



SANIX INCORPORATED

Consolidated Financial Summary

For the Fiscal Year ended March 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 Fiscal year ended March 31, 2014

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, Management Corporate Officer, General Manager, Management and Planning Division

1. Consolidated Financial Highlights for the Year ended March 31, 2014

(April 1, 2013 to March 31, 2014)

(1) Consolidated Operating Results

(Millions of Yen)

	Fiscal Year			
	between April 1 and March 31			
	FY2012	% change	FY2013	% change
Net Sales.	43,366	37.9	84,221	94.2
Operating Income.	1,870	356.4	4,508	141.0
Recurring Profit.	1,788	414.1	4,309	140.9
Net Income.	1,575	-	2,964	88.2
Net Income per Share(¥).	¥33.01	-	¥62.13	-
Net Income per Share, Diluted(¥).	-	-	-	-
Return on Equity.	19.8%	-	28.8%	-
Ratio of Recurring Profit to Net Assets.	7.1%	-	10.2%	-
Ratio of Operating Income to Net Sales.	4.3%	-	5.4%	-
(Reference) Comprehensive income.	1,629	-	2,991	-

(2) Consolidated Financial Position

(Millions of Yen)

	As of March 31	
	FY2012	FY2013
Total Assets.	29,196	55,316
Net Assets.	8,837	11,827
Shareholders' Equity Ratio (%).	30.2%	21.3%
Net Assets per Share (¥).	184.62	247.17

Note (1) Shareholders' equity Fiscal Year ended March 31, 2014 11,798million yen
 Fiscal Year ended March 31, 2013 8,808 million yen

(3) Consolidated Financial Cash Flows

(Millions of Yen)

	Fiscal Year	
	from April 1 to March 31	
	FY2012	FY2013
Cash Flows from Operating Activities.	2,184	4,933
Cash Flows from Investing Activities.	(222)	(1,728)
Cash Flows from Financing Activities.	230	2,433
Balance of Cash and Cash Equivalents at End of Period.	3,547	9,204

2. Dividends

	Fiscal Year		
	from April 1 to March 31		
	FY2012	FY2013	FY2014(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, 2015)

(Millions of Yen)

	FY2014			
	First Half	% change	Full Year	% change
Net Sales.	62,600	97.5%	161,500	91.8%
Operating Income.	3,600	140.7%	14,000	210.5%
Recurring Profit.	3,500	142.5%	13,800	220.2%
Net Income.	2,240	112.9%	8,830	197.8%
Net Income per Share(¥).	¥46.86	-	¥184.73	-

4. Others

- (1) Changes in significant subsidiaries during FY2013: No
 (2) Changes in accounting principles, procedures, and the presentation
 1) Changes due to revisions of accounting standards etc: Adopted
 2) Changes other than 1): No

(3) Number of Shares Issued and Outstanding

(Shares)

	As of March 31	
	FY2012	FY2013
	Number of shares issued and outstanding at period end.	48,919,396
Number of treasury stocks at period end.	1,210,375	1,186,243
Average Number of shares outstanding during the period.	47,709,229	47,714,474

(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			
	FY2012	% change	FY2013	% change
Net Sales.	31,123	12.2	34,356	10.4
Operating Income.	1,678	-	868	(48.3)
Recurring Profit.	1,641	-	927	(43.5)
Net Income.	1,755	-	949	(45.9)
Net Income per Share(¥).	¥36.79	-	¥19.90	-
Net Income per Share, Diluted(¥).	-	-	-	-

(2) Non-consolidated Financial Position

	As of March 31	
	FY2012	FY2013
Total Assets.	25,933	43,181
Net Assets.	7,581	8,577
Shareholders' Equity Ratio (%).	29.2%	19.9%
Net Assets per Share (¥).	158.91	179.70

2. Forecasts for Non-consolidated Business Results

	FY2014			
	First Half	% change	Full Year	% change
Net Sales.	48,500	189.0%	145,000	322.0%
Recurring Profit.	2,400	123.0%	12,500	-
Net Income.	1,530	58.3%	8,050	748.0%
Net Income per Share(¥).	¥32.01	-	¥168.41	-

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 current fiscal year, the Japanese economy has been gradually recovering with a solid shift in consumer spending and visible signs of recovery in production and capital investment, as well as a steady upturn in employment.

Under such circumstances, our group has been concentrating its business resources and stimulating demand to rapidly penetrate the commercial PV business based on the “Renewable Energy Feed in Tariff Purchasing Program,” which started in July 2012. By expanding our operations in the business, we will strive to promote the contribution of environmentally-friendly energy to society.

