



TICKER : 4651

for Energy, for Environment

Photovoltaic Solution

Total Sanitation

Environmental Resources Development

Consolidated Financial Statements

For the First Quarter ended June 30,2014

1Q

AUG 12,2014



for Energy, for Environment

1. Financial Results for FY2014 1Q(ended June 30,2014) Page3

2. Forecast for FY2014(ending March 31,2015) Page14

Disclaimer

This material contains certain forward-looking statements. Such forward-looking statements are not intended to provide guarantees of our future performance and are based on certain assumptions and management's judgment based on currently available information. Therefore, actual results in future earnings and operating results may materially differ from those contained in the forward-looking statements.

The following items are among the factors that could cause actual results to differ materially from the forward-looking statements in this material:

changes in economic environment in Japan and abroad, business condition in Japanese manufacturing industry, competition with other manufacturers, changing technology, regulatory environment, new legislation and any other factors which are beyond our control.

In addition, this presentation is not intended to solicit investment to securities issued by us. We assume no responsibility for any losses and liabilities that may be incurred because of information contained in this material.

(Note) Numbers are rounded off to the nearest whole number.



for Energy, for Environment

1. Financial Results for FY2014 1Q(ended June 30,2014)

The Group changed the name of the Commercial Photovoltaics (PV) Division to the Solar Engineering (SE) Division and also transferred the business of PV systems for homes, etc. belonging to the Home Sanitation (HS) Division and the Establishment Sanitation (ES) Division to the SE Division, effective from the first quarter under review. (please refer page 21 about this restructuring)

millions of Yen	FY2013 1Q	FY2015 1Q			
	Results	Results	YoY	Forecast	% to Forecast
Net Sales	15,753	21,714	137.8%	27,331	79.4%
Gross Profit	4,631	4,806	103.8%	6,143	78.2%
Gross Profit Margin	29.4%	22.1%		22.5%	
Operating Income	965	(1,129)	—	1,040	—
Operating Margin	6.1%	—		3.8%	
Ordinary Income	924	(1,005)	—	995	—
Ordinary Income Margin	5.9%	—		3.6%	
Net Income	778	(1,222)	—	637	—
Net Income Margin	4.9%	—		2.3%	

1)Sales As for sales in the first quarter under review, the SE Division posted substantial revenue growth in PV systems. In the Environmental Resources Development (ERD) Division, revenue from the electricity sales of TOMAKOMAI Power Plant increased, but plastic fuel revenue and organic waste processing revenue declined due to decreases acceptance volumes. The HS and ES Divisions posted sharp revenue declines because they transferred PV business to the SE Division and focused on sanitation-related maintenance for existing customer. As a consequence, the Net Sales of the entire group were ¥21,714 million, or up 37.8% from a year earlier.

2)Income In terms of profitability, in the SE Division, PV systems registered increased profit. However, power companies took a long time investigating grid connection, preventing growth in the number of installations and, as a result, profit growth was not enough to absorb fixed costs and the segment posted an operating loss. The ERD Division reported decreased profit due to a reduction in acceptance volumes. The HS and ES Divisions showed decreased profits due to lower sales as a result of switching to a system of focusing on maintenance for existing customer. As a consequence, for the whole group, the operating loss of ¥1,129 million compared to the operating income of ¥965 million in the same period of a prior year, and the ordinary loss was ¥1,005 million (ordinary income of ¥924 million in the same period of a prior year), with the net loss of ¥1,222 million from net income of ¥778 million of net income in the year earlier period.

Statement of Net Sales and Income by Segment

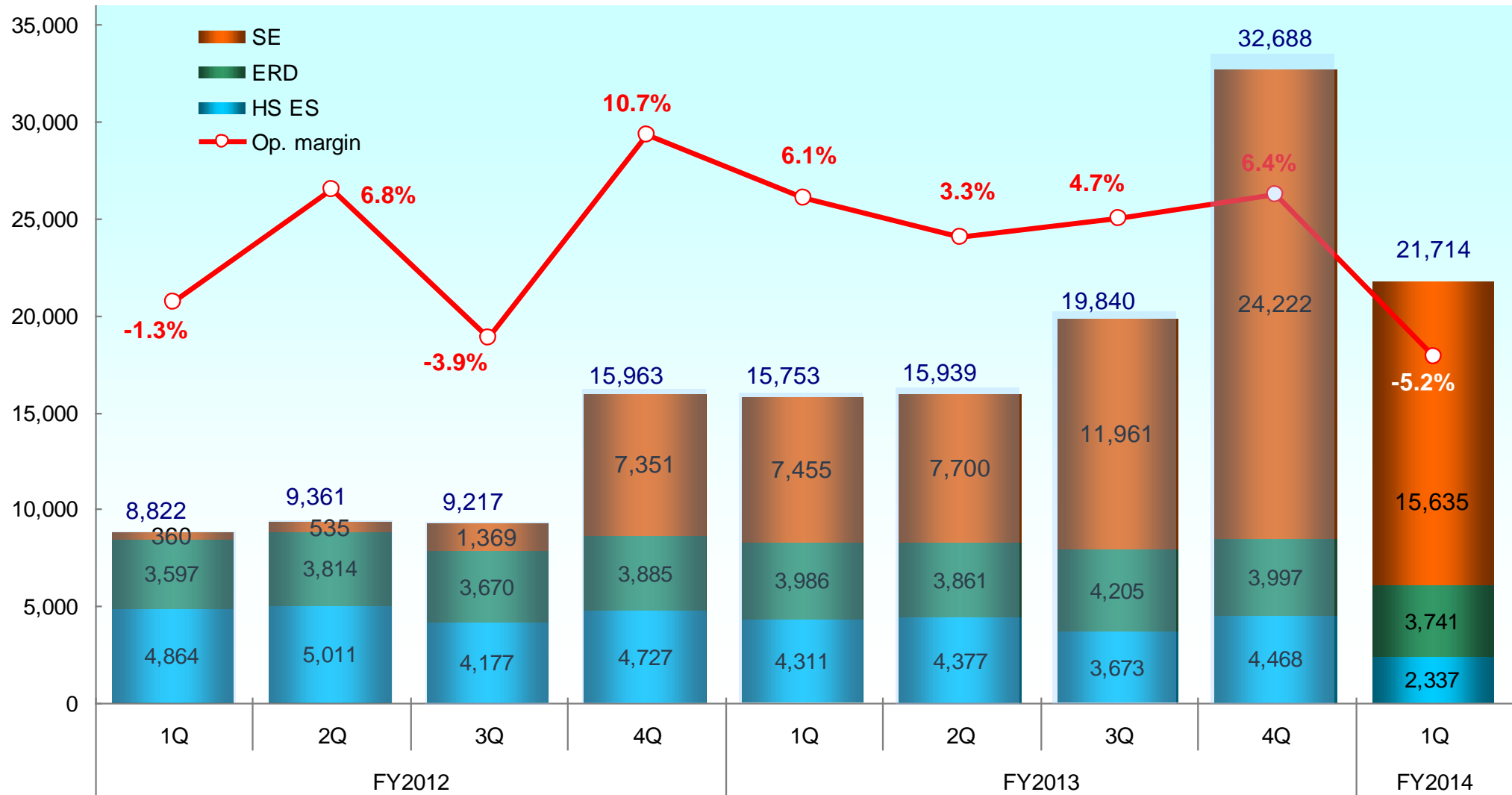
millions of Yen	FY2013 1Q		FY2014 1Q				
	Results	Proportion	Results	Proportion	YOY	Forecast	% to Forecasts
Net Sales	15,753		21,714		137.8%	27,331	79.4%
SE	8,544	54.2%	15,635	72.0%	183.0%	21,198	73.8%
ERD	3,986	25.3%	3,741	17.2%	93.9%	3,856	97.0%
HS ES	3,222	20.5%	2,337	10.8%	72.5%	2,276	102.7%
Gross Profit	4,631	29.4%	4,806	22.1%	103.8%	6,143	78.2%
SG&A	3,665	23.3%	5,935	27.3%	161.9%	5,102	116.3%
Operating Income	965	6.1%	(1,129)	—	—	1,040	—
SE	680	<u>8.0%</u>	(930)	—	—	1,057	—
ERD	439	<u>11.0%</u>	374	<u>10.0%</u>	85.4%	352	106.3%
HS ES	507	<u>15.7%</u>	280	<u>12.0%</u>	55.2%	447	62.5%
Group	(660)	—	(854)	—	—	(817)	—

