



SANIX INCORPORATED

Summary of Consolidated Financial Statements

For the Fiscal Year Ended March 31, 2017

[Japanese Standards]

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, 2017

SANIX INCORPORATED

Stock Listed: Tokyo Stock Exchange First Section, Fukuoka Stock Exchange
 Code No: 4651
 URL: <http://sanix.jp>
 President and CEO: Hiroshi Munemasa
 Contact: Kozo Inoue, Director, Management Corporate Officer,
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1. Business Results – Operating results for the Fiscal Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(1) Consolidated Operating Results

(In Millions of Yen)

	Fiscal Year			
	From April 1 to March 31			
	FY2016	%change	FY2015	%change
Net Sales.....	50,955	(17.7%)	61,916	(35.3%)
Operating Income	1,036	—	(2,229)	—
Ordinary Income	907	—	(1,949)	—
Profit attributable to owners of parent	416	—	(4,604)	—
Basic earnings per share (¥)	¥8.70	—	(¥96.32)	—
Diluted earnings per share (¥)	—	—	—	—
Rate of return on equity	15.4	—	(93.0)	—
Ordinary income to total assets ratio	2.9	—	(4.9)	—
Operating income to net sales ratio	2.0	—	(3.6)	—
(Note) Comprehensive Income	216	—	(4,699)	—

(2) Consolidated Financial Position

(In Millions of Yen)

	Fiscal Year	
	As of March 31	
	FY2016	FY2015
Total Assets.....	31,645	31,248
Net Assets	2,845	2,629
Capital adequacy ratio (%)	8.9%	8.3%
Net assets per share(¥)	¥58.86	¥54.34
(Reference) Owner's equity	2,813	2,597

(3) Consolidated Financial Cash Flows

(In Millions of Yen)

	Fiscal Year	
	From April 1 to March 31	
	FY2016	FY2015
Cash Flows from Operating Activities.....	1,668	(5,403)
Cash Flows from Investing Activities.....	(409)	1,062
Cash Flows from Financing Activities	1,437	1,288
Cash and Equivalents ,End of Period	4,875	2,218

2. Dividends

	Quarterly Period				Annual	Total Dividend paid	Payout ratio (consolidated)	Dividends to Net Assets (consolidated)
	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter				
(Dividends per Share)								
FY2015 ended March 31, 2016	0.00	0.00	0.00	0.00	0.00	—	—	—
FY2016 ended March 31, 2017	0.00	0.00	0.00	0.00	0.00	—	—	—
FY2017 ended March 31, 2018(Forecast)	0.00	0.00	0.00	0.00	0.00		—	

3. Forecasts for Consolidated Business Results (April 1, 2017 to March 31, 2018)

(In Millions of Yen)

	Fiscal Year			
	From April 1 to March 31			
	First Half	%change	Full Year	%change
Net Sales.....	23,656	0.0%	47,680	(6.4%)
Operating Income	80	(22.7%)	1,210	16.7%
Ordinary Income	0	—	1,090	20.2%
Profit attributable to owners of parent	(100)	—	810	94.7%
Basic earnings per share (¥)	(¥2.09)		¥16.94	

* Notes

(1) Changes in significant subsidiaries during the period

(Changes in scope of consolidations resulting from change in subsidiaries): None

Number of subsidiaries newly consolidated	—
Name of subsidiaries newly consolidated	—
Number of subsidiaries excluded from consolidation	—
Name of subsidiaries excluded from consolidation	—

- (2) Changes in accounting policies and accounting estimates retrospective restatement
- i) Changes in accounting policies based on revisions of accounting standard: None
 - ii) Changes in accounting policies other than ones based on revisions of accounting standard: None
 - iii) Changes in accounting estimates: None
 - iv) Retrospective restatement: None

(3) Number of issued and outstanding shares (common stock)

	(Shares)	
	End of term	
	FY 2016	FY 2015
Number of issued and outstanding shares at the end of fiscal year (including treasury stock)	48,919,396	48,919,396
Number of treasury stock at the end of fiscal year	1,113,668	1,113,443
Average number of shares during the period	47,805,834	47,806,103

(Reference) Business Result-Overview of non-consolidated Operating Results
1. Business Results – Operating results for the Fiscal Year ended March 31, 2017
(April 1, 2016 to March 31, 2017)