The Commercial Photovoltaics (PV) Division recorded substantial revenue growth in the current fiscal year with commercial PV and wholesale PV components, contributing to sales. In contrast, the Home Sanitation (HS) Division recorded decreased revenue due to the large shift of its human resources to the commercial PV business. At the Establishment Sanitation (ES) Division, commercial PV systems for buildings and condominiums recorded revenue growth. The Environmental Resources Development Division recorded revenue growth in plastic fuel, electricity sales at TOMAKOMAI Power Plant, and organic waste processing. As a result, group-wide net sales increased by 94.2% to 84,221 million yen from the same period the previous year.

In terms of profitability, the Commercial PV Division had substantially increased costs for a proactive expansion in sales, installation, and the logistic system to address the hike in demand, while commercial PV systems recorded substantial revenue growth, resulting in increased profit. As a result, for the whole group, the operating income increased by 141.0% to 4,508 million yen, ordinary income was up 140.9% to 4,309 million yen, with net income increasing by 88.2% to 2,964 million yen from the same period the previous year.

(thousand of yen)

Consolidated Operating Results	FY2012	FY2013	%Change	Difference
Net Sales	43,366	84,221	94.2	40,855
Operating Income	1,870	4,508	141.0	2,637
Ordinary Income	1,788	4,309	140.9	2,521
Net Income	1,575	2,964	88.2	1,389

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

a. Commercial Photovoltaic Solution (CPS) Division

The sales of commercial PV systems covering from sales and components sourcing to installation increased by 594.4% to 42,167 million yen from the same period the previous year, while wholesale PV components increased by 158.7% to 9,172 million yen from the same period the previous year. As a result, the net sales of the division increased by 433.8% to 51,340 million yen from the same period the previous year.

Absorbing increased proactive costs, such as advertising expenses, labor costs with enhanced recruitment, and logistics network maintenance costs, with substantial revenue growth effects, the operating income was 4,410 million yen compared with 320 million yen in the same period the previous year.

b. Home Sanitation (HS) Division

The sales of existing products, such as termite control, increased by 33.7% from the same period the previous year. In contrast, with a significant number of human resources shifted from the division to the CPS Division, residential PV systems decreased by 83.0% from the same period the previous year. As a result, the net sales of the division decreased by 27.0% to 10,818 million yen compared to the same period the previous year.

With the rising fixed cost ratio of selling and general administrative expenses to reduced sales, the operating income decreased by 35.7% to 1,141 million yen compared to the same period the previous year.

c. Establishment Sanitation (ES) Division

The sales from work on buildings and condominiums related to maintenance and management, decreased by 11.3% compared to the same period the previous year. The sales from the PV systems that we started to sell in the KANTO region, increased by 133.9% compared to the same period the previous year. As a result, net sales increased by 51.6% to 6,011 million yen compared to the same period the previous year.

With the revenue growth effect, the operating income increased by 36.5% to 190 million yen compared to the same period the previous year.

d. Environmental Resources Development (ERD) Division

The sales from plastic fuel, with increased acceptance volume of waste plastic, increased by 5.1% compared to the same period the previous year. With stable operation of TOMAKOMAI Power Plant, the revenues from electricity sales increased by 1.4% 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 increased by 7.2% to 16,051 million yen compared to the same period the previous year.

The operating income decreased by 12.9% to 1,364 million yen compared to the same period the previous year due to high transferring cost the plastic fuel to TOMAKOMAI power plant, and so on.

(2) Prospect for Next Year

The prospects for next year are good with expectations for the economic recovery of our group companies with the upturn in the domestic economy. Although the “Renewable Energy Feed in Tariff Purchasing Program” reduced the commercial PV purchasing unit price in April 2014 from 36 yen to 32 yen before tax for 10kW or more, our group will still be able to proactively deploy our business.

The Group has been engaging in business, such as direct sales and installation of commercial “Changes in Organization and Personnel Changes” as of March 26, 2014, the organization was revised to establish direct sales and installation structures in eastern Japan, with large potential as a market, while handling the business at our company.

As of April 1, the CPS Division established the SE-West section at our key area in western Japan, as well as the SE-East section in eastern Japan to establish a direct sales and installation structure, striving to expand operations further. In addition, to improve profitability, we will endeavor to reduce the cost of components through self-manufacture of inverters, as well as improving installation.