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

The underlined percentage indicate Operating Margin of each segment.

Segment Information (changes)

(millions of Yen)



· Figures for the same period of the previous year, SE are the results of former CPS division, and HS and ES include the sales of PV system.

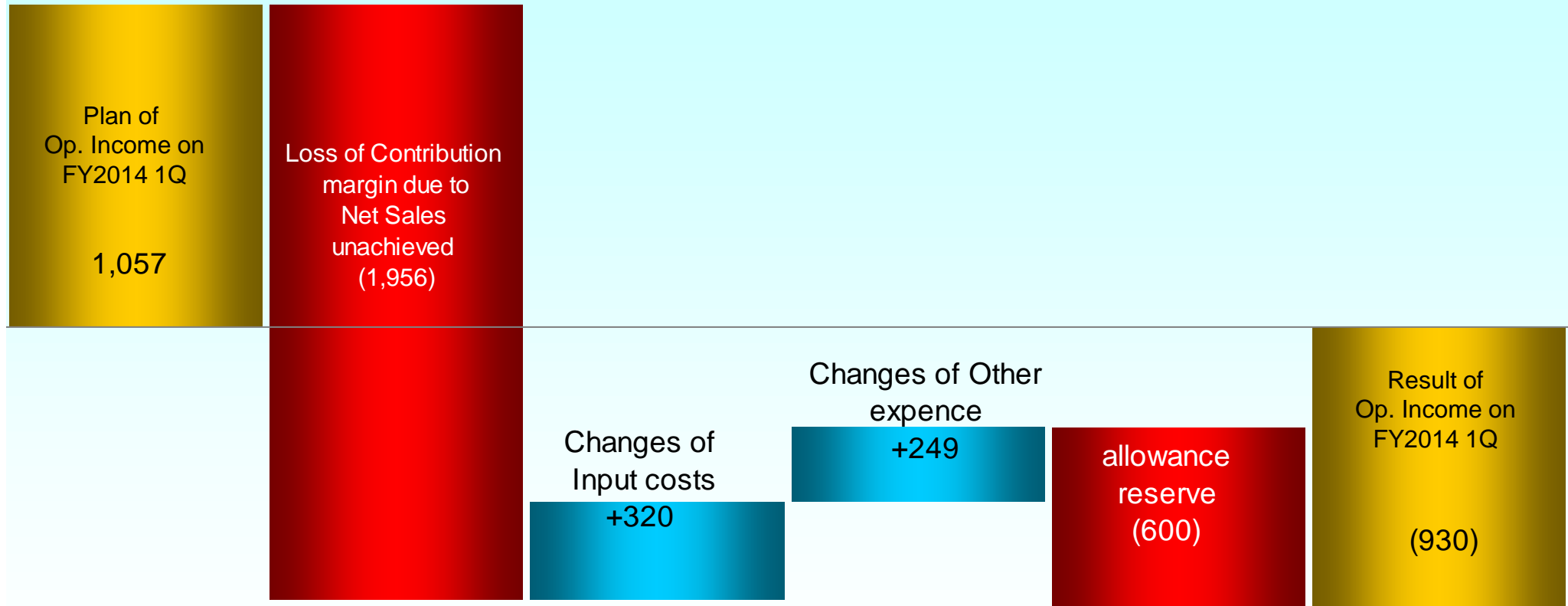
millions of yen	FY2013 1Q		FY2014 1Q				
	Results	Proportion	Results	Proportion	YOY	Forecast	% to Forecast
Net Sales	8,544		15,635		182.9%	21,198	73.8%
Photovoltaic System							
Direct(western Japan)	6,190	72.4%	13,650	87.3%	220.5%	18,073	75.5%
Direct(Eastern Japan)	594	7.0%	1,190	7.6%	200.3%	1,850	64.3%
Wholesale(Eastern)	1,760	20.6%	765	4.9%	43.5%	1,247	61.3%
Others	—	—	29	0.2%	—	27	107.5%
Gross Profit	2,152	25.2%	2,946	18.8%	136.9%	4,401	66.9%
SG&A	1,472	17.2%	3,876	24.8%	263.3%	3,343	115.9%
advertising expence	594	7.0%	527	3.4%	88.7%	530	99.4%
Allowance for doubtful accounts	15	0.2%	600	3.8%	—	—	—
Operating Income	680	8.0%	(930)	—	—	1,057	—

