implemented radical management rationalization. The Group offered early retirement to 609 employees in the first quarter and to an additional 229 employees in the third quarter.

As for sales in the third quarters under view, the Group was hurt by changes in the market environment for the solar electric power business, so the sales results in a significant fall. As a consequence, the net sales of the entire Group were ¥45,912 million, or down 34.1% from a year earlier.

In terms of profitability, the Group posted an operating loss with drastic decrease in revenue in Solar Engineering business, however costs are gradually decreasing due to management rationalization. As a consequence, for the whole Group, the operating loss was ¥2,857 million compared to the operating loss of ¥3,779 million in the same period of the previous year, and the ordinary loss was ¥2,709 million compared to the ordinary loss of ¥4,049 million in the same period of the previous year. In addition, the Group posted ¥371 million for temporary expenses arising from the elimination and consolidation, for expenses for terminating vehicles, and the net loss belonging to the shareholders of the parent money stood at ¥3,492 million compared to the net loss belonging to the shareholders of the parent company of ¥ 5,244 million in the same period of the previous year.

Consolidated results of individual divisions for this quarter were as follows:

**a. Solar Engineering (SE) Division**

In the third quarter, the sales in the East Japan region increased by 39.0% year-on-year. However, sales in the West Japan region declined by 61.4% due to the effect of a change in the market environment. As a consequence, the sales were ¥29,290 million (down 43.4% year-on-year). Given the large decline in sales, the ratio of fixed costs, including personnel expenses, to sales did not improve, and an operating loss of ¥1,349 million was posted (compared to an operating loss of ¥3,075 million in the same period of the previous year).

**b. Environmental Resources Development (ERD) Division**

Plastic fuel sales declined 6.1% from a year earlier, despite a slightly higher collection volume of waste plastic, due to a fall in unit prices. At TOMAKOMAI Power Plant, a legal inspection and periodic repair of boilers and that of turbines were conducted in the first 3Q under review. Chiefly due to the effect of the inspections and repairs, electricity sales fell 4.5% year on year.

As a consequence, the sales were ¥10,899 million (down 2.3% year on year). The operating loss was ¥191 million due to both the decline in sales and the added expenses associated with the maintenance and inspection work at the TOMAKOMAI power station (down 73.0% year on year).

**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 ¥5,047 million (down 15.0% year on year). The operating income decreased by 57.0% to ¥547 million due to cost reduction, 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 ¥675 million yen (down 14.2% year on year). However, cost reduction measured results in an operating profit of ¥32 million in spite of decreases in segment sales (compared to the operating loss of ¥57 million yen in the same period of the previous year).

## (2) Qualitative Information of Consolidated Financial Position

Total assets amounted to ¥37,976 million at the end of the third quarters of this consolidated fiscal year, decrease of ¥11,143 million from the end of the previous consolidated fiscal year. This was mainly due to a decrease in cash and deposits, notes receivable-trade and accounts receivable-trade. Liabilities amounted to ¥34,172 million, a decrease of ¥7,617 million from the end of the previous consolidated fiscal year. This was mainly due to a decrease of Notes and accounts payable-trade, Accounts payable-other and Long-term loans payable, on the other hands, an increase in Short-term loans payable. Net assets totaled ¥3,804 million, a decrease of ¥3,526 million from the end of the previous consolidated fiscal year. This was primarily due to the net loss of ¥3,492 million incurred during this third quarters.

Consequently, the ratio of owners' equity was 9.9% compared to 14.9% in the same period of a year earlier.

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

The Company states a revision of its consolidated earnings forecast for the fiscal year ending March 31, 2016 that it announced on November 13, 2015 in this document and the Revision of Earnings Forecast for the Fiscal Year Ending March 31, 2016 published today. For more information, please refer to the Revision of Earnings Forecast.