The HS Division mainly engages in maintenance for existing customers of our residential services, such as termite control and under-floor ventilation systems. However, the division will record decreased sales due to the operational transfer of the residential PV system to the SE-West section from this fiscal year.

The ES Division sales will be substantially decreased, due to the operational transfer of the PV systems to the SE-East section as of April 1. The division will engage in maintaining buildings and condominiums.

The ERD Division will continually work to enhance the quality of plastic fuel to raise the efficiency of the power generation of TOMAKOMAI Power Plant. The revenues from plastic fuel are expected to remain steady, while the revenues from electricity sales are expected to increase, projecting increased sales for the division.

With the above-mentioned prospects for the consolidated financial outlook for the next fiscal year of our whole group, we expect net sales to increase 91.8% to 161,500 billion yen, the operating income to increase 210.5% to 14,000 million yen, the ordinary income to increase 220.2% to 13,800 million yen, and the net profit to increase 197.8% to 8,830 million yen, compared to the same period the previous year.

2. Financial Condition

(1) Assets, Liabilities and Net Assets

Total assets as of the end of the current fiscal year increased by 26,120 million yen to 55,316 million yen from the previous fiscal year. The total liabilities increased by 23,130 million yen to 43,489 million yen from the previous fiscal year. Net assets increased by 2,990 million yen to 11,827 million yen from the previous fiscal year. As a result, the capital-to-asset ratio was 21.3%.

<Assets>

Current assets increased by 163.8% to 38,648 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)

For net cash provided by operating activities, the income increased by 2,748 million yen to 4,933 million yen from the same period the previous year. The key factors include increased notes and account receivable-trade by 14,848 million yen, and net income before income taxes of 4,309 million yen recorded, with notes and account payable-trade increased by 14,665 million yen.

(Net cash provided by investing activities)

For net cash provided by investing activities, spending increased by 1,506 million yen to 1,728 million yen from the same period the previous year, mainly due to the expenditure of 1,686 million yen for tangible fixed assets obtained.

(Net cash provided by financing activities)

For net cash provided by financing activities, the income was 2,433 million yen with decreased of 2,203 million yen from the same period the previous year, mainly due to increase in short-term loans payable.

The Cash Flow Indicators:

	FY2009	FY2010	FY2011	FY2012	FY2013
Shareholders' equity ratio	35.1%	34.7%	33.4%	30.2%	21.3%
Shareholders' equity ratio on a market price basis	42.1%	55.6%	53.3%	92.0%	99.2%
Interest-bearing liabilities ratio to cash flow	13.10	136.73	5.34	3.24	1.96
Interest coverage ratio	3.60	0.29	7.36	13.30	25.71

(Note) Shareholder's equity ratio: $\text{Shareholder's equity} / \text{Total assets}$

Share ratio on a market price basis: $\text{Total market value of stock} / \text{Total assets}$

Interest-bearing liabilities ratio to cash flow: $\text{Operating cash flow} / \text{Interest payment}$

Interest coverage ratio : $\text{Operating cash flow} / \text{Interest payment}$

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.

While recording increased profit in current net income for the current fiscal year, however, retained earnings in the shareholders' equity was negative. Therefore, much to our regret, no dividend is scheduled for distribution in the current period. Nevertheless, we are striving to expand the performance and internal reserves to generate profits to pay 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) Government measures

The SANIX Group's PV business expects the commercial PV system market to expand rapidly along with the enforcement of the Act on Special Measures Concerning New Energy Use by Operators of Electric Utilities. However, if customers become less willing to invest due to revision in the purchase price or period that is subject to annual review according to the "Renewable Energy Feed in Tariff Purchasing Program," or abolition of it, there might be disadvantageous effects on the performance or the financial state of our group.

(2) Foreign exchange rate fluctuations

In the Group's PV business, most of the PV modules have been sourced from Chinese and South Korean

manufacturers. Purchase prices are expected to rise in the future, and purchase price fluctuations due to the exchange rate may impact the Group's performance and financial state.

(3) Human resources recruitment and retention

Our group's PV business requires a number of employees to be engaged in various functions from sales and installation to customer management. To address such needs, mid-career employees will be proactively hired, including those qualified as electrical engineers. However, any larger-than-expected shortage in the number of employees due to difficulty in recruitment or considerable rise of labor costs in sales due to rapid market changes in the PV business may have negative effects on the performance and the financial state of the group.

(4) 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.

(5) 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.

(6) 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.

(7) Statutory regulations

As our key business lines include PV system sales/installation, residential maintenance, commercial waste disposal, power generation and electricity sales, we 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."