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

The number of installations of commercial PV systems, which are the main product in this segment, increased to ¥15,635 million. The division posted an operating loss of ¥930 million (compared with operating income of ¥680 million in the same period of the previous year), reflecting a sharp increase in fixed costs such as labor costs as a percentage of sales. This is because the Group expects the number of installations of PV systems to increase steadily through the second half of fiscal year and continued to actively recruit installation staff necessary to improve and expand the installation system. However, in the first quarter under review, the timing of installations was delayed largely because power companies took a long time examining grid connection and sales only increased 82.9% compared with the same period of the previous year. (For reference: Changes in SE Division staff: Average number of staff increased from 555 in Apr-Jun 2013 to 2,395 in Apr-June 2014)

Changes of Operating Income on SE division

(millions of Yen)



* allowance reserve : reserving of long-termed account receivable collection by company's own regulation.

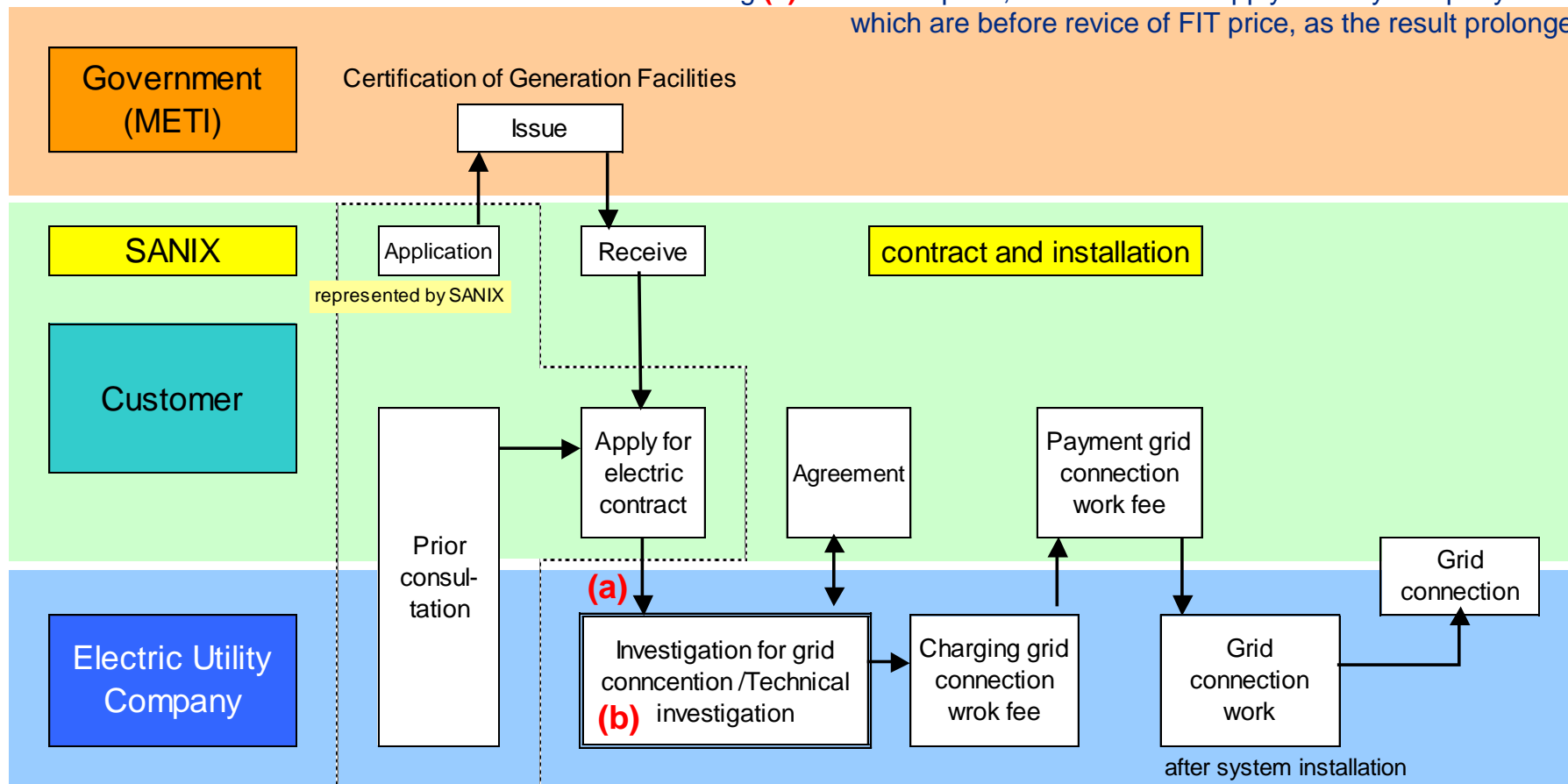
Main Reason of the Unachievement of Sales (SE)

Prolongation of investigation period on Power company

Because it has been taking longer than the Company anticipated at the time of the previous announcement of the operating results forecast for the first half (May 14, 2014) for an electric utility companies to investigate each connection after the submission of an application for the connection to grid system, the number of installations was lower than planned. The main reason for the long time taken for the connection investigation is considered to be the rising volume of administrative work on each electric utility companies is required to undertake as a result of a significant increase in the number of certifications generation facilities of commercial PV system in February and March 2014. So, it must be shifted of about ¥12,000 million of installation to 2nd half of next fiscal year.