(1) Non-Consolidated Operating Results

	(In Millions of Yen)			
	Fiscal Year			
	From April 1 to March 31			
	FY2016	%change	FY2015	%change
Net Sales.....	45,614	(19.6%)	56,700	(30.3%)
Operating Income	621	—	(2,800)	—
Ordinary Income	830	—	(2,599)	—
Net Income	540	—	(4,700)	—
Basic earnings per share (¥)	¥11.31	—	(¥98.33)	—
Diluted earnings per share (¥)	—	—	—	—

(2) Non-Consolidated Financial Position

	(In Millions of Yen)	
	Fiscal Year	
	As of March 31	
	FY2016	FY2015
Total Assets.....	26,538	26,056
Net Assets	1,370	793
Capital adequacy ratio (%)	5.2%	3.0%
Net assets per share(¥).....	¥28.67	¥16.59
(Reference) Owner's equity	1,370	793

* This summary of financial statements is exempt from audit procedure required by Financial instruments

and Exchange Act.

* 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. For details of these assumptions, prospects and plans, and for notes appropriate use of forecasts for the business results, please see page 2 of the Attachment.

Index of the attachment

1. Information on Business Results & Financial Position for the fiscal year ended March 31, 2017	2
(1) Information on Consolidated Business Results	2
(2) Information on Consolidated Financial Position.....	4
(3) Information on Consolidated Cash Flows	5
(4) Outlook for the next fiscal year	6
(5) Important Events concerning the Assumption of Going Concern.....	7
2. Basic Position regarding the Choice of Accounting Standards	8
3. Consolidated Financial Statements And Main Notes to the Statements	9
(1) Consolidated Balance Sheets.....	9
(2) Consolidated Statements of Income and Comprehensive Income	11
Consolidated Statements of Income	11
Consolidated Statements of Comprehensive Income	12
(3) Consolidated Statements of Changes in Net Assets.	13
(4) Consolidated Statements of Cash Flows	15
(5) Notes to the Consolidated Financial Statements	17
Notes to the Assumption of a Going Concern	17
4. Supplement Information	19
Consolidated Net Sales by Division.....	19

1. Information on Business Results & Financial Position for the fiscal year ended March 31, 2017

(1) Information on Consolidated Business Results

In the fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017), the Japanese economy continued to follow a modest recovery path, with improved employment and income conditions. However, the economic outlook remained uncertain due to concerns such as sluggish consumer spending, growing uncertainty about overseas economies and the risk of sharp fluctuations in foreign exchange rates.

With respect to the market conditions surrounding the solar energy business, legislative revisions for the Feed-In Tariffs (FIT) and a fall in unit purchase prices have caused the market to contract.

In this business environment, the Group recognizes the need to further strengthen its business foundations to achieve sustainable growth, and it began to execute its new medium-term business plan (FY2016-FY2018) in April 2016. Under its policy of undertaking management reform, in the first half of the fiscal year under review, the Group has been pursuing structural reform initiatives that include implementing a voluntary retirement program, consolidating and eliminating stores, and downsizing logistics and production operations with the aim of building an appropriate business scale in a consistent manner.

As for sales in the fiscal year under review, the Solar Engineering (SE) Division was unable to avoid the adverse effect of changes in the environment and the contraction of the market for the solar electric power business, and sales declined significantly. As a consequence, the net sales of the entire Group were ¥50,955 million (down 17.7% year on year).

In terms of profitability, although sales declined considerably in the SE Division, cost reductions as a result of management rationalization initiatives and lower materials costs, among other factors, led to an improvement in the gross margin and a significant fall in selling, general and administrative expenses, and income moved into the black at all levels in the fiscal year under review. As a consequence, for the whole Group, operating income was ¥1,036 million compared to an operating loss of ¥2,229 million in the previous year, and ordinary income was ¥907 million compared to an ordinary loss of ¥1,949 million in the previous year. The Group posted expenses related to voluntary retirement of ¥177 million as an extraordinary loss. Consequently, the Group posted profit attributable to owners of parent of ¥416 million, as opposed to a loss of ¥4,604 attributable to the owners of the parent in the previous year.

Consolidated results of individual divisions for the first three quarters under review were as follows:

a. Solar Engineering (SE) Division

The wholesale sales of PV systems declined 64.7% year on year, reflecting 29.6% decline in the number of installations of industrial-use PV systems, despite aggressive marketing activities in response to the changes in the market environment with respect to the solar electric power business. As a consequence, sales were ¥26,225 million (down 34.2% year on year).