The Group endeavors to enhance compliance. However, any enforcement of amendment or establishment of such regulations, or of administrative action, such as suspension of sales, in whole or in part, or cancellation of approvals, may impact the group's performance and financial state.

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) CPS Division

SANIX Engineering Incorporated, a consolidated subsidiary, has been conducting sales and installation for the rapidly penetrating commercial PV systems. The Company sells wholesale PV component. From March 2015, the division's PV operation is scheduled to shift from SANIX Engineering Incorporated to SE-West section and SE-East section as of June 1.

2) HS Division

The Company engages in environmental sanitation work for general households, specifically termite control, repairing foundations, under-roof/floor ventilation systems, and PV system installation for households. From March 2015, the division's PV operation is scheduled to shift to the SE-West section.

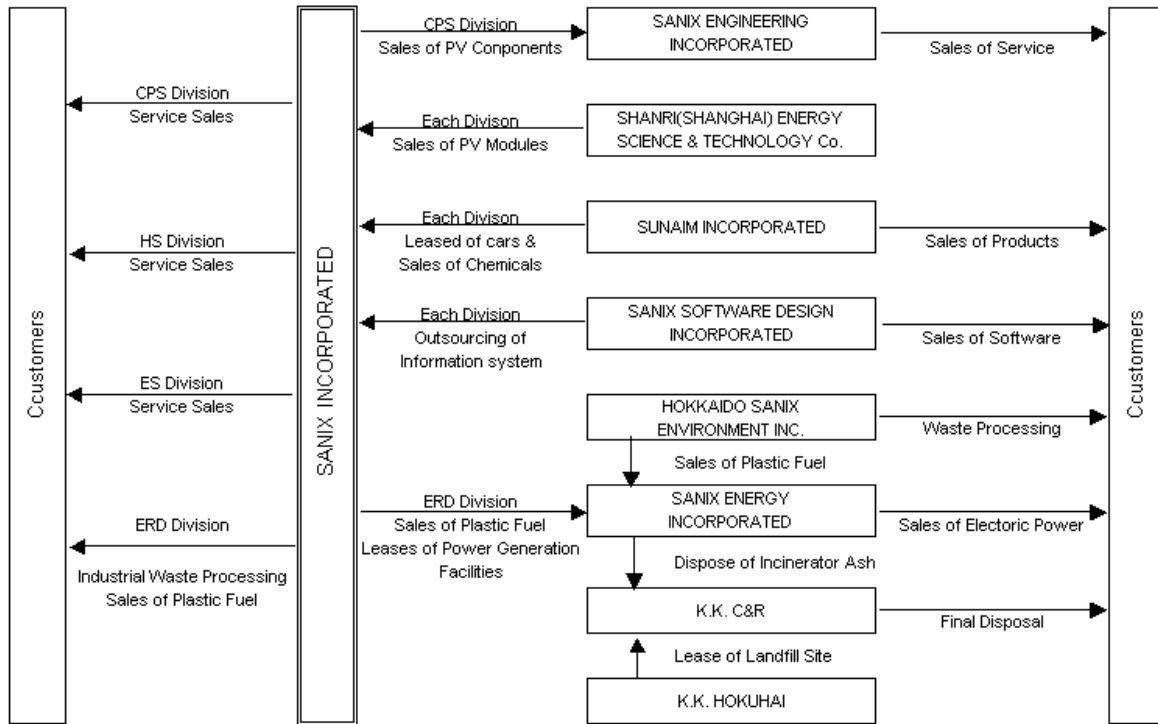
3) ES Division

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.

4) 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.

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.



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%, expecting a substantial increase in sales in the PV business, which will account for a significant share of sales.

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

(1) CPS Division

With proactive promotion of renewable energy by the government, the division will stimulate demand for commercial PV, a market with huge potential, concentrating the management resources. In the medium term, We will expand the market share by further expanding the sales structure in western Japan, while establishing the structure in eastern Japan where full-fledged business is scheduled in the March 2015 period.

(2) 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.

(3) ES Division

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

(4) 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.

4. Challenges the Company faces

Although the business environment surrounding the company will remain severe, eco-businesses, such as renewable energy promotion and resource recycling energy deployment, are expected to play an increasingly important role in society in terms of environmental protection. To promote these businesses, we have been tackling the following management challenges:

(1) Human resources recruitment and structural enhancement

As the commercial PV business requires engaging a number of employees from sales and installation to customer management, the recruitment of such employees will be an important challenge. In terms of sales, we will establish a sales structure that enables community-based introduction and repeat sales as well as driving the development of potential needs. As for installation, we will establish a structure to address demand and increase the number of installations by hiring technical staff, including qualified electrical workers.