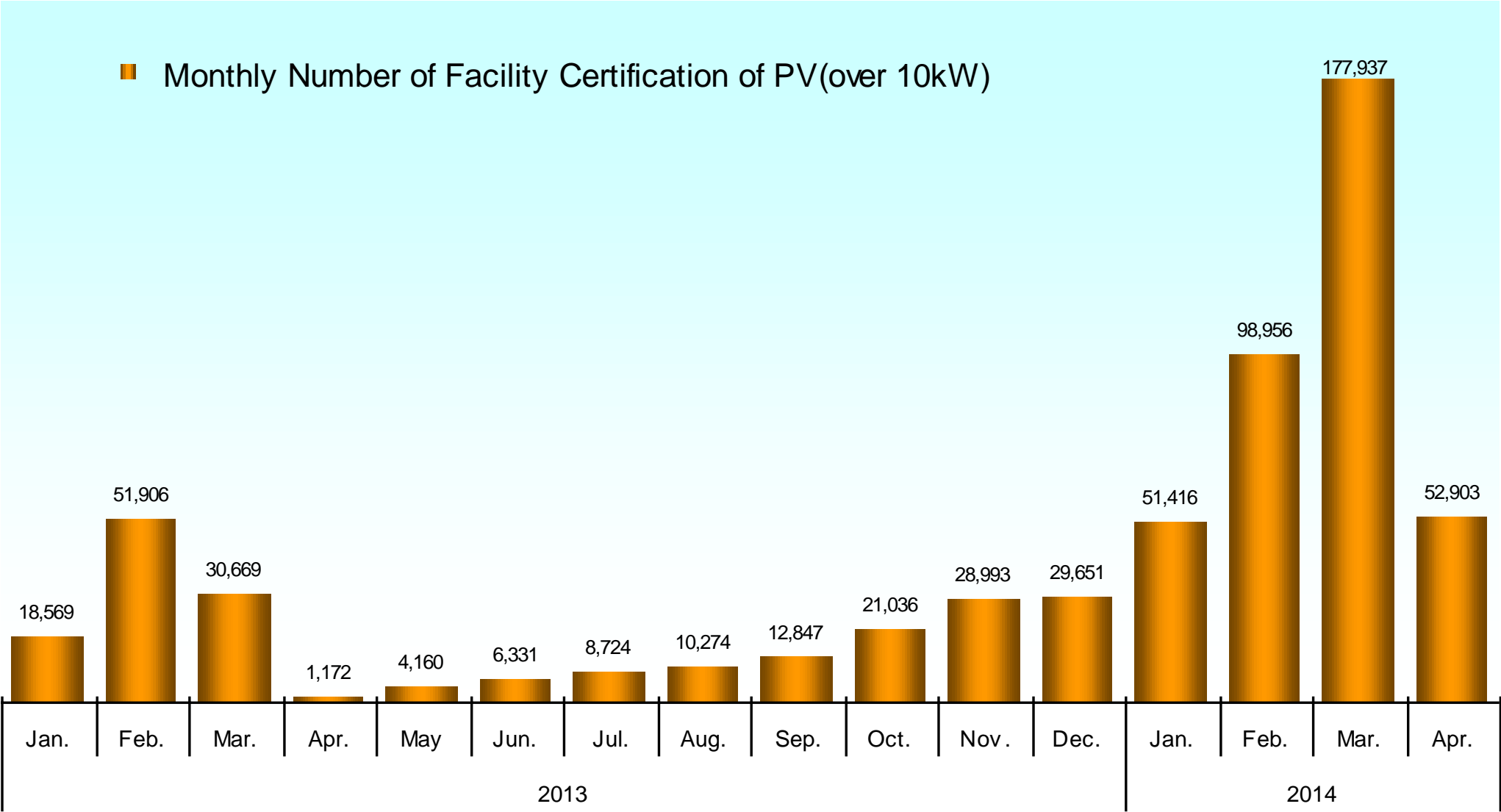
(reference) Steps to grid connection of commercial PV system

Because timing (a) decide the price, it cause rush of apply to utility company on Feb. and Mar. which are before revise of FIT price, as the result prolonged (b) period.



(reference)Number of Facility Certification by METI

Number of facility certification of commercial PV announced by METI



The Company arranged METI data.

(reference) QonQ of P/L of SE

millions of yen	FY2013								FY2014	
	1Q		2Q		3Q		4Q		1Q	
	Result	%to Sales	Result	%to Sales	Result	%to Sales	Result	%to Sales	Result	%to Sales
Net Sales	7,455		7,700		11,961		24,222		15,635	
Cost of Sales	5,652	75.8%	5,826	75.7%	9,219	77.1%	18,954	78.3%	12,689	81.2%
Material	4,363	58.5%	4,399	57.1%	6,736	56.3%	14,434	59.6%	8,218	52.6%
Labour	356	4.8%	554	7.2%	1,009	8.4%	1,877	7.7%	2,070	13.2%
Subconstructed	611	8.2%	527	6.8%	765	6.4%	1,421	5.9%	1,191	7.6%
Others	320	4.3%	345	4.5%	707	5.9%	1,222	5.0%	1,209	7.7%
Gross Profit	1,803	24.2%	1,873	24.3%	2,742	22.9%	5,268	21.7%	2,946	18.8%
SG&A	1,248	16.7%	1,475	19.2%	1,737	14.5%	2,816	11.6%	3,876	24.8%
Personnel	431	5.8%	551	7.2%	644	5.4%	1,074	4.4%	1,327	8.5%
Advertisement	594	8.0%	406	5.3%	357	3.0%	379	1.6%	527	3.4%
Others	222	3.0%	517	6.7%	735	6.1%	1,361	5.6%	2,021	12.9%
Op. Income	554	7.4%	398	5.2%	1,004	8.4%	2,451	10.1%	△ 930	—

· Figures of the the previous year, its are the results of former CPS division.