Consolidated forecast for the full fiscal year ending March 31, 2016

(From April 1, 2015 to March 31, 2016)

(Millions of yen)

		Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share (YEN)
Previous Forecast	(A)	67,760	850	920	60	¥1.26
Revised Forecast	(B)	62,410	(1,720)	(1,620)	(2,480)	(¥51.88)
Changes	(B-A)	(5,350)	(2,570)	(2,540)	(2,540)	-
Percent Change	(%)	(7.9%)	-	-	-	-
<u>Reference</u> Results for FY2014 (ended March 31,2015)		95,629	(3,142)	(3,439)	(4,966)	(¥103.98)

## 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:

The Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No. 21 issued September 13, 2013; hereinafter the "Business Combinations Accounting Standard"), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 issued September 13, 2013; hereinafter the "Consolidated Accounting Standard") and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7 issued September 13, 2013; hereinafter the "Business Divestitures Accounting Standard") have been applied from the first quarter of the fiscal year under review, and differences arising from changes in equity interest of the Company in those subsidiaries over which the Company's control continues are recorded as capital surplus. The method of recording acquisition-related expenses has been changed to a method of recording them as expenses for the consolidated fiscal year in which they arise. With respect to business combinations implemented after the beginning of the first quarter of the fiscal year under review, the accounting method has been changed to a method of reflecting the review of the allocation amount of acquisition costs based on the provisional accounting in consolidated financial statements for the quarter in which the business combinations occur.

In addition, the statement of net income, etc. has been changed, and the statement of minority interests has been changed to non-controlling interests. To reflect these changes in the statements, the quarterly consolidated financial statements for the first three quarters of the previous fiscal year and the consolidated financial statements for the previous fiscal year have been reclassified.

The application of the Business Combinations Accounting Standard, etc. follows the transitional arrangements stipulated in Paragraph 58-2 (4) of the Business Combinations Accounting Standard, Paragraph 44-5 (4) of the Consolidated Accounting Standard and Paragraph 57-4 (4) of the Business Divestitures Accounting Standard, and they are, and will be, applied from the beginning of the first quarter of the fiscal year under review.

As a result, capital surplus at the end of the third quarter under review declined ¥2 million.



### **3. Important information regarding assumption of a going concern**

As the Group recorded a significant operating loss and net loss in the previous fiscal year and also posted an operating loss in the third quarters of the fiscal year under review, an event or situation that gives rise to significant doubt as to the going concern assumption exists.

To resolve the situation above, the Group have strengthened the framework in the Kanto, Kansai and Chukyo regions with a large market, in order to address drastic changes in the business environment in the SE Division in a timely and appropriate manner and are stepping up marketing activities to receive orders. In the fourth quarter, the Group will work to maintain a steady number of installations.

In terms of profitability, the Group is working to improve its income structure, reducing overall fixed costs, however, it is essential to implement management rationalization to respond the change of the business environment, maintaining sustainable growth. So, the Group implemented measures such as the voluntary retirement of 229 employees and the elimination and consolidation of 6 stores in SE Division during the third quarter under review. In the fourth quarter, the Group plans to dismiss 70 employees for reorganization by the end of February.

We expect that profitability will improve and the Group will remain in the black through these measures, and the Group has assets that can be converted to funds, and the establishment of an overdraft facility account that will make flexible financing possible. Moreover, we expect to continue to have the support and cooperation of our main financing bank. So, as a result of reviewing our future cash management plan, we have judged that significant uncertainty about the going concern assumption is not recognized, given that there is no significant doubt as to our financing. As a result of reviewing our future cash management plan, we have judged that significant uncertainty about the going concern assumption is not recognized, given that there is no significant doubt as to our financing if we implement these measures.