(2) Cost reduction of PV system components

The commercial PV business has been rapidly expanding the market. With the rapid increase in the sales of our products, the Group expects to achieve a dramatic increase in market share. However, addressing the rapidly changing market is an important challenge. The Group is realizing opportunities, further enhancing cost reductions and sourcing capabilities on modules and power conditioner components, while executing cost reductions through in-house manufacturing.

(3) Retail electricity liberalization and stable operation at TOMAKOMAI Power Plant

Companies are attempting to identify business opportunities for the retail electricity liberalization scheduled in 2016. In order to address the new electricity demand brought by the liberalization, stable operation of TOMAKOMAI Power Plant, which should be a power base, will be an important challenge for the SANIX Group. By improving the quality of plastic fuel together with stable operation, we will enhance the potential of the retail electricity business.

(4) Plastic fuel sales

Our environmental resources development business sells plastic fuel to users as an alternative fossil fuel. In order to offer this fuel to other users, it is important to ensure the quality and volume. We will strive to increase the acceptance volume of waste plastic, to expand sales channels of plastic fuel and to create a structure that enables stable supply.

(5) 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.

(6) 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.

5. Other Significant Management Issues

No applicable matter.

IV. Consolidated financial Statements

1. Consolidated Balance Sheet

(thousands of Yen)

	As of March 31	
	FY2012	FY2013
Assets:		
Current Assets:		
Cash and deposits	3,559,160	9,237,009
Notes and accounts receivable-trade	7,356,616	22,205,080
Merchandise and finished goods	60,036	113,503
Work in process-construction	260,009	584,283
Raw materials and supplies	2,577,620	5,447,067
Deferred tax assets	298,920	597,129
Other	681,265	1,089,619
Allowance for doubtful accounts	△142,104	△624,897
Total Current Assets:	14,651,525	38,648,796
Fixed Assets:		
Property, Plant and Equipment:		
Buildings and structures, net	9,705,554	9,601,276
Less: Accumulated Depreciation	△7,815,155	△7,710,467
Buildings and Structures (net of depreciation)	1,890,399	1,890,809
Machinery, equipment and vehicles, net	11,981,923	12,316,969
Less: Accumulated Depreciation	△11,423,926	△11,046,772
Machinery, Equipment and Vehicles (net of depreciation)	557,997	1,270,196
Land	8,889,529	9,179,989
Lease assets, net	556,626	1,061,376
Less: Accumulated Depreciation	△205,382	△345,167
Leased Assets (net)	351,243	716,208
Construction in progress	464,340	905,446
Other	941,983	1,018,076
Less: Accumulated Depreciation	△769,376	△799,577
Other, net	172,607	218,498
Total Property, Plant and Equipment:	12,326,117	14,181,149
Intangible Fixed Assets:		
Goodwill	625,370	513,363
Other, net	60,123	59,371
Total Property, Plant and Equipment:	685,493	572,735
Investments and Other Assets:		
Investment securities	316,576	339,001
Lease and guarantee deposits	705,601	722,807
Deferred tax assets	95,696	312,701
Other	856,122	998,452
Allowance for doubtful accounts	△440,823	△458,710
Total Investments and Other Assets:	1,533,173	1,914,251
Total Fixed Assets:	14,544,785	16,668,136
Total Assets:	29,196,310	55,316,932

(thousands of Yen)

	As of March 31	
	FY2012	FY2013
Liabilities:		
Current Liabilities:		
Notes and accounts payable-trade	5,459,789	20,114,703
Short-term loans payable	3,338,000	5,000,000
Current portion of long-term loans payable	848,190	948,496
Accounts payable-other	3,166,433	4,836,350
Accrued expenses	931,437	1,813,247
Accrued income taxes	119,644	198,410
Lease obligations	362,883	1,720,525
Income taxes payable	249,243	719,070
Provision for bonuses	68,871	204,329
Allowance for resource-recycling expenses	12,320	32,342
Other	316,254	994,394
Total Current Liabilities:	14,873,068	36,581,870
Non-Current Liabilities:		
Bonds payable	50,000	30,000
Long-term loans payable	2,819,551	3,695,132
Lease obligations	272,054	523,758
Deferred tax liabilities	42,647	—
Long-term lease deposited	46,349	49,317
Provision for retirement benefits	1,419,934	—
Provision for directors' retirement benefits	179,756	181,256
Liability Related to Retirement Benefits	—	1,534,705
Provision for disposal site closing expenses	373,699	429,384
Other	282,051	463,833
Total Non-Current Liabilities:	5,486,044	6,907,389
Total Liabilities:	20,359,113	43,489,259
Net Assets:		
Shareholders' Equity:		
Capital stock	14,041,834	14,041,834
Capital surplus	—	4,413
Retained earnings	△3,733,267	△768,586
Treasury stock	△1,610,889	△1,581,964
Total Shareholders' Equity:	8,697,677	11,695,697
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	78,147	91,833
Foreign currency translation adjustment	32,356	44,491
Adjustment for Retirement Benefits (Cumulative)	—	△33,905
Total Valuation and translation adjustments:	110,503	102,419
Minority Interests:	29,016	29,556
Total Net Assets:	8,837,197	11,827,673
Total Liabilities and Net Assets:	29,196,310	55,316,932