Despite the significant decline in sales, the Company achieved operating income of ¥1,669 million, as opposed to an operating loss of ¥202 million in the previous year, reflecting the successful reduction of personnel and other fixed expenses mainly due to management rationalization and a focus on cost reductions, including costs of materials such as photovoltaic modules. It should be noted that the Company achieved the operating income net of an inventory valuation loss of ¥777 million associated with the decrease in profitability for power conditioners that had been manufactured in-house.

b. Home Sanitation (HS) Division

Sales of basic repair and house reinforcement construction services for ordinary homes rose from the previous fiscal year, reflecting reinforced sales activities and account management strategies aimed at rebuilding the HS division that had long suffered declining sales. As a result of the initiatives that succeeded in putting an end to the declining sales, the division's sales were ¥6,562 million (up 0.7% year on year).

Operating income stood at ¥979 million (up 59.3% year on year), primarily reflecting successful cost reduction measures focusing on management rationalization along with the reinforced marketing activities resulting in higher productivity.

c. Establishment Sanitation (ES) Division

Sales in anti-rust equipment installation and waterproofing of buildings, maintenance-related services for buildings and condominiums, increased from the previous fiscal year. As a result, net sales were ¥1,033 million (up 11.8% year on year).

Operating income came to ¥94 million (up 75.7% year on year) mainly due to the increase in segment sales.

d. Environmental Resources Development (ERD) Division

Plastic fuel sales secured the level recorded in the previous fiscal year, despite the lower collection volume of waste plastic due to a rise in unit prices implemented as part of the business strategy. Electricity sales achieved year-on-year growth due to a rise in the number of service contracts concluded with high-voltage consumers in the Power Producer and Supplier business. As a consequence, sales amounted to ¥17,133 million (up 17.3% year on year).

Operating income stood at ¥1,029 million (up 264.7% year on year), reflecting an improvement in the gross margin ratio mainly attributable to the revision of unit prices for the collection of waste plastic, a fall in costs related to inspection and repair work at Tomakomai Power Plant, and improved profitability in the collection volume of organic wastewater recycling.

(2) Information on Consolidated Financial Position

Total assets as of the end of the fiscal year under review stood at ¥31,645 million, an increase of ¥396 million compared with the end of the previous consolidated fiscal year. Total liabilities were ¥28,799 million, an increase of ¥180 million compared with a year earlier. Net assets totaled ¥2,845 million, representing an increase of ¥216 million from a year ago. As a consequence, the shareholders' equity ratio stood at 8.9% as of March 31, 2017.

(The status of Assets)

Current assets at the end of the period increased to ¥17,522 million, representing 3.5% increase over a year ago, primarily due to ¥2,540 million increase in cash and deposits, partially offset by ¥675 million decrease in notes and accounts receivable-trade and ¥1,082 million decrease in raw materials and supplies.

Non-current assets decreased by 1.4% from a year ago, to ¥14,122 million, primarily reflecting ¥139 million decrease in tangible fixed assets due to depreciation related to buildings and structures.

(The status of Liabilities)

Current liabilities were ¥25,586 million, representing 3.8% increase over a year ago, primarily reflecting ¥2,851 million increase in short-term loans payable partially offset by ¥861 million decrease in notes and accounts payable-trade, ¥653 million decrease in accounts payable-other, and ¥360 million decrease in the current portion of long-term loans payable.

Long-term liabilities were ¥3,212 million, representing 19.2% decrease as compared with a year earlier, primarily due to ¥593 million decrease in long-term loans payable and ¥128 million decrease in lease obligations.

(The status of Net Assets)

Net assets were ¥2,845 million, representing 8.2% increase as compared with the end of the previous fiscal year, primarily reflecting ¥416 million in Profit attributable to owners of parent.

(3) Information on Consolidated Cash Flows

Cash and cash equivalents (hereinafter, “cash”) were ¥4,875 million at the end of the fiscal year under review, representing ¥2,656 million increase from a year earlier.

Cash flows and reasons for changes in cash flows during the period are described below.

(Net Cash Provided by Operating Activities)

Cash flow from operations of ¥1,668 million (as opposed to the net use of ¥5,403 million in the preceding fiscal year) was primarily the result of ¥1,704 million decrease in inventory.