## 4. Consolidated Financial Statements for the third quarter ended Dec. 31, 2015

### (1) Consolidated Quarterly Balance Sheets

(Millions of Yen)

	As of March 31 FY2014	As of December 31 FY2015
<b>Assets:</b>		
Current Assets:		
Cash and deposits	7,026	4,641
Notes and accounts receivable-trade	14,800	6,911
Merchandise and finished goods	504	880
Work in process-construction	1,738	1,080
Raw materials and supplies	8,043	7,283
Other	694	788
Allowance for doubtful accounts	(1,237)	(842)
Total Current Assets:	31,569	20,742
Fixed Assets:		
Property, Plant and Equipment:		
Buildings and structures, net	2,533	2,337
Machinery, equipment and vehicles, net	1,640	1,686
Land	9,399	9,399
Other, net	1,525	1,444
Total Property, Plant and Equipment:	15,099	14,868
Intangible Fixed Assets:		
Goodwill	401	317
Other, net	143	168
Total Property, Plant and Equipment:	545	486
Investments and Other Assets	1,906	1,879
Total Fixed Assets:	17,551	17,233
<b>Total Assets:</b>	<b>49,120</b>	<b>37,976</b>

	(Millions of Yen)	
	As of March 31 FY2014	As of December 31 FY2015
<b>Liabilities:</b>		
Current Liabilities:		
Notes and accounts payable-trade	18,537	9,528
Short-term loans payable	6,360	10,385
Accounts payable-other	4,408	3,524
Lease obligations	208	211
Provision	31	32
Other	6,013	4,964
Total Current Liabilities:	35,560	28,647
Non-Current Liabilities:		
Bonds payable	10	-
Long-term loans payable	3,045	2,298
Provision for retirement benefits	170	170
Provision for directors' retirement benefits	477	489
Provision for disposal site closing expenses	1,490	1,534
Other	1,034	1,031
Total Non-Current Liabilities:	6,229	5,524
<b>Total Liabilities:</b>	<b>41,789</b>	<b>34,172</b>
<b>Net Assets:</b>		
Shareholders' Equity:		
Capital stock	14,041	14,041
Capital surplus	4	1
Retained earnings	(5,588)	(9,081)
Treasury stock	(1,481)	(1,481)
Total Shareholders' Equity:	6,976	3,480
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	171	188
Deferred gains or losses on hedges	-	0
Foreign currency translation adjustment	184	111
Adjustment for Retirement Benefits (Cumulative)	(30)	(7)
Total Valuation and translation adjustments:	325	292
Non controlling interests	29	31
<b>Total Net Assets:</b>	<b>7,331</b>	<b>3,804</b>
<b>Total Liabilities and Net Assets:</b>	<b>49,120</b>	<b>37,976</b>

**(2) Consolidated Quarterly Statements of Income and Comprehensive Income**Statements of Income for the third quarter

(Millions of Yen)

	<b>The third quarter</b>	
	<b>From April 1 to December 31</b>	
	FY2014	FY2015
Net sales	69,627	<b>45,912</b>
Cost of sales	55,885	<b>36,415</b>
Gross profit	13,741	<b>9,497</b>
Selling, general and administrative expenses	17,520	<b>12,354</b>
Operating income (loss)	(3,779)	<b>(2,857)</b>
Non-operating income:		
Interest income	36	<b>50</b>
Dividends income	8	<b>11</b>
Land and house rent revenue	54	<b>51</b>
Subsidy income	45	<b>90</b>
Foreign exchange gain or loss	-	<b>67</b>
Other	75	<b>81</b>
Total non-operating income	220	<b>352</b>
Non-operating expenses:		
Interest expenses	168	<b>165</b>
Commision paid	22	<b>11</b>
Foreign exchange losses	257	<b>-</b>
Other	42	<b>27</b>
Total non-operating expenses	490	<b>204</b>
Ordinary income (loss)	(4,049)	<b>(2,709)</b>
Extraordinary loss:		
Cost of earlier voluntary retirement	-	<b>371</b>
Impairment loss	-	<b>147</b>
Total extraordinary loss	-	<b>518</b>
Net loss before taxes and other adjustments	(4,049)	<b>(3,228)</b>
Income taxes-current	349	<b>259</b>
Income taxes-deferred	847	<b>2</b>
Total income taxes	1,196	<b>262</b>
Net income (loss)	(5,246)	<b>(3,490)</b>
Net income (loss) attributed to non-controlling shareholders	(1)	<b>2</b>
Net income (loss) attributed to parent company's shareholders	(5,244)	<b>(3,492)</b>