2. Consolidated Statement of Income and Comprehensive Income

(Consolidated Statement of Income)

(thousands of Yen)

	from April 1 to March 31	
	FY2012	FY2013
Net sales	43,366,108	84,221,741
Cost of sales	29,995,849	62,800,497
Gross profit	13,370,258	21,421,244
Selling, general and administrative expenses		
Sales commission	899,259	947,451
Advertising expenses	1,142,124	1,967,772
Provision of allowance for doubtful accounts	50,395	497,586
Salaries and Bonuses	4,957,186	6,969,933
Provision for bonuses	33,679	103,488
Retirement benefit expenses	139,113	146,306
Provision for directors' retirement benefits	1,500	1,500
Legal welfare expenses	615,345	837,653
Rent expenses	837,843	914,656
Depreciation	123,968	194,628
Others	2,699,345	4,331,950
Total selling, general and administrative expenses	11,499,762	16,912,927
Operating income (loss)	1,870,495	4,508,316
Non-operating income:		
Interest income	5,978	13,342
Dividends income	11,530	7,750
Commission for insurance office work	3,774	3,775
Land and house rent revenue	69,985	74,924
Subsidy income	—	30,208
Other	46,263	78,599
Total non-operating income	137,531	208,600
Non-operating expenses:		
Interest expenses	164,203	188,361
Rent expenses	2,308	2,217
Foreign exchange losses	36,883	104,938
Other	15,725	111,414
Total non-operating expenses	219,120	406,931
Ordinary income (loss)	1,788,906	4,309,984
Extraordinary income:		
Gain on sales of securities	138,075	—
Gain on sales of fixed assets	5,199	—
Total extraordinary income	143,274	—
Extraordinary loss:		
Loss on cancellation of lease contracts	794	—
Impairment loss	18,657	—
Total extraordinary loss	19,452	—
Income (loss) before income taxes and minority interests	1,912,729	4,309,984
Income taxes-current	358,674	1,891,559
Income taxes-deferred	△21,325	△546,796
Total income taxes	337,348	1,344,763
Income before minority interests	1,575,380	2,965,220
Minority interests in income	368	540
Net income (loss)	1,575,011	2,964,680

(Comprehensive Income)

	(thousands of Yen)	
	from April 1 to March 31	
	FY2012	FY2013
Income before minority interests	1,575,380	2,965,220
Other comprehensive income	-	-
Share of other comprehensive income of associates accounted for using equity method	25,374	13,685
Foreign currency translation adjustment	28,277	12,135
Total other comprehensive income	53,652	25,821
Comprehensive income	1,629,033	2,991,042
Comprehensive income attributable to	-	-
Comprehensive income attributable to parent company	1,628,664	2,990,502
Comprehensive income attributable to minority interests	368	540

3. Consolidated Statements of Changes in Net Assets

(thousands of Yen)

	from April 1 to March 31	
	FY2012	FY2013
Shareholders' Equity		
Capital stock:		
Balance at the end of previous period	14,041,834	14,041,834
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	14,041,834	14,041,834
Retained earnings:		
Balance at the end of previous period	(5,377,499)	(3,733,267)
Changes of items during the period		
Net income	1,575,011	2,964,680
Change of scope of consolidation	69,221	
Total changes of items during the period	1,644,232	2,964,680
Balance at the end of current period	(3,733,267)	(768,586)
Treasury Stock:		
Balance at the end of previous period	(1,610,767)	(1,610,889)
Changes of items during the period		
Purchase of treasury stock	(122)	(918)
Disposal of treasury stock	—	29843
Total changes of items during the period	(122)	28,924
Balance at the end of current period	(1,610,889)	(1,581,964)
Total Shareholders' Equity:		
Balance at the end of previous period	7,053,567	8,697,677
Changes of items during the period		
Net income	1,575,011	2,964,680
Change of scope of consolidation	69,221	—
Purchase of treasury stock	(122)	(918)
Disposal of treasury stock	—	34256
Total changes of items during the period	1,644,110	2,998,019
Balance at the end of current period	8,697,677	11,695,697