(Net Cash Provided by Investment Activities)

The use of ¥409 million in investing activities (as opposed to net inflow of ¥1,062 million for the previous period) was primarily ¥454 million for acquisition of tangible fixed assets.

(Net Cash Provided by Financing Activities)

Cash flow from financing activities of ¥1,437 million (as compared with ¥1,288 million in the preceding fiscal year) was primarily the result of ¥2,851 million in net proceeds from short-term loans payable, partially offset by ¥954 million in net repayment of long-term debt.

(Reference: The Cash Flow Indicators)

	Fiscal Year				
	FY2012	FY2013	FY2014	FY2015	FY2016
Shareholders' equity ratio	30.2%	21.3%	14.9%	8.3%	8.9%
Shareholders' equity ratio on a market price basis	92.0%	99.2%	37.6%	32.9%	28.9%
Interest-bearing liabilities ratio to cash flow	3.24	1.96	-	-	8.77
Interest coverage ratio	13.3	25.71	-	-	6.76

(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. The basis of the calculation for all values is consolidated financial data.
2. Market capitalization is calculated by multiplying the closing price of SANIX shares at the end of the fiscal year by the number of shares outstanding at the end of the fiscal year.
3. Operating cash flow refers to Cash Flows from Operating Activities according to the consolidated statement of cash flows. Interest-bearing liabilities are comprised of all liabilities on the consolidated balance sheet on which interest is payable. Interest expenditure refers to interest expenses paid according to the consolidated statement of cash flows.

(4) Outlook for the next fiscal year

In the fiscal year ended March 31, 2017, the Group returned to profitability at all levels for the first time in three years, achieving sales and profit that were both higher than expected for the initial year of the medium-term management plan. For the fiscal year ending March 31, 2018, we will take steps to build stronger operating foundations by promoting structural reform activities in pursuit of sustainable and robust business management. As part of the structural reform initiatives, the Company launched the Headquarters Overseeing SE, HS and ES at the time of the announcement of organizational changes with effect from April 1, 2017, with the aim of establishing a more effective approach to sales activities along with more efficient operations for installation work through inter-segment cooperation among SE, HS and ES operating in the same sales offices.

In the SE Division, the Company will take steps to launch new services, bolstering maintenance services in response to changes in the market conditions associated with the revisions of legislation for the Feed-In Tariffs (FIT). Given the challenging market conditions for the solar energy business, the Company expects to suffer a decline in sales in the SE Division for the fiscal year ending March 31, 2018. The Company plans to implement cost reduction initiatives, including a reduction in personnel expenses and other fixed operating costs, by reassigning part of the workforce out of the SE Division to the HS Division and by achieving lower materials costs.

In the HS Division, the Company expects growth in sales on the strength of the initiatives aimed at enhancing the division's capabilities with respect to new customer development and after-sales support services delivered to existing customers by reassigning part of the workforce from the SE Division to this division. An increase in the workforce will result directly in higher fixed expenses for the division, but the Company expects that the higher fixed expenses will be absorbed by the growth in sales, seeking to maintain the division's current profitability.

In the ES Division, the Company expects to achieve higher sales on the strength of the initiatives aimed at enhancing the division's capabilities with respect to new customer development and after-sales support services delivered to existing customers, as well as building stronger business alliances. While an increase in the workforce will result in higher fixed expenses for the division, the Company aims to improve the division's profitability by strengthening its approach, as is the case with the HS Division.

In the Environmental Resources Development Division, the Company expects growth in sales, given that electricity sales are set to rise with the contribution of increased sales to high-voltage consumers in the Power Producer and Supplier business. The Company aims to achieve an improvement in profitability on the strength of its initiatives in implementing the revision of unit prices for the collection of waste plastic

and reducing waste recycling costs and others. Meanwhile, an increase is expected in costs associated with the statutory inspection that takes place at Tomakomai Power Plant once every two years.

In the Environmental Resources Development Division, the Company expects growth in sales, given that electricity sales are set to rise with the contribution of increased sales to high-voltage consumers in the Power Producer and Supplier business. The Company aims to achieve an improvement in profitability on the strength of its initiatives implementing the revision of unit prices for the collection of waste plastic and reducing waste recycling costs and others. Meanwhile, an increase is expected in costs associated with the statutory inspection that takes place at Tomakomai Power Plant once every two years.