millions of Yen	FY2013 1Q		FY2014 1Q				
	Results	% to Sales	Results	%to Sales	YOY	Forecast	% to Forecast
Sales	3,986		3,741		93.9%	3,856	97.0%
Waste Plastic	2,427	60.9%	1,903	50.9%	78.4%	2,260	84.2%
Power Generation	817	20.5%	977	26.1%	119.6%	915	106.8%
Organic Waste Water	441	11.1%	410	11.0%	92.9%	464	88.3%
Final Disposal	154	3.9%	174	4.7%	113.0%	141	123.4%
Others	145	3.7%	276	7.4%	189.7%	74	368.8%
Gross Profit	1,006	25.3%	818	21.9%	81.3%	832	98.3%
SG&A	567	14.2%	443	11.9%	78.2%	480	92.5%
Operating Income	439	11.0%	374	10.0%	85.4%	352	106.3%

Revenue from plastic fuel decreased 21.6% year on year, reflecting a reduction in the acceptance volume of waste plastic. Revenue from electricity sales rose 19.6% compared to the same period of the previous year due to stable operation of the TOMAKOMAI Power Plant. Revenue from organic waste processing fell 7.1% year on year, due to decreased acceptance volume. As a result, the net sales decreased 6.1% to ¥3,841 million compared to the year earlier period. The operating income decreased 14.6% to ¥374 million due to decrease in sales.

Segment Information(HS and ES)

millions of yen	FY2013 1Q		FY2014 1Q				
	Results	% for Sales	Results	% for Sales	YOY	Forecast	% to Forecast
Sales	3,222		2,337		72.5%	2,276	102.7%
HS division	2,619	81.3%	2,064	88.3%	78.8%	2,042	101.1%
ES division	602	18.7%	273	11.7%	45.4%	233	116.8%
Gross profit	1,472	45.7%	1,041	44.5%	70.7%	909	114.5%
SG&A	965	30.0%	761	32.6%	78.9%	461	164.8%
Operating Income	507	15.7%	280	12.0%	55.2%	447	62.5%

HS Division

The HS Division transferred houseuse PV system business, which was included in its results for the first quarter of the previous fiscal year, to the SE Division and focused on sanitation management-related maintenance for existing customer including “termite control” and “sub-floor/roof ventilation system”. As a result, the net sales decreased 21.2% to ¥2,064 million compared to the year earlier period. The operating income decreased 32.8% to ¥330 million due to decrease in sales.

ES Division

The ES Division transferred PV system business, which was included in its results for the first quarter of the previous fiscal year, to the SE Division and focused on sanitation management-related maintenance for existing customer of buildings, condominiums, etc. As a result, the net sales decreased 54.6% to ¥273 million compared to the year earlier period. The operating loss of ¥50 million due to decrease in sales (operating income of ¥15 million in the same period of a prior year).

SANIX

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Forecast for FY2014(ending March 31,2015)

Revision of Forecast for 1st Half

SANIX has revised the consolidated earning forecast for the first half of the fiscal year ending March 31,2015, which were announced May 14,2014, on August 5, 2014.

millions of Yen	FY2014 1H Revised Forecast				
	1Q Result	2Q Revsed Plan	1st Half	Former Plan	Changes
Net Sales	21,714	29,485	51,200	62,600	△ 11,400
SE	15,635	23,281	38,917	50,477	△ 11,560
ERD	3,741	4,034	7,776	7,790	△ 14
HS ES	2,337	2,169	4,507	4,333	+ 174
Gross Profit	4,806	6,413	11,220	14,600	△ 3,380
SG&A	5,935	6,534	12,470	11,000	+ 1,470
Operating Income	(1,129)	(120)	(1,250)	3,600	△ 4,850
SE	(930)	(103)	(1,034)	3,837	△ 4,871
ERD	374	229	604	545	+ 59
HS ES	280	596	877	825	+ 52
Group	(854)	(842)	(1,697)	(1,607)	△ 90
Ordinary Income	(1,005)	(134)	(1,140)	3,500	△ 4,640
Net Income	(1,222)	(267)	(1,490)	2,240	△ 3,730

Because it has been taking longer than the Company anticipated at the time of the previous announcement of the operating results forecast for the first half (May 14, 2014) for an electric utility companies to investigate each connection after the submission of an application for the connection to grid system, the number of installations was lower than planned. The main reason for the long time taken for the connection investigation is considered to be the rising volume of administrative work on each electric utility companies is required to undertake as a result of a significant increase in the number of certifications generation facilities of commercial PV system in February and March 2014.

Segment Forecast for FY2014

SANIX has revised the consolidated earning forecast for the first half of the fiscal year ending March 31,2015, which were announced May 14,2014, on August 5, 2014.