Comprehensive Income for the third quarter

(Millions of Yen)

	<b>The third quarter</b>	
	<b>from April 1 to December 31</b>	
	FY2014	FY2015
Net loss	(5,246)	(3,490)
Other comprehensive income		
Share of other comprehensive income of associates accounted for using equity method	63	16
Deferred gains or losses on hedges	-	0
Foreign currency translation adjustment	108	(72)
Retirement benefit adjustment	16	22
Total other comprehensive income	188	(33)
Comprehensive income	(5,057)	(3,523)
Comprehensive income attributable to		
parent company	(5,055)	(3,526)
non-controlling shareholders	(1)	2

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

(Notes to going concern assumption) None

(Notes to remarkable changes in Shareholders' Equity) None

**(Segment Information)**

## I. Prior third quarter (From April 1, 2014 to December 31, 2014)

(Millions of Yen)

Segments	SE	HS	ES	ERD	Total	Adjustment (note 1)	Consolidated (note 2)
Sales:							
Sales to customers	51,752	5,934	787	11,152	69,627	-	69,627
Internal sales among segment 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 loss of Consolidated quarterly statements of income.

## II. This quarter (From April 1, 2015 to December 31, 2015)

(Millions of Yen)

Segments	SE	HS	ES	ERD	Total	Adjustment (note1)	Consolidated (note2)
Sales:							
Sales to customers	29,290	5,047	675	10,899	45,912	-	45,912
Internal sales among segmen and transfer accounts	-	-	-	-	-	-	-
<b>Total</b>	<b>29,290</b>	<b>5,047</b>	<b>675</b>	<b>10,899</b>	<b>45,912</b>	<b>-</b>	<b>45,912</b>
Operating income(loss)	(1,349)	547	32	191	(578)	(2,279)	(2,857)

(note 1) Negative ¥2,279 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.

## 5. Supplemental Information

### Consolidated Net Sales by Segment

(Millions of Yen)

	The third quarter		Changes
	from April 1 to December 31		
	FY2014	FY2015	
Commercial PV system	44,811	<b>24,751</b>	(20,060)
Wholesale of PV system components	6,864	<b>4,459</b>	(2,405)
Other	76	<b>79</b>	3
<b>Solar Engineering Division Total:</b>	<b>51,752</b>	<b>29,290</b>	<b>(22,462)</b>
Termite Eradication Service	2,136	<b>1,927</b>	(208)
Under-Roof/Floor Ventilation System	854	<b>691</b>	(163)
Foundation Repairing/Home Reinforcement System	427	<b>300</b>	(126)
Other	2,516	<b>2,127</b>	(389)
<b>Home Sanitation Division Total:</b>	<b>5,934</b>	<b>5,047</b>	<b>(887)</b>
Anti-rust equipment installation	90	<b>19</b>	(70)
Repair of building water-works	340	<b>324</b>	(15)
Waterproofing of building	59	<b>59</b>	0
Other	296	<b>271</b>	(25)
<b>Establishment Sanitation Division Total:</b>	<b>787</b>	<b>675</b>	<b>(111)</b>
Plastic fuel	5,862	<b>5,440</b>	(421)
Industrial waste (Organic Waste Water Recycle)	2,808	<b>2,750</b>	(57)
Generation of electricity	1,158	<b>1,252</b>	94
Final disposal	491	<b>607</b>	115
Other	832	<b>847</b>	15
<b>Environmental Resources Development Division Total:</b>	<b>11,152</b>	<b>10,899</b>	<b>(253)</b>
<b>Total Net Sales:</b>	<b>69,627</b>	<b>45,912</b>	<b>(23,714)</b>