For the consolidated fiscal year ending March 31, 2018, SANIX Group aims to achieve sales of ¥47,680 million (down 6.4% year on year) with operating income of ¥1,210 million (up 16.7%), ordinary income of ¥1,090 million (up 20.2%), and profit attributable to owners of parent of ¥810 million (up 94.7%).

(5) Important Events concerning the Assumption of Going Concern

The Group recorded a significant operating loss, ordinary loss, and loss attributable to owners of parent in both the fiscal year ended March 31, 2015 and the fiscal year ended March 31, 2016. In the fiscal year under review, however, the Group recorded operating income of ¥1,036 million, ordinary income of ¥907 million and profit attributable to owners of parent of ¥416 million.

Nevertheless, the Group is still working toward achieving the medium-term business plan, and its interest-bearing debt is ¥14,634 million, which is high compared with its liquidity on hand. Accordingly, the Company recognizes that it is still susceptible to events and conditions that cast significant doubt on going concern assumptions.

To overcome the situation, the Company believes that in light of the business environment surrounding the solar electric power business, it is essential to further strengthen its business foundation to achieve sustainable growth. The Company is therefore focusing on the following measures as part of the medium-term business plan (FY2016 - FY2018) announced on April 15, 2016.

i) A well-balanced allocation of management resources to business divisions

The Company is scaling down the SE Division to an appropriate size based on a reasonable analysis of the external environment, rebuilding the HS Division and the ES Division, and further improving the efficiency of the Environmental Resources Development Division.

ii) Strengthening the business base through thorough streamlining

The Company is disposing of assets in accordance with the downsizing of the SE

Division (the elimination and consolidation of stores, the scaling down of the production of power conditioners, the downsizing of logistics and production operations, and the closure of a logistics center).

The Company called for voluntary retirement (approximately 500 employees) to reduce employee numbers to an appropriate level for its sales and 391 employees took voluntary retirement as a result, which was fewer than the number called for but is more or less in line with the initial plan if natural attrition is taken into account. The Company is also reducing the wages of all employees across the board.

iii) Enhancement of the governance system

At the 38th Annual General Meeting of Shareholders held on June 29, 2016, the Company increased the number of outside directors by one, to a total of three. The Company is also strengthening the management oversight functions of the Board of Directors and changing the business execution system to clarify the responsibilities of each business division.

The Company expects that its profitability will improve through these initiatives and will remain in the black. The Company has steadily implemented the medium-term business plan (FY2016 - FY2018) formulated on the assumption of the continued support of the main financing bank. The Company expects to continue to receive support and cooperation in financing and will work to stabilize cash management.

However, we have not completed these initiatives, and the support and cooperation of the main financing bank is not ensured, although we have obtained its understanding. We therefore recognize that there is significant uncertainty regarding the going concern assumption.

2. Basic Position regarding the Choice of Accounting Standards

The Group will use the Japanese standards for the time being. In addition, 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.

3. Consolidated Financial Statements and Main Notes to the Statements

(1) Consolidated Balance Sheets

	(In Millions of Yen)	
	As of March 31	
	FY2015	FY2016
Assets :		
Current Assets :		
Cash and deposits	3,038	5,578
Notes and accounts receivable-trade	6,693	6,017
Merchandise and finished goods	962	549
Work in process-construction	514	304
Raw materials and supplies	5,688	4,605
Deferred tax assets	8	12
Other	718	997
Allowance for doubtful accounts	(693)	(544)
Total current assets	16,930	17,522
Fixed Assets:		
Tangible fixed assets :		
Buildings and structures, net	8,882	8,774
Less: Accumulated depreciation	(6,973)	(7,053)
Buildings and structures (net of depreciation)	1,909	1,720
Machinery, Equipment and vehicles, net	12,332	11,651
Less: Accumulated depreciation	(11,009)	(10,417)
Machinery, Equipment and vehicles (net of depreciation)	1,323	1,234
Land	8,001	7,941
Lease assets, net	1,183	1,223
Less: Accumulated depreciation	(564)	(677)
Lease Assets, net	618	546
Construction in progress	393	672
Other, net	958	934
Less: Accumulated depreciation	(787)	(771)
Other, net	171	163
Total Tangible fixed assets	12,417	12,278
Intangible fixed assets :		
Goodwill	289	177
Other	151	148
Total Intangible fixed assets	440	325
Investments and other assets :		
Investment securities	91	145
Lease and guarantee deposits	644	669
Deferred tax assets	59	52
Other	1,157	1,293
Allowance for doubtful accounts	(494)	(641)
Total investments and other assets	1,458	1,518
Total fixed assets	14,317	14,122
Total Assets	31,248	31,645