(thousands of Yen)

	from April 1 to March 31	
	FY2012	FY2013
Valuation and Translation Adjustments:		
Valuation difference on available- for-sale securities		
Balance at the end of previous period	52,772	78,147
Changes of items during the period		
Net changes of items other than shareholders' equity	25,374	13,685
Total changes of items during the period	25,374	13,685
Balance at the end of current period	78,147	91,833
Total Valuation and Translation Adjustments:		
Balance at the end of previous period	52,772	110,503
Changes of items during the period		
Changes of Foreign currency translation adjustment	4,078	-
Net changes of items other than shareholders' equity	53,652	(8,083)
Total changes of items during the period	57,731	(8,083)
Balance at the end of current period	110,503	102,419
Minority Interests:		
Balance at the end of previous period	28,647	29,016
Changes of items during the period		
Net changes of items other than shareholders' equity	368	540
Total changes of items during the period	368	540
Balance at the end of current period	29,016	29,556
Total Net Assets:		
Balance at the end of previous period	7,134,986	8,837,197
Changes of items during the period		
Change of scope of consolidation	69,221	-
Changes of Foreign currency translation adjustment in change in scope of consolidation	4,078	-
Net income	1,575,011	2,964,680
Purchase of treasury stock	(122)	(918)
Disposal of treasury stock	-	34,256
Net changes of items other than owners' equity	54,021	(7,543)
Total changes of items during the period	1,702,210	2,990,475
Balance at the end of current period	8,837,197	11,827,673

4. Consolidated Cash Flow Statement

(thousands of Yen)

	From April 1 to March 31	
	FY2012	FY2013
Net Cash Provided by (Used in) Operating Activities:		
Income before income taxes and minority interests	1,912,729	4,309,984
Depreciation and amortization	386,714	547,507
Loss on disaster	18,657	—
Increase/ Decrease in reserve for retirement benefits	37,152	112,006
Increase/ Decrease in reserve for directors' retirement benefits	1,500	(1,419,934)
Increase/ Decrease in provision for bonuses	56,924	1,500
Decrease in allowance for resource-recycling expenses	(28,290)	135,457
Amortization of goodwill	112,006	20,022
Increase/decrease in allowance for doubtful accounts	38,060	500,680
Interest and dividends income	(17,508)	1,482,236
Interest expenses	163,440	(21,093)
Gain/ Loss on sales of fixed assets	(5,199)	188,361
Loss on retirement of fixed assets	794	—
Increase/ Decrease in notes and accounts receivable-trade	(4,746,431)	—
Increase/ Decrease in inventories	(967,335)	—
Increase/ Decrease in other current assets	442,900	(14,848,763)
Decrease in notes and accounts payable-trade	4,013,467	(3,229,343)
Increase/ Decrease in consumption tax refund receivable	56,512	(537,999)
Increase/ Decrease in other current liabilities	1,131,171	14,665,227
Other	(94,866)	469,827
Subtotal	2,512,401	2,915,631
Interest and dividends income received	17,492	20,596
Interest expenses paid	(165,264)	(191,877)
Payment for damage repairing	—	—
Income taxes paid	(202,285)	(536,176)
Income taxes refund	22,383	1,720
Net cash provided by operating activities:	2,184,726	4,933,689
Net Cash Provided by (Used in) Investment Activities:		
Increase in time deposits	(11,300)	(21,200)
Proceeds from sales of securities	258,075	(1,686,897)
Proceeds from sales of property, plant and equipment	103,643	18,610
Purchase of property, plant and equipment	(615,817)	(1,241)
Payments for lease and guarantee deposits	—	—
Proceeds from collection of lease and guarantee deposits	48,600	(83,691)
Purchase of investment securities	(3,790)	43,984
Other	(1,714)	1,676
Net cash provided by investing activities:	(222,302)	(1,728,759)

(thousands of Yen)