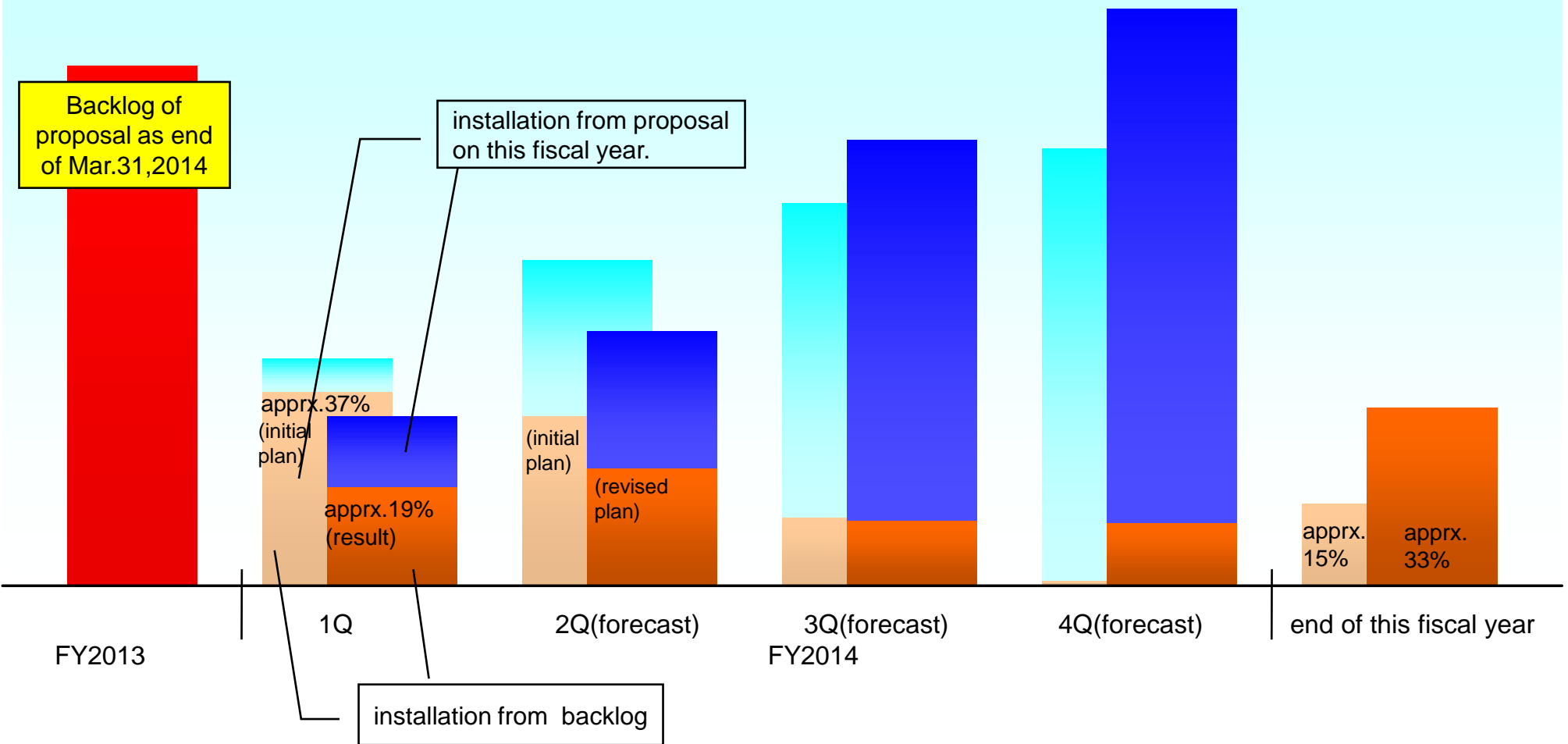
	FY2014 Revised Forecast						
	millions of Yen	1H			Full Year		
		Forecast	%for Sales	YOY	Forecast	%for Sales	YOY
Net Sales	51,200		161.6%	161,500		191.8%	
SE	38,917	76.0%	223.8%	136,785	84.8%	241.9%	
ERD	7,776	15.2%	99.1%	16,363	10.2%	101.9%	
HS ES	4,507	8.8%	69.8%	8,352	5.1%	71.8%	
Gross Profit	11,220	21.9%	124.6%	40,473	23.9%	188.9%	
SG&A	12,470	24.4%	166.1%	26,473	15.2%	156.5%	
Operating Income	(1,250)	—	—	14,000	8.7%	310.5%	
SE	(884)	—	—	14,716	<u>10.6%</u>	304.8%	
ERD	604	<u>7.8%</u>	116.6%	1,440	<u>8.8%</u>	105.5%	
HS ES	763	<u>16.9%</u>	76.9%	1,314	<u>16.9%</u>	143.8%	
Group	(1,733)	—	—	(3,470)	—	—	
Ordinary Income	(1,140)	—	—	13,800	8.5%	320.2%	
Net Income	(1,490)	—	—	8,830	5.5%	297.8%	

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

We has not changed its operating results forecast for the full fiscal year ending March 2015 announced on May 14, 2014 because, in commercial PV systems, the level of the application for facility certification to the Company since May 2014 has reached the point where it significantly exceeds the initially anticipated level, and the Company believes that it will be able to make up for a shortfall in sales against forecast net sales for the first six months of the current fiscal year in the second half of the current fiscal year by revising its sales strategy and focusing on acquiring projects whose construction will commence promptly.

(reference) progress of Installation for Proposal

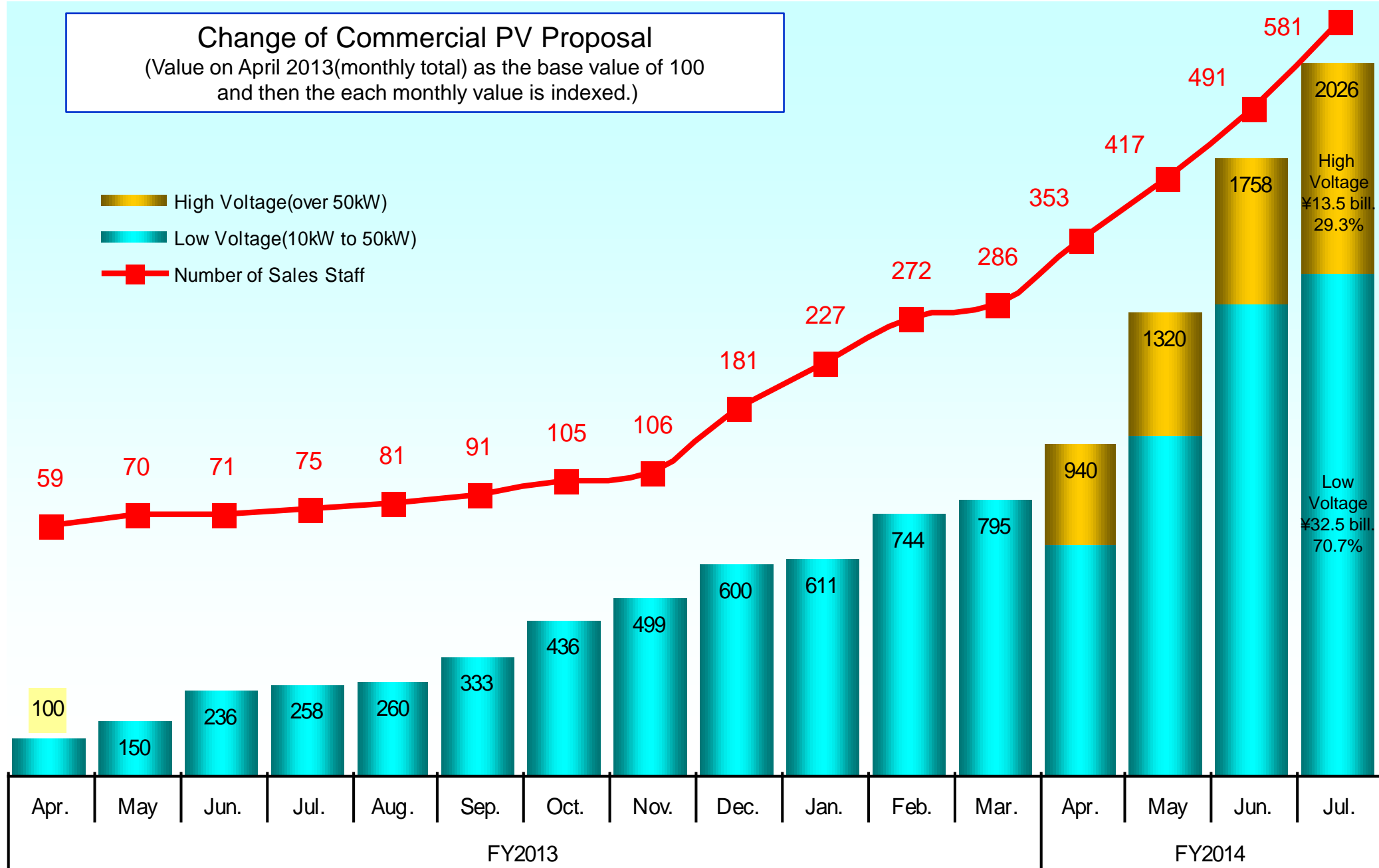
The progress of installation against proposal as end of Mar. 31,20014(SE-west)