(In Millions of Yen)		
As of March 31		
	FY2015	FY2016
Liabilities :		
Current Liabilities :		
Notes and accounts payable-trade	7,227	6,365
Short-term loans payable	10,118	12,969
Current portion of long-term loans payable	896	535
Accounts payable	3,298	2,644
Accrued expenses	1,374	1,041
Lease obligations	256	248
Accrued income taxes	244	428
Accrued consumption taxes	390	275
Allowance for resource-recycling expenses	37	27
Other	799	1,050
Total current liabilities	24,642	25,586
Non-Current Liabilities :		
Long-term loans payable	1,077	484
Lease obligations	525	396
Deferred tax liabilities	14	31
Long-term lease deposited	46	45
Provision for directors' retirement benefits	170	163
Liability related to retirement benefits	1,371	1,404
Provision for disposal site closing expenses	499	538
Other	269	147
Total non-current liabilities	3,976	3,212
Total Liabilities	28,618	28,799
Net Assets :		
Shareholders' Equity :		
Capital stock	14,041	14,041
Capital surplus	1	1
Retained earnings	(10,193)	(9,777)
Treasury stock	(1,481)	(1,481)
Total shareholders' equity	2,368	2,784
Valuation and translation adjustments :		
Valuation difference on available-for-sale securities	34	71
Foreign currency translation adjustment	46	(28)
Adjustment for retirement benefits (cumulative)	148	(14)
Total valuation and translation adjustments	229	28
Non-controlling Interests	31	32
Total Net Assets	2,629	2,845
Total Liabilities and Assets	31,248	31,645

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated Statements of Income)

	(In Millions of Yen)	
	From April 1 to March 31	
	FY2015	FY2016
Net sales	61,916	50,955
Cost of Sales	48,133	36,812
Gross Profit	13,783	14,142
Selling, General and Administrative expenses		
Sales commission	262	242
Advertising expenses	193	171
Provision of allowance for doubtful accounts	(512)	43
Salaries and bonuses	8,701	6,725
Retirement benefit expenses	230	85
Legal welfare expenses	1,180	850
Rent expenses	1,281	1,050
Depreciation	253	157
Others	4,421	3,780
Total selling, general and administrative expenses	16,013	13,106
Operating Income (Loss)	(2,229)	1,036
Non-Operating Income :		
Interest income	58	17
Dividends income	11	2
Land and house rent revenue	68	63
Subsidy income	91	26
Foreign exchange gains	230	-
Other	100	98
Total non-operating income	561	208
Non-Operating Expenses :		
Interest expenses	224	236
Rent expenses	2	2
Foreign exchange losses	-	7
Other	53	92
Total non-operating expenses	280	338
Ordinary Income (Loss)	(1,949)	907
Extra Ordinary Income :		
Gain on sales of investment securities	164	-
Total extra ordinary income	164	-
Extra Ordinary Loss :		
Loss on sales of non-current assets	796	-
Loss on sales of investment securities	1	-
Cost of earlier voluntary retirement	403	177
Impairment loss	991	-
Settlement package	316	-
Total extra ordinary loss	2,509	177
Income (Loss) Before Income Taxes and Minority Interests	(4,293)	729

Income Taxes-Current	292	309
Income Taxes-Deferred	15	3
Total Income Taxes	308	312
Net Income	(4,602)	416
Profit (Loss) attributable to the Non-Controlling Shareholders	2	0
Profit (Loss) attributable to Owners of Parent	(4,604)	416

(Consolidated Statements of Comprehensive Income)

(In Millions of Yen)

	From April 1 to March 31	
	FY2015	FY2016
Net Income	(4,602)	416
Other Comprehensive Income :		
Valuation difference on available-for-sale securities	(137)	37
Foreign currency translation adjustment	(137)	(74)
Retirement benefit adjustment	178	(162)
Total other comprehensive income	(96)	(200)
Comprehensive Net Income	(4,699)	216
Comprehensive Income Attributable to		
Comprehensive Profit (Loss) attributable to Owners of Parent	(4,701)	215
Comprehensive profit (Loss) attributable to the Non-Controlling Shareholders	2	0