	From April 1 to March 31	
	FY2012	FY2013
Net Cash Provided by (Used in) Financing Activities:		
Increase (decrease) in short-term loans payable	1,013,000	1,662,000
Proceeds from long-term loans payable	210,000	1,870,025
Repayment of long-term loans payable	(861,724)	(894,137)
Proceeds from issuance of bonds	—	—
Redemption of bonds	(20,000)	(20,000)
Repayments of finance lease obligations	(108,801)	(186,735)
Net decrease/ increase in treasury stock	(122)	—
Cash dividends paid	(1)	—
Other	(2,158)	2,303
Net cash provided by financing activities:	230,192	2,433,456
Effect of exchange rate changes on cash and cash equivalents	(11,055)	18,261
Net increase (decrease) in cash and cash equivalents	2,181,561	5,656,648
Cash and cash equivalents at beginning of period	1,365,530	3,547,860
Net increase (decrease) in cash and cash equivalents in change in scope of consolidation	768	—
Cash and cash equivalents at the end of period	3,547,860	9,204,509

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, 2012 to March 31, 2013)

(Thousands of Yen)

Segments	CPS	HS	ES	ERD	Total	Elimination	Consolidated
						or Group	
Sales:							
Sales to customers	9,617,646	14,814,917	3,965,643	14,967,900	43,366,108	—	43,366,108
Internal sales among segments and transfer accounts.	—	—	—	—	—	—	—
Total	9,617,646	14,814,917	3,965,643	14,967,900	43,366,108	—	43,366,108
Operating income(loss)	320,368	1,775,560	139,481	1,567,654	3,803,065	(1,932,569)	1,870,495
Assets	3,735,173	6,439,869	1,139,765	10,125,736	21,440,546	7,755,764	29,196,310
Others:							
Depreciation expenses	10,519	49,712	9,711	371,927	441,871	56,949	498,821
Amortization of goodwill	—	—	—	112,006	112,006	—	—
Capital expenditures.	180,108	66,311	1,866	791,198	1,039,484	62,779	1,102,264

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

(Thousands of Yen)

Segments	CPS	HS	ES	ERD	Total	Elimination	Consolidated
						or Group	
Sales:							
Sales to customers	51,340,380	10,818,889	6,011,468	16,051,002	84,221,741	—	84,221,741
Internal sales among segments and transfer accounts.	—	—	—	—	—	—	—
Total	51,340,380	10,818,889	6,011,468	16,051,002	84,221,741	—	84,221,741
Operating income(loss)	4,410,370	1,141,210	190,383	1,364,711	7,106,674	(2,597,358)	4,508,316
Assets	27,018,936	3,181,721	1,482,707	11,969,862	43,653,227	11,663,704	55,316,932
Others:							
Depreciation expenses	89,921	37,120	8,829	251,826	387,698	159,808	547,507
Amortization of goodwill	—	—	—	112,006	112,006	—	—
Capital expenditures.	680,814	181,398	21,141	972,802	1,856,156	158,315	2,014,472

Supplemental information

Net Sales by Division

(thousand of Yen)

	from April 1 to March 31		Changes
	FY2012	FY2013	
Commercial PV system	6,072,427	42,099,603	36,027,176
wholesale of PV components	3,545,219	9,172,596	5,627,377
others	—	68,180	68,180
Commercial Photovoltaic Solution Total:	9,617,646	51,340,380	41,654,553
Houseuse PV system	7,683,512	1,309,147	(6,374,364)
Termite Eradication Service	2,690,613	3,264,981	574,368
Under-Roof/Floor Ventilation System	1,310,653	1,641,459	330,806
Foundation Repairing/Home Reinforcement System	831,293	930,975	99,681
Other	2,298,845	3,672,325	1,373,480
Home Sanitation Division Total:	14,814,917	10,818,889	(3,996,028)
Commercial and houseusePV system	1713569	4017557	2,303,987
Anti-rust equipment installation	600,581	476,935	(123,646)
Repair of building water-works	762,981	807,161	44,179
Waterproofing of building	300,172	195,494	(104,678)
Other	588,338	514,319	(74,018)
Establishment Sanitation Division Total:	3,965,643	6,011,468	2,045,825
Plastic fuel	8,665,286	9,103,080	437,793
Industrial waste (Organic Waste Water Recycle)	3,370,228	3,416,438	46,210
Generation of electricity	1,602,055	1,768,754	166,699
Final disposal	607,591	628,248	20,657
Other	722,738	1,134,481	411,742
Environmental Resources Development Division Total:	14,967,900	16,051,002	1,083,102
Total Net Sales:	43,366,108	84,221,741	40,855,633