light colard bars means forecast volume on initial plan.
dark colard bars are the volumes of result on 1Q and on revised plan.

(Reference) Change of Commercial PV Proposal

On the graphic, its are only western Japan before Mar.2014 , after Apr.2014 are total of western and eastern Japan .



"Proposal" means SANIX accept the application letter for 'Certification of Generation Facilities for PV' to government (METI) from our customers.

Forecasts of Expense Status of SE division

Change in Marginal Profit Ratio at SE Division(direct sales/installation)

A marginal profit ratio is shown as profit ratio which is subtracted variable cost such as material, expendables, outsourcing and transportation fee is used as a marginal profit Income ratio.

		FY2013	FY2014				
(%)		4Q result	1Q	2Q	3Q	4Q	FY
marginal profit ratio	original Plan	34.4	35.2	36.5	36.4	35.9	36.0
	revised Plan		(result) 35.2	35.4	36.7	36.8	36.3

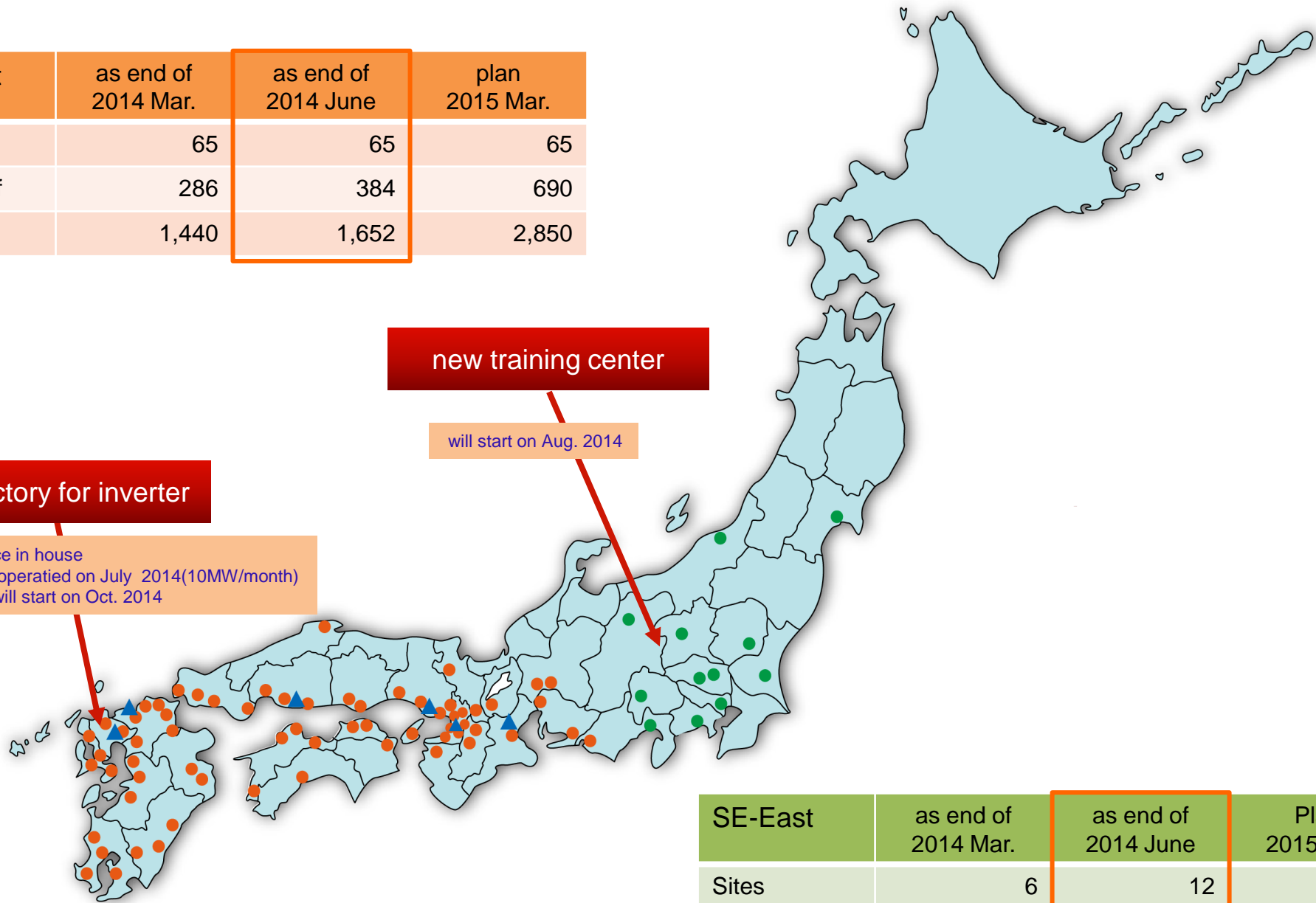
Changes of Fixed cost ratio for business expansion of SE

The table shown implies the share of each fixed cost(personnel) and others(payroll cost, rent cost, transportation cost and common expense) in SE division.