(3) Consolidated Statements of Changes in Net Assets**The previous consolidated fiscal year (April 1, 2015 to March 31, 2016)**

(In Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	14,041	4	(5,588)	(1,481)	6,976
Changes of items during the period					
Changes of minority interests		(2)			(2)
Profit attributable to owners of parent			(4,604)		(4,604)
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	(2)	(4,604)	(0)	(4,607)
Balance at the end of current period	14,041	1	(10,193)	(1,481)	2,368

(In Millions of Yen)

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Retirement benefits adjustment	Total accumulated other comprehensive income		
Balance at the beginning of current period	171	184	(30)	325	29	7,331
Changes of items during the period						
Changes of minority interests						(2)
Profit attributable to owners of parent						(4,604)
Purchase of treasury stock						(0)
Net changes of items other than shareholders' equity	(137)	(137)	178	(96)	2	(94)
Total changes of items during the period	(137)	(137)	178	(96)	2	(4,701)
Balance at the end of current period	34	46	148	229	31	2,629

The consolidated fiscal year (April 1, 2016 to March 31, 2017)

(In Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	14,041	1	(10,193)	(1,481)	2,368
Changes of items during the period					
Changes of minority interests					-
Profit attributable to owners of parent			416		416
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	416	(0)	416
Balance at the end of current period	14,041	1	(9,777)	(1,481)	2,784

(In Millions of Yen)

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Retirement benefits adjustment	Total accumulated other comprehensive income		
Balance at the beginning of current period	34	46	148	229	31	2,629
Changes of items during the period						
Changes of minority interests						-
Profit attributable to owners of parent						416
Purchase of treasury stock						(0)
Net changes of items other than shareholders' equity	37	(74)	(162)	(200)	0	(199)
Total changes of items during the period	37	(74)	(162)	(200)	0	216
Balance at the end of current period	71	(28)	(14)	28	32	2,845

(4) Consolidated Statements of Cash Flows

(In Millions of Yen)

	April 1 to March 31	
	FY2015	FY2016
Net Cash Provided by (used in) Operating Activities :		
Income before income taxes and minority interests	(4,293)	729
Depreciation and amortization	918	668
Impairment loss	991	-
Amortization of goodwill	112	112
Increase (Decrease) in reserve for directors' retirement benefits	-	(7)
Increase (Decrease) in provision for bonuses	(1)	(12)
Increase (Decrease) in allowance for resource-recycling expenses	6	(9)
Increase (Decrease) in allowance for doubtful accounts	(512)	(1)
Increase (Decrease) in liabilities in retirement	59	(128)
Interest and dividends income	(70)	(20)
Interest expenses	224	236
Loss (Gain) on sales of investment securities	(162)	-
Loss (Gain) on sales of tangible fixed assets	789	(2)
Increase (Decrease) in notes and accounts receivable-trade	8,107	675
Increase (Decrease) in inventories	3,108	1,704
Increase (Decrease) in other current assets	(262)	(191)
Increase (Decrease) in notes and accounts payable-trade	(11,074)	(804)
Increase (Decrease) in consumption tax refund receivable	(855)	(115)
Increase (Decrease) in other current liabilities	(2,207)	(527)
Other	150	(166)
Subtotal	(4,973)	2,137
Interest and dividends income received	70	20
Interest expenses paid	(229)	(246)
Income taxes paid	(287)	(252)
Income taxes refund	16	10
Net cash provided by operating activities	(5,403)	1,668
Net Cash Provided by (used in) Investment Activities :		
Payments into time deposits	(2,179)	(659)
Proceeds from withdrawal of time deposits	2,945	725
Purchase of tangible fixed assets	(679)	(454)
Proceeds from sales of tangible fixed assets	709	62
Purchase of intangible assets	(93)	(25)
Proceeds from sales of investment securities	318	-
Payments for lease and guarantee deposits	(20)	(131)
Collection of lease and guarantee deposits	58	71
Other	3	0
Net cash provided by investing activities	1,062	(409)
Net Cash Provided by (used in) Financing Activities :		
Increase (Decrease) in short-term loans payable	3,757	2,851
Repayments of long-term loans payable	(2,128)	(954)
Redemption of bonds	(20)	(10)
Repayments of finance lease obligations	(256)	(257)