		FY2013	FY2014				
(%)		4Q result	1Q	2Q	3Q	4Q	FY
Personnel Cost	original Plan	13.1	17.1	15.6	15.6	13.7	15.2
	revised Plan		(result) 21.7	18.5	13.5	11.8	14.6
Others	original Plan	9.8	10.8	7.5	7.0	6.5	7.5
	revised Plan		(result) 13.1	10.7	7.5	6.4	8.3
Fixed Cost Total	original Plan	22.9	27.8	25.0	23.7	20.8	23.5
	revised Plan		(result) 33.9	29.2	21.1	18.2	22.7

Plan of PV business operation system

SE-West	as end of 2014 Mar.	as end of 2014 June	plan 2015 Mar.
Slts	65	65	65
Sales staff	286	384	690
Engineer	1,440	1,652	2,850



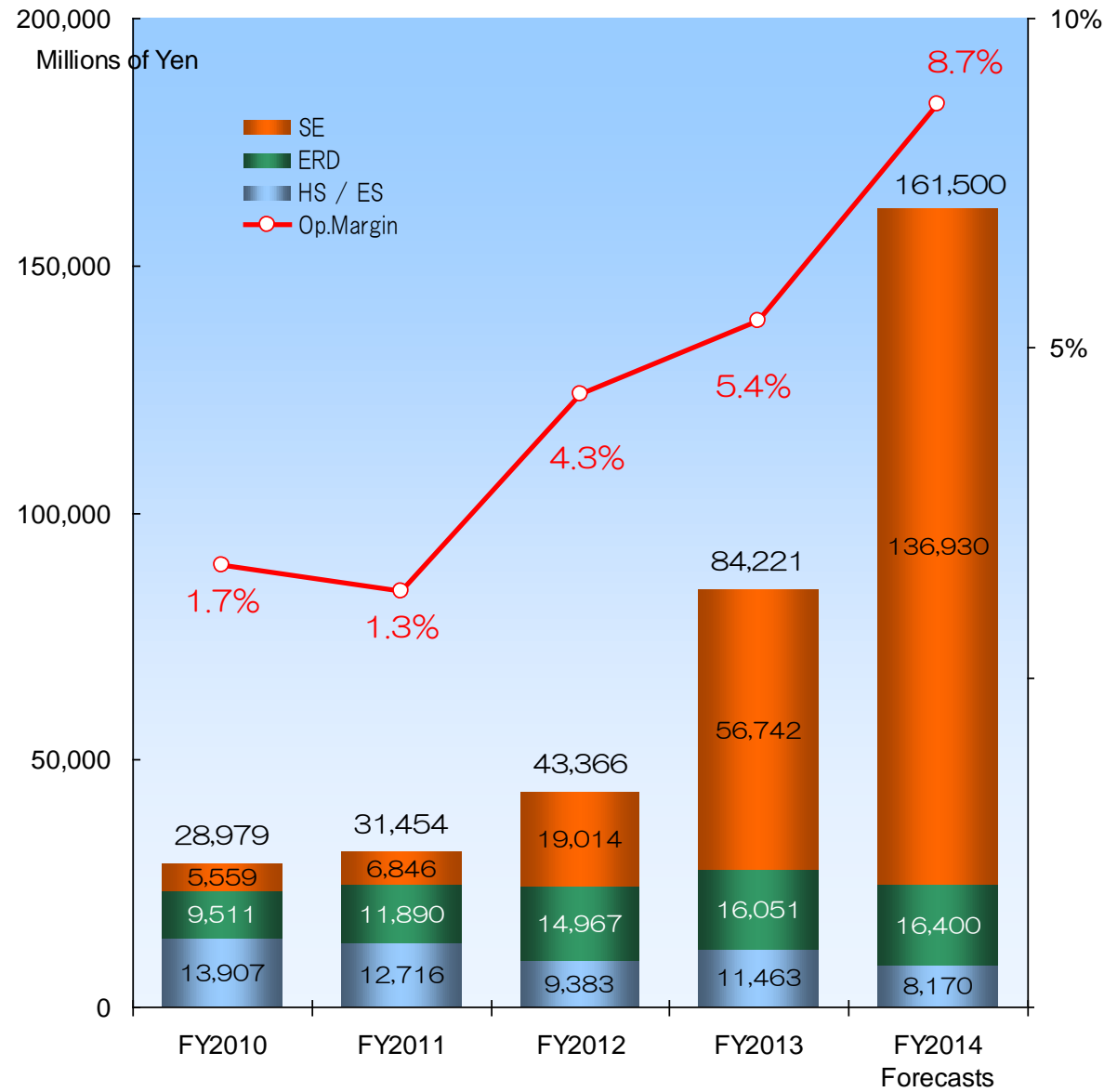
▲ : Logistic sites
sites are shown as end of Jun. 2014.

SE-East	as end of 2014 Mar.	as end of 2014 June	Plan 2015 Mar.
Sites	6	12	15 - 20
Sales Staff	60	107	315
Engineer	41	102	460

Whole Group Forecasts for FY2014

Net Sales and Operating Margin Ratio

There is no change in the forecast announced on May 14, 2014.



Forecasts for FY2014
(ending March 31, 2015)

Net Sales : 161,500MY

Operating Income : 14,000MY

Operating Margin : 8.7%