Other	(63)	(192)
Net cash provided by financing activities	1,288	1,437
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(58)	(39)
Net Increase (Decrease) in Cash and Cash Equivalents	(3,111)	2,656
Balance of Cash and Equivalents at beginning of period	5,329	2,218
Balance of Cash and Equivalents at end of period	2,218	4,875

(5) Notes to the Consolidated Financial Statements

(Notes to Assumption of Going Concern)

The Group recorded a significant operating loss, ordinary loss, and loss attributable to owners of parent in both the fiscal year ended March 31, 2015 and the fiscal year ended March 31, 2016. In the fiscal year under review, however, the Group recorded operating income of ¥1,036 million, ordinary income of ¥907 million and Profit attributable to owners of parent of ¥416 million.

Nevertheless, the Group is still working toward achieving the medium-term business plan, and its interest-bearing debt is ¥14,634 million, which is high compared with its liquidity on hand. Accordingly, the Company recognizes that it is still susceptible to events and conditions that cast significant doubt on going concern assumptions.

To overcome the situation, the Company believes that in light of the business environment surrounding the solar electric power business, it is essential to further strengthen its business foundation to achieve sustainable growth. The Company is therefore focusing on the following measures as part of the medium-term business plan (FY2016 - FY2018) announced on April 15, 2016.

i) A well-balanced allocation of management resources to business divisions

The Company is scaling down the SE Division to an appropriate size based on a reasonable analysis of the external environment, rebuilding the HS Division and the ES Division, and further improving the efficiency of the Environmental Resources Development Division.

ii) Strengthening the business base through thorough streamlining

The Company is disposing of assets in accordance with the downsizing of the SE Division (the elimination and consolidation of stores, the scaling down of the production of power conditioners, the downsizing of logistics and production operations, and the closure of a logistics center).

The Company called for voluntary retirement (approximately 500 employees) to reduce employee numbers to an appropriate level for its sales and 391 employees took voluntary retirement as a result, which was fewer than the number called for but is more or less in line with the initial plan if natural attrition is taken into account. The Company is also reducing the wages of all employees across the board.

iii) Enhancement of the governance system

At the 38th Annual General Meeting of Shareholders held on June 29, 2016, the Company increased the number of outside directors by one, to a total of three. The Company is also strengthening the management oversight functions of the Board of Directors and changing the business execution system to clarify the responsibilities of each business division.

The Company expects that its profitability will improve through these initiatives and will remain in the black. The Company has steadily implemented the medium-term business plan (FY2016 - FY2018) developed on the assumption of the continued support of the main financing bank. The Company expects to continue to receive support and cooperation in financing and will work to stabilize cash management.

However, we have not completed these initiatives, and the support and cooperation of the main financing bank is not ensured, although we have obtained its understanding. We therefore recognize that there is significant uncertainty regarding the going concern assumption.

The consolidated financial statements were prepared based on the assumption of a going concern, and did not reflect the impact of these serious doubts regarding our ability to continue as a going concern.

4. Supplemental Information

Consolidated Net Sales by Division

By item	By period	(In Millions of Yen)		Changes
		From April 1 to March 31		
		FY2015	FY2016	
Commercial PV System		34,419	24,228	(10,190)
Wholesales of PV Components		5,351	1,889	(3,462)
Others		99	107	7
Solar Engineering Total		39,871	26,225	(13,645)
Termite Eradication Service		2,459	2,159	(299)
Under-Roof / Roof Ventilation System		895	854	(40)
Foundation Repairing/Home Reinforcement System		377	582	204
Others		2,787	2,965	178
Home Sanitation Division Total		6,519	6,562	42
Anti-rust Equipment Installation		41	120	78
Repair of Building Water-woks		405	348	(57)
Water Proofing of Building		121	171	50
Others		356	393	37
Establishment Sanitation Division Total		924	1,033	109
Plastic Fuel		7,227	7,139	(88)
Generation of Electricity		3,986	6,806	2,819
Industrial Waste (Organic Waste Water Recycle)		1,604	1,768	164
Final Disposal		702	648	(53)
Others		1,080	770	(309)
Environmental Resources Development Division Total :		14,601	17,133	2,532
Total Net Sales		61,916	50,955	(10,961)

(note) We have omitted description on the information that is too multifarious to see the exact volume of item.